

**REVIEWED**

*By SLGFD at 11:27 am, Oct 21, 2021*

**PIEDMONT TRIAD REGIONAL  
WATER AUTHORITY**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

*As of and for the Years Ended June 30, 2021 and 2020*

*And Reports of Independent Auditor*

**PIEDMONT TRIAD REGIONAL WATER AUTHORITY**  
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## **Piedmont Triad Regional Water Authority**

### *Organization and Business*

#### **STATE OF INCORPORATION**

North Carolina

#### **MAIN FACILITY**

Randleman, North Carolina

#### **DIRECTORS**

John M. Bencini	Frankie T. Jones Jr.
Lewis W. Dorsett	Dennis W. Mabe
John W. Forbis	Thomas M. Phillips
Darrell L. Frye	Katherine K. Rollins
Thomas R. Glover Jr.	John W. Thomas III

#### **OFFICERS**

Lewis W. Dorsett .....	Chair
Thomas R. Glover Jr. ....	Vice Chair
Thomas R. Glover Jr. ....	Treasurer
John M. Bencini.....	Secretary
Gregory T. Flory .....	Executive Director
Joy L. Sparks .....	Finance Director

## **Report of Independent Auditor**

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

### **Report on the Financial Statements**

We have audited the accompanying statements of net position of the Piedmont Triad Regional Water Authority (the "Authority") as of June 30, 2021 and 2020, and the related statements of revenues, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements which collectively comprise the Authority's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for 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.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority's preparation and fair presentation of the financial statements 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of June 30, 2021 and 2020, and the 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.

## **Other Matters**

### ***Required Supplementary Information***

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

### ***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying supplementary information, as listed in the table of contents, and organizational and business section are presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary 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 audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The organizational and business section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2021, on our consideration of the Authority's internal control over financial reporting and 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.

*Cheryl Behrman LLP*

Charlotte, North Carolina  
October 12, 2021

# PIEDMONT TRIAD REGIONAL WATER AUTHORITY

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2021 AND 2020

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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, 2021 and 2020. 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, 2021

- 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 \$116,679,233 (*net position*).
- The Authority's net position increased by \$914,695 (or 0.8%) to \$116,679,233, as compared to the previous year's-end. Net investment in capital assets decreased by \$766,614 (or 0.8%) as compared to the previous year's-end. Unrestricted net position increased by \$1,681,309 to \$20,407,451 during the FYE June 30, 2021.
- The operating revenues are \$8,694,691 for the fiscal year.
- Total operating expenses of all the Authority's programs were \$7,466,373 during the FYE June 30, 2021.
- The Authority's total debt decreased by \$1,677,812 during the current fiscal year to \$12,781,680. The key factor in this decrease was the payment on existing debt. The decrease is reflected by principal payments on the North Carolina State Revolving Loan Fund and the 2012 SunTrust Water System Revenue Refunding Bond.

### Financial Highlights for the Year Ended June 30, 2020

- 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 \$115,764,538 (*net position*).
- The Authority's net position increased by \$861,965 (or 0.8%) to \$115,764,538, as compared to the previous year's-end. Net investment in capital assets decreased by \$1,375,494 (or 1.4%) as compared to the previous year's-end. Unrestricted net position increased by \$2,237,459 to \$18,726,142 during the FYE June 30, 2020.
- The operating revenues are \$8,732,525 for the fiscal year.
- Total operating expenses of all the Authority's programs were \$7,712,797 during the FYE June 30, 2020.
- The Authority's total debt decreased by \$1,643,384 during the current fiscal year to \$14,459,492. The key factor in this decrease was the payment on existing debt. The decrease is reflected by principal payments on the North Carolina State Revolving Loan Fund and the 2012 SunTrust 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, 2021 AND 2020

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### 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:

	<b>Committed:</b>
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
Total	<u>48.00 MGD</u>

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

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

As a standalone 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.

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.

# PIEDMONT TRIAD REGIONAL WATER AUTHORITY

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2021 AND 2020

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

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

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

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

### FINANCIAL ANALYSIS

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

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

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

Figure 1

	2021	2020	2019
Current and noncurrent assets	\$ 21,285,189	\$ 19,260,962	\$ 16,888,348
Capital assets, net of depreciation	109,053,462	111,497,888	114,516,766
Total assets	130,338,651	130,758,850	131,405,114
Deferred outflows of resources	375,977	366,023	423,360
Current liabilities	2,401,140	2,105,698	2,050,827
Long-term liabilities	11,603,784	13,242,387	14,858,994
Total liabilities	14,004,924	15,348,085	16,909,821
Deferred inflows of resources	30,471	12,250	16,080
Net position:			
Net investment in capital assets	96,271,782	97,038,396	98,413,890
Unrestricted	20,407,451	18,726,142	16,488,683
Total net position	\$ 116,679,233	\$ 115,764,538	\$ 114,902,573



# PIEDMONT TRIAD REGIONAL WATER AUTHORITY

## MANAGEMENT'S DISCUSSION AND ANALYSIS

*JUNE 30, 2021 AND 2020*

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### **FINANCIAL ANALYSIS (continued)**

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 \$116,679,233 as of June 30, 2021. 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 \$2,444,426 to \$109,053,462 due to depreciation additions. The deferred outflow of resources increased mainly due to the pension related deferrals and contributions along with the annual recording of the amortized call premium on the 2008 Branch Banking & Trust ("BB&T") revenue bond that was incurred when the 2012 SunTrust Equipment Finance & Leasing Corp. refunding bond was issued. The deferred inflows of resources increased related to the change in the net pension liability as of June 30, 2021.

The assets and deferred outflows of resources of the Authority exceeded liabilities and deferred inflows of resources by \$115,764,538 as of June 30, 2020. 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 \$3,018,878 to \$111,497,888 due to depreciation additions. The deferred outflow of resources decreased mainly due to the pension-related deferrals and contributions netted against the annual recording of the amortized call premium on the 2008 BB&T revenue bond that was incurred when the 2012 SunTrust Equipment Finance & Leasing Corp. refunding bond was issued. The deferred inflows of resources decreased related to the change in the net pension liability as of June 30, 2020.

### **Revenues, Expenses, and Changes in Net Position**

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

Operating revenues decreased by \$37,834 as of June 30, 2021. The majority of the decrease was due to a decrease in water sales and marina revenue for the year ended June 30, 2021. Income from marina boating and fishing activities was \$174,291 for the year ended June 30, 2021. The Authority's laboratory serves outside customers. Income from the contract laboratory operations amounted to \$36,585 for the year ended June 30, 2021. Income from membership dues decreased by \$8,820 and operating expenses decreased by \$246,424 for the year ended June 30, 2021. As of June 30, 2021, net position increased in the amount of \$914,695, compared to an increase of \$861,965 for the year ended June 30, 2020, as a result of the changes in water sales, membership dues, marina revenue, and operating expenses.

# **PIEDMONT TRIAD REGIONAL WATER AUTHORITY** **MANAGEMENT'S DISCUSSION AND ANALYSIS**

*JUNE 30, 2021 AND 2020*

## **Revenues, Expenses, and Changes in Net Position (continued)**

Operating revenues increased by \$197,344 as of June 30, 2020. The majority of the increase was due to an increase in water sales during the year ended June 30, 2020. Income from marina boating and fishing activities was \$187,4783 during the year ended June 30, 2020. The Authority's laboratory serves outside customers. Income from the contract laboratory operations amounted to \$41,000 for the year ended June 30, 2020. Income from membership dues increased by \$35,320 and operating expenses increased by \$297,982 for the year ended June 30, 2020. As of June 30, 2020, net position increased in the amount of \$861,965, compared to an increase of \$826,806 for the year ended June 30, 2019, as a result of the changes in membership dues and operating expenses.

