

PIEDMONT TRIAD REGIONAL WATER AUTHORITY

Financial Statements and
Supplementary Information

As of and for the Years Ended June 30, 2023 and 2022



PIEDMONT TRIAD REGIONAL WATER AUTHORITY

Randleman, North Carolina

BOARD OF DIRECTORS

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Lewis Dorsett, Vice Chairman

John Bencini, Secretary & Treasurer

Darrell Frye

David Byrum

David Parrish

Dennis Mabe

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Robert Bald

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Joy Sparks, Finance Officer

Rebecca Brown, Deputy Finance Officer

Greg Flory, Executive Director

PIEDMONT TRIAD REGIONAL WATER AUTHORITY
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Independent Auditors' Report

To the Board of Directors
Piedmont Triad Regional Water Authority
Randleman, North Carolina

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying statements of net position of the Piedmont Triad Regional Water Authority (the Authority) as of and for the year ended June 30, 2023, and the related statement of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority as of June 30, 2023, and the respective 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Prior Period Financial Statements

The financial statements of the Authority as of June 30, 2022 were audited by other auditors whose report dated October 5, 2022, expressed an unmodified opinion on those financial statements.

Responsibilities of Management for the Financial Statements

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

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

Auditors' 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 auditors' report that includes our opinions. 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 and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The Operating Fund – Schedule of Revenues, Expenditures, and Supplemental Budget Expenditures – Budget and Actual (Non-GAAP), are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedules are the responsibility of management and were derived from and relate 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, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2023, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

RH CPAs, PLLC

Greensboro, North Carolina
October 31, 2023



MANAGEMENT'S DISCUSSION AND ANALYSIS

PIEDMONT TRIAD REGIONAL WATER AUTHORITY
Management's Discussion And Analysis
June 30, 2023

The management of the Piedmont Triad Regional Water Authority (the Authority) offers readers of the Authority's financial statements this narrative overview and analysis of their financial activities for the fiscal year ended (FYE) June 30, 2023 and 2022. 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 for the Year Ended June 30, 2023

- 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 \$117,879,553 (*net position*).
- The Authority's net position increased by \$757,471 (or 0.6%) to \$117,879,553, as compared to the previous year's end. Net investment in capital assets decreased by \$240,768 (or -0.2%) as compared to the previous year's end. Unrestricted net position increased by \$998,239 to \$20,682,690 during the FYE June 30, 2023.
- The operating revenues are \$8,988,489 for the fiscal year.
- Total operating expenses of all the Authority's programs were \$8,499,462 during the FYE June 30, 2023.
- The Authority's total debt decreased by \$1,391,610 during the current fiscal year to \$8,098,522. The key factor in this decrease was the payment on existing debt. The decrease is reflected by principal payments on the 2012 Truist Water System Revenue Refunding Bond.

Financial Highlights for the Year Ended June 30, 2022

- 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 \$117,122,082 (*net position*).
- The Authority's net position increased by \$442,849 (or 0.4%) to \$117,122,082 as compared to the previous year's-end. Net investment in capital assets increased by \$1,165,849 (or 1.2%) as compared to the previous year's-end. Unrestricted net position decreased by \$723,000 to \$19,684,451 during the FYE June 30, 2022.
- The operating revenues are \$8,820,846 for the fiscal year.
- Total operating expenses of all the Authority's programs were \$8,212,756 during the FYE June 30, 2022.
- The Authority's total debt decreased by \$3,291,548 during the current fiscal year to \$9,490,132. The key factor in this decrease was the payment on existing debt. The decrease is reflected by principal payments on the North Carolina State Revolving Loan Fund and the 2012 Truist Water System Revenue Refunding Bond, including a one-time \$2,000,000 payoff of the outstanding North Carolina State Revolving Loan Fund Note Payable.

Overview of the Financial Statements

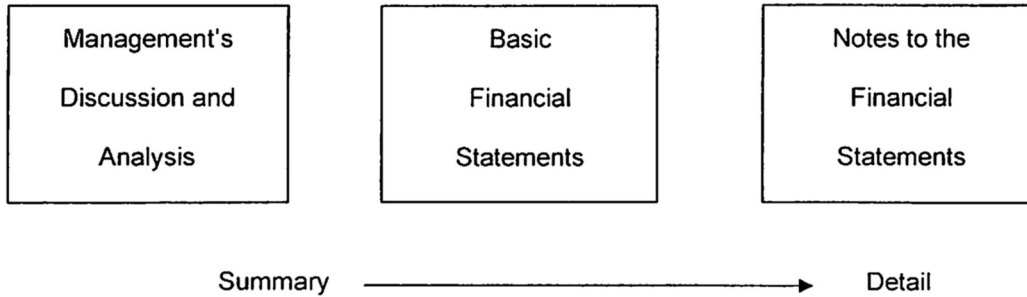
This discussion and analysis are intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statements consist of two components; 1) fund financial statements and 2) notes to the financial statements. Because the Authority is a special-purpose government engaged in business-type activities only, the financial statements are presented in accordance with paragraph 138 of Government Accounting Standards Board (GASB) Statement 34. In addition to the financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the Authority. In addition to the management's discussion and analysis, management has prepared the Statements of Net Position, the Statements of Revenues, Expenses, and Changes in Net Position, and the Statements of Cash Flows.

PIEDMONT TRIAD REGIONAL WATER AUTHORITY
Management's Discussion And Analysis
June 30, 2023

Overview of the Financial Statements (Continued)

Figure 1

Required Components of Annual Financial Reports



Overview of the Authority

The Authority's primary purpose is to develop a safe and dependable water supply (Randleman Regional Reservoir) for its members in North Carolina's Piedmont Triad region that will satisfy the projected water demand for a planning period of approximately 50 years. The safe yield of the reservoir is 48 million gallons per day (MGD) based on the Joint Governmental Agreement. Treated water will ultimately be provided to the members of the Authority in the following allocation amounts:

	<u>Committed:</u>
City of Archdale	2.45 MGD
City of Greensboro	25.50 MGD
City of High Point	9.10 MGD
Town of Jamestown	1.20 MGD
City of Randleman	1.00 MGD
Randolph County	8.75 MGD
	<u>48.00 MGD</u>

The Authority's operations, capital expansion program, and debt payments are funded by the member governments that comprise the Authority, as outlined in Joint Governmental Agreements signed by all members in 1987, 2007, and 2016. Contributions by and on behalf of the member governments have been made by cash, grants, loans, and the issuance of revenue bonds.

The Authority does not provide other general government types of services or programs and all of its activities are considered business-type activities. As such, the Authority is considered to be and, therefore, presents its financial report as a stand-alone enterprise fund.

As a stand-alone enterprise fund, the Authority's basic financial statements consist of a *Statement of Net Position*, a *Statement of Revenues, Expenses, and Changes in Net Position*, and a *Statement of Cash Flows*. These statements, together with the *Management's Discussion and Analysis*, provide both short-term and long-term financial information and implications for the Authority's financial position. To further illuminate the information contained in these statements, *Notes to the Financial Statements*; *Schedule of the Authority's Proportionate Share of the Net Pension Liability (Asset)*; *Schedule of Authority's Contributions to the Local Government Employees' Retirement System*; *Operating Fund Schedule of Revenues, Expenditures, and Supplemental Budget Expenditures – Budget and Actual (Non-GAAP)*; and *Compliance Section* appear immediately following the basic financial statements.

PIEDMONT TRIAD REGIONAL WATER AUTHORITY
Management's Discussion And Analysis
June 30, 2023

Overview of the Authority (Continued)

The *Statement of Net Position*, similar to a balance sheet, presents the Authority's basic financial position through disclosure of information about the Authority's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Net Position represents the difference between total assets, deferred outflows of resources, total liabilities, and deferred inflows of resources.

The *Statement of Revenues, Expenses, and Changes in Net Position*, similar to private sector statements, provides information regarding the Authority's total economic resource inflow and outflow (accrual method of accounting). The difference between these inflows and outflows represents the change in net position which links this statement to the *Statement of Net Position*.

The *Statement of Cash Flows* deals specifically with the flow of cash and cash equivalents/investments arising from operating, financing, capital and related financing, and investing activities. Because the Authority's *Statement of Revenues, Expenses, and Changes in Net Position* is a measurement of the flow of total economic resources, operating income usually differs from net cash flow from operations. To enhance the reader's understanding of this difference, the *Statement of Cash Flows* also includes reconciliation between these two amounts. In accordance with accounting principles generally accepted in the United States of America, a reconciliation of cash and cash equivalents/investments is also presented in this statement.

The *Notes to the Financial Statements* provide additional information critical to the understanding of the basic financial statements.

The Required Supplementary Information, *Schedule of the Authority's Proportionate Share of the Net Pension Liability (Asset)* and *Schedule of Authority's Contributions to the Local Government Employees' Retirement System* provides detailed information for the Authority share of the liability (asset) of the Local Government Employees' Retirement System and the Authority's contributions.

The Supplementary Information, *Operating Fund Schedule of Revenues, Expenditures, and Supplemental Budget Expenditures – Budget and Actual (Non-GAAP)*, contains the adopted budget and any amendments that occurred during the year.

The *Compliance Section* provides information relative to internal controls, compliance, and other matters for the Authority's financial statements.

Financial Analysis

Total Assets, Total Deferred Outflows and Inflows of Resources, Total Liabilities, and Total Net Position

The Authority completed construction of the reservoir, transmission system, and the first phase of the water treatment plant (14.7 MGD) outlined in the 1987, 2007, and 2016 Joint Governmental Agreements, which have an original estimated value in excess of \$140 million (including the special items that have been transferred to North Carolina Department of Transportation, Nature Conservancy, Randolph Heritage Conservancy, and various utilities). Funding for these improvements to date has come from payments by the Authority's members, some capital contributions by the North Carolina Department of Transportation, a loan from the North Carolina Department of Environmental Quality under the Clean Water Revolving Loan and Grant Act, and the issuance of revenue bonds.

PIEDMONT TRIAD REGIONAL WATER AUTHORITY
Management's Discussion And Analysis
June 30, 2023

Financial Analysis (Continued)

Piedmont Triad Regional Water Authority's Net Position

Figure 2

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Current and noncurrent assets	\$ 21,879,439	\$ 20,878,392	\$ 21,285,189
Capital assets, net of depreciation	105,228,709	106,848,474	109,053,462
Total assets	<u>127,108,148</u>	<u>127,726,866</u>	<u>130,338,651</u>
Deferred outflows of resources	<u>567,889</u>	<u>418,444</u>	<u>375,977</u>
Current liabilities	2,374,191	2,357,226	2,401,140
Long-term liabilities	7,384,473	8,317,673	11,603,784
Total liabilities	<u>9,758,664</u>	<u>10,674,899</u>	<u>14,004,924</u>
Deferred inflows of resources	<u>37,820</u>	<u>348,329</u>	<u>30,471</u>
Net position:			
Net investment in capital assets	97,196,863	97,437,631	96,271,782
Unrestricted	<u>20,682,690</u>	<u>19,684,451</u>	<u>20,407,451</u>
Total net position	<u>\$ 117,879,553</u>	<u>\$ 117,122,082</u>	<u>\$ 116,679,233</u>

Net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of resources of the Authority exceeded liabilities and deferred inflows of resources by \$117,879,553 as of June 30, 2023. The increase in current assets is attributable to an increase in cash and cash equivalents and Board-designated cash and cash equivalents. Board-designated cash and cash equivalents is part of the Board's strategic plan for future expenses related to membrane replacement, carbon replacement, maintenance and repair reserves, land reserves, capital reserves, and ICP-MS replacement. Capital assets, net of depreciation, decreased \$1,619,765 to \$105,228,709 due to depreciation additions. The deferred outflow of resources increased mainly due to the pension-related deferrals and contributions along with the annual recording of the amortized call premium on the 2008 Branch Banking & Trust (BB&T) revenue bond that was incurred when the 2012 Truist Equipment Finance & Leasing Corp. refunding bond was issued. Total long term liabilities decreased mainly due to the principal payments on the 2012 Truist Water System Revenue Refunding Bond. The deferred inflows of resources decreased related to the change in the net pension liability as of June 30, 2023.

