Broad River Water Authority
Rutherfordton, North Carolina

Financial Statements

June 30, 2022

Broad River Water Authority

As of June 30, 2022:

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GOULD KILLIAN
CPA GROUP, P.A.
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

Board of Trustees
Broad River Water Authority
Rutherfordton, North Carolina

Opinion

We have audited the accompanying financial statements of Broad River Water Authority which comprise the statements of net position as of June 30, 2022 and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Broad River Water Authority as of June 30, 2022, and the changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Broad River Water Authority, and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Audit of the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

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

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 4–13 and the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability (Asset) and Contributions on pages 31–32 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during out audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

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

Gould Killian CPA Group, P.A.

Asheville, North Carolina
November 30, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Broad River Water Authority, we offer readers of the Authority's financial statements this narrative overview and analysis of its financial activities of the Authority for the fiscal year ended June 30, 2022. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Authority's financial statements, which follow this narrative.

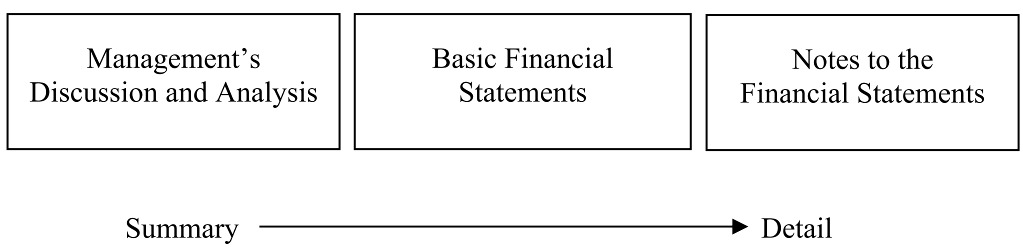
Financial Highlights

- 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 $31,231,707 (*net position*). Of this amount $8,556,428 may be used to meet the Authority's ongoing obligations to creditors and to pay for system improvements.
- The Authority's total net position increased by $2,251,004, primarily due to positive operating results used for the reduction of long-term liabilities (bond principal).

Overview of the Financial Statements

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

Figure 1 – Required Components of Annual Financial Report



Basic Financial Statements

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

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

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

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

The next section of the basic financial statements is the notes, which explain in detail some of the data contained in those statements and should be read in conjunction with the statements. The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements begin on page 18 of this report.

AUTHORITY'S NET POSITION
Table 1

	FY 2022	FY 2021	$ Change	% Change
ASSETS				
Current and other assets	$ 9,633,230	$ 9,334,148	$ 299,082	3%
Capital assets, net	32,087,735	31,968,114	119,621	0%
Total assets	41,720,965	41,302,262	418,703	1%
DEFERRED OUTFLOWS OF RESOURCES	466,015	451,414	14,601	3%
LIABILITIES				
Current liabilities	3,191,878	2,960,404	231,474	8%
Long-term liabilities outstanding	7,000,953	9,805,050	(2,804,097)	-29%
Total liabilities	10,192,831	12,765,454	(2,572,623)	-20%
DEFERRED INFLOWS OF RESOURCES	762,442	7,519	754,923	10040%
NET POSITION				
Net investment in capital assets	22,665,279	20,663,670	2,001,609	10%
Unrestricted	8,566,428	8,317,033	249,395	3%
Total net position	$ 31,231,707	$ 28,980,703	$ 2,251,004	8%

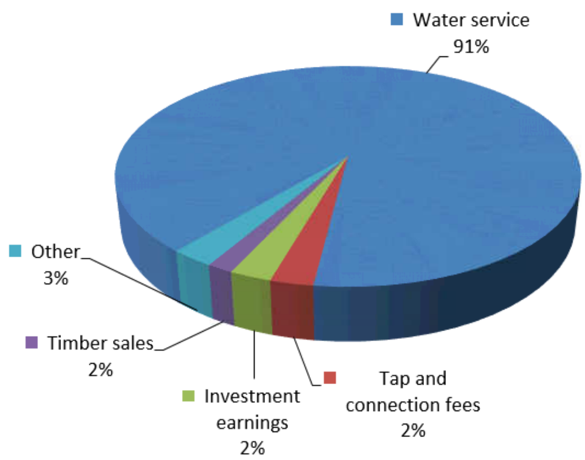
As noted earlier, net position may serve over time as one useful indicator of an entity's financial condition. The assets and deferred outflows of the Authority exceeded liabilities and deferred inflows by $31,231,707 at June 30, 2022. The Authority's net position increased by $2,251,004 for the fiscal year ended June 30, 2022. However, the largest portion (approximately 73%) reflects the Authority's net investment in capital assets (e.g. land, buildings, treatment facility, water and sewer lines, equipment, etc.). The Authority uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. The remaining balance of $8,556,428 is unrestricted. The principal retirement of debt totaled $2.1 million. Operating revenues from water service increased 6% from FY 2021.