## **Piedmont Triad Regional Water Authority's Changes in Net Position** **Figure 2**

	<b>2021</b>	<b>2020</b>	<b>2019</b>
Revenues:			
Operating revenues	\$ 8,694,691	\$ 8,732,525	\$ 8,535,181
Total revenues	8,694,691	8,732,525	8,535,181
Expenses:			
Operating expenses	7,466,373	7,712,797	7,414,815
Total expenses	7,466,373	7,712,797	7,414,815
Operating income	1,228,318	1,019,728	1,120,366
Nonoperating expenses	(313,623)	(157,763)	(293,560)
Increase in net position	914,695	861,965	826,806
Net position, July 1	115,764,538	114,902,573	114,075,767
Net position, June 30	\$ 116,679,233	\$ 115,764,538	\$ 114,902,573

During the fiscal year 2020-2021, the Authority's operating activities continued with the sale of water to the member governments. These water sales consist of producing and selling 14.7 million gallons of water per day per the amended and restated Joint Governmental Agreement effective July 1, 2016. Current member allocations are as follows:

	<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	-
Total	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.

# **PIEDMONT TRIAD REGIONAL WATER AUTHORITY** **MANAGEMENT'S DISCUSSION AND ANALYSIS**

*JUNE 30, 2021 AND 2020*

## **Capital Asset and Debt Administration**

### **Capital Assets**

The Authority's investment in capital assets as of June 30, 2021 and 2020 total \$109,053,462 and \$111,497,888, 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 3**

	<b>2021</b>	<b>2020</b>	<b>2019</b>
Land and improvements	\$ 41,336,360	\$ 41,143,241	\$ 41,143,241
Dam	15,611,374	16,063,376	16,516,845
High Point discharge pipe	2,782,873	3,200,302	3,617,733
Furniture/camera/equipment	183,953	137,719	123,604
Vehicles	51,687	100,953	107,494
Fencing/gates	27,575	34,945	37,492
Marina facilities	307,727	312,491	334,757
Water plant/related facilities	48,594,367	50,366,776	52,635,600
Construction in progress	157,546	138,085	-
<b>Total</b>	<b>\$ 109,053,462</b>	<b>\$ 111,497,888</b>	<b>\$ 114,516,766</b>

Additional information on the Authority's capital assets can be found in Note 3 of the Basic Financial Statements.

### **Long-Term Debt**

As of June 30, 2021, the Authority had total debt outstanding of \$12,781,680.

- \$2,000,000 to the North Carolina Department of Environmental Quality under the Clean Water Revolving Loan and Grant Act of 1987. The loan proceeds were used for the relocation of the High Point Eastside Wastewater Treatment Plant effluent discharge. Debt-service and interest payments for this loan will come from the members of the Authority. Interest payments began in May 2007 and are due every six months (May 1 and November 1). Principal payments began in May 2007 and are due annually on May 1 for 20 years.
- \$10,781,680 to SunTrust 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 4.41%). 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).

# PIEDMONT TRIAD REGIONAL WATER AUTHORITY

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2021 AND 2020

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### Long-Term Debt (continued)

As of June 30, 2020, the Authority had total debt outstanding of \$14,459,492.

- \$2,400,000 to the North Carolina Department of Environmental Quality under the Clean Water Revolving Loan and Grant Act of 1987. The loan proceeds were used for the relocation of the High Point Eastside Wastewater Treatment Plant effluent discharge. Debt-service and interest payments for this loan will come from the members of the Authority. Interest payments began in May 2007 and are due every six months (May 1 and November 1). Principal payments began in May 2007 and are due annually on May 1 for 20 years.
- \$12,059,492 to SunTrust 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 4.41%). 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 2021-2022 budget incorporates a 2.0% increase for the membership dues and a 2.75% increase in the water rate. While this is below the 3.5% rate increase that was recommended in the financial model developed with the facility's construction bond funding package, it is a gradual recovery from the 0% adjustment that was used in last fiscal year's budget due to the unknown fiscal impact of the "COVID-19" pandemic. Financial impact to the Authority from COVID-19 remains minimal. 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. Contract lab revenue is the area where the impacts of COVID are being seen. While all lab revenue is expected to be collected, receipt of payments has been lagging. The Authority's contract lab customers are mainly comprised of churches, daycares, and restaurants that are continuing to operate on a limited basis. Marina customers utilizing the reservoir have increased during the pandemic and are expected to remain at a higher level until less restrictions are placed on indoor gatherings. The Authority's COVID-19 mitigation protocols will remain in place during the next fiscal year.

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

- **Recreation** – The Randleman Regional Reservoir continues to be a popular choice for fishing and boating. COVID-19 ushered in a renewed interest in outdoor activities, especially for kayaking. Fishermen and boaters have been very appreciative of the opportunity to utilize the reservoir during these unprecedented times and have been respectful of the social distancing guidelines implemented by the Authority. The increased tourism helps to provide much needed stimulation for the local economy.

With increased attendance, parking has become more of an issue. Plans to expand the gravel overflow parking area had been put on hold during the pandemic and are expected to take place in the upcoming year. Approximately 1.25 acres will be cleared for the additional car and boat trailer parking.

The Authority will continue to create an atmosphere conducive to the kayaking public. The ability to explore the natural wildlife and beauty of the lake without owning your own boat continues to increase as evidenced with the rental of sit-on kayaks. An increase of 300% in kayak rentals was seen during the last fiscal year. To facilitate the continued interest in kayaking, the Authority has added an inflatable double (tandem) kayak and an inflatable canoe for rental and will continue to add kayaks as needed.

The Authority continues to partner with Operation North State (ONS) in providing fishing festivals for wounded warrior/disabled veterans. Increased need and demand for this type of therapy has led ONS and the Authority to hold two fishing festivals each year, one in the spring and one in the fall. Scheduled dates for the events are September 21, 2021 and another in April 2022. These events are much needed in improving the quality of life for our veterans and providing a community support network for them. Appropriate social distancing and protective face coverings are still being enforced.

## **PIEDMONT TRIAD REGIONAL WATER AUTHORITY**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

*JUNE 30, 2021 AND 2020*

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The annual PTRWA Family Fishing Clinic has returned. The nature of the event involves teaching children the sport of fishing, providing quality family fun time, and educating attendees about water quality. While the June 2021 event was not heavily promoted because of the on-going COVID-19 pandemic concerns, approximately 38 people were in attendance for the event. The number was similar to the first event held in 2018. Every child was successful in catching at least one fish and was provided a small tackle box with fishing supplies from the Authority. A hot dog lunch was provided to the attendees. Other partners for the event included Bass Pro Shops, Keep Randolph County Beautiful, Insight Human Services, and Stormwater Smart (Piedmont Triad Regional Council). The Authority was pleased with the turnout and success of the event and will utilize more social media in promoting the event scheduled for June 2022.

The Randolph County Sheriff's Office Junior Sheriff's Academy (JSA) has also resumed. 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 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.

Partnership events with Keep Randolph County Beautiful (KRCB) are currently being promoted. An electronics recycling event is planned for September 18, 2021 at Creekside Park in Archdale sponsored by the Local Government Federal Credit Union. Randolph County Creek Week activities (September 18 - September 25, 2021) will be mostly virtual but includes a Family Creek Cleanup, Planting Native Wildflowers, Backyard Rainscaping, and a Stormwater Scavenger Hunt. A household hazardous waste, pesticide, and medication disposal event is scheduled for October 23, 2021. 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.

