

**PIEDMONT TRIAD REGIONAL WATER AUTHORITY**

Financial Statements and  
Supplementary Information

As of and for the Years Ended June 30, 2025 and 2024



**PIEDMONT TRIAD REGIONAL WATER AUTHORITY**

Randleman, North Carolina

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**PIEDMONT TRIAD REGIONAL WATER AUTHORITY**  
**Table of Contents**

		<u>Page</u>
	<b>Independent Auditors' Report</b> .....	1
	<b>Management's Discussion And Analysis</b> .....	4
<u>Exhibit</u>	<b>Basic Financial Statements:</b>	
A	Statements of Net Position .....	18
B	Statements of Revenues, Expenses, and Changes in Net Position .....	19
C	Statements of Cash Flows .....	20
	Notes to the Financial Statements .....	21
<u>Schedule</u>	<b>Required Supplementary Information:</b>	
A-1	Schedule of the Authority's Proportionate Share of the Net Pension Liability (Asset) .....	40
A-2	Schedule of the Authority's Contributions.....	41
	<b>Supplementary Information:</b>	
1	Operating Fund – Schedule of Revenues, Expenditures, and Supplemental Budget Expenditures – Budget and Actual (Non-GAAP).....	42
	<b>Compliance Section:</b>	
	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 <i>Government Auditing Standards</i> .....	43
	Independent Auditors' Report on Compliance For Each Major Federal Program; Report On Internal Control Over Compliance; With OMB Uniform Guidance; And the State Single Audit Implementation Act.....	45
	Schedule of Findings and Questioned Costs .....	48
	Corrective Action Plan.....	50
	Summary Schedule of Prior Audit Findings .....	51
	Schedule of Expenditures of Federal Awards .....	52

## Independent Auditors' Report

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

### Report on the Audit of the Financial Statements

#### Opinions

We have audited the accompanying basic financial statements of the business-type activities of Piedmont Triad Regional Water Authority (the Authority) as of and for the years ended June 30, 2025 and 2024, 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, 2025 and 2024, and the respective changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### Basis for Opinions

We conducted our audits 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 audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### 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 opinions 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), is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards, as required by the Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for the purposes of additional analysis and is also not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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, Operating Fund – Schedule of Revenues, Expenditures, and Supplemental Budget Expenditures – Budget and Actual (Non-GAAP) and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements 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 December 10, 2025, 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 CPA<sub>s</sub>, PLLC*

Greensboro, North Carolina  
December 10, 2025

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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**PIEDMONT TRIAD REGIONAL WATER AUTHORITY**  
**Management's Discussion And Analysis**  
**June 30, 2025**

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, 2025 and 2024. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Authority's financial statements, which follow this narrative.

**Financial Highlights for the Year Ended June 30, 2025**

- 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 \$119,267,799 (*net position*).
- The Authority's net position increased by \$541,075 (or 0.46%) to \$119,267,799, as compared to the previous year's end. Net investment in capital assets increased by \$213,139 (or 0.22%) as compared to the previous year's end. Unrestricted net position increased by \$327,936 to \$22,524,469 during the FYE June 30, 2025.
- The operating revenues are \$9,531,759 for the fiscal year.
- Total operating expenses of all the Authority's programs were \$9,583,506 during the FYE June 30, 2025.
- The Authority's total debt increased by \$8,559,501 during the current fiscal year to \$15,242,180. The key factor in this increase was the issuance the 2025 Water System Revenue Refunding Bond Anticipation Note.

**Financial Highlights for the Year Ended June 30, 2024**

- 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 \$118,726,724 (*net position*).
- The Authority's net position increased by \$847,171 (or 0.72%) to \$118,726,724, as compared to the previous year's end. Net investment in capital assets decreased by \$666,672 (or -0.69%) as compared to the previous year's end. Unrestricted net position increased by \$1,513,843 to \$22,196,533 during the FYE June 30, 2024.
- The operating revenues are \$9,245,336 for the fiscal year.
- Total operating expenses of all the Authority's programs were \$8,900,916 during the FYE June 30, 2024.
- The Authority's total debt decreased by \$1,415,843 during the current fiscal year to \$6,682,679. 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.

**Overview of the Financial Statements**

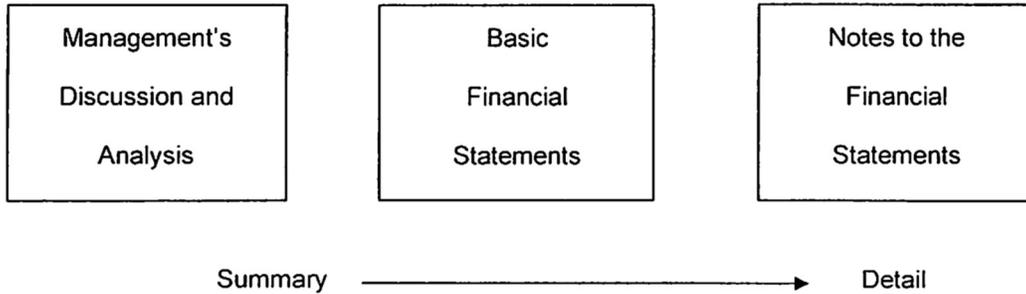
This discussion and analysis are intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statements consist of two components; 1) fund financial statements and 2) notes to the financial statements. Because the Authority is a special-purpose 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, 2025**

**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><b>Committed:</b></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, 2016, and 2025. 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, 2025**

**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 as of June 30, 2025; 26.7 MGD upon completion of the 2025 Expansion) outlined in the 1987, 2007, 2016, and 2025 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, 2025**

**Financial Analysis (Continued)**

**Piedmont Triad Regional Water Authority's Net Position**

**Figure 2**

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Current and noncurrent assets	\$ 24,680,923	\$ 23,699,702	\$ 21,879,439
Capital assets, net of depreciation	111,944,059	103,158,807	105,228,709
Total assets	<u>136,624,982</u>	<u>126,858,509</u>	<u>127,108,148</u>
Deferred outflows of resources	<u>677,229</u>	<u>781,814</u>	<u>567,559</u>
Current liabilities	3,144,681	2,572,036	2,374,191
Long-term liabilities	14,867,095	6,312,604	7,384,473
Total liabilities	<u>18,011,776</u>	<u>8,884,639</u>	<u>9,758,664</u>
Deferred inflows of resources	<u>22,636</u>	<u>28,960</u>	<u>37,820</u>
Net position:			
Net investment in capital assets	96,743,330	96,530,191	97,196,863
Unrestricted	<u>22,524,469</u>	<u>22,196,533</u>	<u>20,682,690</u>
Total net position	<u>\$ 119,267,799</u>	<u>\$ 118,726,724</u>	<u>\$ 117,879,553</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 \$119,267,799 as of June 30, 2025. 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, increased \$8,785,252 to \$111,944,059 due to the issuance of the 2025 Water System Revenue Bond Anticipation Note. The deferred outflow of resources decreased 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 increased mainly due to the issuance of the 2025 Water System Revenue Bond Anticipation Note. The deferred inflows of resources decreased related to the change in the net pension liability as of June 30, 2025.

The assets and deferred outflows of resources of the Authority exceeded liabilities and deferred inflows of resources by \$118,726,724 as of June 30, 2024. 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 \$2,069,902 to \$103,158,807 due to depreciation additions. The deferred outflow of resources decreased 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, 2024.