The assets and deferred outflows of resources of the Authority exceeded liabilities and deferred inflows of resources by \$117,122,082 as of June 30, 2022. The decrease in current assets is attributable to an decrease in cash and cash equivalents and Board-designated cash and cash equivalents. Board-designated cash and cash equivalents is part of the Board's strategic plan for future expenses related to membrane replacement, carbon replacement, maintenance and repair reserves, land reserves, capital reserves, and ICP-MS replacement. Capital assets, net of depreciation, decreased \$2,204,988 to \$106,848,474 due to depreciation additions. The deferred outflow of resources increased mainly due to the pension-related deferrals and contributions along with the annual recording of the amortized call premium on the 2008 Branch Banking & Trust (BB&T) revenue bond that was incurred when the 2012 Truist Equipment Finance & Leasing Corp. refunding bond was issued. Total long term liabilities decreased mainly due to the additional \$2,000,000 payment to payoff the North Carolina State Revolving Loan Fund Note Payable. The deferred inflows of resources increased related to the change in the net pension liability as of June 30, 2022.

PIEDMONT TRIAD REGIONAL WATER AUTHORITY
Management's Discussion And Analysis
June 30, 2023

Financial Analysis (Continued)

Revenues, Expenses, and Changes in Net Position

The Authority is not empowered to levy or collect taxes. The Authority's operations, capital expansion program, and debt service are funded mainly from payments of its members, as outlined in the Joint Governmental Agreements of 1987, 2007, and 2016. Additionally, the Authority has been reimbursed a total of approximately \$8,500,000 by the North Carolina Department of Transportation (NCDOT) for a portion of the construction costs and engineering and inspection costs associated with road and bridge replacement projects. These replacement projects have all been completed and transferred to NCDOT.

Operating revenues increased by \$167,643 as of June 30, 2023. The majority of the increase was due to an increase in water sales for the year ended June 30, 2023. Income from marina boating and fishing activities was \$124,553 for the year ended June 30, 2023. The Authority's laboratory serves outside customers. Income from the contract laboratory operations amounted to \$74,096 for the year ended June 30, 2023. Income from membership dues decreased by \$22,787 and operating expenses increased by \$286,706 for the year ended June 30, 2023. As of June 30, 2023, net position increased in the amount of \$757,471, compared to an increase of \$442,849 for the year ended June 30, 2022, as a result of the changes in water sales, membership dues, marina revenue, and operating expenses.

Operating revenues increased by \$126,155 as of June 30, 2022. The majority of the increase was due to an increase in water sales during the year ended June 30, 2022. Income from marina boating and fishing activities was \$143,645 during the year ended June 30, 2022. The Authority's laboratory serves outside customers. Income from the contract laboratory operations amounted to \$47,375 for the year ended June 30, 2022. Income from membership dues decreased by \$8,000 and operating expenses increased by \$746,383 for the year ended June 30, 2022. As of June 30, 2022, net position increased in the amount of \$442,849, compared to an increase of \$914,695 for the year ended June 30, 2021, as a result of the changes in water sales, membership dues, marina revenue, and operating expenses.

Piedmont Triad Regional Water Authority's Changes in Net Position

Figure 3

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Revenues:			
Operating revenues	\$ 8,988,489	\$ 8,820,846	\$ 8,694,691
Total revenues	<u>8,988,489</u>	<u>8,820,846</u>	<u>8,694,691</u>
Expenses:			
Operating expenses	<u>8,499,462</u>	<u>8,212,756</u>	<u>7,466,373</u>
Total expenses	<u>8,499,462</u>	<u>8,212,756</u>	<u>7,466,373</u>
Operating income	489,027	608,090	1,228,318
Non-operating revenues (expenses)	<u>268,444</u>	<u>(165,241)</u>	<u>(313,623)</u>
Increase in net position	757,471	442,849	914,695
Net position, July 1	<u>117,122,082</u>	<u>116,679,233</u>	<u>115,764,538</u>
Net position, June 30	<u>\$ 117,879,553</u>	<u>\$ 117,122,082</u>	<u>\$ 116,679,233</u>

PIEDMONT TRIAD REGIONAL WATER AUTHORITY
Management's Discussion And Analysis
June 30, 2023

Financial Analysis (Continued)

Revenues, Expenses, and Changes in Net Position (Continued)

During the fiscal year 2022-2023, the Authority's operating activities continued with the sale of water to the member governments. These water sales consist of producing and selling 14.7 million gallons of water per day per the amended and restated Joint Governmental Agreement effective July 1, 2016. Current member allocations are as follows:

	<u>Committed:</u>	<u>Excess:</u>
City of Archdale	0.915 MGD	0.644 MGD
City of Greensboro	6.736 MGD	1.100 MGD
City of High Point	2.280 MGD	-
Town of Jamestown	0.494 MGD	0.281 MGD
City of Randleman	1.000 MGD	-
Randolph County	1.250 MGD	-
	<u>12.675 MGD</u>	<u>2.025 MGD</u>

The member governments are responsible for paying for the committed allocations at the current rate whether or not the allocation is used. The excess allocation is available for purchase, also at the current rate, if needed.

Capital Asset and Debt Administration

Capital Assets

The Authority's investment in capital assets as of June 30, 2023 and 2022 total \$105,228,709 and \$106,848,474, respectively, (net of accumulated depreciation). These assets include land and land improvements, dam, High Point Eastside discharge pipe, furniture/cameras/equipment, vehicles, fencing/gates, marina facilities, and water treatment plant and related facilities.

Piedmont Triad Regional Water Authority's Capital Assets (Net of Accumulated Depreciation)

Figure 4

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Land and improvements	\$ 41,685,354	\$ 41,685,354	\$ 41,336,360
Dam	14,707,530	15,158,577	15,611,374
High Point discharge pipe	1,948,010	2,365,440	2,782,873
Furniture/camera/equipment	187,324	194,317	183,953
Vehicles	77,215	77,103	51,687
Fencing/gates	16,004	20,948	27,575
Marina facilities	269,301	289,839	307,727
Water plant/related facilities	45,052,153	46,629,953	48,594,367
Construction in progress	1,285,818	426,943	157,546
Capital assets, net of depreciation	<u>\$ 105,228,709</u>	<u>\$ 106,848,474</u>	<u>\$ 109,053,462</u>

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

PIEDMONT TRIAD REGIONAL WATER AUTHORITY
Management's Discussion And Analysis
June 30, 2023

Capital Asset and Debt Administration (Continued)

Long-Term Debt

As of June 30, 2023, the Authority had total debt outstanding of \$8,098,522.

- \$8,098,522 to Truist Equipment Finance & Leasing Corp. for the issuance of a 2012 refunding revenue bond (interest rate 2.75%). The bond proceeds were used to retire the 2008 BB&T revenue bond (interest rate of 4.41%). In November 2021, the Authority entered into an agreement that modified and amended the 2012 agreement by reducing the interest rate from 2.75% to 1.73%. No other changes were made to the original terms of the 2012 agreement. Debt-service and interest payments for the bond will come from the participating members of the Authority (City of Archdale, Town of Jamestown, City of Randleman, and Randolph County). Principal and interest payments began in September 2012 and are due every six months (September 1 and March 1).

As of June 30, 2022, the Authority had total debt outstanding of \$9,490,132.

- \$-0- to the North Carolina Department of Environmental Quality under the Clean Water Revolving Loan and Grant Act of 1987. The loan proceeds were used for the relocation of the High Point Eastside Wastewater Treatment Plant effluent discharge. Debt-service and interest payments for this loan will come from the members of the Authority. Interest payments began in May 2007 and are due every six months (May 1 and November 1). Principal payments began in May 2007 and are due annually on May 1 for 20 years. This loan was paid off in full in April 2022.
- \$9,490,132 to Truist Equipment Finance & Leasing Corp. for the issuance of a 2012 refunding revenue bond (interest rate 2.75%). The bond proceeds were used to retire the 2008 BB&T revenue bond (interest rate of 4.41%). In November 2021, the Authority entered into an agreement that modified and amended the 2012 agreement by reducing the interest rate from 2.75% to 1.73%. No other changes were made to the original terms of the 2012 agreement. Debt-service and interest payments for the bond will come from the participating members of the Authority (City of Archdale, Town of Jamestown, City of Randleman, and Randolph County). Principal and interest payments began in September 2012 and are due every six months (September 1 and March 1).

Economic Factors and Next Year's Budget

The FY 2023-2024 budget incorporates a 3.5% increase for the membership dues and a 3.75% increase in the water rate. The increase in membership dues is in line with what has previously been recommended in the financial model developed with the construction of the water treatment plant. The slightly higher increase in the water rate is due to rising operating costs in almost all expense categories. Increased costs in the next budget cycle include: continued upward increase in chemical costs due to raw material shortages, supply chain issues and increased demand, higher energy costs due to increased fuel rates and energy infrastructure upgrades, competing salary pressures from surrounding organizations and inflationary pressures, and overall instability in the utility supply market. Amounts being set aside for capital improvements in the next budget cycle have been reduced in order to help meet the increased costs.

PIEDMONT TRIAD REGIONAL WATER AUTHORITY
Management's Discussion And Analysis
June 30, 2023

Economic Factors and Next Year's Budget (Continued)

As outlined in the Joint Governmental Agreements, the Authority's operations, debt service payments, and water sales are funded by the member governments that comprise the Authority. Since water and sewer authorities were excluded from funding in the American Rescue Plan Act of 2021 (ARPA), no ARPA funding provisions are necessary to be included in the FY 2023-2024 budget.

Contract laboratory services continue to increase annually. The Authority operates the only certified lab located within the Piedmont Triad region and provides an affordable option for those who are required to conduct water quality compliance testing. Annually, approximately 100 customers utilize the Authority's lab services. These customers are mainly comprised of mobile home parks, churches, daycares, and restaurants. Additionally, lab revenue can fluctuate based on the current housing market. Local real estate firms depend upon the Authority's lab to provide the water testing services required by mortgage companies when home utilities are provided by private wells.