In continuing our support of the area's veterans and in appreciation and recognition of their service, the Board of Directors has decided to open the Marina to all veterans on Veteran's Day in November. Fees for boat launches and pier fishing for all current and retired military personnel will be waived for the day. It is hoped that by setting aside this day for veterans, it will continue fostering the community support network that we are trying to build through our participation in the Operation North State Wounded Warrior Fishing Festivals.

The Authority will also partner with the Randleman Chamber of Commerce in hosting an annual fishing tournament at the reservoir as a community fundraising event.

The Authority is in preliminary discussions with the North Carolina State Parks System for development of a segment of the Deep River State Trail (DRST) that would encompass Authority property or the reservoir as part of a paddling trail, with portage around the dam and perhaps an additional access point located on Authority property near Highway 62. The DRST is envisioned as both a paddle trail and a land-based trail (hiking and biking) along the banks of the Deep River. State trails are designed, constructed, and maintained by the segment sponsors and NC State Parks is responsible for planning the overall corridor in which the trail will be located. A partnership between the segment sponsors and State Parks will ensure that the trail can connect to form a continuous state trail. The Authority would be the largest segment owner/sponsor in Randolph County. The buffer rules and ordinances that the Authority already has in place would apply and be enforced by the State Parks System to any trail segment that might be developed on Authority property. There is the possibility of planning assistance and grant money from the state for this exciting project.

# PIEDMONT TRIAD REGIONAL WATER AUTHORITY

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2021 AND 2020

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

The Authority's commitment to maintain reliability and redundancy of its water treatment system is evidenced by the budgeting of funds as capital reserves for the future costs for renewal and replacement of the plant, transmission system, and dam. In addition to the current funding of capital reserves and replacement of carbon filters and membranes, next fiscal year's budget has allocations for the following treatment components:

1. **Pilot Plant Studies** – The Advanced Oxidation Process Treatability (AOP) study has been completed. The purpose of the treatability study was to evaluate the effectiveness of removing 1,4-Dioxane and other emerging contaminants from the Authority's source water through varying AOP strategies under ideal laboratory conditions. Through the treatability study, it was determined that UV (ultraviolet light) and UV-hydrogen peroxide provided poor results and that the best combinations of treatment for AOP evaluation would be ozone and ozone combined with hydrogen peroxide. An ozone pilot plant will therefore be rented to evaluate these treatment strategies for the removal of emerging compounds. It is anticipated that the ozone pilot will be onsite for 60 to 90 days and that this evaluation will be during the fall/winter.

The current pilot study testing of biofiltration process is producing results that are not promising as an optimal removal strategy for iron and manganese in the reservoir or for the emerging contaminants. The ozone pilot will be operated in conjunction with the biofiltration pilot to determine if the combination of the two treatment strategies could be used for the removal of iron and manganese and emerging contaminants.

An iron and manganese contactor is also being evaluated as part of the biological treatment study. The iron and manganese contactor uses a unique media that specifically filters out iron and manganese. The efficiency of this treatment process is being evaluated as a solution for removing residual iron and manganese that is not removed during the filtration process.

2. **Programmable Logic Controllers (PLCs)** – Most of the PLCs in the facility are approaching their end of life which means that they are no longer being supported with updates by the manufacturers. These PLCs are the principal component in operating the water treatment plant. Operating outside of the useful life can represent a significant operational risk as well as present unacceptable security vulnerabilities. Therefore, PLC replacements have been scheduled as a capital project during the new budget year.

Funding for reservoir aeration has been maintained. Reservoir aeration is being considered as a mitigation strategy for elevated iron and manganese in the reservoir. Implementation of the reservoir aeration has been on hold pending the results of the pilot study on iron and manganese and emerging contaminant removal strategies. Preliminary results are indicating that the biofiltration may not be an optimum removal strategy for iron and manganese at the Authority's facility. Therefore, aeration may be the most beneficial interim treatment strategy.

Funds for reservoir enhancements and improvements in security and protection on and around the reservoir have been maintained in the budget and will continue to be used for improving water quality protection and overall facility security. Security improvements include the installation of cameras monitoring all entrances to PTRWA facilities. Areas on the reservoir that have been identified as restricted are also being enhanced with additional warning and restrictive buoys.

# PIEDMONT TRIAD REGIONAL WATER AUTHORITY

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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In the personnel category, a vacant operations position has been eliminated and those funds have been used to fund a portion of the newly created Deputy Finance Officer position. The remaining portion of a cost-of-living adjustment that was implemented during the previous budget year has been included in the salaries to maintain the salary ranges of the Authority in alignment with other utilities in the region. Fringe benefit expenses have also been increased. This is primarily due to the continuing increases in the employer contribution percentages to the Local Government Retirement System, as well as the addition of the Deputy Finance Officer position.

The expenses allocated in the sludge disposal category have been reduced. A contract with a new vendor for sludge disposal services has been implemented and cost savings are anticipated in this category.

Funding has been maintained for Dual Media Filter Rehab expenses which capture the cost of changing out the media in one of the four dual media filters. This budget cycle represents the third year of setting aside funds for dual media filter rehab. Therefore, the funding in this category will be needed for one more additional budget cycle. Once this category is fully funded, it will allow the Authority to reallocate this cost category in future years.

The allocation for carbon replacement in this fiscal year has been increased to previously budgeted amounts which will include changing out two carbon contactors per year.

The amounts set aside for capital reserves have been reduced for the upcoming year in order to facilitate the PLCs replacement capital project scheduled to begin during the year.

The Authority is also committed to remaining vigilant and at the forefront of water treatment processes and emerging contaminant issues that local governments are facing. Continued monitoring and voluntary testing of 1,4-Dioxane and PFAS (Polyfluoroalkyl Substances) are part of the Authority's routine water quality testing.

For the sixth year (2020) 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 2020 (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.

- **Expansion** – A capacity study being completed by the City of Greensboro indicates they have reached their maximum capacity with their in-house sources and that it is most likely that an Authority plant expansion will be required when demand increases. No definitive water projection amounts have been decided, but Greensboro has budgeted within its FY24-25 to FY25-26 for expansion capital costs. Funds have not been set aside in the budget for expansion planning. Should expansion planning get to the stage that expenses will be incurred, it is intended that fund balance would be used to cover any expense. The intent is that any funds spent would ultimately be recovered in the expansion costs covered by the partners participating in the expansion.

# PIEDMONT TRIAD REGIONAL WATER AUTHORITY

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2021 AND 2020

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- **Reservoir** – A project of installing a series of trash boom collectors along Muddy Creek upstream of Canter Road will take place this year. This is an effort to help relieve some of the trash that collects at this particular spot and requires an annual clean up by Authority staff.
- **Buoys** – A newly designed buoy system has been installed at the raw water pump station. Issues of positioning and deploying the 5000-pound anchor weights have been resolved. Additional buoys (100) and installation materials have been ordered and will be installed during this fiscal year for additional designated sites.
- **Vulnerability Assessment, Emergency Response Plan (ERP) and Source Water Resiliency and Response Plan (SWRRP)** – EPA and the North Carolina Department of Environmental Quality implemented requirements for public drinking water systems above a certain size to complete a Vulnerability Assessment and an ERP in an effort to improve resiliency and reliability. Additionally, the North Carolina Department of Environmental Quality required that Public Drinking Water Systems prepare Source Water Resiliency and Response Plans to further address this issue. For systems that were required to complete an ERP, the SWRRP could be incorporated into the ERP as a part of that document. These plans were created and completed as required during the previous fiscal year and certification of completion was provided to the regulatory agencies as required. The plans will be continuously monitored and updated with recertification required every 5 years to the regulatory agencies. These plans are identified as sensitive documents and copies are therefore not released outside of the organization.