**PIEDMONT TRIAD REGIONAL WATER AUTHORITY**  
**Management's Discussion And Analysis**  
**June 30, 2025**

**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, 2016, and 2025. 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 \$286,423 as of June 30, 2025. The majority of the increase was due to an increase in water sales for the year ended June 30, 2025. Income from marina boating and fishing activities was \$112,334 for the year ended June 30, 2025. The Authority's laboratory serves outside customers. Income from the contract laboratory operations amounted to \$70,370 for the year ended June 30, 2025. Income from membership dues increased by \$49,917 and operating expenses increased by \$682,590 for the year ended June 30, 2025. As of June 30, 2025, net position increased in the amount of \$541,075, compared to an increase of \$847,171 for the year ended June 30, 2024, as a result of the changes in water sales, membership dues, marina revenue, and operating expenses.

Operating revenues increased by \$256,847 as of June 30, 2024. The majority of the increase was due to an increase in water sales for the year ended June 30, 2024. Income from marina boating and fishing activities was \$123,945 for the year ended June 30, 2024. The Authority's laboratory serves outside customers. Income from the contract laboratory operations amounted to \$54,759 for the year ended June 30, 2024. Income from membership dues increased by \$48,228 and operating expenses increased by \$401,454 for the year ended June 30, 2024. As of June 30, 2024, net position increased in the amount of \$847,171, compared to an increase of \$757,471 for the year ended June 30, 2023, 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>2025</u>	<u>2024</u>	<u>2023</u>
Revenues:			
Operating revenues	\$ 9,531,759	\$ 9,245,336	\$ 8,988,489
Total revenues	<u>9,531,759</u>	<u>9,245,336</u>	<u>8,988,489</u>
Expenses:			
Operating expenses	<u>9,583,506</u>	<u>8,900,916</u>	<u>8,499,462</u>
Total expenses	<u>9,583,506</u>	<u>8,900,916</u>	<u>8,499,462</u>
Operating (loss) income	(51,747)	344,420	489,027
Non-operating revenues	<u>592,822</u>	<u>502,752</u>	<u>268,444</u>
Increase in net position	541,075	847,171	757,471
Net position, July 1	<u>118,726,724</u>	<u>117,879,553</u>	<u>117,122,082</u>
Net position, June 30	<u>\$ 119,267,799</u>	<u>\$ 118,726,724</u>	<u>\$ 117,879,553</u>

**PIEDMONT TRIAD REGIONAL WATER AUTHORITY**  
**Management's Discussion And Analysis**  
**June 30, 2025**

**Financial Analysis (Continued)**

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

During the fiscal year 2024-2025, 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 January 1, 2025 until the completion of 26.7 MDG water treatment plant expansion, at which time the 2025 Total Expansion Treated Allocations will be applied. Current member allocations are as follows:

	<b>Committed:</b>	<b>Excess:</b>
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	-
	12.675 MGD	2.025 MGD

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, 2025 and 2024 total \$111,944,059 and \$103,158,807, 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**

	<b>2025</b>	<b>2024</b>	<b>2023</b>
Land and improvements	\$ 41,863,714	\$ 41,834,171	\$ 41,685,354
Dam	13,806,569	14,256,998	14,707,530
High Point discharge pipe	1,113,148	1,530,579	1,948,010
Furniture/camera/equipment	128,924	160,284	187,324
Vehicles	93,675	52,450	77,215
Fencing/gates	6,289	11,146	16,004
Marina facilities	224,930	246,524	269,301
Water plant/related facilities	40,975,605	42,937,366	45,052,153
Construction in progress	13,731,205	2,129,289	1,285,818
Capital assets, net of depreciation	\$ 111,944,059	\$ 103,158,807	\$ 105,228,709

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, 2025**

**Capital Asset and Debt Administration (Continued)**

**Long-Term Debt**

As of June 30, 2025, the Authority had total debt outstanding of \$15,242,180.

- \$5,242,180 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).
- \$10,000,000 to Truist Commercial Equity, Inc. for the purchase of the 2025 Water System Refunding Bonds Anticipation Note in an amount up to \$130,000,000 (interest rate based on one-month Term SOFR prior to the mandatory purchase date and, if not purchased, at Prime-based rates thereafter, subject to a 22% cap). As of June 30, 2025, only \$10,000,000 of the total note has been drawn upon. The Authority authorized the issuance of the note in order to finance a portion of the cost of the acquisition, construction, reconciliation, improvement, enlargement, and betterment of a 26.7 MGD water treatment plant and facilities related thereto and to pay certain costs and expenses incurred in connection with the issuance of the note. The note bears interest semi-annually over a 2 to 7-year period and is subject to a mandatory purchase on April 1, 2027; any outstanding principal not paid in full on that date becomes due at maturity, April 1 2032.

As of June 30, 2024, the Authority had total debt outstanding of \$6,682,679.

- \$6,682,679 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 2025-2026 budget incorporates a 4.00% increase for the membership dues and a 4.00% 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, 2025**

**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 2025-2026 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 remain the same to reflect the anticipated attendance.

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.

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 2027. 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 Hazen and Sawyer to serve as the Owner's Advisor to assist PTRWA staff with review of design and submittals, permitting, construction administration, and other tasks as deemed necessary.

**PIEDMONT TRIAD REGIONAL WATER AUTHORITY**  
**Management's Discussion And Analysis**  
**June 30, 2025**

**Economic Factors and Next Year's Budget (Continued)**

- **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 3<sup>rd</sup> 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 the new regulatory limits introduced by EPA in the spring of 2024. 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 2025-2026 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.
- **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 delayed until final design determinations are made regarding necessary upgrades during the expansion.
- **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 and has authorized the use of board restricted funds to all design to progress while financing is finalized. A Bond Anticipation Note in an amount not to exceed \$130 million, provided by Truist Bank, will be in place until permanent revenue bond financing.

**PIEDMONT TRIAD REGIONAL WATER AUTHORITY**  
**Management's Discussion And Analysis**  
**June 30, 2025**

**Economic Factors and Next Year's Budget (Continued)**

- **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 Authority was awarded the PFAS Study – RO Treatment System State Revolving Loan Fund Grant for planning grants in the water (DWSRF-EC) area in the amount of \$1,000,000. These funds will help offset the cost of the pilot study for implementation and the construction of the Reverse Osmosis treatment train for removal of PFAS.

- **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 will continue supporting 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.
- **Deep River State Trails** – Plans are moving forward for a section of river area below Randleman dam that will be incorporated as a paddle trail portion of the State's Deep River Trail. The project includes a river paddle trail from below the dam to a takeout point in the City of Randleman or further down river. The Authority has obtained 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. Randolph County's Deep River Trail coordinator is leading the initiative to obtain funding for this project through grant funding opportunities.
- **Dam** – Satellite monitoring of ground positions and ground moistures at the dam has been enhanced to include monthly reporting to be reviewed by PTRWA's Executive Director and PTRWA staff. The data collected is a means of detecting issues before they become significant issues. No issues of concern have been detected, aside from 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 is incorporated into the reservoir inflow/outflow model the Authority had developed to analyze and determine the reservoir safe yield capacity. An updated safe yield analyze will need to be conducted once a minimum of 10 years of data has been collected.

- **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.