Current economic pressures still appear to be affecting the customers who are likely to visit the marina. While data indicates that the quality of the fishing is consistent with prior levels, usage numbers indicate that people are forgoing fishing as a routine recreational activity. This is most likely due to the high cost of operating boats, given current fuel costs. This assumption is supported by the fact that the rentals of kayaks at the marina continues to see robust volume. However; this is not a high revenue producing activity for the marina. Budgeted marina revenue for the next fiscal year will be reduced to reflect the anticipated attendance decline.

With expansion of the water treatment plant set to begin construction in late 2024, an estimated funding for the final engineering design of the water treatment plant expansion, engineering design of emerging compound treatment and a feasibility rate study will be included in the next budget cycle. These engineering costs will eventually be off-set through reimbursement by those participating in the facility expansion. The expenses in the next budget will be allocated by unappropriated fund balance.

Additional funding for the Authority's Operation and Maintenance line item will be included in the next budget cycle to perform necessary maintenance on the drains and collection system in the dam gallery. The Authority's Dam engineer is working to develop a scope of work for the project during this budget cycle and it is expected that the work will be bid and completed within the next fiscal year. Following completion of this project, the only other priority maintenance item that will be required at the dam will involve replacement of the valve stems for bypass gates and installation of trash racks. Project scope for this work will be developed in the next budget cycle and the work scheduled as funding and operational timing allows.

Funding for replacement of membranes and major maintenance/repair expenses have been included in the budget for next year. However, as the facility is aging, the expenses occurring in these categories are increasing and further increases may be required in future budget cycles. The work accomplished through the Asset and Inventory Assessment Grant obtained from the Division of Water Infrastructure will closely examine long term capital expenditures planning and evaluate whether a higher percentage budgetary increase in future budget cycles will be necessary to balance the rising expenses with the cost of maintaining the facilities.

PIEDMONT TRIAD REGIONAL WATER AUTHORITY
Management's Discussion And Analysis
June 30, 2023

Economic Factors and Next Year's Budget (Continued)

The following key indicators reflect the stability and budget focus of the Authority for next year:

- **Expansion** – The Piedmont Triad region is experiencing significant economic growth with large scale manufacturing development throughout the region. The infrastructure demands associated with these facilities and the expected residential growth are necessitating an expansion of the Authority's John Franklin Kime Water Treatment Plant (JFK WTP). The Authority's facility is currently permitted to produce 14.7 MGD (million gallons per day) and the expansion is expected to bring the production capacity to 26.7 MGD by the end of 2026. Ultimately, the JFK WTP will be expanded to a finished production capacity of 48 MGD and the design of the current expansion is expected to incorporate components that will facilitate streamlined additions for increased capacity in the future. Given the size, complexity and scope of the project, the Authority has elected to proceed with a Progressive Design-Build (PDB) Services contract. Additionally, the Authority has selected Black & Veatch to serve as the Owner's Advisor through the Request for Qualifications (RFQ) selection process of the PDB team. At the conclusion of the RFQ selection process, the Authority may also elect to select a firm to serve as an Owner's Advisor to assist PTRWA with review of design and submittals, permitting, construction administration, and other tasks as deemed necessary.
- **Emerging Compounds Treatment** – The raw water source for the JFK WTP is Randleman Lake, a man-made 3000 acres reservoir created by construction of a roller compacted concrete dam at the confluence of the Deep River and Muddy Creek. Land use in the immediate vicinity of the reservoir is a mix of rural and agricultural uses leading to the creation of a 200-foot buffer around the reservoir to minimize nutrient laden runoff. The upstream watershed is identified as significantly more urbanized development with potential industrial contaminant sources including the City of High Point's Wastewater Discharge, a chemical disposal Superfund Remediation Site, retired and active landfills, airport operating activities and manufacturing and industrial facilities. Given the industrialized nature of the watershed, PTRWA has been actively monitoring for emerging compounds in the watershed since concerns around these types of constituents first began garnering interest following the completion of the 3rd round of EPA's unregulated contaminant monitoring. PTRWA has identified several emerging compounds of concern in the reservoir including 1,4-Dioxane at levels in excess of the 1 in 1,000,000 elevated cancer risk threshold and Per- and poly-fluoroalkyl substances (PFAS) compounds at levels in excess of EPA's proposed regulatory levels. PTRWA has also identified harmful algal blooms, elevated iron and manganese levels in the raw water and disinfection byproduct as additional constituents that could impact the ability to adequately treat the water in the future. Given the currently regulatory movement regarding these emerging compounds and the potential for constituents that are not yet even monitored to become an issue in the future, the PTRWA Board of Directors has made the decision to move forward with a treatment strategy that provides the broadest and highest level of protection currently available, Reverse Osmosis treatment. The addition of this treatment train will be implemented concurrently with the water treatment plant expansion.
- **Administration** – A Cost of Living Adjustment (COLA) is proposed for FY 2023-2024 in addition to the budgeted annual merit increases. These increases will help meet inflationary pressures and enable the Authority to remain competitive with surrounding communities and the general salaries reflected within the water industry. Economic conditions will be closely monitored to determine if additional adjustments will be necessary.

PIEDMONT TRIAD REGIONAL WATER AUTHORITY
Management's Discussion And Analysis
June 30, 2023

Economic Factors and Next Year's Budget (Continued)

- **Operations** – Operation and maintenance issues are beginning to occur with greater frequency with the water plant's aging equipment. Normally, consideration would typically be given to replacing the components that are having recurring maintenance issues versus rebuilding or rehabilitating them. However, some of these decisions are being postponed until determination is made regarding necessary upgrades during the expansion.

Much of the preliminary work for design of the water treatment plant expansion included the assessment of water quality treatment and optimization in order to enhance operations, reduce chemical expenses, and assure regulatory water quality and compliance.

- **Financing** – The Authority has financial advisors on board to assist with financing options to complete the water treatment plant expansion and emerging compounds treatment project. Potential funding sources include State Revolving Fund loans or grants, local funds, and/or revenue bonds. The PTRWA Board of Directors will approve all project funding.
- **Grants** – The Authority has been awarded an Asset Inventory and Assessment (AIA) grant in the amount of \$162,000 from the North Carolina Division of Water Infrastructure. The grant will assist the Authority with the additional resources necessary to compile a complete water system inventory with GIS location of the system's major components, develop a computerized asset management system (which includes a preventative maintenance component and asset tagging), complete and maintain a replacement plan with anticipated unit costs, and train employees in these areas.

Additionally, the North Carolina Division of Water Infrastructure will have a funding cycle in Fall 2023 from the Bipartisan Infrastructure Law for Emerging Contaminants Funds. This program can fund construction projects or planning projects addressing any PFAS in water or wastewater systems. The Authority will make application for construction and planning grants in both the water (DWSRF-EC) and wastewater (CWSRF-EC) areas. Awards are to be determined in February 2024. Any funding received from the DWSRF-EC will help offset the cost of the pilot study for implementation and the construction of the Reverse Osmosis treatment train for removal of PFAS. Any funding received from the CWSRF-EC will be used for the cost of the pilot study for implementation and the construction of the Reverse Osmosis Wastewater Residuals Treatment System for removal of PFAS from the Reverse Osmosis concentrate waste stream.

- **Recreation** – No major changes are expected in the recreational aspects of the Authority in the new fiscal year. Fishing, boating, and kayaking are expected to remain at current levels. The Authority's Family Fishing Event will continue with the goal of teaching children the sport of fishing, providing quality family fun time, and educating attendees about water quality. Additionally, in continuing the Authority's support of the area's veterans and in appreciation and recognition of their service, the Board of Directors has decided to open the Marina to all veterans on Veteran's Day in November. Fees for boat launches and pier fishing for all current and retired military personnel will be waived for the day. It is hoped that by setting aside this day for veterans, it will continue fostering the community support network that has been established through the years of participation in the Operation North State Wounded Warrior Fishing Festivals.

PIEDMONT TRIAD REGIONAL WATER AUTHORITY
Management's Discussion And Analysis
June 30, 2023

Economic Factors and Next Year's Budget (Continued)

- **Deep River State Trails** – Plans are moving forward for a section of river area below the dam that will be incorporated as a paddle trail. The project includes a river paddle trail from below the dam to a takeout point in the City of Randleman. The Authority will be working to obtain quotes for creating a river access trailhead and parking area on the Authority's northside dam access and for updating security at the site, should funding become available for this project. Funding conversations are under way with the Deep River State Trails and Piedmont Land Conservancy for this portion of the trail.
- **Dam** – The annual inspection of the Authority's dam was conducted by the North Carolina Division of Environmental Quality (NC DEQ) Dam Safety personnel in the spring of 2023. PTRWA's Dam Engineer of record also conducted an inspection of the dam in the fall of 2023. Satellite monitoring of ground positions and ground moistures at the dam is continuing and reviewed routinely by PTRWA's Executive Director and PTRWA's Dam Engineer. The data collected is a means of detecting issues before they can become problems. No issues of concern have been detected, aside from the maintenance issues previously discussed.

The monitoring station and rain gauge at the dam is recording rainfall and outflow data. The station can provide remote monitoring information within 5 minutes and will be useful during storm events. This collected data into incorporated into the reservoir inflow/outflow model the Authority had developed to analyze and determine the reservoir safe yield capacity.

- **Water Treatment Plant** – An annual inspection of the Authority's water treatment plant conducted by the North Carolina Division of Water Resources (DWR) found no operational issues to report.

The Authority's commitment to maintaining reliability and redundancy of its water treatment system is evidenced by the budgeting of funds as capital reserves for the future costs for renewal and replacement of the plant, transmission system, and dam. Funding for Dual Media Filter Rehab has been eliminated in this budget cycle since funding has previously been set aside in prior budget cycles for the four dual media filters. Rehab for the Dual Media Filters will be conducted as part of the overall water treatment plant expansion project.

North Carolina Area Wide Optimization Program Award (AWOP) – For the eighth consecutive year (2022), the Authority received the prestigious North Carolina Area Wide Optimization Program Award (AWOP) from the North Carolina Division of Water Resources, Public Water Supply Section. The AWOP award is a state effort to enhance the performance of existing surface water treatment facilities. It is given each year to water systems that demonstrate outstanding turbidity removal, a key test of drinking water quality. While all drinking water systems must meet strict state and federal drinking water standards, the Authority's system met performance goals that are significantly more stringent. This award demonstrates the commitment and dedication of the Authority in providing the best water possible. To be eligible for North Carolina's AWOP certification, the Authority voluntarily and consistently achieved the targeted turbidity levels of 0.1 NTU in the finished water, which are significantly below the regulatory limit of 0.3 NTU, 95% of the time for calendar year 2022 (based on one year's data). This targeted decrease results in a ten-fold removal of harmful bacteria that could potentially be found in the water. Receipt of the AWOP award is an annual goal of the Authority.

- **Collaboration with Partners and Other Entities** – As a regional entity, the Authority stands in a unique position to be a resource for all systems within the region in order to better serve the utility needs of all citizens in the area.