AUTHORITY'S CHANGES IN NET POSITION
Table 2

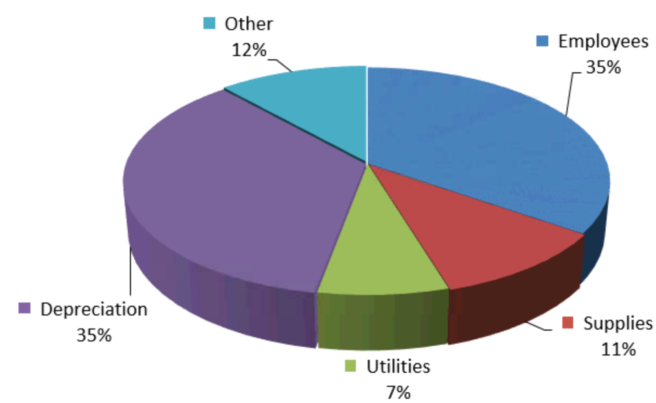
	FY 2022	FY 2021	$ Change	% Change
OPERATING REVENUES				
Charges for services, net	$ 7,541,665	$ 7,088,136	$ 453,529	6%
Other operating revenues	385,798	454,773	(68,975)	-15%
Total operating revenues	7,927,463	7,542,909	384,554	5%
OPERATING EXPENSES				
Operations	3,676,995	3,222,065	454,930	14%
Depreciation	2,027,904	1,953,157	74,747	4%
Total operating expenses	5,704,899	5,175,222	529,677	10%
Operating income	2,222,564	2,367,687	(145,123)	-6%
NON-OPERATING REVENUES (EXPENSES)	28,440	(213,811)	242,251	-113%
Change in net position	2,251,004	2,153,876	97,128	5%
Total net position, beginning of year	28,980,703	26,826,827	2,153,876	8%
Total net position, end of year	$ 31,231,707	$ 28,980,703	$ 2,251,004	8%

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

Operating Revenues



Operating Expenses



SUMMARY OF CASH FLOW ACTIVITIES

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

	FY 2022	FY 2021	$ Change	% Change
Cash provided (used) by:				
Operating activities	$ 4,242,860	$ 4,290,228	$ (47,368)	-1%
Non-capital and related financing activities	157,412	-	157,412	
Capital and related financing activities	(4,316,793)	(4,303,000)	(13,793)	0%
Investing activities	205,465	188,404	17,061	9%
Net increase in cash and cash equivalents	288,944	175,632	113,312	65%
Total cash and cash equivalents, beginning of year	8,214,817	8,039,185	175,632	2%
Total cash and cash equivalents, end of year	$ 8,503,761	$ 8,214,817	$ 288,944	4%

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The Authority's investment in capital assets as of June 30, 2022, totals $31,648,388 (net of accumulated depreciation). . During fiscal year 2022, the Authority expended approximately $1.5 million on capital activities. This included approximately $350,000 on Grassy Pond pump station, $117,000 on a backwash valve replacement project, $100,000 on various equipment including generator and pump repair, $360,000 on a dump truck and large excavator, $240,000 on new water lines, $125,000 on rehab of waterlines, $87,000 on new vehicles, $9,000 on land purchase, $20,000 for building upgrades, and $47,000 for asset management planning.

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

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

	FY 2022	FY 2021	$ Change	% Change
Land	$ 502,110	$ 493,112	8,998	2%
Construction in progress	399,228	182,866	216,362	118%
Building and improvements	8,954,342	9,718,044	(763,702)	-8%
System lines	18,856,261	18,816,603	39,658	0%
Vehicles	330,227	159,505	170,722	107%
Equipment	2,606,220	2,597,982	8,238	0%
Capital assets, net	$ 31,648,388	$ 31,968,112	$ (319,724)	-1%

Long-term Debt

As of June 30, 2022, the Authority had total debt outstanding of $9,068,577.