**PIEDMONT TRIAD REGIONAL WATER AUTHORITY**  
**Management's Discussion And Analysis**  
**June 30, 2025**

**Economic Factors and Next Year's Budget (Continued)**

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 future costs for renewal and replacement of the plant, transmission system, and dam.

North Carolina Area Wide Optimization Program Award (AWOP) – For the tenth consecutive year (2024), 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 2024 (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.
  1. **Regionalism** – The many announced economic development projects throughout the region and the resulting anticipated growth have brought forward some larger utility capacity issues that will need to be addressed. Under direction of the legislature the State Department of Environmental Quality completed a study of water and wastewater capacity needs in the Deep River Basin in May of 2024. The State study concluded that there will be a need for significant capital investment in water and wastewater infrastructure in the Guilford and Randolph County region to support the anticipated needs through the 2050 planning cycle. The report supported regional cooperation as the most cost-effective solution to addressing long-range utility needs. Specifically, it identified a joint regional wastewater facility that could support all of the cities and towns in the region as a key component needed to address the expected demands.

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. 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.

**PIEDMONT TRIAD REGIONAL WATER AUTHORITY**  
**Management's Discussion And Analysis**  
**June 30, 2025**

**Economic Factors and Next Year's Budget (Continued)**

To determine the most beneficial solutions of addressing the region's needs, PTRWA initiated with Hazen and Sawyer a utilities master planning process for the entire Guilford and Randolph County region. Through this planning effort PTRWA is seeking to determine how it may be able to assist the region, its partners and the citizens of Guilford and Randolph Counties in meeting these utility needs. It is expected that at a minimum this effort will include:

- Analysis of PTRWA's business structure and recommendations for methods to incorporate additional membership;
  - Refinement and analysis of the regions long-term water and wastewater capacity needs;
  - Evaluation of consolidation and regionalization options to address the regions long-term capacity needs;
  - Economic analysis of the impact that larger scale regionalization would have on PTRWA's current membership and on utilities that could potentially become members of the authority;
  - The City of Asheboro has expressed a specific interest in joining PTRWA, it is expected that the study will specifically address the possibility of Asheboro joining PTRWA;
  - Although PTRWA does not currently provide wastewater service that is an integral part of this analysis as there are water and wastewater capacity needs;
  - Analysis of how changes in the membership structure could affect PTRWA's current Inter Basin Transfer certificate and the certificates of any other utilities that could potentially join PTRWA;
  - Analysis of permitting issues that would have to be overcome in pursuing regional solutions;
  - Recommendation to address nutrient limitation requirement at a basin wide level
2. **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 chloramine's disinfection process to a free chlorine disinfection process is needed and when it will take place.
3. **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 expansion and emerging compounds treatment and the master utility planning process.

**PIEDMONT TRIAD REGIONAL WATER AUTHORITY**  
**Management's Discussion And Analysis**  
**June 30, 2025**

**Economic Factors and Next Year's Budget (Continued)**

4. **Polyfluoroalkyl Substances (PFAS) Cost Recovery Class Action Lawsuit** – The National Rural Water Association (NRWA) and a number of other affected parties have filed a multi-jurisdiction 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. There are currently approximately 17 defendants in the lawsuits, 3 of the defendants have chosen to settle the lawsuit, settlement details are being finalized and approved by the court and it is expected that PTRWA will receive some financial compensation in conjunction with the settlement agreements.
5. **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 19, 2026. 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.
6. **Keep Randolph County Beautiful** – Several events will be held during the new fiscal year. Randolph County Creek Week activities are being planned for the spring 2026. 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.
7. **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.
8. **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 a table top emergency activity with this group, as part of this contingency planning process, has been scheduled for January 6, 2026.

**PIEDMONT TRIAD REGIONAL WATER AUTHORITY**  
**Management's Discussion And Analysis**  
**June 30, 2025**

**Economic Factors and Next Year's Budget (Continued)**

**Restricted Funds** - The proposed fiscal year 2025-2026 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 2025-2026 is \$12,768,840.

**Business – type Activities:** The water rate for the Authority's member governments is determined during the normal budget process. The FY 2025-2026 budget incorporates a 4.00% increase for the membership dues and a 4.00% increase in the water rate.

The rate for water sales will be \$1.3104 per 1,000 gallons for the upcoming fiscal year 2025-2026.

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 Joint Governmental 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 Director  
Piedmont Triad Regional Water Authority  
P. O. Box 1326  
Randleman, NC 27317  
Telephone: (336) 560-5633  
Email: [rbrown@ptrwa.org](mailto:rbrown@ptrwa.org)

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## **BASIC FINANCIAL STATEMENTS**

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**PIEDMONT TRIAD REGIONAL WATER AUTHORITY**  
**Statements of Net Position**  
**June 30, 2025 and 2024**

**Exhibit A**

**ASSETS**

	<b>2025</b>	<b>2024</b>
Current assets:		
Cash and cash equivalents	\$ 9,012,969	\$ 9,363,879
Investments	1,808,216	1,534,118
Board-designated cash and cash equivalents	3,970,831	3,219,198
Board-designated investments	6,085,039	8,719,642
Accounts receivable	729,189	713,906
Prepaid expenses	-	640
Inventory	140,939	148,319
Total current assets	21,747,183	23,699,702
Non-current assets:		
Investments	220,770	-
Board-designated investments	2,712,970	-
Capital assets, net of depreciation	111,944,059	103,158,807
Total non-current assets	114,877,799	103,158,807
Total assets	\$ 136,624,982	\$ 126,858,509

**DEFERRED OUTFLOWS OF RESOURCES**

Pension related deferrals and contributions	\$ 635,779	\$ 727,751
Charge on refunding, net of accumulated amortization	41,450	54,063
Total deferred outflows of resources	677,229	781,814

**LIABILITIES**

Current liabilities:		
Accounts payable and accrued expenses	1,675,630	1,126,624
Current portion of bond payable	1,465,585	1,440,499
Unearned revenue	3,466	4,912
Total current liabilities	3,144,681	2,572,035
Non-current liabilities:		
Bond payable	13,776,594	5,242,180
Other non-current liabilities:		
Net pension liability	1,090,501	1,070,424
Total non-current liabilities	14,867,095	6,312,604
Total liabilities	18,011,776	8,884,639

**DEFERRED INFLOWS OF RESOURCES - PENSION RELATED**

	22,636	28,960
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**NET POSITION**

Net investment in capital assets	96,743,330	96,530,191
Unrestricted	22,524,469	22,196,533
Total net position	\$ 119,267,799	\$ 118,726,724

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

**PIEDMONT TRIAD REGIONAL WATER AUTHORITY**  
**Statements of Revenues, Expenses, and Changes in Net Position**  
**For the Years Ended June 30, 2025, and 2024**