PIEDMONT TRIAD REGIONAL WATER AUTHORITY
Management's Discussion And Analysis
June 30, 2023

Economic Factors and Next Year's Budget (Continued)

1. **Regionalism** – The many announced economic development projects throughout the region and the anticipated growth in the region as a result of the projects have brought forward some larger hurdles that will be need to be addressed. The main issue is a long-range plan to facilitate water and sewer service to support the expected growth in the area. Specifically, a joint wastewater facility that could support all of the cities and towns in the area, as well as possibly meeting the extra capacity needs of Greensboro, is being discussed as an option for addressing these service needs.

While the Authority currently only provides water services, it is organized under North Carolina General Statute 162-A as a water and sewer authority. The Authority Board has indicated its desire to continue discussions and consider all viable opportunities for the Authority to partner and serve in a larger regional water and wastewater capacity. As a result, the Board indicated the Authority should take the lead in coordinating the many discussions being held throughout the region regarding water and wastewater issues in conjunction with the current economic development sites. The Board formed an exploratory committee that would examine regional water and wastewater issues and to solicit interested parties from the governmental entities throughout Guilford and Randolph Counties.

The Authority will work closely with it members, neighboring towns and Raftelis in completing its study of the benefits of a long-term regional wastewater capacity solution along the Deep River for all those who are involved in the project. Additionally, a collaborative effort between the Authority and the North Carolina Department of Environmental Quality (NC DEQ) will be proposed for coordination of a state-funded study to develop a regional water and wastewater master plan for the Deep River Basin.

2. **Randolph County** – The Authority is working in partnership with Randolph County in regard to their Water Master Planning. The Authority will help ensure that the water needs of the citizens are being served, whether that be through solely acting as a provider of water or possibly also serving as the operator or owner of a system serving the County residents.
3. **Greensboro** – The Authority is working closely with the City of Greensboro on approaching the treatment issues surrounding emerging compounds as both entities are working along a similar path on treatment alternatives.

With the development of the Toyota manufacturing facility located on the mega-site in Randolph County, the Authority stands ready to assist in water allocation use between its member governments. Work is already well underway at the new site and a new waterline line has been extended from the Greensboro line exiting the Authority's Highway 62 pump station along Highway 62 to the new Toyota facility. A new tank is being constructed at the Toyota site by the City of Greensboro and is expected to be placed into service before the end of 2023.

4. **Water Quality Partners** – The Authority and member government systems, along with interconnected systems and the North Carolina Division of Public Water Supply personnel will continue to meet quarterly to discuss regional water quality issues and treatment strategies. The group consensus will determine whether the water quality preventative maintenance of switching from the chloramines disinfection process to a free chlorine disinfection process is needed and when it will take place.

PIEDMONT TRIAD REGIONAL WATER AUTHORITY
Management's Discussion And Analysis
June 30, 2023

Economic Factors and Next Year's Budget (Continued)

5. **Authority's Member Governments** – Regular meetings with the managers of the Authority's member governments will occur to update them on the Authority's facilities and operations, as well as the progress on the expected expansion and emerging compounds treatment.
6. **Polyfluoroalkyl Substances (PFAS) Cost Recovery Class Action Lawsuit** – The National Rural Water Association (NRWA) and a number of other affected parties have filed a cost recovery class action lawsuit against the global manufacturers (3M, Dupont, et al) of PFAS compounds. This action could allow water utilities to recover a portion of actual current and future expenses for testing, treatment, and remediation of PFAS contamination. Water systems must be registered prior to a settlement being reached in order to have the opportunity to recover expenses. There is no upfront cost to register. The Authority has chosen to register as a party to the lawsuit.
7. **Operation North State** – The Authority continues to partner with Operation North State (ONS) in providing fishing festivals for wounded warrior/disabled veterans. The tentative date for the next event will be May 21, 2024. This event is needed even more to help improve the quality of life for our veterans and to provide them with a community support network.
8. **Keep Randolph County Beautiful** – Several events will be held during the new fiscal year. An electronics recycling event is planned for September 16, 2023 at Creekside Park in Archdale sponsored by Civic Federal Credit Union. Randolph County Creek Week activities are being planned for the spring 2024. A household hazardous waste, pesticide, and medication disposal event is scheduled for October 16, 2023. All of these events help improve and increase water quality through public education, beautification and recycling while reducing litter throughout the County and its waterways. These events keep dangerous contaminants out of landfills and away from water supplies.
9. **Randolph County Sheriff's Office** – The Authority provides use of the marina facilities to assist with the Randolph County Sheriff's Office Junior Sheriff's Academy (JSA). Each year during the months of June-August, groups of JSA students are transported to the Randleman Regional Reservoir. While at the Reservoir, students work with the Ash-Rand Rescue Squad's dive team to learn boating safety, rescue methods, and water recovery. The JSA program has historically been very popular and expectations are that it will continue in the next fiscal year.
10. **Randolph County Emergency Services, Randleman Fire Department and Ash-Rand Rescue Squad** – A beneficial partnership between the Authority and the area's emergency services divisions will be continuing. The dive team is able to conduct training exercises at Authority facilities and perform underwater inspections of those facilities. The Randleman Fire Department is able to use the Authority's facilities to conduct confined space training activities which provides training for PTRWA employees and inspection of confined space areas. PTRWA personnel are also actively working with the Local Emergency Planning Committee to ensure rescue personnel are appraised of all emergency situations that could occur at PTRWA facilities and will be working to plan a table top emergency activity with this group as part of this planning.

PIEDMONT TRIAD REGIONAL WATER AUTHORITY
Management's Discussion And Analysis
June 30, 2023

Economic Factors and Next Year's Budget (Continued)

Restricted Funds - The proposed fiscal year 2023-2024 budget again places focus on the goal of funding the capital reserve plan at a 100% level, with incremental increases being made to account for unfunded years during the development and construction of the dam and water treatment plant. Reserves are allocated for the accumulation of funds for major maintenance/repair expenses and replacement of membranes at the water treatment plant, buffer improvement activities, and renewal and replacement of the dam and water treatment plant. In accordance with sound fiscal management and in an effort to maintain transparency, the Authority's Board of Directors annually restricts these unexpended appropriations within the fund balance. These restricted funds will allow the Authority's partners to decrease any potential future lump sum pro-rata payments required for replacement and upkeep of the Authority's infrastructure. The balance of the restricted funds set aside going into fiscal year 2023-2024 is \$11,283,840.

Business – type Activities: The water rate for the Authority's member governments is determined during the normal budget process. The FY 2023-2024 budget incorporates a 3.5% increase for the membership dues and a 3.75% increase in the water rate.

The rate for water sales will be \$1.2115 per 1,000 gallons for the upcoming fiscal year 2023-2024.

The participating members involved in the revenue bond sale (City of Archdale, Town of Jamestown, City of Randleman, and Randolph County) will make required appropriations for the debt service payments as required by the 2016 Agreement. Additionally, all members of the Authority will continue to make annual appropriations for the debt service payments of the State Revolving Loan Fund and for the operation of the Authority.

Requests for Information

This report is designed to provide an overview of the Piedmont Triad Regional Water 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:

Finance Officer
Piedmont Triad Regional Water Authority
P. O. Box 1326
Randleman, NC 27317
Telephone: (336) 498-5510
Email: jsparks@ptrwa.org

BASIC FINANCIAL STATEMENTS

PIEDMONT TRIAD REGIONAL WATER AUTHORITY
Statements of Net Position
For the Years Ended June 30, 2023, and 2022

Exhibit A

ASSETS

	2023	2022
Current assets:		
Cash and cash equivalents/investments	\$ 8,623,954	7,455,558
Board-designated cash and cash equivalents/investments	6,611,370	7,770,970
Accounts receivable	606,941	596,902
Inventory	149,220	117,331
Total current assets	15,991,485	15,940,761
Non-current assets:		
Investments	1,215,484	2,210,131
Board-designated investments	4,672,470	2,727,500
Capital assets, net of depreciation	105,228,709	106,848,474
Total non-current assets	111,116,663	111,786,105
Total assets	127,108,148	127,726,866

DEFERRED OUTFLOWS OF RESOURCES

Pension related deferrals and contributions	501,213	339,155
Change on refunding, net of accumulated amortization of \$138,293 and \$125,680, respectively	66,676	79,289
Total deferred outflows of resources	567,889	418,444

LIABILITIES

Current liabilities:		
Accounts payable and accrued expenses	954,386	960,514
Current portion of bond payable	1,415,843	1,391,610
Unearned revenue	3,962	5,102
Total current liabilities	2,374,191	2,357,226
Long-term liabilities:		
Net pension liability	701,794	219,151
Bond payable	6,682,679	8,098,522
Total long-term liabilities	7,384,473	8,317,673
Total liabilities	9,758,664	10,674,899

DEFERRED INFLOWS OF RESOURCES - PENSION RELATED

	37,820	348,329
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NET POSITION

Net investment in capital assets	97,196,863	97,437,631
Unrestricted	20,682,690	19,684,451
Total net position	\$ 117,879,553	\$ 117,122,082

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

PIEDMONT TRIAD REGIONAL WATER AUTHORITY
Statement of Revenues, Expenses, and Changes in Net Position
For the Years Ended June 30, 2023, and 2022

Exhibit B

	2023	2022
OPERATING REVENUES:		
Membership dues	\$ 3,328,121	\$ 3,350,908
Water sales	5,461,719	5,278,918
Marina revenue	124,553	143,645
Contract lab	74,096	47,375
Total operating revenues	8,988,489	8,820,846
OPERATING EXPENSES:		
Administrative and general:		
Personnel and fringe benefits	421,218	366,355
Depreciation	964,173	960,500
Operations and maintenance	148,701	169,301
Chemicals	29,500	73,884
Buffer/reservoir enhancement/protection	13,375	10,000
Professional services	140,500	115,729
Travel	8,637	6,760
Meetings and conferences	11,660	12,271
Insurance	29,111	29,019
Other	12,169	70,539
Total administrative and general	1,779,044	1,814,358
Water treatment plant and related facilities:		
Personnel and fringe benefits	1,585,163	1,291,338
Depreciation	2,408,735	2,391,283
Chemicals	1,397,142	1,355,846
Energy	582,427	543,484
Insurance	83,242	79,366
Laboratory	147,668	112,575
Operations and maintenance	204,181	356,787
Sludge handling and maintenance	123,586	99,013
Office supplies	1,918	1,014
Permit	4,295	3,895
Professional services	108,267	95,818
Vehicles	22,994	20,233
Other	50,800	47,746
Total water treatment plant and related facilities	6,720,418	6,398,398
Total operating expenses	8,499,462	8,212,756
Operating income	489,027	608,090
NON-OPERATING REVENUES (EXPENSES):		
Interest earned on investments	406,258	34,282
Interest and fiscal expense	(163,113)	(264,891)
Other nonoperating income	25,299	31,916
Gain on disposal of capital assets	-	33,452
Total non-operating revenues (expenses)	268,444	(165,241)
Change in net position	757,471	442,849
Net pension, beginning	117,122,082	116,679,233
Net pension, ending	\$ 117,879,553	\$ 117,122,082