	FY 2022	FY 2021	$ Change	% Change
Water system revenue bonds	$ 8,680,195	$ 10,863,168	$ (2,182,973)	-20%
Add: unamortized premium	388,382	573,770	(185,388)	-32%
	9,068,577	11,436,938	(2,368,361)	-21%
Less: current portion	(2,293,983)	(2,189,342)	(104,641)	5%
Long-term debt, net	$ 6,774,594	$ 9,247,596	$ (2,473,002)	-27%

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

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

Industrial Loss:

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

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

Rate Setting:
The most effective and immediate means to increase revenue when consumption has decreased is the use of the rate structure and imposing rate increases. The Authority chose a rate-setting philosophy with a high minimum charge and reasonable declining block volume rates. This strategy seeks to provide a minimum revenue stream that is less subject to sudden volume changes resulting from an industry closing or weather patterns. Significant rate increases were implemented in July 2006 (15%), July 2007 (10%), and July 2008 (5%). While steady rate increases have been implemented since that time (2 – 3% annually), the average residential water bill (5,000 gallons) is currently $51.20. This is comparable with other local utilities (in Cleveland, Rutherford, and Polk Counties) which have "outside" rates for water customers. A 'cost of service' study was performed and changes to the rate structures were made effective January 1, 2019. The changes were revenue neutral with the purpose of providing rate structures for residential customers versus non-residential, and to incrementally lessen the gaps in the current declining block structures. A rate increase of 2.5% was implemented for FY 2022 on July 1, 2021.

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

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

The agreement has been amended to extend the terms from 15 years to 20 years (through December 31, 2028), to increase the amount of water available for purchase to 6.1 MGD, to increase the rates that BRWA is paid for water sold, and to modify the terms of maintenance of Polk's system by ICWD. The most recent amendment to the agreement in February 2022 served to create a regional Commission to oversee administration of the Agreement, to provide a framework where the entities could jointly secure access to future water supplies, to extend the agreement for the life of the regional water supply assets that the entities agree to share, and finally to provide uniformity in rates and terms and conditions of service between ICWD and Polk County for as long as ICWD provides the operation and maintenance on Polk's system. During the year ended June 30, 2022, the agreement generated approximately $2,082,244 in revenues for the Authority, which constituted approximately 28% of the Authority's water service revenues. The average volume of water sold during this time was 3.78 MGD.

Since water sales began December 31, 2008, Polk County/ ICWD has purchased an average of 3.18 MGD, and generated total revenue of $22.5 million. At fiscal year-end, there were approximately 255 active customer accounts in Polk County, and approximately 16,000 active accounts for ICWD.

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

Annual Water Consumption (MG)

	2002		**FY 2007**		**FY 2022**	
Residential	282	18%	290	35%	279	13%
Commercial	114	7%	134	16%	127	6%
Industrial	871	56%	139	17%	74	3%
Bulk	283 [1]	18%	257	31%	1738	72%
TOTAL	**1550**		**820**		**2218**	

Annual Revenue ($ 000)

	2002		**FY 2007**		**FY 2022**	
Residential	$1,677	42%	$2,235	59%	$3,474	46%
Commercial	$518	13%	$743	20%	$939	12%
Industrial	$1,433	36%	$447	12%	$431	6%
Bulk	$407	10%	$380	10%	$2,752	36%
TOTAL	**$4,035**		**$3,805**		**$7,596**	

Annual Water Production

	2002	**FY 2007**	**FY 2022**
Total MG	1619.38	1029.75	2320.00
Ave Day (MGD)	4.44	2.82	6.36

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

Where We Are Today:

As adopted in FY 2022, the vision statement of the Authority is to "improve the quality of life in our community by being a dedicated team of neighbors setting the standard for utility excellence". Our mission is to "provide reliable, high-quality drinking water services to our community in a cost-effective, equitable, sustainable and timely manner". The overall organizational values stated in the Authority's Strategic Plan included:

- **Customer Focus:** consistent high level of service and responsiveness
- **Water Services:** product quality, operational optimization, cost effective manner
- **Workforce/ Organizational Development:** leadership development, long-term strategic visioning, employee growth, support of high performing teams
- **Reliable Infrastructure:** infrastructure strategy and performance, making the right investments on the right projects at the right time
- **Financial Responsibility:** financial viability, affordability balanced with funding appropriate levels of infrastructure maintenance, operation and reinvestment
- **Sustainability:** water resource sustainability, community sustainability, high regard for protecting and improving the environment

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

Operational Goals:

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

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

  - Water Treatment Plant (WTP) modernization in FY 2011 ($7 million);
  - System-wide meter replacement project of 6,600 new meters equipped with radio-read technology in FY 2014 ($1.7 million);
  - Generator replacement at the WTP with a conversion of power from 2400V to 480V in FY 2014 ($750,000);
  - Reconditioning of the 5 million gallon ground storage tank and all elevated storage tanks over multiple years ($700,000);
  - Replacement of WTP filter media in FY 2018/ 2019 ($300,000);
  - Increasing the permitted capacity of the WTP from 8 MGD to 12 MGD in FY 2019 ($2.4 million);
  - Replacement and purchase of new pieces of heavy equipment for the distribution maintenance department over multiple years ($423,000);
  - New office administration building located in downtown Rutherfordton finalized in FY 2020 ($800,000);
  - WTP SCADA update in FY 2019 - FY 2021 ($357,000);
  - and replacement of several miles of aging distribution waterlines in residential areas and key downtown areas on an annual basis.