**Exhibit B**

	<b>2025</b>	<b>2024</b>
<b>OPERATING REVENUES:</b>		
Membership dues	\$ 3,426,266	\$ 3,376,349
Water sales	5,922,789	5,690,283
Marina revenue	112,334	123,945
Contract lab	70,370	54,759
Total operating revenues	9,531,759	9,245,336
<b>OPERATING EXPENSES:</b>		
Administrative and general :		
Personnel and fringe benefits	503,931	436,192
Depreciation	937,361	939,120
Operations and maintenance	121,849	125,315
Chemicals	-	9,000
Buffer/reservoir enhancement/protection	9,711	18,196
Professional services	166,219	119,319
Travel	18,233	12,433
Meetings and conferences	13,310	12,653
Insurance	37,945	34,969
Other	42,156	21,636
Total administrative and general	1,850,715	1,728,833
Water treatment plant and related facilities:		
Personnel and fringe benefits	2,050,283	1,774,682
Depreciation	2,294,917	2,299,226
Chemicals	1,811,375	1,480,261
Energy	808,209	740,272
Insurance	109,256	95,725
Laboratory	171,999	138,404
Operations and maintenance	193,152	348,725
Sludge handling and maintenance	78,430	122,267
Office supplies	2,200	1,076
Permit	4,670	1,670
Professional services	123,146	113,037
Vehicles	21,658	18,937
Other	63,496	37,801
Total water treatment plant and related facilities	7,732,791	7,172,083
Total operating expenses	9,583,506	8,900,916
Operating (loss) income	(51,747)	344,420
<b>NON-OPERATING REVENUES (EXPENSES):</b>		
Interest earned on investments	702,022	663,811
Interest and fiscal expense	(152,932)	(138,739)
Other nonoperating income	17,135	15,164
Grant income (expenses)	26,597	(36,533)
Loss on disposal of capital assets	-	(952)
Total non-operating revenues	592,822	502,751
Change in net position	541,075	847,171
Net position, beginning	118,726,724	117,879,553
Net position, ending	\$ 119,267,799	\$ 118,726,724

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, 2025, and 2024**

**Exhibit C**

	<b>2025</b>	<b>2024</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received from members	\$ 9,335,211	\$ 9,066,125
Cash received from customers	175,678	178,804
Cash paid for goods and services	(3,318,745)	(3,481,173)
Cash paid to employees for services	(2,448,489)	(1,873,149)
Net cash provided from operating activities	3,743,655	3,890,607
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Miscellaneous nonoperating receipts	17,135	15,165
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Capital grants	152,012	-
Acquisition and construction of capital assets	(12,017,530)	(1,169,398)
Long-term debt received	10,000,000	-
Payments on long-term debt	(1,440,499)	(1,415,843)
Interest payments	(152,932)	(138,739)
Miscellaneous nonoperating expenses	(29,905)	(132,044)
Net cash used by capital and related financing activities	(3,488,854)	(2,856,024)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Interest earned on investments	702,022	663,811
Net change in cash, cash equivalents, and investments	973,958	1,713,559
Cash, cash equivalents, and investments, beginning of year	22,836,837	21,123,278
Cash, cash equivalents, and investments, end of year	\$ 23,810,795	\$ 22,836,837
<b>RECONCILIATION TO CASH, CASH EQUIVALENTS, AND INVESTMENTS REPORTED IN THE STATEMENT OF NET POSITION:</b>		
Cash and cash equivalents	\$ 9,012,969	\$ 9,363,879
Investments - current	1,808,216	1,534,118
Board-designated cash and cash equivalents	3,970,831	3,219,198
Board-designated investments	6,085,039	8,719,642
Investments - non current	220,770	-
Board-designated investments - non current	2,712,970	-
	\$ 23,810,795	\$ 22,836,837
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH FROM OPERATING ACTIVITIES:</b>		
Operating (loss) income	\$ (51,747)	\$ 344,421
Adjustments to reconcile operating income to net cash flows from operating activities		
Depreciation	3,232,278	3,238,346
Unamortized charge on refunding	12,613	12,613
Change in assets, liabilities, and deferred inflows and outflows of resources:		
Accounts receivable for operations	(110,794)	(11,454)
Prepaid expenses	640	(640)
Inventory	7,380	901
Deferred outflows of resources for pensions	91,972	(226,538)
Accounts payable and accrued expenses	549,006	172,238
Unearned revenue	(1,446)	950
Net pension liability	20,077	368,630
Deferred inflows of resources	(6,324)	(8,860)
Net cash from operating activities	\$ 3,743,655	\$ 3,890,607

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

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## **NOTES TO THE FINANCIAL STATEMENTS**

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**PIEDMONT TRIAD REGIONAL WATER AUTHORITY**  
**Notes to the Financial Statements**  
**June 30, 2025 and 2024**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of Piedmont Triad Regional Water Authority (the Authority) conform to accounting principles generally accepted in the United States of America (U.S. GAAP) 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.

**C. Budgetary Data**

The Authority's budgets are adopted as required by the Local Government Budget and Fiscal Control Act of 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 purposes. 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.

**PIEDMONT TRIAD REGIONAL WATER AUTHORITY**  
**Notes to the Financial Statements**  
**June 30, 2025 and 2024**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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 \$12,768,840 and \$11,938,840 for the years ended June 30, 2025 and 2024, 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. Board-designated cash, cash equivalents, and investments are classified as current or non-current based on the type and length of the project for which they are designated.

*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.

*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. Revenue is recognized as the related services are performed.

*Accounting Estimates* – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect 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.

**PIEDMONT TRIAD REGIONAL WATER AUTHORITY**  
**Notes to the Financial Statements**  
**June 30, 2025 and 2024**

**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	3 to 50 years
Water Treatment Plant and Related Facilities	3 to 40 years
Buildings	40 years
Equipment	3 to 25 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 will not be recognized as an expense or expenditure until then. The Authority has two items that meet the criterion for this category. (1) Refunding charges of \$41,450 and \$54,063 for the years ended June 30, 2025 and 2024, 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 \$635,779 and \$727,751 for the years ended June 30, 2025 and 2024, 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 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 \$22,636 and \$28,960 for the years ended June 30, 2025 and 2024, respectively.

*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 \$91,815 and \$93,125 as of June 30, 2025 and 2024, respectively.

The Authority’s sick leave policy provides for an unlimited accumulation of earned sick leave but does not vest. In accordance with GASB Statement No. 101, management evaluated the portion of accumulated sick leave that is “more likely than not to be paid or used.” Based on a four-year look-back indicating that the amount of sick leave used annually is consistently less than the amount accrued, management concluded that no amounts are “more likely than not to be paid or used.” Any amounts that might otherwise qualify for accrual were determined to be immaterial; therefore, no liability for sick leave has been reported as of June 30, 2025.

**PIEDMONT TRIAD REGIONAL WATER AUTHORITY**  
**Notes to the Financial Statements**  
**June 30, 2025 and 2024**

**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 \$12,768,840 and \$11,938,840 for the years ended June 30, 2025 and 2024, 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, dual media filter rehab, redundant power reserves and buffer/reservoir enhance/protect.

*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.

**E. Reclassification**

Certain amounts for the year ended June 30, 2024 have been reclassified in these comparative financial statements. These reclassifications had no effect on the net position for that year.

**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.

**PIEDMONT TRIAD REGIONAL WATER AUTHORITY**  
**Notes to the Financial Statements**  
**June 30, 2025 and 2024**

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

**A. Assets (Continued)**

*1. Deposits and Investments (Continued)*

Because of the inability to measure the exact amounts of collateral pledged for the Authority under the Pooling Method, the potential exists for under collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Authority has no formal policy regarding custodial credit risk for deposits but relies on the State Treasurer to enforce standards of minimum capitalization for all Pooling Method financial institutions and to monitor them for compliance.

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

At June 30, 2025 and 2024, the Authority's deposits had a carrying value of \$12,983,299 and \$12,582,477, respectively, and bank balances of \$12,832,964 and \$12,872,814, respectively. Of the June 30, 2025 and 2024 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, 2025 and 2024, the Authority had \$501 and \$600 cash on hand, respectively.