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

PIEDMONT TRIAD REGIONAL WATER AUTHORITY
Statements of Cash Flows
For the Years Ended June 30, 2023, and 2022

Exhibit C

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from members	\$ 8,732,862	8,636,672
Cash received from customers	216,562	169,907
Cash paid for goods and services	(3,117,691)	(2,946,115)
Cash paid to employees for services	(1,996,305)	(1,711,063)
Net cash provided from operating activities	3,835,428	4,149,401
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Miscellaneous nonoperating receipts	25,299	31,916
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(1,753,143)	(1,147,104)
Gross proceeds from sale of asset	-	33,761
Payments on long-term debt	(1,391,610)	(3,291,548)
Interest payments	(163,113)	(264,891)
Net cash used by capital and related financing activities	(3,307,866)	(4,669,782)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest earned on investments	406,258	34,282
Net change in cash and cash equivalents/investments	959,119	(454,183)
Cash and cash equivalents, beginning of year	20,164,159	20,618,342
Cash and cash equivalents, end of year	<u>\$ 21,123,278</u>	<u>\$ 20,164,159</u>
RECONCILIATION TO CASH AND CASH EQUIVALENTS REPORTED IN THE STATEMENT OF NET POSITION:		
Cash and cash equivalents/investments	\$ 8,623,954	\$ 7,455,558
Board-designated cash and cash equivalents/investments	6,611,370	7,770,970
Investments	1,215,484	2,210,131
Board-designated investments	4,672,470	2,727,500
	<u>\$ 21,123,278</u>	<u>\$ 20,164,159</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH FROM OPERATING ACTIVITIES:		
Operating income	\$ 489,027	\$ 608,090
Adjustments to reconcile operating income to net cash flows from operating activities		
Depreciation	3,372,908	3,351,783
Unamortized charge on refunding	12,613	12,613
Change in assets, liabilities, and deferred inflows and outflows of resources:		
Accounts receivable for operations	(10,039)	(54,039)
Inventory	(31,889)	6,653
Deferred outflows of resources for pensions	(162,058)	(55,080)
Accounts payable and accrued expenses	(6,128)	276,556
Unearned revenue	(1,140)	1,115
Net pension liability	482,643	(316,148)
Deferred inflows of resources	(310,509)	317,858
Net cash from operating activities	<u>\$ 3,835,428</u>	<u>\$ 4,149,401</u>

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

NOTES TO THE FINANCIAL STATEMENTS

PIEDMONT TRIAD REGIONAL WATER AUTHORITY
Notes to the Financial Statements
June 30, 2023 and 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Piedmont Triad Regional Water Authority (the Authority) conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

The Authority was established by the Cities of Greensboro, High Point, Archdale, and Randleman, the Town of Jamestown, and Randolph County under North Carolina General Statute 162A-1, the North Carolina Water and Sewer Authorities Act, for the purpose of constructing a dam “the Randleman Dam Project” to provide a regional water source to the organizing governmental units.

In October of 2010, the water treatment plant and its related facilities were placed into service and the Authority began selling water to the member governments.

B. Measurement Focus and Basis of Accounting

The accounts of the Authority are organized and operated on a fund basis. A fund is an independent fiscal and account entity with a self-balancing set of accounts comprised of assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues, and expenditures or expenses as appropriate. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related, legal, and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements. In accordance with North Carolina General Statutes, the Authority’s proprietary fund is maintained during the year using the modified accrual basis of accounting.

Proprietary Fund Financial Statements. The proprietary fund financial statements are accounted for using the economic resources measurement focus and 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 grants, donations, and similar items. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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’s enterprise funds are charges to customers for sales and services. 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.

PIEDMONT TRIAD REGIONAL WATER AUTHORITY
Notes to the Financial Statements
June 30, 2023 and 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Budgetary Data

The Authority's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted at the fund level for the stand-alone enterprise entity. All annual appropriations are made on a category basis between the Authority and the Water Treatment Plant as shown in the Schedule of Revenues, Expenditures, and Supplemental Budget Expenditures for informational purpose and lapse at fiscal year-end. Budgets are prepared using the modified accrual basis of accounting.

Expenditures may not legally exceed appropriations at the fund level. The Authority has no over expenditures at that level.

D. Assets, Liabilities, Deferred Inflows and Outflows of Resources, and Net Position

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 and loan association whose principal office is located in North Carolina. Also, the Authority may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

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 generally reported at fair value. The NCCMT Government Portfolio, is a SEC-registered (2a-7) money market mutual fund measured at fair value. Because the NCCMT Government Portfolio has a weighted average maturity of less than 90 days, it is presented as an investment with a maturity of less than 6 months.

Cash, Cash Equivalents, and Investments – Cash and cash equivalents include certain investments in highly liquid instruments with original maturities of three months or less. Current cash, cash equivalents and investments have a maturity date of less than twelve months. Non-current investments have a maturity date of greater than twelve months.

Board-Designated Cash, Cash Equivalents, and Investments – Included in Board-designated cash, cash equivalents, and investments is \$11,283,840 and \$10,948,470 for the years ended June 30, 2023 and 2022, respectively, designated by the Board for future expenses related to membrane replacement, carbon replacement, maintenance and repair reserves, land reserves, capital reserves, and ICP-MS replacement.

Accounts Receivable – Accounts receivable consist of amounts from member governments for the dues, lab services, and water sales. Also included in receivables are amounts from sales tax refund from the North Carolina Department of Revenue and lab services from outside customers. Management believes all accounts receivable are fully collectible and that no allowance for doubtful accounts is considered necessary.

Inventories – Inventories are recorded at cost, cost determined on the first-in, first-out basis. The consumption method is used to account for inventories. Under the consumption method, inventories are recorded as expenditures when purchased and inventory on hand at year-end is recorded as an asset. Inventories consist of items for the water treatment plant.

PIEDMONT TRIAD REGIONAL WATER AUTHORITY
Notes to the Financial Statements
June 30, 2023 and 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, Deferred Inflows and Outflows of Resources, and Net Position (Continued)

Capital Assets – Capital assets are recorded at historical cost at the time of acquisition. It is the policy of the Authority to capitalize all capital assets that cost more than \$500. Depreciation of capital assets is provided on the straight-line method over the following estimated useful lives:

Dam	40 to 50 years
Water Treatment Plant and Related Facilities	3 to 40 years
Buildings	40 years
Equipment	3 to 10 years
Furniture	10 years
Software	3 years
Land Improvements	15 years
Vehicles	5 years
Discharge Pipe	20 years

Deferred, Outflows/Inflows of Resources – In addition to assets, the Statement of Net Position reports 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. (1) Refunding charges of \$66,676 and \$79,289 for the years ended June 30, 2023 and 2022, respectively, on Truist refunding of the 2008 Branch Banking & Trust (BB&T) revenue bond. This loss is the difference in the reacquisition price and the net carrying value of the old debt. The amount is amortized as a component of interest expense on the straight-line basis over the remaining life of the old debt, or the new debt, whichever is shorter. (2) Pension-related deferrals and contributions made to the pension plan were \$501,213 and \$339,155 for the years ended June 30, 2023 and 2022, respectively.

In addition to liabilities, the Statement of Net Position can also report a separate section for deferred inflows of resources. This separate financial statement element, Deferred Inflows of Resources, represent an acquisition of net position that applies to a future period and, so, will not be recognized as revenue until then. The Authority has one item that meets the criterion for this category – other pension related deferrals. Pension related deferrals related to the pension plan were \$37,820 and \$348,329 for the years ended June 30, 2023 and 2022, respectively.

Unearned Revenue – Unearned revenue consists of boat launches at the marina that are paid by customers in advance of their use and prepaid lab services.

Compensated Absences – The vacation policy of the Authority provides for the accumulation of up to 30 days earned vacation leave with such leave being fully vested when earned. An expense and a liability for compensated absences and the salary-related payments are recorded as leave is earned. The Authority has assumed a first-in, first-out method of using accumulated compensated time. The portion of time that is estimated to be used in the next fiscal year has been designated as a current liability in the Statements of Net Position in the amount of \$76,826 and \$77,941 for 2023 and 2022, respectively.

The Authority’s sick leave policy provides for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the Authority does not have any obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

PIEDMONT TRIAD REGIONAL WATER AUTHORITY
Notes to the Financial Statements
June 30, 2023 and 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, Deferred Inflows and Outflows of Resources, and Net Position (Continued)

Net Position – Net position is classified into two parts: net investment in capital assets and unrestricted.

Included in unrestricted net position is \$11,283,840 and \$10,498,470 for the years ended June 30, 2023 and 2022, respectively designated by the Board for future expenses related to membrane replacement, carbon replacement, maintenance and repair reserves, land reserves, capital reserves, and ICP-MS replacement.

Accounting Estimates –The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant estimates and assumptions are used for, but not limited to, the depreciable lives of fixed assets.

Defined Benefits Pension Plan – 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. For purposes of measuring the total pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net positions of the state-administered defined benefit pension plans, and additions to/deductions from the state-administered defined benefits pension plans' fiduciary net positions have been determined on the same basis as they are reported by the state-administered defined benefit pension plans. 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 legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the state-administered defined benefit pension plans. Investments are reported at fair value.

NOTE 2 – DETAIL NOTES ON ASSETS AND LIABILITIES

A. Assets

1. Deposits and Investments

All the deposits of the Authority are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Authority's agents in the unit's name. 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 the Authority's 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.

PIEDMONT TRIAD REGIONAL WATER AUTHORITY
Notes to the Financial Statements
June 30, 2023 and 2022

NOTE 2 – DETAIL NOTES ON ASSETS AND LIABILITIES (Continued)

A. Assets (Continued)

The Authority complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

1. Deposits and Investments (Continued)

At June 30, 2023 and 2022, the Authority's deposits had a carrying value of \$8,333,748 and \$8,435,764, respectively, and bank balances of \$8,665,007 and \$8,694,097, respectively. Of the June 30, 2023 and 2022 bank balances, \$250,000 of demand deposits and \$250,000 of time and savings deposits, per institution, were covered by federal depository insurance and the remaining balances were covered by collateral held under the Pooling Method.

At years ended June 30, 2023 and 2022, the Authority had \$600 and \$600 cash on hand, respectively.

As of June 30, 2023 and 2022, the Authority had the following investments:

Investment Type	Valuation Measurement Method	Fair Value at June 30, 2023	Maturity less than 6 months	Maturity 6 to 12 months	Maturity 1 to 3 years
Certificates of deposit	Fair Value Level 1	\$ 11,188,987	\$ 729,618	\$ 4,571,414	\$ 5,887,955
NCCMT - Government Portfolio	Fair Value Level 1	1,599,943	1,599,943	-	-
		<u>\$ 12,788,930</u>	<u>\$ 2,329,561</u>	<u>\$ 4,571,414</u>	<u>\$ 5,887,955</u>

Investment Type	Valuation Measurement Method	Fair Value at June 30, 2022	Maturity less than 6 months	Maturity 6 to 12 months	Maturity 1 to 3 years
Certificates of deposit	Fair Value Level 1	\$ 10,185,734	\$ 5,248,104	\$ -	\$ 4,937,630
NCCMT - Government Portfolio	Fair Value Level 1	1,542,061	1,542,061	-	-
		<u>\$ 11,727,795</u>	<u>\$ 6,790,165</u>	<u>\$ -</u>	<u>\$ 4,937,630</u>

All investments are measured using the market approach: using prices and other relevant information generated by market transactions involving identical or comparable assets or a group of assets.