Several capital projects in FY 2022 addressed the strategic objectives. In FY 2022 the Authority expended approximately $1.5 million on capital activities. This included approximately $350,000 on upgrading Grassy Pond pump station, $117,000 on a backwash valve replacement project, $100,000 on various equipment including generator and pump repair, $360,000 on a dump truck and large excavator, $240,000 on new water lines, $125,000 on rehab of waterlines, $87,000 on new vehicles, $9,000 on land purchase, $20,000 for building upgrades, and $47,000 for asset management planning.

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

1) Full Inventory of Assets,
2) Condition Assessment with Risk Criticality,
3) 10-year Prioritized Capital Improvement Plan, and
4) Operation and Maintenance (O&M) Strategy.

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

- Maintain a safe and reliable level of water services to the community.
- Protect human health, the community, and environment.
- Maximize the life of the facilities, equipment, and assets for which the Authority is responsible.
- Ensure that the Authority's revenues are wisely invested at the right time on the right assets.

- **Financial Stability:** through sufficient revenue generation to fund infrastructure construction, maintenance, operations, renewal/replacement, and reserves for unexpected events without long-term reliance on grant funds.

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

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

The Authority continues to see the capital reserves as a measure of success and security. This fund is currently $**8.56** million. Due to the Authority's limited desire to incur additional debt, all expenditures for capital improvements will be funded through operating revenues and/or the reserves for at least the next 5 years. It should also be noted that the long-term debt balance of $7.0 million will be paid in full in June 2026.

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

  In FY 2021, the Strategic Planning process involved the Board of Directors (who are appointed members from four separate local government entities), staff of the Authority, and community stakeholders. The process of identifying the "external/ system values" and the "internal/ people values" allowed an understanding of the long-term nature of the business, but also highlighted the requirement to prioritize the needs of the teams completing the work in the organization.

  During FY 2022, the Authority faced similar challenges seen industry wide with employee retention and recruitment. We began the fiscal year in July 2021 with 20 employees. In preparation for upcoming retirements at the Water Treatment Plant, we added two new positions at the at the beginning of FY 22 and two more positions at the end of FY 22. We added two new positions in Distribution to assist with in-house construction needs. Including these new positions, we on-boarded a total of 14 new employees during a 12-month period. During this same period, the Authority lost 5 employees due to retirement, termination, and voluntary resignations. At the end of FY 2022, the Authority had 29 employees with 3 of planning retiring by March 2023. Considering those 26 remaining employees, 13 of those positions would have less than 1 year of experience with the Authority.

  We focused heavily on four organization development principles aimed at retention and employee engagement.

  - Long Term Strategic Visioning: updated systems of work (billing system, payment services, Board microsite, and payroll/ time clock automation), implemented values-based performance evaluation system (Trakstar Perform), and instituted Key Performance Indicators by using data and internal surveys
  - Employee Growth: implemented a clear progression plan for compensation adopted for FY 2023, conducted targeted engagement activities to educate on various aspects of our business and to build comradery, and altered our approach to a holistic view of employees
  - Leadership Development: implemented a mentoring program for all new employees with weekly check-ins and one-on-one attention, provided unlimited training opportunities through Pryor Training, and created mid-level management positions
  - Support of High Performing Teams: strategically hired for diversity (race, gender, language), improved company-wide communication by implementing Slack and later Teams, and provided monthly communication/ training meetings for upper management and larger leadership teams

REQUESTS FOR INFORMATION

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

BROAD RIVER WATER AUTHORITY

STATEMENT OF NET POSITION
June 30, 2022

Assets	
Current Assets:	
Cash and cash equivalents	$ 8,275,424
Water accounts receivable, net	977,365
Due from other governments	135,354
Restricted cash and cash equivalents	228,337
Prepaid expenses	16,750
Total current assets	9,633,230
Noncurrent Assets:	
Lease receivable	439,347
Capital assets:	
Land and construction in progress	901,339
Other capital assets, net of depreciation	30,747,049
Capital assets, net	31,648,388
Total noncurrent assets	32,087,735
Total assets	41,720,965
Deferred Outflows of Resources	
Pension deferrals	380,547
Deferred charge on refunding	85,468
Total deferred outflows of resources	466,015
Liabilities	
Current Liabilities:	
Accounts payable	312,797
Construction contracts payable	134,649
Accrued interest	33,079
Accrued salaries and related payables	97,479
Accrued vacation payable	91,554
Current portion of long-term debt	2,293,983
Payable from restricted assets:	
Customer deposits	228,337
Total current liabilities	3,191,878
Noncurrent Liabilities:	
Net pension liability	226,359
Long-term debt, net of current portion	6,774,594
Total long-term liabilities	7,000,953
Total liabilities	10,192,831
Deferred Inflows of Resources	
Lease	429,682
Pension deferrals	332,760
Total deferred inflows of resources	762,442
Net Position	
Net investment in capital assets	22,665,279
Unrestricted	8,566,428
Total net position	$ 31,231,707