As of June 30, 2025 and 2024, the Authority had the following investments:

<u>Investment Type</u>	<u>Valuation Measurement Method</u>	<u>Fair Value at June 30, 2025</u>	<u>Maturity less than 6 months</u>	<u>Maturity 6 to 12 months</u>	<u>Maturity 1 to 3 years</u>
Certificates of deposit	Fair Value Level 1	\$ 7,920,551	\$ 4,986,811	\$ -	\$ 2,933,740
US treasury securities	Fair Value Level 1	1,127,962	370,889	757,073	-
NCCMT - government portfolio	Fair Value Level 1	1,778,482	1,778,482	-	-
		<u>\$ 10,826,995</u>	<u>\$ 7,136,182</u>	<u>\$ 757,073</u>	<u>\$ 2,933,740</u>

<u>Investment Type</u>	<u>Valuation Measurement Method</u>	<u>Fair Value at June 30, 2024</u>	<u>Maturity less than 6 months</u>	<u>Maturity 6 to 12 months</u>	<u>Maturity 1 to 3 years</u>
Certificates of deposit	Fair Value Level 1	\$ 8,567,960	\$ 8,567,960	\$ -	\$ -
NCCMT - government portfolio	Fair Value Level 1	1,685,802	1,685,802	-	-
		<u>\$ 10,253,762</u>	<u>\$ 10,253,762</u>	<u>\$ -</u>	<u>\$ -</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, 2025 and 2024. The Authority has no formal policy regarding credit risk on its investments.

**PIEDMONT TRIAD REGIONAL WATER AUTHORITY**  
**Notes to the Financial Statements**  
**June 30, 2025 and 2024**

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

**B. Assets (Continued)**

*2. Capital Assets*

The capital assets of the Authority at June 30, 2025 are as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Capital assets not depreciated:				
Land	\$ 41,670,796	\$ -	\$ -	\$ 41,670,796
Boat access road	87,155	-	-	87,155
Marina parking areas	73,718	29,545	-	103,263
Marina kayak ramp	2,500	-	-	2,500
Construction in progress	2,129,289	11,695,475	(93,559)	13,731,205
Total capital assets not depreciated	<u>43,963,458</u>	<u>11,725,020</u>	<u>(93,559)</u>	<u>55,594,919</u>
Capital assets depreciated:				
Camera	10,012	-	-	10,012
Dam	22,498,841	-	-	22,498,841
Equipment	345,682	-	-	345,682
Fencing	45,943	-	-	45,943
Furniture	120,879	3,661	-	124,540
Gates	64,611	-	-	64,611
High Point eastside discharge pipe	8,348,615	-	-	8,348,615
Marina	531,579	-	(1,512)	530,067
Vehicles	346,790	65,610	-	412,400
Water treatment plant	72,928,161	316,798	-	73,244,959
Total capital assets depreciated	<u>105,241,113</u>	<u>386,069</u>	<u>(1,512)</u>	<u>105,625,670</u>
Less accumulated depreciation for:				
Water treatment plant and related facilities	29,990,794	2,278,560	-	32,269,354
Administrative and general	16,054,970	953,718	(1,512)	17,007,176
Total accumulated depreciation	<u>46,045,764</u>	<u>\$ 3,232,278</u>	<u>\$ (1,512)</u>	<u>49,276,530</u>
 Total capital assets depreciated, net	 <u>59,195,349</u>			 <u>56,349,140</u>
 Capital assets, net	 <u>\$ 103,158,807</u>			 <u>\$ 111,944,059</u>

**PIEDMONT TRIAD REGIONAL WATER AUTHORITY**  
**Notes to the Financial Statements**  
**June 30, 2025 and 2024**

**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, 2024 are as follows:

	<b>Beginning Balances</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balances</b>
Capital assets not depreciated:				
Land	\$ 41,521,981	\$ 148,815	\$ -	\$ 41,670,796
Boat access road	87,155	-	-	87,155
Marina parking areas	73,718	-	-	73,718
Marina kayak ramp	2,500	-	-	2,500
Construction in progress	1,285,818	843,471	-	2,129,289
Total capital assets not depreciated	<u>42,971,172</u>	<u>992,286</u>	<u>-</u>	<u>43,963,458</u>
Capital assets depreciated:				
Camera	10,012	-	-	10,012
Dam	22,498,841	-	-	22,498,841
Equipment	345,682	-	-	345,682
Fencing	45,943	-	-	45,943
Furniture	110,215	10,664	-	120,879
Gates	64,611	-	-	64,611
High Point eastside discharge pipe	8,348,615	-	-	8,348,615
Marina	530,589	990	-	531,579
Vehicles	346,790	-	-	346,790
Water treatment plant	72,770,975	165,456	(8,270)	72,928,161
Total capital assets depreciated	<u>105,072,273</u>	<u>177,110</u>	<u>(8,270)</u>	<u>105,241,113</u>
Less accumulated depreciation for:				
Water treatment plant and related facilities	27,718,822	2,279,290	(7,318)	29,990,794
Administrative and general	15,095,914	959,056	-	16,054,970
Total accumulated depreciation	<u>42,814,736</u>	<u>\$ 3,238,346</u>	<u>\$ (7,318)</u>	<u>46,045,764</u>
Total capital assets depreciated, net	<u>62,257,537</u>			<u>59,195,349</u>
Capital assets, net	<u>\$ 105,228,709</u>			<u>\$ 103,158,807</u>

**PIEDMONT TRIAD REGIONAL WATER AUTHORITY**  
**Notes to the Financial Statements**  
**June 30, 2025 and 2024**

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

**B. Liabilities – Long-Term**

The following is a summary of long-term liabilities at June 30, 2025:

	<u>Balance July 1, 2024</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance June 30, 2025</u>	<u>Current Portion of Long-Term Liabilities</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.	\$ 6,682,679	\$ -	\$ 1,440,499	\$ 5,242,180	\$ 1,465,585
Series 2025 anticipation note payable: Interest accrues at a variable rate based on one-month Term SOFR prior to the mandatory purchase date and, if not purchased, at Prime based rates thereafter, subject to a 22% cap; principal payment is due at maturity; interest payments are due and paid semi-annually over 2-7 years.	-	10,000,000	-	10,000,000	-
Net pension liability (LRS)	1,070,424	20,077	-	1,090,501	-
	<u>\$ 7,753,103</u>	<u>\$ 10,020,077</u>	<u>\$ 1,440,499</u>	<u>\$ 16,332,681</u>	<u>\$ 1,465,585</u>

The following is a summary of long-term liabilities at June 30, 2024:

	<u>Balance July 1, 2023</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance June 30, 2024</u>	<u>Current Portion of Long-Term Liabilities</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.	\$ 8,098,522	\$ -	\$ 1,415,843	\$ 6,682,679	\$ 1,440,499
Net pension liability (LRS)	701,794	368,630	-	1,070,424	-
	<u>\$ 8,800,316</u>	<u>\$ 368,630</u>	<u>\$ 1,415,843</u>	<u>\$ 7,753,103</u>	<u>\$ 1,440,499</u>

*1. Notes Payable*

*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% per annum. In the event of a default, the Authority agrees to pay the purchasers, on demand, the principal of all bonds then outstanding.