Level of fair value hierarchy: Level 1 investment securities are valued using directly observable, quoted prices (unadjusted) in the active markets for identical assets.

The Authority's investment in the NCCMT Government Portfolio carried a credit rating of AAAM by Standard and Poor's as of June 30, 2023 and 2022. The Authority has no formal policy regarding credit risk on its investments.

PIEDMONT TRIAD REGIONAL WATER AUTHORITY
Notes to the Financial Statements
June 30, 2023 and 2022

NOTE 2 – DETAIL NOTES ON ASSETS AND LIABILITIES (Continued)

A. Assets (Continued)

2. Capital Assets

The capital assets of the Authority at June 30, 2023 are as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not depreciated:				
Land	\$ 41,521,981	\$ -	\$ -	\$ 41,521,981
Boat access road	87,155	-	-	87,155
Marina parking areas	73,718	-	-	73,718
Marina kayak ramp	2,500	-	-	2,500
Construction in progress	426,943	1,211,060	(352,185)	1,285,818
Total capital assets not depreciated	<u>42,112,297</u>	<u>1,211,060</u>	<u>(352,185)</u>	<u>42,971,172</u>
Capital assets depreciated:				
Camera	10,012	-	-	10,012
Dam	22,498,841	-	-	22,498,841
Equipment	315,982	29,700	-	345,682
Fencing	45,943	-	-	45,943
Furniture	104,874	5,341	-	110,215
Gates	64,611	-	-	64,611
High Point eastside discharge pipe	8,348,615	-	-	8,348,615
Marina	527,288	3,301	-	530,589
Vehicles	321,800	24,990	-	346,790
Water treatment plant	71,944,523	830,936	(4,484)	72,770,975
Total capital assets depreciated	<u>104,182,489</u>	<u>894,268</u>	<u>(4,484)</u>	<u>105,072,273</u>
Less accumulated depreciation for:				
Water treatment plant and related facilities	25,314,572	2,408,734	(4,484)	27,718,822
Administrative and general	14,131,740	964,174	-	15,095,914
Total accumulated depreciation	<u>39,446,312</u>	<u>\$ 3,372,908</u>	<u>\$ (4,484)</u>	<u>42,814,736</u>
 Total capital assets depreciated, net	 <u>64,736,177</u>			 <u>62,257,537</u>
 Capital assets, net	 <u>\$ 106,848,474</u>			 <u>\$ 105,228,709</u>

PIEDMONT TRIAD REGIONAL WATER AUTHORITY
Notes to the Financial Statements
June 30, 2023 and 2022

NOTE 2 – DETAIL NOTES ON ASSETS AND LIABILITIES (Continued)

A. Assets (Continued)

2. Capital Assets (Continued)

The capital assets of the Authority at June 30, 2022 are as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Capital assets not depreciated:				
Land	\$ 41,172,987	\$ 348,994	\$ -	\$ 41,521,981
Boat access road	87,155	-	-	87,155
Marina parking areas	73,718	-	-	73,718
Marina kayak ramp	2,500	-	-	2,500
Construction in progress	157,546	347,293	(77,896)	426,943
Total capital assets not depreciated	<u>41,493,906</u>	<u>696,287</u>	<u>(77,896)</u>	<u>42,112,297</u>
Capital assets depreciated:				
Camera	10,312	5,010	(5,310)	10,012
Dam	22,498,841	-	-	22,498,841
Equipment	303,222	31,822	(19,062)	315,982
Fencing	45,943	-	-	45,943
Furniture	98,736	6,138	-	104,874
Gates	64,611	-	-	64,611
High Point eastside discharge pipe	8,348,615	-	-	8,348,615
Marina	518,949	8,339	-	527,288
Vehicles	321,190	50,228	(49,618)	321,800
Water treatment plant	71,697,303	427,176	(179,956)	71,944,523
Total capital assets depreciated	<u>103,907,722</u>	<u>528,713</u>	<u>(253,946)</u>	<u>104,182,489</u>
Less accumulated depreciation for:				
Water treatment plant and related facilities	23,102,937	2,391,283	(179,648)	25,314,572
Administrative and general	13,245,229	960,500	(73,989)	14,131,740
Total accumulated depreciation	<u>36,348,166</u>	<u>\$ 3,351,783</u>	<u>\$ (253,637)</u>	<u>39,446,312</u>
Total capital assets depreciated, net	<u>67,559,556</u>			<u>64,736,177</u>
Capital assets, net	<u>\$ 109,053,462</u>			<u>\$ 106,848,474</u>

PIEDMONT TRIAD REGIONAL WATER AUTHORITY
Notes to the Financial Statements
June 30, 2023 and 2022

NOTE 2 – DETAIL NOTES ON ASSETS AND LIABILITIES (Continued)

B. Liabilities – Long-Term

1. Notes Payable

The following is a summary of notes payable at June 30, 2023:

	<u>Balance July 1, 2022</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance June 30, 2023</u>	<u>Current Portion of Notes Payable</u>
Series 2012 revenue bonds payable direct placement: Interest accrues at 2.75%; principal and interest payments are due and paid semi-annually over 17 years.	\$ 9,490,132	\$ -	\$ 1,391,610	\$ 8,098,522	\$ 1,415,843
Net pension liability (LGRS)	219,151	482,643	-	701,794	-
	<u>\$ 9,709,283</u>	<u>\$ 482,643</u>	<u>\$ 1,391,610</u>	<u>\$ 8,800,316</u>	<u>\$ 1,415,843</u>

The following is a summary of notes payable at June 30, 2022:

	<u>Balance July 1, 2021</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance June 30, 2022</u>	<u>Current Portion of Notes Payable</u>
Note payable direct placement - NC DEQ, interest accrues at 2.205%; principal and interest payments are due and paid semi-annually over 20 years.	\$ 2,000,000	\$ -	\$ 2,000,000	\$ -	\$ -
Series 2012 revenue bonds payable direct placement: Interest accrues at 2.75%; principal and interest payments are due and paid semi-annually over 17 years.	10,781,680	-	1,291,548	9,490,132	1,391,610
Net pension liability (LGRS)	535,299	-	316,148	219,151	-
	<u>\$ 13,316,979</u>	<u>\$ -</u>	<u>\$ 3,607,696</u>	<u>\$ 9,709,283</u>	<u>\$ 1,391,610</u>

Notes Payable – The Authority was approved by the North Carolina Department of Environmental Quality for a direct placement loan under the Clean Water Revolving Loan and Grant Act of 1987. The note is payable from the annual appropriations paid by members for the Authority. The loan proceeds in the amount of \$8,000,000 were required to be used for the relocation of the High Point Eastside Waste Water Plant effluent discharge. Repayments of principal and interest began May 1, 2007 and are payable semi-annually in May and November over a 20-year period including interest at 2.205%. In the event of a default, the Authority agrees to pay the Department of Environment and Natural Resources, on demand, the full amount of principal and interest outstanding.

The Authority paid the note in full in April 2022. Interest payments on the note payable for the year ended June 30, 2022 were \$36,750.

PIEDMONT TRIAD REGIONAL WATER AUTHORITY
Notes to the Financial Statements
June 30, 2023 and 2022

NOTE 2 – DETAIL NOTES ON ASSETS AND LIABILITIES (Continued)

B. Liabilities – Long-Term (Continued)

1. Notes Payable (Continued)

Revenue Bond Payable – In June 2012, the Authority issued the direct placement 2012 Truist Water System Revenue Refunding Bonds in the amount of \$21,282,614 in order to refund the 2008 BB&T Water System Revenue Bonds. The 2008 revenue bonds provided financing for the 12 MGD water treatment plant and related facilities. The net revenues are pledged as security for the revenue bonds. Repayment of principal (commencing on September 1, 2012) will be payable semi-annually in March and September over a 17-year period including interest at 2.75%. In the event of a default, the Authority agrees to pay the purchasers, on demand, the principal of all bonds then outstanding.

In November 2021, the Authority entered into an agreement that modified and amended the 2012 Revenue Refunding Bonds. The annual interest rate was modified from 2.75% to 1.73%. No other terms of the 2012 agreement were modified.

Section 7.08 of the Bond Order requires the net revenues to be no less than 100% of the debt services requirements of the bonds and other indebtedness then outstanding. The debt service coverage calculation for the years ended June 30 is as follows:

	2023	2022
Operating revenues	\$ 8,988,489	\$ 8,820,846
Operating expenses*	(5,126,554)	(4,860,973)
Non operating revenue**	431,557	66,198
Income available for debt service	4,293,492	4,026,071
Debt service, principal and interest paid	1,554,723	3,556,439
Net difference	\$ 2,738,769	\$ 469,632

* Exclusive of depreciation expense of \$3,372,908 and \$3,351,783 for the years ended June 30, 2023 and 2022, respectively.

** Exclusive of interest and fiscal expense and gain on disposal of assets of \$163,113 and 231,439 for the years ended June 30, 2023 and 2022, respectively.

The Authority believes it was in compliance with the debt service coverage covenant for the years ended June 30, 2023 and 2022.

Interest payments on long-term revenue bond debt for the years ended June 30, 2023 and 2022 were \$209,920 and \$228,141, respectively.

PIEDMONT TRIAD REGIONAL WATER AUTHORITY
Notes to the Financial Statements
June 30, 2023 and 2022

NOTE 2 – DETAIL NOTES ON ASSETS AND LIABILITIES (Continued)

B. Liabilities – Long-Term (Continued)

1. Notes Payable (Continued)

Maturities of bonds payable are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 1,415,843	\$ 134,309	\$ 1,550,152
2025	1,440,499	109,654	1,550,153
2026	1,465,585	84,569	1,550,154
2027	1,491,107	59,047	1,550,154
2028	1,517,072	33,080	1,550,152
Thereafter	768,416	6,662	775,078
	<u>\$ 8,098,522</u>	<u>\$ 427,321</u>	<u>\$ 8,525,843</u>

2. Pension Plan Obligations

a. Local Governmental Employees' Retirement System (LGERS)

Plan Description – The Authority is a participating employer in the statewide 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 Government Employees' Retirement System is included in the Annual Comprehensive Financial Report (ACFR) for the state of North Carolina. The state's ACFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or 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 (age 55 for firefighters). 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 (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) 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.

PIEDMONT TRIAD REGIONAL WATER AUTHORITY
Notes to the Financial Statements
June 30, 2023 and 2022

NOTE 2 – DETAIL NOTES ON ASSETS AND LIABILITIES (Continued)

B. Liabilities – Long-Term (Continued)

2. Pension Plan Obligations (Continued)

a. Local Governmental Employees' Retirement System (LGERS) (Continued)

LGERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15 years of service as a LEO and have reached age 50, or have completed five years of creditable service as a LEO and have reached age 55, or have completed 15 years of creditable service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

Contributions – Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. The 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 13.04% of compensation for law enforcement officers and 12.14% for general employees, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Authority were \$169,000 and \$131,752 for the years ended June 30, 2023 and 2022, respectively.