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

BROAD RIVER WATER AUTHORITY

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the year ended June 30, 2022

Operating revenues:		
Water service, net	$	7,541,665
Tap and connection fees		209,583
Water testing fees		10,465
Late fees		101,049
Grant revenues		12,263
Other operating revenues		52,438
Total operating revenues		7,927,463
Operating expenses:		
Salaries and employee benefits		1,981,770
Professional services		141,735
Departmental supplies and expenses		604,626
Telephone		25,994
Travel and training		19,682
Repairs and maintenance		57,382
Vehicle maintenance		77,958
Licenses and franchise fees		4,464
Utilities		429,862
Contracted services		173,331
Depreciation		2,027,904
Insurance		56,809
Other operating		103,382
Total operating expenses		5,704,899
Operating income		2,222,564
Non-operating revenues (expenses):		
Investment earnings		205,465
Tower lease interest income		12,304
Tower lease revenue		26,855
Timber sales		127,918
Interest expense		(344,102)
Total non-operating revenues (expenses)		28,440
Change in net position		2,251,004
Total net position, beginning of year		28,980,703
Total net position, end of year	$	31,231,707

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

BROAD RIVER WATER AUTHORITY

STATEMENT OF CASH FLOWS
For the year ended June 30, 2022

Cash Flows from Operating Activities:		
Cash received from customers	$	7,911,422
Cash paid to employees for services		(1,993,901)
Cash paid for goods and services		(1,674,661)
Net cash provided by operating activities		4,242,860
Cash Flows from Non-Capital and related Financing Activities:		
Proceeds from sale of timber		127,918
Tower lease interest and revenue		29,494
Net cash provided by non-capital related financing activities		157,412
Cash Flows from Capital and Related Financing Activities:		
Acquisition and construction of capital assets		(1,643,318)
Interest payments on debt maturities		(490,502)
Principal payments on debt maturities		(2,182,973)
Net cash used by capital and related financing activities		(4,316,793)
Cash Flows from Investing Activities:		
Interest income		205,465
Net cash provided by investing activities		205,465
Net increase in cash and cash equivalents		288,944
Cash and cash equivalents, beginning of year		8,214,817
Cash and cash equivalents, end of year	$	8,503,761
Summary of Cash & Cash Equivalents, end of year:		
Cash & cash equivalents	$	8,275,424
Restricted cash & cash equivalents		228,337
	$	8,503,761

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

BROAD RIVER WATER AUTHORITY

STATEMENT OF CASH FLOWS
For the year ended June 30, 2022

Reconciliation of Operating Income to Net Cash		
Provided by Operating Activities:		
Operating income	$	2,222,564
Adjustments to reconcile operating income to net		
cash provided by operating activities:		
Depreciation		2,027,904
Provision for bad debts		(10,727)
Changes in operating assets and liabilities:		
Decrease in accounts receivable		4,340
Increase in prepaid expenses		(3,756)
Increase in deferred outflows of resources - pensions		(61,627)
Increase in accounts payable		574
Increase in accrued salaries and related payables		59,284
Increase in customer deposits		14,091
Decrease in accrued vacation payable		(3,934)
Decrease in net pension liability		(331,095)
Increase in deferred inflows of resources - pensions		325,241
Net cash provided by operating activities	$	4,242,860
Supplemental Schedule of Noncash		
Investing and Financing Activities:		
Net change in construction contracts payable	$	64,859

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

Note 1 – Summary of Significant Accounting Policies

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

A. Reporting Entity

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

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

B. Purpose

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

C. Basis of Presentation

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

The Authority accounts for its operations as an enterprise fund. An enterprise fund is used to account for operations (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

D. Measurement Focus and Basis of Accounting

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

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

E. Use of Estimates

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

F. Budget

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

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

1. Deposits and Investments

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

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

2. Cash and Cash Equivalents

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

3. Restricted Assets

Customer deposits held by the Authority before any services are supplied are restricted to the service for which the deposit was collected. Restricted cash at June 30, 2022 was $ $228,337.

4. Accounts Receivable

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

5. Lease Receivable

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

6. Capital Assets

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

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

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

7. Deferred Outflows/Inflows of Resources

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

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

8. Compensated Absences

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

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

9. Net Position

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

10. Defined Benefit Cost-Sharing Plan

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

Note 2 – Detail Notes on All Funds

A. Assets

1. Deposits

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

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

At June 30, 2022, the Authority's deposits had a carrying amount of $8,174,023 and a bank balance of $8,313,768. Of the bank balance, $250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2022, the Authority's petty cash fund totaled $2,935.