**PIEDMONT TRIAD REGIONAL WATER AUTHORITY**  
**Notes to the Financial Statements**  
**June 30, 2025 and 2024**

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

**B. Liabilities – Long-Term (Continued)**

*1. Notes Payable (Continued)*

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% per annum. No other terms of the 2012 agreement were modified.

In January 2025, the Authority authorized the issuance of 2025 Water System Revenue Refunding Bond Anticipation Note in an amount up to \$130,000,000 in order to finance a portion of the cost of the acquisition, construction, reconstruction, improvement, enlargement, and betterment of a 26.7 MGD water treatment plant and facilities related thereto and to pay certain costs and expenses incurred in connection with issuance of the 2025 note. The 2025 note bears interest at a variable rate equal to 79% of one-month Term SOFR plus 0.29%, reset monthly. The note is subject to mandatory tender for purchase on April 1, 2027. If the note is not purchased on the Mandatory Purchase Date, then repayment of the outstanding principal is due at maturity, April 1, 2032, and bears interest at the Prime Rate for the first 180 days following the Mandatory Purchase Date and thereafter at the Prime Rate plus 1.00%, subject to a maximum interest rate of 22%. This interest will be payable semi-annually in April and October over a 2 to 7-year period. In the event of a default, the Authority agrees to pay the purchasers, on demand, the principal of all bonds then outstanding. As of June 30, 2025, only \$10,000,000 of the total 2025 note has been drawn upon by the Authority.

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:

	<b>2025</b>	<b>2024</b>
Operating revenues	\$ 9,531,759	\$ 9,245,336
Operating expenses*	(6,351,228)	(5,662,570)
Non operating revenue**	745,754	642,443
Income available for debt service	3,926,285	4,225,209
Debt service, principal, and interest paid	1,550,154	1,550,153
Net difference	\$ 2,376,131	\$ 2,675,056

\* Exclusive of depreciation expense of \$3,232,278 and \$3,238,346 for the years ended June 30, 2025 and 2024, respectively.

\*\* Exclusive of interest and fiscal expense and loss on disposal of assets of \$152,932 and \$139,692 for the years ended June 30, 2025 and 2024, respectively.

The Authority believes it was in compliance with the debt service coverage covenant for the years ended June 30, 2025 and 2024.

Interest payments on long-term revenue bond debt for the years ended June 30, 2025 and 2024 were \$152,932 and \$138,739, respectively.

**PIEDMONT TRIAD REGIONAL WATER AUTHORITY**  
**Notes to the Financial Statements**  
**June 30, 2025 and 2024**

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

**C. Liabilities – Long-Term (Continued)**

*1. Notes Payable (Continued)*

Maturities of bonds payable are as follows:

Year Ending June 30,	Principal	Interest	Total
2026	\$ 1,465,585	\$ 84,569	\$ 1,550,154
2027	11,491,107	59,047	11,550,154
2028	1,517,072	33,080	1,550,152
2029	768,415	6,662	775,078
Thereafter	-	-	-
	<u>\$ 15,242,179</u>	<u>\$ 183,358</u>	<u>\$ 15,425,538</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](http://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, 2025 and 2024**

**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, 2025 was 15.04% of compensation for law enforcement officers and 13.64% 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 \$235,184 and \$182,994 for the years ended June 30, 2025 and 2024, 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, 2025 and 2024, the Authority reported a liability of \$1,090,501 and \$1,070,424, respectively, for its proportionate share of the net pension liability. The net pension liability at June 30, 2025 was measured as of June 30, 2024. The net pension liability at June 30, 2024 was measured as of June 30, 2023. The total pension liability used to calculate the net pension liability at June 30, 2025 was determined by an actuarial valuation as of December 31, 2023. The total pension liability was then rolled forward to the measurement date of June 30, 2024 utilizing updated procedures incorporating the actuarial assumptions. The total pension liability used to calculate the net pension liability at June 30, 2024 was determined by an actuarial valuation as of December 31, 2022. The total pension liability was then rolled forward to the measurement date of June 30, 2023, utilizing 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, 2024 and 2023 (measurement dates), the Authority's portion was .01618% and .01616%, respectively, which is an increase of .00002 and .00372, respectively.

**PIEDMONT TRIAD REGIONAL WATER AUTHORITY**  
**Notes to the Financial Statements**  
**June 30, 2025 and 2024**

**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, 2025 and 2024, the Authority recognized pension expense of \$340,909 and \$316,226, respectively.

At June 30, 2025, the Authority reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 191,097	\$ 1,285
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	148,253	-
Changes in proportion and differences between Authority contributions and proportionate share of contributions	61,245	21,351
Authority contributions subsequent to the measurement date	235,184	-
Total	\$ 635,779	\$ 22,636

The Authority has \$235,184 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, 2026.

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

**Year ended June 30:**

2026	\$	124,075
2027		238,817
2028		31,830
2029		(16,763)
	\$	377,959

**PIEDMONT TRIAD REGIONAL WATER AUTHORITY**  
**Notes to the Financial Statements**  
**June 30, 2025 and 2024**

**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, 2024, the Authority reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 119,277	\$ 2,568
Changes of assumptions	45,487	-
Net difference between projected and actual earnings on pension plan investments	286,492	-
Changes in proportion and differences between Authority contributions and proportionate share of contributions	93,501	26,392
Authority contributions subsequent to the measurement date	182,994	-
Total	\$ 727,751	\$ 28,960

The Authority has \$182,994 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, 2025.

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

Inflation	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

The net pension liability in the December 31, 2022 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, 2025 and 2024**

**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 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, 2023 and 2022 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.

The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2025 are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Fixed Income	33.0%	2.4%
Global Equity	38.0%	6.4%
Real Estate	8.0%	6.0%
Alternatives	8.0%	8.6%
Credit	7.0%	5.3%
Inflation Protection	6.0%	4.3%
Total	100%	

The information above is based on 30-year expectations developed with the consulting actuary for the 2024 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 2.38%. All rates of return and inflation are annualized.

**PIEDMONT TRIAD REGIONAL WATER AUTHORITY**  
**Notes to the Financial Statements**  
**June 30, 2025 and 2024**

**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, 2024 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	100%	

The information above is based on 30-year expectations developed with the consulting actuary for the 2023 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

*Discount Rate* – The discount rate used to measure the total pension liability as of June 30, 2024 and 2023 (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, 2025:

	<b>1% Decrease (5.50%)</b>	<b>Discount Rate (6.50%)</b>	<b>1% Increase (7.50%)</b>
Authority's proportionate share of the net pension liability (asset)	\$ 1,932,398	\$ 1,090,500	\$ 397,923

**PIEDMONT TRIAD REGIONAL WATER AUTHORITY**  
**Notes to the Financial Statements**  
**June 30, 2025 and 2024**

**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)*

*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, 2024:

	<b>1% Decrease (5.50%)</b>	<b>Discount Rate (6.50%)</b>	<b>1% Increase (7.50%)</b>
Authority's proportionate share of the net pension liability (asset)	\$ 1,854,466	\$ 1,070,424	\$ 424,926

*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.

*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](http://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, 2025 and 2024, and all amounts contributed are vested immediately. Also, the participants may make voluntary contributions to the Plan. Contributions for the year ended June 30, 2025 were \$153,328, which consisted of \$85,766 (including Supplemental Retirement contributions for a Law Enforcement Officer of \$4,337) from the Authority and \$67,562 from the participants. Contributions for the year ended June 30, 2024 were \$119,696, which consisted of \$70,595 (including Supplemental Retirement contributions for a Law Enforcement Officer of \$3,771) from the Authority and \$49,101 from the participants.

b. *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.