During the process of preparing these plans, it was determined that the New Market School connection has no back up water source and would be at risk for losing service in the event of a failure at the water treatment plant. It will be possible to back feed New Market School from Archdale in the event of an emergency. The Authority will work with Archdale to complete an agreement for emergency service and outline the purchase of water from Archdale by the Authority if needed. In this instance, where the water treatment plant is offline, it is likely that Archdale would be obtaining water from Davidson Water or the City of High Point. Additional measures that were identified as part of this planning process included the improved security measures that were previously identified in this document.

- **Partner's Meeting** – The water quality partners (PTRWA member systems, along with interconnected systems and Public Water Supply personnel) continue to meet quarterly to discuss regional water quality issues and treatment strategies. The group consensus will determine whether the water quality preventative maintenance of switching from the chloramines disinfection process to a free chlorine disinfection process will take place during 2022. Given preliminary monitoring data, it is expected that this will need to be conducted in the spring of 2022.
- **Polyfluoroalkyl Substances (PFAS) Cost Recovery Class Action Lawsuit** – The National Rural Water Association (NRWA) has filed a cost recovery class action lawsuit against the global manufacturers (3M, Dupont, et al) of the PFAS compounds. This action could allow water utilities to recover 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.
- **Dam** – The State conducted its annual inspection of the dam. No significant operational issues were noted. A recommendation was made for some trees and vegetation to be removed. This cleanup work has already been completed.

The monitoring station and rain gauge at the dam are recording rainfall and outflow data. The station can provide remote monitoring information within 5 minutes and will be useful during storm events. HDR Engineering will incorporate this collected data into the model being used to analyze and determine the reservoir capacity.



# PIEDMONT TRIAD REGIONAL WATER AUTHORITY

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2021 AND 2020

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Beginning in July, the Authority will initiate a pilot project which will involve satellite monitoring at the dam. Ground positions and ground moistures will be monitored as a means of detecting issues before they can become problems.

- **Restricted Funds** – The proposed fiscal year 2021-2022 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 those 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 or expansion. The balance of the restricted funds set aside going into fiscal year 2021-2022 is \$10,058,767.

**Business – Type Activities:** The water rate for the Authority's member governments is determined during the normal budget process. The FY 2021-2022 budget incorporates a 2.0% increase for the membership dues and a 2.75% increase in the water rate. While this is below the 3.5% rate increase that was recommended in the financial model developed with the facility's construction bond funding package, it is a gradual recovery from the 0% adjustment that was used in last fiscal year's budget due to the unknown fiscal impact of the COVID-19 pandemic. The rate for water sales will be \$1.1282 per 1,000 gallons for the upcoming fiscal year 2021-2022. The participating members involved in the revenue bond sale (City of Archdale, Town of Jamestown, City of Randleman, and Randolph County) will make required appropriations for the debt service payments as required by the 2016 Agreement. Additionally, all members of the Authority will continue to make annual appropriations for the debt service payments of the State Revolving Loan Fund and for the operation of the Authority.

### Requests for Information

This report is designed to provide an overview of the Piedmont Triad Regional Water Authority's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to:

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

**PIEDMONT TRIAD REGIONAL WATER AUTHORITY**  
**STATEMENTS OF NET POSITION**

*JUNE 30, 2021 AND 2020*

	<b>2021</b>	<b>2020</b>
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents / investments	\$ 10,440,524	\$ 9,353,452
Board-designated cash and cash equivalents / investments	8,053,767	9,262,384
Accounts receivable	542,863	509,085
Inventory	123,984	120,535
Prepaid expense	-	15,506
Total current assets	19,161,138	19,260,962
Noncurrent Assets:		
Investments	119,051	-
Board-designated investments	2,005,000	-
Capital assets, net of depreciation	109,053,462	111,497,888
Total noncurrent assets	111,177,513	111,497,888
<b>Total assets</b>	<b>130,338,651</b>	<b>130,758,850</b>
<b>Deferred Outflows of Resources:</b>		
Pension related deferrals and contributions	284,075	261,508
Charge on refunding, net of accumulated amortization of \$113,067 and \$100,454, respectively	91,902	104,515
<b>Total deferred outflows of resources</b>	<b>375,977</b>	<b>366,023</b>
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts payable and accrued expenses	683,958	424,357
Current portion of note payable	400,000	400,000
Current portion of bond payable	1,313,195	1,277,812
Unearned revenue	3,987	3,529
Total current liabilities	2,401,140	2,105,698
Long-Term Liabilities:		
Net pension liability	535,299	460,707
Note payable	1,600,000	2,000,000
Bond payable	9,468,485	10,781,680
Total long-term liabilities	11,603,784	13,242,387
<b>Total liabilities</b>	<b>14,004,924</b>	<b>15,348,085</b>
<b>Deferred inflows of resources - pension related</b>	<b>30,471</b>	<b>12,250</b>
Net Position:		
Net investment in capital assets	96,271,782	97,038,396
Unrestricted	20,407,451	18,726,142
<b>Total net position</b>	<b>\$ 116,679,233</b>	<b>\$ 115,764,538</b>

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***YEARS ENDED JUNE 30, 2021 AND 2020*

	<b>2021</b>	<b>2020</b>
Operating revenues:		
Membership dues	\$ 3,358,908	\$ 3,367,728
Water sales	5,124,907	5,136,314
Marina revenue	174,291	187,483
Contract lab	36,585	41,000
Total operating revenues	8,694,691	8,732,525
Operating expenses:		
Administrative and general:		
Personnel and fringe benefits	324,003	334,699
Depreciation	957,738	948,555
Operations and maintenance	115,342	143,138
Professional services	111,121	112,429
Travel	4,540	7,308
Meetings and conferences	8,526	10,329
Insurance	26,162	29,967
Other	28,184	9,315
Total administrative and general	1,575,616	1,595,740
Water treatment plant and related facilities:		
Personnel and fringe benefits	1,227,252	1,271,280
Depreciation	2,365,342	2,367,443
Chemicals	1,115,925	1,119,958
Energy	563,018	581,529
Insurance	70,983	69,704
Laboratory	85,173	86,321
Operations and maintenance	187,915	320,136
Sludge handling and maintenance	116,973	107,765
Office supplies	500	1,840
Permit	4,121	3,870
Professional services	97,924	91,626
Vehicles	11,607	22,228
Other	44,024	73,357
Total water treatment plant and related facilities	5,890,757	6,117,057
Total operating expenses	7,466,373	7,712,797
Operating income	1,228,318	1,019,728
Nonoperating revenues (expenses):		
Interest earned on investments	45,964	241,701
Interest and fiscal expense	(375,261)	(418,825)
Other nonoperating income	9,685	13,119
Gain on disposal of capital assets	5,989	2,804
Grants	-	3,438
Total nonoperating expenses	(313,623)	(157,763)
Change in net position	914,695	861,965
Net position, beginning	115,764,538	114,902,573
Net position, ending	\$ 116,679,233	\$ 115,764,538