2. Investments

At June 30, 2022, the Authority had $326,804 invested with North Carolina Capital Management Trust's Government Portfolio which carried a credit rating of AAAm by Standard and Poor's and AAAm-mf by Moody's Investors Service as of June 30, 2022. The City has no policy regarding interest rate or credit risk. The Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

3. Reconciliation of Cash and Cash Equivalents

A reconciliation of cash and cash equivalents is as follows:

Reported value of deposits	$	8,174,022
Petty cash		2,935
Fair value of investments		326,804
	$	8,503,761
Reported on the Statement of Net Position as:		
Cash and cash equivalents	$	8,275,424
Cash and cash equivalents, restricted		228,337
	$	8,503,761

4. Accounts Receivable

Accounts receivable at June 30, 2022, consisted of the following:

Customers billed	$	914,597
Unbilled revenues		194,772
Less: allowance for doubtful accounts		(132,004)
Accounts receivable, net	$	977,365
Other governmental agencies	$	135,354

5. Lease Receivable

In 2008, the Authority entered into a lease with a national telecom company for their purpose to use Authority tower space. Initial term was five years with the option to renew for five additional and successive five year terms. The lease with all lease option renewals will end in FY 2038. The payment terms were approximately $2,450 month in FY2022 with an annual adjustment increase of 102%.

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

In fiscal year 2022, the Authority recognized $26,855 of lease revenue and $12,304 of interest revenue under the lease. The lease receivable balance was $439,347 as of June 30, 2022.

6. Capital Assets

Capital asset activity of the Authority for the year ended June 30, 2022 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Construction in progress	$ 182,867	$ 399,228	$ 182,867	$ 399,228
Land	493,112	8,998	-	502,110
Total capital assets not being depreciated	675,979	408,226	182,867	901,338
Capital assets being depreciated:				
Land improvements	285,118	18,700	-	303,818
Building and improvements	23,291,116	20,335	-	23,311,451
System lines	23,655,375	336,824	-	23,992,199
Vehicles	553,512	261,190	-	814,702
Equipment	7,594,538	845,771	-	8,440,309
Total capital assets being depreciated	55,379,659	1,482,820	-	56,862,479

	Beginning Balances	Increases	Decreases	Ending Balances
Less accumulated depreciation for:				
Land improvements	104,770	19,631	-	124,401
Building and improvements	13,753,421	783,105	-	14,536,526
System lines	4,838,771	297,167	-	5,135,938
Vehicles	394,007	90,468	-	484,475
Equipment	4,996,556	837,533	-	5,834,089
Total accumulated depreciation	24,087,525	2,027,904	-	26,115,429
Total capital assets being depreciated, net	31,292,134			30,747,050
Total capital assets, net	$ 31,968,113			$ 31,648,388

The Authority has active construction and other ongoing projects as of June 30, 2022. At year-end, the Authority's commitments with contractors and engineers are as follows:

Project	Spent-to-date	Remaining Commitment
Hwy 221 Relocation (Odom)	$ 2,815	$ 93,703
Grassy Pond Pump Station (Camp) ($338,422)	275,247	63,175
Grassy Pond Pump Station (McGill)	31,300	-
GIS Assist Kimley Horn (not to exceed $12,000)	3,610	8,390
B&V Master Plan ($150,000)	39,500	110,500
Odom Watermain Extensions/ Rehab ($49,500)	41,859	7,641
Utility Service Basin Coating ($515,296)	-	515,296
Total	$ 394,331	$ 798,705

Net Investment in Capital Assets

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

Capital assets, net	$	31,648,388
Revenue bonds		(9,068,577)
Deferred charge on refunding		85,468
Net investment in capital assets	$	22,665,279

B. Liabilities

1. Pension Plan Obligation

Plan Description. The Authority is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Annual Comprehensive Financial Report for the State of North Carolina. The State's Annual Comprehensive Financial Report includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at www.osc.nc.gov.

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Authority employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Authority's contractually required contribution rate for the year ended June 30, 2022 was 10.2%, 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 $161,924 for the year ended June 30, 2022.

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, 2022, the Authority reported a liability of $226,359 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2020. The total pension liability was then rolled forward to the measurement date of June 30, 2021 utilizing update procedures incorporating the actuarial assumptions. The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2022, the Authority's proportion was 0.01476%, which was a decrease of 0.00084% from its proportion reported as of June 30, 2021.