**PIEDMONT TRIAD REGIONAL WATER AUTHORITY**  
**Notes to the Financial Statements**  
**June 30, 2025 and 2024**

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

**B. Liabilities – Long-Term (Continued)**

2. *Pension Plan Obligations (Continued)*

c. *Supplemental Retirement Income Plan*

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, 2025, the Separation Allowance’s membership consisted of:

Retirees receiving benefits	0
Active plan members	<u>1</u>
Total	<u><u>1</u></u>

*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.

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, 2025 and 2024 and consequently was not booked. During the years ended June 30, 2025 and 2024, there was one active plan member.

At June 30, 2025 and 2024, the Authority reported defined pension plans as follows:

	<u>2025</u>	<u>2024</u>
	LGERS	LGERS
Pension expense	105,725	133,232
Pension liability	1,090,501	1,070,424
Proportionate share of the pension liability	0.01618%	0.01616%

**PIEDMONT TRIAD REGIONAL WATER AUTHORITY**  
**Notes to the Financial Statements**  
**June 30, 2025 and 2024**

**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 \$1,000,000. The remaining employees that have access to funds are insured under a government crime insuring 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.

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% per annum. 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.

On January 1, 2025, the parties entered into a further Amended and Restated Joint Governmental Agreement (the 2025 Agreement), which amends and restates the prior agreement. The 2025 Agreement was executed in connection with the issuance of the 2025 Water System Revenue Bond Anticipation Note (the 2025 Note), and the planned construction of a 26.7 MGD water treatment plant expansion. The planned construction includes expansion and improvements to the Water Treatment Plant to address per- and polyfluoroalkyl substances (PFAS) and other emerging compounds. Proceeds from the 2025 Note will be used to finance the acquisition, construction, reconstruction, improvement, enlargement, and betterment of the water treatment plant, as well as the costs of issuance of the 2025 Note. The 2025 Agreement also provides that any proceeds resulting from the settlement or other disposition of PFAS claims related to the Authority's source water or water treatment facilities are the property of the Authority and shall be paid and delivered to the Authority, regardless of whether such proceeds are initially received by a Member. It is anticipated that the 2025 Agreement will be further amended and supplemented upon issuance of Revenue Bonds to refinance the 2025 Note.

**PIEDMONT TRIAD REGIONAL WATER AUTHORITY**  
**Notes to the Financial Statements**  
**June 30, 2025 and 2024**

**NOTE 4 – JOINT GOVERNMENTAL AGREEMENT (Continued)**

During the fiscal year ended June 30, 2025, 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 2025 Agreement until the completion of 26.7 MGD water treatment plant expansion, at which time the 2025 Total Expansion Treated Allocations will be applied. Current member allocations are as follows:

	<b>Committed:</b>	<b>Excess:</b>
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	-
	12.675 MGD	2.025 MGD

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 – BIPARTISAN INFRASTRUCTURE LAW (BIL) DRINKING WATER STATE REVOLVING FUND (SRF) EMERGING CONTAMINANTS LOAN**

During the year ended June 30, 2025, the Authority was provided a letter of intent for a \$1,000,000 forgivable loan under the Bipartisan Infrastructure Law (BIL) Drinking Water State Revolving Fund (SRF) – Emerging Contaminants Program administered by the North Carolina Department of Environmental Quality, Division of Water Infrastructure. The loan carries a 2% fee that becomes payable after scope approval. In accordance with the loan terms, 100% of the principal is eligible for forgiveness upon completion of the approved project and satisfaction of program requirements. As of June 30, 2025, the Authority had incurred eligible project expenditures and reported such costs on the Schedule of Expenditures of Federal Awards (SEFA). However, no loan proceeds have been received and the Authority has not yet met the conditions for loan forgiveness. Accordingly, no grant revenue has been recognized in the financial statements as of June 30, 2025.

**NOTE 6 – SUBSEQUENT EVENTS**

The Authority has evaluated subsequent events through December 10, 2025, in connection with the preparation of these financial statements, which is the date the financial statements were available to be issued.

Subsequent to June 30, 2025, the Authority had not yet received the BIL Drinking Water SRF Emerging Contaminants loan funds and the forgiveness conditions have not been met or approved. Management continues to coordinate with the administering agency regarding project scope approval and disbursement of funds.

In September 2025, the Authority awarded the construction contract for the Asheboro Water Line Project. The project aims to enhance the water supply system to meet the growing demand in the region. Construction is currently in progress, with completion projected by late 2026.

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## **SUPPLEMENTARY INFORMATION**

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**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>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Authority's proportion of the net pension liability (asset) (%)	0.01618%	0.01616%	0.01244%	0.01429%	0.01498%	0.01687%	0.01684%	0.01670%	0.01653%	0.01691%
Authority's proportion of the net pension liability (asset) (\$)	\$ 1,090,501	\$ 1,070,423	\$ 701,794	\$ 219,151	\$ 535,299	\$ 460,707	\$ 399,502	\$ 255,130	\$ 350,822	\$ 75,891
Authority's covered payroll	\$ 1,411,895	\$ 1,386,566	\$ 1,152,992	\$ 992,169	\$ 1,061,955	\$ 1,064,742	\$ 1,019,904	\$ 943,566	\$ 878,394	\$ 854,435
Authority's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	77.24%	77.20%	60.87%	22.09%	50.41%	43.27%	39.17%	27.04%	39.94%	8.88%
Plan fiduciary net position as a percentage of the total pension liability**	83.30%	82.49%	84.14%	95.51%	88.61%	90.86%	91.63%	94.18%	91.47%	98.09%

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

\*\* 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>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ 235,184	\$ 182,994	\$ 169,000	\$ 131,752	\$ 101,310	\$ 96,298	\$ 83,745	\$ 77,286	\$ 69,343	\$ 59,334
Contributions in relation to the contractually required contribution	<u>235,184</u>	<u>182,994</u>	<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>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>				
Authority's covered payroll	\$ 1,715,310	\$ 1,411,895	\$ 1,386,566	\$ 1,152,992	\$ 992,169	\$ 1,061,955	\$ 1,064,742	\$ 1,019,904	\$ 943,566	\$ 878,394
Contributions as a percentage of covered payroll	13.71%	12.96%	12.19%	11.43%	10.21%	9.07%	7.87%	7.58%	7.35%	6.75%