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 and 2022, the Authority reported a liability of \$701,794 and \$219,151, respectively, for its proportionate share of the net pension liability. The net pension liability at June 30, 2023 was measured as of June 30, 2022. The net pension liability at June 30, 2022 was measured as of June 30, 2021. The total pension liability used to calculate the net pension liability at June 30, 2023 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 updated procedures incorporating the actuarial assumptions. The total pension liability used to calculate the net pension liability at June 30, 2022 was determined by an actuarial valuation as of December 31, 2020. The total pension liability was then rolled forward to the measurement date of June 30, 2021, utilizing updated 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, 2022 and 2021 (measurement dates), the Authority's portion was .01244% and .01429%, respectively, which is a decrease of .00185 in the current year and .00069 in the prior year.

PIEDMONT TRIAD REGIONAL WATER AUTHORITY
Notes to the Financial Statements
June 30, 2023 and 2022

NOTE 2 – DETAIL NOTES ON ASSETS AND LIABILITIES (Continued)

B. Liabilities – Long-Term (Continued)

2. Pension Plan Obligations (Continued)

a. Local Governmental Employees’ Retirement System (LGERS) (Continued)

For the years ended June 30, 2023 and 2022, the Authority recognized pension expense of \$179,076 and \$78,382, respectively.

At June 30, 2023, the Authority reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 30,240	\$ 2,965
Changes of assumptions	70,023	-
Net difference between projected and actual earnings on pension plan investments	231,950	-
Changes in proportion and differences between Authority contributions and proportionate share of contributions	-	34,855
Authority contributions subsequent to the measurement date	169,000	-
Total	\$ 501,213	\$ 37,820

The Authority has \$169,000 reported as deferred outflows of resources related to pensions resulting from Authority contributions subsequent to the measurement date will be recognized as a 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	\$ 84,301
2025	78,477
2026	21,109
2027	110,505
	\$ 294,392

PIEDMONT TRIAD REGIONAL WATER AUTHORITY
Notes to the Financial Statements
June 30, 2023 and 2022

NOTE 2 – DETAIL NOTES ON ASSETS AND LIABILITIES (Continued)

B. Liabilities – Long-Term (Continued)

2. *Pension Plan Obligations (Continued)*

a. *Local Governmental Employees’ Retirement System (LGERS) (Continued)*

At June 30, 2022, the Authority reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 69,720	\$ -
Changes of assumptions	137,683	-
Net difference between projected and actual earnings on pension plan investments	-	313,101
Changes in proportion and differences between Authority contributions and proportionate share of contributions	-	35,228
Authority contributions subsequent to the measurement date	131,752	-
Total	\$ 339,155	\$ 348,329

The Authority has \$131,752 reported as deferred outflows of resources related to pensions resulting from Authority contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2023.

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

Year ended June 30:

2023	\$ 5,065
2024	(21,068)
2025	(29,114)
2026	(95,809)
	\$ (140,926)

Actuarial Assumptions – The net 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	2.5 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

PIEDMONT TRIAD REGIONAL WATER AUTHORITY
Notes to the Financial Statements
June 30, 2023 and 2022

NOTE 2 – DETAIL NOTES ON ASSETS AND LIABILITIES (Continued)

B. Liabilities – Long-Term (Continued)

2. Pension Plan Obligations (Continued)

a. Local Governmental Employees' Retirement System (LGERS) (Continued)

The net pension liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary increases	3.25 percent
Investment rate of return	6.50 percent, net of pension plan investment expense, including inflation

The plan actuary currently uses mortality rates based on the *RP-2014 Total Data Set for Healthy Annuitants Mortality Table* 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 and 2020 valuations were based on the experience study for the period January 1, 2015 through December 31, 2019.

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

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

PIEDMONT TRIAD REGIONAL WATER AUTHORITY
Notes to the Financial Statements
June 30, 2023 and 2022

NOTE 2 – DETAIL NOTES ON ASSETS AND LIABILITIES (Continued)

B. Liabilities – Long-Term (Continued)

2. *Pension Plan Obligations (Continued)*

a. *Local Governmental Employees' Retirement System (LGERS) (Continued)*

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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
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	<u>100%</u>	

The information above is based on 30-year expectations developed with the consulting actuary for the 2021 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 3.00%. All rates of return and inflation are annualized.

The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2022 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	6.0%	4.0%
Total	<u>100%</u>	

The information above is based on 30-year expectations developed with the consulting actuary for the 2020 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 2.50%. All rates of return and inflation are annualized.

PIEDMONT TRIAD REGIONAL WATER AUTHORITY
Notes to the Financial Statements
June 30, 2023 and 2022

NOTE 2 – DETAIL NOTES ON ASSETS AND LIABILITIES (Continued)

B. Liabilities – Long-Term (Continued)

2. *Pension Plan Obligations (Continued)*

a. *Local Governmental Employees’ Retirement System (LGERS) (Continued)*

Discount Rate – The discount rate used to measure the total pension liability as of June 30, 2022 and 2021 (the measurement dates) 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%, 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%) or one-percentage point higher (7.50%) than the current rate, as of June 30, 2023:

	1% Decrease (5.50%)	Discount Rate (6.50%)	1% Increase (7.50%)
Authority's proportionate share of the net pension liability (asset)	\$ 1,266,647	\$ 701,794	\$ 236,322

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%, 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%) or one-percentage point higher (7.50%) than the current rate, as of June 30, 2022:

	1% Decrease (5.50%)	Discount Rate (6.50%)	1% Increase (7.50%)
Authority's proportionate share of the net pension liability (asset)	\$ 850,725	\$ 219,151	\$ (300,598)

Pension Plan Fiduciary Net Position – Detailed information about the pension plan’s fiduciary net position is available in the separately issued ACFR for the state of North Carolina.

PIEDMONT TRIAD REGIONAL WATER AUTHORITY
Notes to the Financial Statements
June 30, 2023 and 2022

NOTE 2 – DETAIL NOTES ON ASSETS AND LIABILITIES (Continued)

B. Liabilities – Long-Term (Continued)

2. *Pension Plan Obligations (Continued)*

b. *Supplemental Retirement Income Plan*

Plan Description – The Authority contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers and permanent full-time employees of the Authority. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan is included in the 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 Plan. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, visiting their website at www.osc.nc.gov, or by calling (919) 981-5454.

Funding Policy – Article 12E of the G.S. Chapter 143 requires that the Authority contribute each month an amount equal to five percent of each law enforcement officer’s salary. The Authority has chosen to contribute each month an amount equal to five percent of each permanent full-time employee’s salary in addition to the law enforcement officer’s salary for the fiscal years ended June 30, 2023 and 2022, and all amounts contributed are vested immediately. Also, the participants may make voluntary contributions to the Plan. Contributions for the year ended June 30, 2023 were \$122,774, which consisted of \$69,328 (including Supplemental Retirement contributions for a Law Enforcement Officer of \$3,729) from the Authority and \$53,445 from the participants. Contributions for the year ended June 30, 2022 were \$108,605, which consisted of \$57,650 (including Supplemental Retirement contributions for a Law Enforcement Officer of \$2,429) from the Authority and \$50,955 from the participants.

c. *Law Enforcement Officers’ Special Separation Allowance*

Plan Description – The Authority administers a public employee retirement system (the Separation Allowance), a single-employer defined benefit pension plan that provides retirement benefits to the Authority’s qualified sworn law enforcement officers. The Separation Allowance is equal to .85% of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full-time Authority law enforcement officers are covered by the Separation Allowance. At June 30, 2023, the Separation Allowance’s membership consisted of:

Retirees receiving benefits	0
Active plan members	1
Total	1

Basis of Accounting – The Authority has chosen to fund the Separation Allowance on a pay-as-you-go basis. Pension expenditures are made from the Operating Fund, which is maintained on the modified accrual basis of accounting. Benefits are recognized when due and payable in accordance with the terms of the plan.

PIEDMONT TRIAD REGIONAL WATER AUTHORITY
Notes to the Financial Statements
June 30, 2023 and 2022

NOTE 2 – DETAIL NOTES ON ASSETS AND LIABILITIES (Continued)

C. Liabilities – Long-Term (Continued)

3. Pension Plan Obligations (Continued)

c. Law Enforcement Officers' Special Separation Allowance (Continued)

The Separation Allowance has no assets accumulated in a trust that meets the following criteria which are outlined in GASB Statement 73.

Contributions – The Authority is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay-as-you-go basis through appropriations in the Operating Fund. There were no contributions made by employees. The Authority's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly.

The Authority's Law Enforcement Officers Separation Allowance retirement plan liability was not material for the fiscal years ending June 30, 2023 and 2022 and consequently was not booked. During the years ended June 30, 2023 and 2022, there was one active plan member.

NOTE 3 – 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 purchases coverage for this risk through independent insurance carriers that provide employer's liability, workers compensation coverage, and employee health and accident insurance. The Authority carries commercial coverage for all other risks of loss.

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 or covered under a government crime insuring agreement. The finance officer, deputy finance officer, and executive director are each individually bonded for \$50,000. The remaining employees that have access to funds are insured under a government crime ensuring agreement.

NOTE 4 – JOINT GOVERNMENTAL AGREEMENT

In 1987, the Authority entered into a Joint Governmental Agreement (the Agreement) with its members regarding the operation of the Authority. The Agreement (supplemented and amended in 2007 and then again in 2016) provides that construction of the first phase (12 MGD) of the water treatment plant and related facilities will be financed with revenue bonds of the Authority and that debt service on such bonds, as well as the Authority's operating costs, will be funded through payments from members of the Authority. The Agreement also provides that the members have a right to receive a portion of the water produced by such facilities. In accordance with the Agreement, the Authority issued the direct placement 2008 BB&T Water System Revenue Bond (\$22,178,485) on behalf of Randolph County, the City of Archdale, the City of Randleman, and the Town of Jamestown. The City of Greensboro contributed \$33,544,093 in cash to the Authority during the fiscal year ended June 30, 2008, and the City of High Point contributed \$11,970,637 in cash to the Authority during the fiscal year ended June 30, 2009 for their respective shares of construction costs.

PIEDMONT TRIAD REGIONAL WATER AUTHORITY
Notes to the Financial Statements
June 30, 2023 and 2022

NOTE 4 – JOINT GOVERNMENTAL AGREEMENT (Continued)

In June 2012, the Authority issued the direct placement 2012 Truist Water System Revenue Refunding Bonds (2012 Bonds) (\$21,282,614) (2.75%) in order to retire the 2008 BB&T Revenue Bond debt (4.61%). In November 2021, the Authority entered into a modification agreement for the 2012 Bonds decreasing the interest from 2.75% to 1.73%. Randolph County, the City of Archdale, the City of Randleman, and the Town of Jamestown will budget the required appropriations for the debt service payments to the Authority.