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

# **PIEDMONT TRIAD REGIONAL WATER AUTHORITY** **STATEMENTS OF CASH FLOWS**

YEARS ENDED JUNE 30, 2021 AND 2020

	2021	2020
<b>Cash flows from operating activities:</b>		
Cash received from members	\$ 8,463,227	\$ 8,490,521
Cash received from customers	214,084	225,540
Cash paid for goods and services	(2,339,213)	(2,786,325)
Cash paid to employees for services	(1,465,503)	(1,519,386)
Net cash flows from operating activities	4,872,595	4,410,350
<b>Cash flows from noncapital financing activities:</b>		
Miscellaneous nonoperating receipts	9,685	16,557
<b>Cash flows from capital and related financing activities:</b>		
Acquisition and construction of capital assets	(917,665)	(301,286)
Gross proceeds from sale of asset	-	6,970
Gross proceeds from insurance	45,000	-
Payments on long-term debt	(1,677,812)	(1,643,384)
Interest payments	(375,261)	(418,825)
Net cash flows from capital and related financing activities	(2,925,738)	(2,356,525)
<b>Cash flows from investing activities:</b>		
Interest earned on investments	45,964	241,701
Net change in cash and cash equivalents/investments	2,002,506	2,312,083
Cash and cash equivalents/investments, beginning	18,615,836	16,303,753
Cash and cash equivalents/investments, ending	\$ 20,618,342	\$ 18,615,836
<b>Reconciliation to cash and cash equivalents/investments reported in the statements of net position:</b>		
Cash and cash equivalents / investments	\$ 10,440,524	\$ 9,353,452
Board-designated cash and cash equivalents / investments	8,053,767	9,262,384
Investments	119,051	-
Board-designated investments	2,005,000	-
	\$ 20,618,342	18,615,836
<b>Reconciliation of operating income from operating activities:</b>		
Operating income	\$ 1,228,318	\$ 1,019,728
Adjustments to reconcile operating income to net cash flows from operating activities:		
Depreciation	3,323,080	3,315,998
Unamortized charge on refunding	12,613	12,613
Changes in assets, liabilities, and deferred inflow and outflow of resources:		
Accounts receivable for operations	(33,778)	(32,055)
Prepaid expenses	15,506	(15,506)
Inventory	(3,449)	(12,970)
Deferred outflows of resources for pensions	(22,567)	44,724
Accounts payable and accrued expenses	259,601	20,346
Unearned revenue	458	97
Net pension liability	74,592	61,205
Deferred inflows of resources	18,221	(3,830)
Net cash flows from operating activities	\$ 4,872,595	\$ 4,410,350

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

# PIEDMONT TRIAD REGIONAL WATER AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

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### **Note 1—Description of unit**

The Piedmont Triad Regional Water Authority (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. As required by generally accepted accounting principles (“U.S. GAAP”), these financial statements include all funds, agencies, boards, commissions, and authorities which are controlled by or are financially dependent upon the Authority.

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.

### **Note 2—Summary of significant accounting policies**

The accounting policies of the Authority conform to U.S. GAAP as applicable to governments. The following is a summary of the more significant accounting policies.

#### **A. 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 accounting 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.

The proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under this basis, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

Proprietary funds distinguish operating revenues and expenses from nonoperating 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. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenues and expenses.

#### **B. Budgetary Data**

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

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

# PIEDMONT TRIAD REGIONAL WATER AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

### Note 2—Summary of significant accounting policies (continued)

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

**1. Deposits and Investments** – All deposits of the Authority are made in Board-designated official depositories and are secured as required by 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 Super NOW 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 carried at fair value as determined by quoted market prices. 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.

**2. 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.

**3. Board-Designated Cash, Cash Equivalents and Investments** – Included in Board-designated cash, cash equivalents and investments is \$10,058,767 and \$9,262,384 for the years ended June 30, 2021 and 2020, 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.

**4. Accounts Receivable** – Accounts receivable consist of amounts from member governments for 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 receivables are fully collectible and that no allowance for doubtful accounts is considered necessary.

**5. 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.

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

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

# PIEDMONT TRIAD REGIONAL WATER AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

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### Note 2—Summary of significant accounting policies (continued)

#### C. Assets, Liabilities, Deferred Inflows and Outflows of Resources, and Net Position (continued)

**7. Deferred Outflows/Inflows of Resources** – In addition to assets, the Statement of Net Position reports a separate section for deferred outflows of resources. This separate financial statement element, Deferred Outflows of Resources, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Authority has two items that meet this criterion. (1) Refunding charges of \$91,902 for 2021 and \$104,515 for 2020 on SunTrust 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 \$284,075 for 2021 and \$261,508 for 2020.

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, 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 one item that meets the criterion for this category – other pension related deferrals.

**8. 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.

**9. 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 that 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 \$74,132.

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

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

Included in unrestricted net position is \$10,058,767 and \$9,262,384 for the years ended June 30, 2021 and 2020, 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.

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

# PIEDMONT TRIAD REGIONAL WATER AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

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### Note 2—Summary of significant accounting policies (continued)

#### C. Assets, Liabilities, Deferred Inflows and Outflows of Resources, and Net Position (continued)

**12. 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 a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the state-administered defined benefit pension plans. Investments are reported at fair value.

### Note 3—Detail note on assets and liabilities

#### A. Assets

##### 1. Deposits and Investments

All of the Authority's deposits 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 agent in the Authority'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 agent in the Authority's name. The amount of the pledged collateral is based on an approved averaging method for non-interest-bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Authority or the escrow agent. Because of the inability to measure the exact amount 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 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, 2021 and 2020, the Authority's deposits had a carrying amount of \$8,997,896 and \$9,645,163, respectively, and bank balances of \$9,380,359 and \$9,929,086, respectively. Of the June 30, 2021 and 2020, 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 June 30, 2021 and 2020, the Authority had \$500 cash on hand.



# **PIEDMONT TRIAD REGIONAL WATER AUTHORITY** **NOTES TO THE FINANCIAL STATEMENTS**

*JUNE 30, 2021 AND 2020*

## **Note 3—Detail note on assets and liabilities (continued)**

### **A. Assets (continued)**

#### **1. Deposits and Investments (continued)**

As of June 30, 2021 and 2020, the Authority had the following investments:

<b>Investment Type</b>	<b>Valuation Measurement Method</b>	<b>Fair Value at June 30, 2021</b>	<b>Maturity less than 6 months</b>	<b>Maturity 1 to 3 years</b>
Certificates of Deposit	Fair Value Level 1	\$ 10,080,356	\$ 1,019,314	\$ 9,061,042
NCCMT - Government Portfolio	Fair Value Level 1	1,539,590	1,539,590	-
		<u>\$ 11,619,946</u>	<u>\$ 2,558,904</u>	<u>\$ 9,061,042</u>

<b>Investment Type</b>	<b>Valuation Measurement Method</b>	<b>Fair Value at June 30, 2020</b>	<b>Maturity less than 6 months</b>	<b>Maturity 1 to 3 years</b>
Certificates of Deposit	Fair Value Level 1	\$ 4,171,404	\$ 2,101,143	\$ 2,070,261
NCCMT - Government Portfolio	Fair Value Level 1	4,798,769	4,798,769	-
		<u>\$ 8,970,173</u>	<u>\$ 6,899,912</u>	<u>\$ 2,070,261</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 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, 2021 and 2020. The Authority has no formal policy regarding credit risk on its investments.