**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, 2025 With Comparative Totals for the Year Ended June 30, 2024**

	2025				2024
	Original Budget	Final Budget	Actual	Variance Over/Under	Actual
<b>Revenues:</b>					
Membership dues	\$ 3,426,266	\$ 3,426,266	\$ 3,426,266	\$ -	\$ 3,376,349
Water sales	5,889,292	5,889,292	5,922,789	33,497	5,690,283
Marina revenue	87,750	87,750	112,334	24,584	123,945
Contract lab	40,000	49,367	70,370	21,003	54,759
Total revenues	<u>9,443,308</u>	<u>9,452,675</u>	<u>9,531,759</u>	<u>79,084</u>	<u>9,245,336</u>
<b>Expenditures</b>					
Administrative and General:					
Personnel and Fringe Benefits	625,240	625,240	482,786	142,454	409,906
Operations and Maintenance	188,000	188,000	121,849	66,151	125,315
Chemicals	-	-	-	-	9,000
Buffer/Reservoir Enhancement/Protection	60,000	60,000	9,711	50,289	18,196
Professional Services	221,000	221,000	166,219	54,781	119,319
Travel	20,500	20,500	18,233	2,267	12,433
Meetings and conferences	16,500	16,500	13,310	3,190	12,653
Insurance	40,000	40,000	37,945	2,055	34,969
Other expenses	102,400	102,400	42,156	60,244	21,636
Total administrative and general	<u>1,273,640</u>	<u>1,273,640</u>	<u>892,209</u>	<u>381,431</u>	<u>763,427</u>
Water treatment plant and related facilities:					
Personnel and fringe benefits	1,958,441	1,958,441	1,965,703	(7,262)	1,667,736
Chemicals	1,840,005	1,840,005	1,811,375	28,630	1,480,261
Energy	900,000	900,000	808,209	91,791	740,272
Insurance	120,000	120,000	109,256	10,744	95,725
Laboratory	163,000	172,000	171,999	1	138,404
Operations and maintenance	176,840	176,840	193,152	(16,312)	348,725
Sludge handling and maintenance	135,000	135,000	78,430	56,570	122,267
Office supplies	2,200	2,200	2,200	-	1,076
Permits	7,000	7,000	4,670	2,330	1,670
Professional services	125,000	125,000	123,146	1,854	113,037
Vehicles	30,000	30,000	21,658	8,342	18,937
Travel	7,000	7,000	-	7,000	-
Other expenses	499,806	499,806	63,496	436,310	37,801
Total water treatment plant and related facilities	<u>5,964,292</u>	<u>5,973,292</u>	<u>5,353,294</u>	<u>619,998</u>	<u>4,765,911</u>
Total expenditures	<u>7,237,932</u>	<u>7,246,932</u>	<u>6,245,503</u>	<u>1,001,429</u>	<u>5,529,338</u>
Revenues over expenditures	<u>2,205,376</u>	<u>2,205,743</u>	<u>3,286,256</u>	<u>1,080,513</u>	<u>3,715,998</u>
<b>Nonoperating revenues (expenditures):</b>					
Interest earned on investments	119,777	119,777	702,022	582,245	663,811
Interest and fiscal expense	-	-	(140,319)	(140,319)	(126,126)
Other revenues	570,000	570,000	17,135	(552,865)	15,165
Grant (expense) income	(570,000)	(570,000)	26,597	596,597	(36,533)
Long term debt issued	-	-	10,000,000	10,000,000	-
Debt service	(1,550,153)	(1,550,520)	(1,440,499)	110,021	(1,415,843)
Capital outlay	(2,775,000)	(3,275,000)	(12,017,530)	(8,742,530)	(1,169,398)
Unappropriated fund balance	2,000,000	2,500,000	-	(2,500,000)	-
Total nonoperating revenues/expenditures, net	<u>(2,205,376)</u>	<u>(2,205,743)</u>	<u>(2,852,594)</u>	<u>(646,851)</u>	<u>(2,068,924)</u>
Change in net position - modified accrual basis	<u>\$ -</u>	<u>\$ -</u>	<u>433,662</u>	<u>\$ 433,662</u>	<u>1,647,074</u>
<b>Reconciliations of budgetary basis to accrual basis:</b>					
Reconciling items:					
Loss on disposal of asset			-		(953)
Amortization of bond expenses			(12,613)		(12,613)
Long term debt issued			(10,000,000)		-
Debt service			1,440,499		1,415,843
Pension expense			(105,725)		(133,232)
Depreciation			(3,232,278)		(3,238,346)
Capital outlay			12,017,530		1,169,398
Change in net position - full accrual basis			<u>\$ 541,075</u>		<u>\$ 847,171</u>

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## **COMPLIANCE SECTION**

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**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 financial statements of the business-type activities of the Piedmont Triad Regional Water Authority (the Authority), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated December 10, 2025.

**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 charged 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 a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2025-001 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

*Government Auditing Standards* requires the auditor to perform limited procedures on the Authority's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Authority's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

## 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 CPA, PLLC*

Greensboro, North Carolina  
December 10, 2025

**Independent Auditors' Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; With OMB Uniform Guidance and the State Single Audit Implementation Act**

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

**Report on Compliance for Each Major Federal Program**

**Opinion on Each Major Federal Program**

We have audited Piedmont Triad Regional Water Authority's (the Authority) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the Authority's major federal programs for the year ended June 30, 2025. The Authority's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2025.

**Basis for Opinion on Each Major Federal Program**

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Authority's compliance with the compliance requirements referred to above.

## **Responsibilities of Management for Compliance**

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Authority's federal programs.

## **Auditors' Responsibilities for the Audit of Compliance**

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Authority's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Authority's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Authority's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Authority's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

## Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses in internal control over compliance. Given these limitations, during our audit, we did not identify any deficiencies in internal control over compliance that we consider to be a material weakness. However, material weaknesses or significant deficiencies may exist that have not been identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*RH CPAs, PLLC*

Greensboro, North Carolina  
December 10, 2025



**PIEDMONT TRIAD REGIONAL WATER AUTHORITY**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2025**

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**SECTION II - FINANCIAL STATEMENT FINDINGS**

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**Finding 2025-001 - 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.

**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.

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**SECTION III - QUESTIONED COSTS**

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**Questioned Cost:**

Not applicable

**PIEDMONT TRIAD REGIONAL WATER AUTHORITY**  
**Corrective Action Plan**  
**For the Year Ended June 30, 2025**

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**SECTION II - FINANCIAL STATEMENT FINDINGS**

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**Finding 2025-001 - Segregation of Duties**

**Name of Contact Person:** Rebecca Brown, Finance Director

**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, 2025**

**Prior Year Findings**

<b><u>Finding Number</u></b>	<b><u>Description</u></b>	<b><u>Status</u></b>
2024-001	Segregation of Duties	Unresolved - See finding number 2025-001

**PIEDMONT TRIAD REGIONAL WATER AUTHORITY**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2025**

Grantor/Pass-through Grantor/Program Title	Federal Assistance Listing Number	State/Pass-Through Grantor's Number	Expenditures
<b>FEDERAL GRANTS</b>			
Cash Assistance			
<u>U.S. Environmental Protection Agency</u>			
Passed-through the N.C. Department of Environmental Quality			
Division of Water Infrastructure			
Drinking Water State Revolving Fund	66.468	SRF-D-EC-0017	\$ 1,000,000
American Rescue Plan Act	21.027	AIA-D-ARP-0252	<u>56,501</u>
Total U.S. Environmental Protection Agency			<u>1,056,501</u>
Total Federal Assistance			<u>\$ 1,056,501</u>

**Notes to the Schedule of Expenditures of Federal Awards:**

**Note 1: Basis of Presentation**

The accompanying schedule of expenditures of federal awards (SEFA) includes the federal grant activity of Piedmont Triad Regional Water Authority under the programs of the federal government and the State of North Carolina for the year ended June 30, 2025. The information in this SEFA is presented in accordance with the requirements of Title 2 US *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Authority.

**Note 2: Summary of Significant Accounting Policies**

Expenditures reported in the SEFA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**Note 3: Indirect Cost Rate**

The Authority has elected not to use the 10-percent minimum indirect cost rate as allowed under the Uniform Guidance.