For the year ended June 30, 2022, the Authority recognized pension expense of $94,443. At June 30, 2022, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 72,013	$ -
Changes of assumptions	142,211	-
Net difference between projected and actual earnings on pension plan investments	-	323,399
Changes in proportion and differences between Authority contributions and proportionate share of contributions	4,399	9,362
Authority contributions subsequent to the measurement date	161,924	-
Total	$ 380,547	$ 332,761

$161,924 reported as deferred outflows of resources related to pensions resulting from Authority contributions subsequent to the measurement date will be recognized as an decrease of the net pension liability in the year ended June 30, 2023. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2022	$ 19,077
2023	(7,729)
2024	(26,524)
2025	(98,962)
2026	-
Thereafter	-
	$ (114,138)

Actuarial Assumptions. The total pension liability in the December 31, 2019 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 plan currently uses mortality tables that vary by age, gender, employee group (i.e. general, law enforcement officer) and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2020 valuation were based on the results of an actuarial 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, 2021 are summarized in the following table:

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

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

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

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

	1% Decrease (5.50%)	Discount Rate (6.50%)	1% Increase (7.50%)
Authority's proportionate share of the net pension liability (asset)	$ 878,706	$ 226,359	$ (310,485)

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued Annual Comprehensive Financial Report for the State of North Carolina.

2. Supplemental Retirement Income Plan

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

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

The Authority made contributions to the plan totaling $71,109 for the reporting year. No amounts were forfeited.

3. Long-Term Obligations

Water System Revenue Bonds

On October 21, 2008, the Authority issued the 2008 direct placement series bonds. The proceeds of these bonds were used in the construction of the waterline expansion to the Inman-Campobello Water District. The principal amount of this issue was $2,000,000.

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

On June 22, 2015, the Authority issued $16,665,000 Water System Refunding Revenue Bonds Series 2015. The proceeds of these bonds were used to redeem the 2005 series bonds in a current refunding. The 2005 series bonds are considered defeased and are not included in the Authority's financial statements. The reacquisition price exceeded the net carrying amount of the old debt by $522,328, which was reported as a deferred outflow of resources and amortized over the life of the new debt. Amortization of the deferred outflow in the current year was $47,026, resulting in a net deferred outflow of $85,468 at June 30, 2022.

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

Year	Principal	Interest	Total
2023	2,293,983	393,980	2,681,594
2024	2,199,469	292,905	2,492,374
2025	2,291,743	194,382	2,486,125
2026	1,895,000	94,750	1,989,750
	$ 8,680,195	$ 976,017	$ 9,649,843

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

The debt service coverage ratio calculation for the year ended June 30, 2022, is as follows:

Operating revenues	$ 8,094,540
Operating expenses*	3,748,410
Operating income	4,346,130
Non-operating revenues (expenses)**	205,465
Income available for debt service	4,551,595
Debt service, principal and interest paid (Revenue bonds only)	2,615,929
Debt service coverage ratio	174%

* Per rate covenants, operating revenues and expenses are calculated on a budgetary basis. Accordingly, operating expenses do not include depreciation expense of $2,027,904.

** Per rate covenants, non-operating expenses do not include $344,102 of revenue bond interest paid.

The Authority has pledged future water customer revenues, net of specified operating expenses, to repay $8,680,195 in water system revenue bonds. The bonds are payable solely from water customer net revenues and are payable through 2026. Annual principal and interest payments on the bonds are expected to require approximately 60 percent of net revenues. In the event of default, the Authority agrees to pay to purchasers, on demand, interest on any and all amounts due and owing by the Authority under these agreements. The total principal and interest remaining to be paid on the bonds is $9,649,843. Principal and interest paid for the current year and total customer net revenues were $2,615,929 and $4,346,130, respectively.

Long-Term Obligation Activity

The following is a summary of changes in the Authority's long-term obligations for the year ended June 30, 2022.

	June 30, 2021	Additions	Reductions	June 30, 2022	Current Portion
Water System Revenue Bonds					
Direct placement bonds 2008	$ 353,607	$ -	$ 167,128	$ 186,479	$ 186,477
Direct placement bonds 2010	1,874,560	-	450,844	1,423,716	462,506
Revenue bonds 2015	8,635,000	-	1,565,000	7,070,000	1,645,000
Unamortized bond premium	573,770	-	185,388	388,382	-
Net pension liability (LGERS)	557,454	-	331,095	226,359	-
Accrued vacation	95,488	-	3,934	91,554	91,554
	$ 12,089,879	$ -	$ 2,703,389	$ 9,386,490	$ 2,385,537