**PIEDMONT TRIAD REGIONAL WATER AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**

*JUNE 30, 2021 AND 2020*

**Note 3—Detail note on assets and liabilities (continued)**

**A. Assets (continued)**

**2. Capital Assets**

The capital assets of the Authority at June 30, 2021 are as follows:

	<b>Beginning Balances</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balances</b>
Capital assets not depreciated:				
Land	\$ 40,982,369	\$ 190,618	\$ -	\$ 41,172,987
Boat access road	87,155	-	-	87,155
Marina parking areas	73,718	-	-	73,718
Marina Kayak Ramp	-	2,500	-	2,500
Construction in progress	138,085	157,546	(138,085)	157,546
Total capital assets not depreciated	41,281,327	350,664	(138,085)	41,493,906
Capital assets depreciated:				
Camera	209,086	4,478	(203,252)	10,312
Dam	22,496,987	1,854	-	22,498,841
Equipment	248,379	57,194	(2,351)	303,222
Fencing	45,943	-	-	45,943
Furniture	91,895	6,841	-	98,736
Gates	64,611	-	-	64,611
High Point Eastside Discharge Pipe	8,348,615	-	-	8,348,615
Marina	499,204	21,378	(1,633)	518,949
Vehicles	349,099	18,060	(45,969)	321,190
Water Treatment Plant	71,131,952	595,281	(29,930)	71,697,303
Total capital assets depreciated	103,485,771	705,086	(283,135)	103,907,722
Less accumulated depreciation for:				
Water treatment plant and related facilities	20,765,176	2,365,342	(27,581)	23,102,937
Administrative and general	12,504,034	957,738	(216,543)	13,245,229
Total accumulated depreciation	33,269,210	\$ 3,323,080	\$ (244,124)	36,348,166
Total capital assets depreciated, net	70,216,561			67,559,556
Capital assets, net	\$ 111,497,888			\$ 109,053,462

**PIEDMONT TRIAD REGIONAL WATER AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**

*JUNE 30, 2021 AND 2020*

**Note 3—Detail note on assets and liabilities (continued)**

**A. Assets (continued)**

**2. Capital Assets (continued)**

The capital assets of the Authority at June 30, 2020 are as follows:

	<b>Beginning Balances</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balances</b>
Capital assets not depreciated:				
Land	\$ 40,982,369	\$ -	\$ -	\$ 40,982,369
Boat access road	87,155	-	-	87,155
Marina parking areas	73,718	-	-	73,718
Construction in progress	-	138,085	-	138,085
Total capital assets not depreciated	41,143,242	138,085	-	41,281,327
Capital assets depreciated:				
Camera	209,086	-	-	209,086
Dam	22,496,987	-	-	22,496,987
Equipment	217,630	32,524	(1,775)	248,379
Fencing	41,276	4,667	-	45,943
Furniture	89,495	2,400	-	91,895
Gates	64,611	-	-	64,611
High Point Eastside Discharge Pipe	8,348,615	-	-	8,348,615
Marina	496,311	2,893	-	499,204
Vehicles	335,482	22,097	(8,480)	349,099
Water Treatment Plant	71,033,332	98,620	-	71,131,952
Total capital assets depreciated	103,332,825	163,201	(10,255)	103,485,771
Less accumulated depreciation for:				
Water treatment plant and related facilities	18,397,733	2,367,443	-	20,765,176
Administrative and general	11,561,568	948,555	(6,089)	12,504,034
Total accumulated depreciation	29,959,301	\$ 3,315,998	\$ (6,089)	33,269,210
Total capital assets depreciated, net	73,373,524			70,216,561
Capital assets, net	\$ 114,516,766			\$ 111,497,888

**PIEDMONT TRIAD REGIONAL WATER AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**

*JUNE 30, 2021 AND 2020*

**Note 3—Detail note on assets and liabilities (continued)**

**B. Liabilities – Long-Term**

**1. Notes Payable**

The following is a summary of notes payable at June 30, 2021:

	<b>Balance July 1, 2020</b>	<b>Additions</b>	<b>Payments</b>	<b>Balance June 30, 2021</b>	<b>Current Portion of Notes Payable</b>
Note payable direct placement - NC DEQ, interest accrues at 2.205%; principal and interest payments are due and paid semi-annually over 20 years.	\$ 2,400,000	\$ -	\$ 400,000	\$ 2,000,000	\$ 400,000
Series 2012 revenue bonds payable direct placement: Interest accrues at 2.75%; principal and interest payments are due and paid semi-annually over 17 years.	12,059,492	-	1,277,812	10,781,680	1,313,195
Net pension liability (LGERS)	460,707	74,592	-	535,299	-
	<u>\$ 14,920,199</u>	<u>\$ 74,592</u>	<u>\$ 1,677,812</u>	<u>\$ 13,316,979</u>	<u>\$ 1,713,195</u>

The following is a summary of notes payable at June 30, 2020:

	<b>Balance July 1, 2019</b>	<b>Additions</b>	<b>Payments</b>	<b>Balance June 30, 2020</b>	<b>Current Portion of Long-Term Liabilities</b>
Note payable direct placement - NC DEQ, interest accrues at 2.205%; principal and interest payments are due and paid semi-annually over 20 years.	\$ 2,800,000	\$ -	\$ 400,000	\$ 2,400,000	\$ 400,000
Series 2012 revenue bonds payable direct placement: Interest accrues at 2.75%; principal and interest payments are due and paid semi-annually over 17 years.	13,302,876	-	1,243,384	12,059,492	1,277,812
Net pension liability (LGERS)	399,502	61,205	-	460,707	-
	<u>\$ 16,502,378</u>	<u>\$ 61,205</u>	<u>\$ 1,643,384</u>	<u>\$ 14,920,199</u>	<u>\$ 1,677,812</u>

# **PIEDMONT TRIAD REGIONAL WATER AUTHORITY** **NOTES TO THE FINANCIAL STATEMENTS**

*JUNE 30, 2021 AND 2020*

## **Note 3—Detail note on assets and liabilities (continued)**

### **B. Liabilities – Long-Term (continued)**

#### **1. Notes Payable (continued)**

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

Interest payments on the note payable for the years ending June 30, 2021 and 2020 are \$51,450 and \$60,270, respectively.

Maturities of notes payable are as follows:

<u>Fiscal Years</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 400,000	\$ 44,100	\$ 444,100
2023	400,000	35,280	435,280
2024	400,000	26,460	426,460
2025	400,000	17,640	417,640
2026	400,000	8,820	408,820
	<u>\$ 2,000,000</u>	<u>\$ 132,300</u>	<u>\$ 2,132,300</u>

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

# **PIEDMONT TRIAD REGIONAL WATER AUTHORITY** **NOTES TO THE FINANCIAL STATEMENTS**

*JUNE 30, 2021 AND 2020*

## **Note 3—Detail note on assets and liabilities (continued)**

### **B. Liabilities – Long-Term (continued)**

#### **1. Notes Payable (continued)**

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, 2021 and 2020 is as follows:

	<b>2021</b>	<b>2020</b>
Operating revenues	\$ 8,694,691	\$ 8,732,525
Operating expenses*	(4,143,293)	(4,396,799)
Non operating revenue **	55,649	258,258
Income available for debt service	4,607,047	4,593,984
Debt service, principal and interest paid	2,053,073	2,062,209
Net difference	<u>\$ 2,553,974</u>	<u>\$ 2,531,775</u>

\* Exclusive of depreciation expense of \$3,323,080 and \$3,315,998 for the years ended June 30, 2021 and 2020, respectively.

\*\* Exclusive of interest and fiscal expense and gain of loss on disposal of assets of \$369,272 and \$416,021 for the years ended June 30, 2021 and 2020, respectively.

The Authority believes it was in compliance with the debt service coverage covenant for the years ended June 30, 2021 and 2020.

Interest payments on long-term revenue bond debt for the years ended June 30, 2021 and 2020 are \$311,198 and \$345,942, respectively.

Maturities of bonds payable are as follows:

<b>Fiscal Years</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2022	\$ 1,313,195	\$ 287,530	\$ 1,600,725
2023	1,349,555	251,169	1,600,724
2024	1,386,923	213,801	1,600,724
2025	1,425,326	175,398	1,600,724
2026	1,464,793	135,932	1,600,725
2027-2029	3,841,888	159,921	4,001,809
	<u>\$ 10,781,680</u>	<u>\$ 1,223,751</u>	<u>\$ 12,005,431</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.