During the fiscal year 2022-2023, the Authority continued with the sale of water to the member governments. These water sales consist of producing and selling 14.7 million gallons of water per day per the amended and restated Joint Governmental Agreement effective July 1, 2016. Current member allocations are as follows:

	<u>Committed:</u>	<u>Excess:</u>
City of Archdale	0.915 MGD	0.644 MGD
City of Greensboro	6.736 MGD	1.100 MGD
City of High Point	2.280 MGD	-
Town of Jamestown	0.494 MGD	0.281 MGD
City of Randleman	1.000 MGD	-
Randolph County	1.250 MGD	-
	<u>12.675 MGD</u>	<u>2.025 MGD</u>

The member governments are responsible for paying for the committed allocations at the current rate whether or not the allocation is used. The excess allocation is available for purchase, also at the current rate, if needed.

NOTE 5 – SUBSEQUENT EVENTS

The Authority has evaluated subsequent events through October 31, 2023, in connection with the preparation of these financial statements, which is the date the financial statements were available to be issued. There were no material subsequent events.

SUPPLEMENTARY INFORMATION

PIEDMONT TRIAD REGIONAL WATER AUTHORITY
Proportionate Share of Net Pension Liability (Asset)
Required Supplementary Information
Last Ten Fiscal Years*

Schedule A-1

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>
Authority's proportion of the net pension liability (asset) (%)	0.01244%	0.01429%	0.01498%	0.01687%	0.01684%	0.01670%	0.01653%	0.01691%	0.01724%	0.01750%
Authority's proportion of the net pension liability (asset) (\$)	\$ 701,794	\$ 219,151	\$ 535,299	\$ 460,707	\$ 399,502	\$ 255,130	\$ 350,822	\$ 75,891	\$ (101,672)	\$ 210,942
Authority's covered payroll	\$ 1,152,992	\$ 992,169	\$ 1,061,955	\$ 1,064,742	\$ 1,019,904	\$ 943,566	\$ 878,394	\$ 854,435	\$ 837,160	\$ 816,959
Authority's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	60.87%	22.09%	50.41%	43.27%	39.17%	27.04%	39.94%	8.88%	-12.14%	25.82%
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.

** This will be the same percentage for all participant employers in the LGERS plan.

PIEDMONT TRIAD REGIONAL WATER AUTHORITY
Authority's Contributions
Required Supplementary Information
Last Ten Fiscal Years

Schedule A-2

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	\$ 169,000	\$ 131,752	\$ 101,310	\$ 96,298	\$ 83,745	\$ 77,286	\$ 69,343	\$ 59,334	\$ 61,063	\$ 59,675
Contributions in relation to the contractually required contribution	<u>169,000</u>	<u>131,752</u>	<u>101,310</u>	<u>96,298</u>	<u>83,745</u>	<u>77,286</u>	<u>69,343</u>	<u>59,334</u>	<u>61,063</u>	<u>59,675</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	\$ 1,386,566	\$ 1,152,992	\$ 992,169	\$ 1,061,955	\$ 1,064,742	\$ 1,019,904	\$ 943,566	\$ 878,394	\$ 854,435	\$ 837,160
Contributions as a percentage of covered payroll	12.19%	11.43%	10.21%	9.07%	7.87%	7.58%	7.35%	6.75%	7.15%	7.13%

PIEDMONT TRIAD REGIONAL WATER AUTHORITY
Operating Fund

Schedule 1

Schedule of Revenues, Expenditures, and Supplemental Budget Expenditures Budget and Actual (Non-GAAP)
For the Year Ended June 30, 2023 With Comparative Totals for the Year Ended June 30, 2022

	2023				2022
	Original Budget	Final Budget	Actual	Variance Over/Under	Actual
Revenues:					
Membership dues	\$ 3,328,121	\$ 3,328,121	\$ 3,328,121	\$ -	\$ 3,350,908
Water sales	5,457,991	5,457,991	5,461,719	3,728	5,278,918
Marina revenue	115,800	115,800	124,553	8,753	143,645
Contract lab	30,000	68,000	74,096	6,096	47,375
Total revenues	<u>8,931,912</u>	<u>8,969,912</u>	<u>8,988,489</u>	<u>18,577</u>	<u>8,820,846</u>
Expenditures					
Administrative and General:					
Personnel and Fringe Benefits	463,382	463,382	419,001	44,381	357,574
Operations and Maintenance	206,000	206,000	148,701	57,299	169,301
Chemicals	35,280	35,280	29,500	5,780	73,884
Professional Services	145,500	145,500	140,500	5,000	115,729
Travel	16,500	16,500	8,637	7,863	6,760
Meetings and conferences	12,500	12,500	11,660	840	12,271
Buffer/Reservoir Enhancement/Protection	80,000	80,000	13,375	66,625	10,000
Insurance	32,000	32,000	29,111	2,889	29,019
Other expenses	20,500	20,500	12,169	8,331	70,539
Total administrative and general	<u>1,011,662</u>	<u>1,011,662</u>	<u>812,654</u>	<u>199,008</u>	<u>845,077</u>
Water treatment plant and related facilities:					
Personnel and fringe benefits	1,660,550	1,660,550	1,577,304	83,246	1,229,873
Chemicals	1,838,505	1,838,505	1,397,142	441,363	1,355,846
Energy	615,000	615,000	582,427	32,573	543,484
Insurance	90,000	90,000	83,242	6,758	79,366
Laboratory	105,000	160,000	147,668	12,332	112,575
Operations and maintenance	636,603	636,603	204,181	432,422	356,787
Sludge handling and maintenance	125,000	125,000	123,586	1,414	99,013
Office supplies	1,950	1,950	1,918	32	1,014
Permits	7,000	7,000	4,295	2,705	3,895
Professional services	125,000	125,000	108,267	16,733	95,818
Vehicles	30,000	30,000	22,994	7,006	20,233
Other expenses	153,013	153,013	50,800	102,213	47,746
Total water treatment plant and related facilities	<u>5,387,621</u>	<u>5,442,621</u>	<u>4,303,824</u>	<u>1,138,797</u>	<u>3,945,650</u>
Total expenditures	<u>6,399,283</u>	<u>6,454,283</u>	<u>5,116,478</u>	<u>1,337,805</u>	<u>4,790,727</u>
Revenues over expenditures	<u>2,532,629</u>	<u>2,515,629</u>	<u>3,872,011</u>	<u>1,356,382</u>	<u>4,030,119</u>
Nonoperating revenues (expenditures):					
Interest earned on investments	47,280	64,280	406,258	341,978	34,282
Interest and fiscal expense	(158,543)	(158,543)	(150,500)	8,043	(252,278)
Other revenues	-	-	25,299	25,299	31,916
Restricted fund balance	50,000	50,000	-	(50,000)	-
Contingency reserve	(4,385)	(4,385)	-	4,385	-
Debt service	(1,791,611)	(1,791,611)	(1,391,610)	400,001	(3,291,548)
Capital outlay	(1,885,370)	(1,885,370)	(1,753,144)	132,226	(1,147,104)
Unappropriated fund balance	1,210,000	1,210,000	-	(1,210,000)	-
Total nonoperating expenditures, net	<u>(2,532,629)</u>	<u>(2,515,629)</u>	<u>(2,863,697)</u>	<u>(348,068)</u>	<u>(4,624,732)</u>
Change in net position - modified accrual basis	<u>\$ -</u>	<u>\$ -</u>	<u>1,008,314</u>	<u>\$ 1,008,314</u>	<u>(594,613)</u>
Reconciliations of budgetary basis to accrual basis:					
Reconciling items:					
Gain on disposal of asset			-		33,452
Amortization of bond expenses			(12,613)		(12,613)
Debt service			1,391,610		3,291,548
Pension expense			(10,076)		(70,246)
Depreciation			(3,372,908)		(3,351,783)
Capital outlay			1,753,144		1,147,104
Change in net position - full accrual basis			<u>\$ 757,471</u>		<u>\$ 442,849</u>

COMPLIANCE SECTION

**Independent Auditors' Report On Internal Control Over Financial Reporting
And On Compliance And Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With *Government Auditing Standards***

To the Board of Directors
Piedmont Triad Regional Water Authority
Randleman, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying statement of net position of the Piedmont Triad Regional Water Authority (the Authority), as of June 30, 2023, and the related statements of revenues, expenses, and changes in cash flow for the year then ended, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated October 31, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2023-001 that we consider to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Authority's Response to Finding

The Authority's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on it.

Purpose of this Report

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

RH CPAs, PLLC

Greensboro, North Carolina
October 31, 2023



PIEDMONT TRIAD REGIONAL WATER AUTHORITY
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2023

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued:	Unmodified		
Internal control over financial reporting:			
Material weakness(es) identified?	_____	yes	_____ <input checked="" type="checkbox"/> no
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	_____ <input checked="" type="checkbox"/>	yes	_____ none reported
Noncompliance material to financial statements noted	_____	yes	_____ <input checked="" type="checkbox"/> no

SECTION II - FINANCIAL STATEMENT FINDINGS

Finding 2023-001 - Segregation of Duties

Significant Deficiency

Criteria:

A good system of internal control contemplates an adequate segregation of duties so that no one individual handles a transaction from its inception to its completion.

Condition:

Due to the limited number of personnel in the Authority office, there are inherent limitations to segregation of duties among Authority personnel. Management is aware of this deficiency, but cost-benefit analysis indicates that hiring more personnel to mitigate this issue is not feasible.

Effect:

Inadequate segregation of duties could make fraud prevention, detection, and investigation difficult, and could potentially lead to misstated financial statements.

PIEDMONT TRIAD REGIONAL WATER AUTHORITY
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2023

SECTION II - FINANCIAL STATEMENT FINDINGS

Cause:

The cost of hiring additional personnel to adequately address segregation of duties is not something management plans to do.

Recommendation:

We encourage management and the Board of Directors to continue to closely monitor financial statements for reasonableness and fluctuations from the budget. Additionally, we recommend reviewing internal controls on an ongoing basis to determine any additional controls that may be implemented with limited personnel.

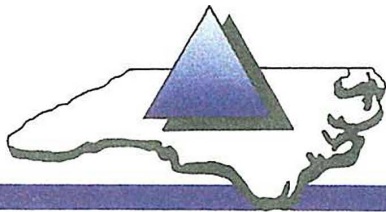
Views of responsible officials:

The Authority's management concurs with the finding as written. See the Corrective Action Plan for more information.

SECTION III - QUESTIONED COSTS

Questioned Cost:

Not applicable



SECTION II - FINANCIAL STATEMENT FINDINGS

Finding 2023-001 - Segregation of Duties

**Name of Contact
Person:**

Joy Sparks, Finance Officer

**Corrective
Action:**

We agree with the finding as presented; however, we have determined through a cost-benefit analysis that it would not be cost effective or feasible to add the additional personnel to mitigate the inherent limitations to segregation of duties.

PIEDMONT TRIAD REGIONAL WATER AUTHORITY
Summary Schedule of Prior Year Audit Findings
For the Year Ended June 30, 2023

Prior Year Findings

No findings disclosed in the prior year.