Note 3 – Sale of Finished Water Agreement

On July 7, 2008, the Authority entered into an agreement with Polk County (Polk) and the Inman-Campobello Water District (ICWD) to furnish water to both systems. As part of this agreement, the Authority constructed a new water line which allows for the Polk system to connect to the Authority's system. The ICWD system obtains its water through connections to the Polk system. The cost of the new waterline was $3,123,970 and was funded through the issuance of the 2008 series Revenue Bonds and capital contributions from both ICWD and Rutherford County. Under the terms of the agreement, the Authority agreed to furnish to Polk/ICWD a maximum of 4 million gallons per day (MGD). On September 8 2008, the agreement was amended to extend the initial term from ten years to fifteen years, and to allow for Polk and ICWD the right to purchase additional water supply up to 4.1 MGD. On February 6, 2012, the agreement was amended to provide that ICWD would operate and maintain the Polk County Line and distribution system for an additional 8 years for a total period of thirteen years from the initial date of operations. On December 7, 2020 a second amendment to the agreement extended the terms to twenty years or until December 31, 2028, increase the rates paid to BRWA for water, and increased the amount of water that could be purchased to 6.1 MGD. The operation and maintenance of the Polk system by ICWD was modified and extended to December 31, 2023.

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

During the year ended June 30, 2022, the agreement generated approximately $2,082,000 in revenues for the Authority, which constitutes approximately 28% of the Authority's water service revenues.

Note 4 - Risk Management

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

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

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

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

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

REQUIRED SUPPLEMENTARY INFORMATION

BROAD RIVER WATER AUTHORITY

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

Local Government Employees' Retirement System

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

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

BROAD RIVER WATER AUTHORITY

SCHEDULE OF CONTRIBUTIONS
REQUIRED SUPPLEMENTARY INFORMATION
LAST NINE FISCAL YEARS

Local Government Employees' Retirement System

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	$ 161,924	$ 121,993	$ 106,172	$ 86,568	$ 72,826	$ 72,394	$ 69,722	$ 70,185	$ 66,483
Contribution in relation to the contractually required contribution	161,924	121,993	106,172	86,568	72,826	72,394	69,722	70,185	66,483
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Authority's covered payroll	$ 1,420,386	$ 1,196,011	$ 1,157,817	$ 1,086,169	$ 942,124	$ 966,546	$ 1,010,470	$ 961,439	$ 940,354
Contributions as a percentage of covered payroll	11.40%	10.20%	9.17%	7.97%	7.73%	7.49%	6.90%	7.30%	7.07%

SUPPLEMENTAL FINANCIAL DATA

BROAD RIVER WATER AUTHORITY

SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP)
For the year ended June 30, 2022

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Operating revenues:			
Water service, net	$ 7,435,000	$ 7,541,665	$ 106,665
Tap and connection fees	195,000	209,583	14,583
Water testing fees	10,000	10,465	465
Late fees	100,000	101,049	1,049
Grant revenue	30,000	12,263	(17,737)
Other operating revenues	203,900	219,515	15,615
Total operating revenues	7,973,900	8,094,540	120,640
Non-operating revenues:			
Interest income	180,000	205,465	25,465
Total non-operating revenues	180,000	205,465	25,465
Total revenues	8,153,900	8,300,005	146,105
Expenditures:			
Operating expenditures:			
Salaries and employee benefits	2,117,350	2,053,185	64,165
Professional services	187,500	141,735	45,765
Departmental supplies and expenses	634,100	604,626	29,474
Communications	33,000	25,994	7,006
Travel and training	27,000	19,682	7,318
Repairs and maintenance	78,000	57,382	20,618
Vehicle maintenance	78,000	77,958	42
Licenses and franchise fees	6,500	4,464	2,036
Utilities	444,400	429,862	14,538
Contracted services	196,500	173,331	23,169
Insurance	58,000	56,809	1,191
Other operating	132,000	103,382	28,618
Total operating expenditures	3,992,350	3,748,410	243,940
Capital outlay	2,409,900	1,708,177	701,723

BROAD RIVER WATER AUTHORITY

SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP)
For the year ended June 30, 2022

	Final Budget	Actual	Variance Positive (Negative)
Debt service:			
Principal retirement		2,096,607	
Interest		519,322	
Total debt service	2,680,100	2,615,929	64,171
Total expenditures	9,082,350	8,072,516	1,009,834
Other Financing Sources (Uses):			
Fund balance appropriated	928,450	-	(928,450)
Revenues over expenditures	$ -	227,489	$ 227,489
Reconciliation from budgetary basis (modified accrual) to full accrual basis:			
Reconciling items:			
Capital outlay - items capitalized		1,708,177	
Depreciation		(2,027,904)	
Increase in deferred outflows of resources - pensions		61,627	
Amortization of premium and deferred charges		167,182	
Decrease in accrued interest		8,038	
Decrease in accrued vacation pay		3,934	
Decrease in net pension liability		331,095	
Principal retirement of debt		2,096,607	
Increase in deferred inflows of resources - pensions		(325,241)	
Total reconciling items		2,023,515	
Change in net position		$ 2,251,004	