# PIEDMONT TRIAD REGIONAL WATER AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

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### **Note 3—Detail note on assets and liabilities (continued)**

#### **B. Liabilities – Long-Term (continued)**

##### **2. Pension Plan Obligations (continued)**

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.

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, 2021 was 10.90% of compensation for law enforcement officers and 10.15% 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 \$101,310 and \$96,298 for the years ended June 30, 2021 and 2020, 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.

# **PIEDMONT TRIAD REGIONAL WATER AUTHORITY** **NOTES TO THE FINANCIAL STATEMENTS**

*JUNE 30, 2021 AND 2020*

## **Note 3—Detail note on assets and liabilities (continued)**

### **B. Liabilities – Long-Term (continued)**

#### **2. Pension Plan Obligations (continued)**

#### **Pension Liabilities, Pension Expense and Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions**

At June 30, 2021, the Authority reported a liability of \$535,299 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019. The total pension liability was then rolled forward to the measurement date of June 30, 2020 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, 2021 and at June 30, 2020, the Authority's portion was .01498% and .01687%, respectively.

For the years ended June 30, 2021 and 2020, the Authority recognized pension expense of \$171,556 and \$102,099, respectively.

At June 30, 2021, 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	\$ 67,599	\$ -
Net difference between projected and actual earnings on pension plan investments	75,329	-
Changes of assumptions	39,837	-
Changes in proportion and differences between Authority contributions and proportionate share of contributions	-	30,471
Authority's contributions subsequent to the measurement date	101,310	-
Total	<u>\$ 284,075</u>	<u>\$ 30,471</u>

The Authority has \$101,310 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, 2022.

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

#### **Years Ending June 30,**

2022	\$ 40,228
2023	58,604
2024	31,168
2025	22,294
	<u>\$ 152,294</u>



**PIEDMONT TRIAD REGIONAL WATER AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**

*JUNE 30, 2021 AND 2020*

**Note 3—Detail note on assets and liabilities (continued)**

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

**2. Pension Plan Obligations (continued)**

At June 30, 2020, 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	\$ 78,885	\$ -
Net difference between projected and actual earnings on pension plan investments	11,237	-
Changes of assumptions	75,088	-
Changes in proportion and differences between Authority contributions and proportionate share of contributions	-	12,250
Authority's contributions subsequent to the measurement date	96,298	-
Total	<u>\$ 261,508</u>	<u>\$ 12,250</u>

The Authority has \$96,298 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, 2021.

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

**Years Ending June 30,**

2021	\$ 76,805
2022	22,036
2023	42,564
2024	11,555
	<u>\$ 152,960</u>

# **PIEDMONT TRIAD REGIONAL WATER AUTHORITY** **NOTES TO THE FINANCIAL STATEMENTS**

JUNE 30, 2021 AND 2020

## **Note 3—Detail note on assets and liabilities (continued)**

### **B. Liabilities – Long-Term (continued)**

#### **2. Pension Plan Obligations (continued)**

*Actuarial Assumptions* – The net 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	3.00%
Salary increases	3.5%
Investment rate of return	7%, net of pension plan investment expense, including inflation

The plan actuary currently uses mortality rates based on the *RP-2014 Total Data Set for Healthy Annuitants Mortality Table* that vary by age, gender, employee group (i.e. general, law enforcement officer) and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2019 valuation were based on the experience study for the period January 1, 2010 through December 31, 2014.

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, 2020 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	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%	

# **PIEDMONT TRIAD REGIONAL WATER AUTHORITY** **NOTES TO THE FINANCIAL STATEMENTS**

JUNE 30, 2021 AND 2020

## **Note 3—Detail note on assets and liabilities (continued)**

### **B. Liabilities – Long-Term (continued)**

#### **2. Pension Plan Obligations (continued)**

The information above is based on 30-year expectations developed with the consulting actuary for the 2019 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.05%. All rates of return and inflation are annualized.

*Discount Rate* – The discount rate used to measure the total pension liability was 7.00%. 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 7.00%, 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 (6.00%) or one percentage point higher (8.00%) than the current rate, as of June 30, 2021:

	<b>1% Decrease (6.00%)</b>	<b>Discount Rate (7.00%)</b>	<b>1% Increase (8.00%)</b>
Authority's proportionate share of the net pension liability (asset)	<u>\$ 1,086,064</u>	<u>\$ 535,299</u>	<u>\$ 77,575</u>

*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 7.00%, 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 (6.00%) or one percentage point higher (8.00%) than the current rate, as of June 30, 2020:

	<b>1% Decrease (6.00%)</b>	<b>Discount Rate (7.00%)</b>	<b>1% Increase (8.00%)</b>
Authority's proportionate share of the net pension liability (asset)	<u>\$ 1,053,720</u>	<u>\$ 460,707</u>	<u>\$ (32,208)</u>

*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.

# **PIEDMONT TRIAD REGIONAL WATER AUTHORITY** **NOTES TO THE FINANCIAL STATEMENTS**

JUNE 30, 2021 AND 2020

## **Note 3—Detail note on assets and liabilities (continued)**

### **B. Liabilities – Long-Term (continued)**

#### **2. Pension Plan Obligations (continued)**

##### **b. Supplemental Retirement Income Plan**

*Plan Description* – The Authority contributes to the Supplemental Retirement Income Plan (“Plan”), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers and permanent full-time employees of the Authority. Article 5 of G. S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan is included in the ACFR for the State of North Carolina. The state’s ACFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, visiting their website at [www.osc.nc.gov](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 5.0% of each law enforcement officer’s salary. The Authority has chosen to contribute each month an amount equal to 5.0% of each permanent full-time employee’s salary in addition to the law enforcement officer’s salary for the fiscal years ended June 30, 2021 and 2020, and all amounts contributed are vested immediately. Also, the participants may make voluntary contributions to the plan. Contributions for the year ended June 30, 2021 were \$93,134, which consisted of \$49,608 (including Supplemental Retirement contributions for a Law Enforcement Officer of \$1,596) from the Authority and \$43,526 from the participants. Contributions for the year ended June 30, 2020 were \$97,780, which consisted of \$53,098 (including Supplemental Retirement contributions for a Law Enforcement Officer of \$3,013) from the Authority and \$44,682 from the participants.

##### **c. Law Enforcement Officers’ Special Separation Allowance**

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

All full-time Authority law enforcement officers are covered by the Separation Allowance.

At June 30, 2021, the Separation Allowance’s membership consisted of:

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

# PIEDMONT TRIAD REGIONAL WATER AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

### Note 3—Detail note on assets and liabilities (continued)

#### c. Law Enforcement Officers' Special Separation Allowance (continued)

##### Summary of Significant Accounting Policies

*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 Government Accounting Standards Board 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 immaterial for the fiscal years ending June 30, 2021 and 2020 and consequently was not booked. During the years ended June 30, 2021 and 2020, there was one active plan member.

### Note 4—Commitments

On September 19, 2012, the Authority entered into a 10-year agreement with Southern Corrosion for inspection, corrosion protection, repairs, painting, and maintenance on the Authority's water tanks (two clearwells, one ground storage tank, and one elevated tank) in the amount of \$20,444 per year.

The Authority has operating lease payments for a copier. Lease payments for the years ended June 30, 2021 and 2020 totaled \$1,536 and \$1,681, respectively. Future lease payments are as follows:

<u>Fiscal Years</u>	<u>Lease Payments</u>
2022	\$ 1,536
2023	1,536
2024	1,536
2025	896
	<u>\$ 5,504</u>

### Note 5—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 and the executive director are each individually bonded for \$50,000. The remaining employees that have access to funds are insured under a government crime insuring agreement.

# PIEDMONT TRIAD REGIONAL WATER AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

### Note 6—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 SunTrust Water System Revenue Refunding Bonds (\$21,282,614) (2.75%) in order to retire the 2008 BB&T Revenue Bond debt (4.61%). Randolph County, the City of Archdale, the City of Randleman, and the Town of Jamestown will budget the required appropriations for the debt service payments to the Authority.

During the fiscal year 2020-2021, the Authority continued with the sale of water to the member governments. These water sales consist of producing and selling 14.7 million gallons of water per day per the amended and restated Joint Governmental Agreement effective July 1, 2016. Current member allocations are as follows:

	<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	-
Total	<u>12.675 MGD</u>	<u>2.025 MGD</u>

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

### Note 7—Subsequent events

The Authority has evaluated subsequent events through October 12, 2021, in connection with the preparation of these financial statements, which is the date the financial statements were available to be issued. There were no material subsequent events.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**PIEDMONT TRIAD REGIONAL WATER AUTHORITY****SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF THE NET PENSION****LIABILITY (ASSET)****LOCAL GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM****LAST EIGHT FISCAL YEARS\***

	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Authority's proportion of the net pension liability (asset) (%)	0.01498%	0.01687%	0.01684%	0.01670%	0.01653%	0.01691%	0.01724%	0.01750%
Authority's proportion of the net pension liability (asset) (\$)	\$ 535,299	\$ 460,707	\$ 399,502	\$ 255,130	\$ 350,822	\$ 75,891	\$ (101,672)	\$ 210,942
Authority's covered payroll (1)	1,061,955	1,064,742	\$ 1,019,904	\$ 943,566	\$ 878,394	\$ 854,435	\$ 837,160	\$ 816,959
Authority's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	50.41%	43.27%	39.17%	27.04%	39.94%	8.88%	-12.14%	25.82%
Plan fiduciary net position as a percentage of the total pension liability (asset)	88.61%	90.86%	91.63%	94.18%	91.47%	98.09%	102.64%	94.35%

\*Information is not required to be presented retroactively. This schedule will not present 10 years worth of information until fiscal year 2023.

(1) Payroll is for 2020, 2019, 2018, 2017, 2016, 2015, 2014, and 2013.

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



**PIEDMONT TRIAD REGIONAL WATER AUTHORITY**  
**SCHEDULE OF AUTHORITY'S CONTRIBUTIONS**  
**LOCAL GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM**  
**LAST EIGHT FISCAL YEARS\***

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 101,310	\$ 96,298	\$ 83,745	\$ 77,286	\$ 69,343	\$ 59,334	\$ 61,063	\$ 59,675
Contributions in relation to the contractually required contribution	<u>101,310</u>	<u>96,298</u>	<u>83,745</u>	<u>77,286</u>	<u>69,343</u>	<u>59,334</u>	<u>61,063</u>	<u>59,675</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's covered payroll	\$ 992,169	\$ 1,061,955	\$ 1,064,742	\$ 1,019,904	\$ 943,566	\$ 878,394	\$ 854,435	\$ 837,160
Average contributions as a percentage of covered payroll	10.21%	9.07%	7.87%	7.58%	7.35%	6.75%	7.15%	7.13%

\*Information is not required to be presented retroactively. This schedule will not present 10 years worth of information until fiscal year 2023.

## **SUPPLEMENTARY INFORMATION**

**PIEDMONT TRIAD REGIONAL WATER AUTHORITY**

**OPERATING FUND**

**SCHEDULE OF REVENUES, EXPENDITURES, AND SUPPLEMENTAL BUDGET EXPENDITURES**

**BUDGET AND ACTUAL (NON-GAAP)**

YEAR ENDED JUNE 30, 2021

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:				
Membership dues	\$ 3,358,908	\$ 3,358,908	\$ 3,358,908	\$ -
Water sales	5,079,760	5,079,760	5,124,907	45,147
Marina revenue	114,600	114,600	174,291	59,691
Contract lab	20,000	20,000	36,585	16,585
Total revenues	8,573,268	8,573,268	8,694,691	121,423
Expenditures:				
Administrative and general:				
Personnel and fringe benefits	374,189	374,189	315,222	58,967
Operations and maintenance	247,676	247,676	115,342	132,334
Professional services	144,900	144,900	111,121	33,779
Travel	16,500	16,500	4,540	11,960
Meetings and conferences	12,500	12,500	8,526	3,974
Buffer/Reservoir Enhancement/Protection	80,000	80,000	-	80,000
Insurance	32,000	32,000	26,162	5,838
Other expenses	62,100	62,100	28,184	33,916
Total administrative and general	969,865	969,865	609,097	360,768
Water treatment plant and related facilities:				
Personnel and fringe benefits	1,451,754	1,451,754	1,165,787	285,967
Chemicals	1,310,058	1,310,058	1,115,925	194,133
Energy	739,500	739,500	563,018	176,482
Insurance	102,000	102,000	70,983	31,017
Laboratory	105,000	105,000	85,173	19,827
Operations and maintenance	470,482	470,482	187,915	282,567
Repairs and replacements	310,000	310,000	-	310,000
Sludge handling and maintenance	146,000	146,000	116,973	29,027
Office supplies	2,000	2,000	500	1,500
Permit	7,000	7,000	4,121	2,879
Professional services	117,000	117,000	97,924	19,076
Travel	5,000	5,000	-	5,000
Vehicles	30,000	30,000	11,607	18,393
Other expenses	76,466	76,466	44,024	32,442
Total water treatment plant and related facilities	4,872,260	4,872,260	3,463,950	1,408,310
Total expenditures	5,842,125	5,842,125	4,073,047	1,769,078
Revenues over expenditures	2,731,143	2,731,143	4,621,644	1,890,501
Nonoperating revenues (expenditures):				
Interest earned on investments	50,000	50,000	45,964	(4,036)
Interest and fiscal expense	(375,831)	(375,831)	(362,648)	13,183
Other revenues	-	-	9,685	9,685
Debt service	(1,677,812)	(1,677,812)	(1,677,812)	-
Capital outlay	(1,052,500)	(1,052,500)	(917,665)	134,835
Unappropriated fund balance	325,000	325,000	-	(325,000)
Total nonoperating expenditures, net	(2,731,143)	(2,731,143)	(2,902,476)	(171,333)
Change in net position - modified accrual basis	\$ -	\$ -	\$ 1,719,168	\$ 1,719,168
Reconciliations of budgetary basis to accrual basis:				
Reconciling items:				
Gain on disposal of asset			5,989	
Amortization of bond expenses			(12,613)	
Debt service			1,677,812	
Pension expense			(70,246)	
Depreciation			(3,323,080)	
Capital outlay			917,665	
Change in net position - full accrual basis			\$ 914,695	

## **COMPLIANCE SECTION**

**Report of Independent Auditor on Internal Control over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards***

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying statements of net position of the Piedmont Triad Regional Water Authority (the "Authority") as of June 30, 2021 and 2020, and the related statements of revenues, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprises the Authority's financial statements, and have issued our report thereon dated October 12, 2021.

**Internal Control over Financial Reporting**

In planning and performing our audits 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

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 Authority'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. Given these limitations, during our audits we did not identify any deficiencies in internal control that we consider material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of 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 statement. 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*.

**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 Authority'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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Cheng Behrnt LLP*

Charlotte, North Carolina  
October 12, 2021