Annual Comprehensive Financial Report

FISCAL YEAR ENDED JUNE 30, 2022



ORANGE WATER AND SEWER AUTHORITY
NORTH CAROLINA

OWASA is Carrboro-Chapel Hill's not-for-profit public service agency delivering high quality water, reclaimed water, and wastewater services.

ORANGE WATER AND SEWER AUTHORITY

(A COMPONENT UNIT OF THE TOWN OF CHAPEL HILL, NORTH CAROLINA)

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2022

Prepared by:

Orange Water and Sewer Authority

Carrboro, North Carolina

ORANGE WATER AND SEWER AUTHORITY

ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

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ORANGE WATER AND SEWER AUTHORITY

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Orange Water and Sewer Authority

OWASA is Carrboro-Chapel Hill's not-for-profit public service agency delivering high quality water, wastewater, and reclaimed water services.

October 5, 2022

To our Customers, Bondholders and the Orange Water and Sewer Authority Board of Directors:

We are pleased to present our Annual Comprehensive Financial Report for the fiscal year beginning July 1, 2021 and ending June 30, 2022 (FY 2022). This report conforms to the reporting and accounting standards of the Governmental Accounting Standards Board (GASB), the Financial Accounting Standards Board (FASB), and the Government Finance Officers Association's (GFOA's) *Governmental Accounting, Auditing and Financial Reporting* document. Orange Water and Sewer Authority (OWASA) is responsible for the accuracy, completeness and fairness of the information presented including all disclosures.

Highlights

In FY 2022, OWASA served the Carrboro-Chapel Hill community in full compliance with federal and state standards for drinking water, treated wastewater, and reclaimed water quality.

OWASA's financial position improved during the year. OWASA ended the year with a modified accrual based net income less debt service of about $7.9 million. The resulting increase in financial reserves will be used for future capital improvement needs.

Please refer to the management's discussion and analysis and the audited general purpose financial statements for additional information on OWASA's financial performance during FY 2022.

Scope and Organization of this Report

- The Introductory Section (unaudited) contains this letter of transmittal and information about OWASA's organizational structure, principal officers, major initiatives, accomplishments, and future projects.

- The Financial Section includes the independent auditor's report; OWASA management's discussion and analysis of the year; the general-purpose financial statements; and supplementary schedules. The general-purpose financial statements can be issued separately for securities offerings or other purposes.

- The Statistical Section (unaudited) presents fiscal and other data to provide a more complete understanding of OWASA, the community we serve and the local economy.

- The Compliance Section presents the independent auditor's report on compliance with various internal control and other requirements related to certain forms of financial assistance.

As a single-purpose governmental entity, OWASA's financial activities are reported as a sole enterprise fund through which is captured and disclosed the inflow and outflow of total economic resources under the full accrual method of accounting. For financial reporting purposes under GASB Statement 14, OWASA is considered a component unit of the Town of Chapel Hill because the Town Council appoints a majority of OWASA's Board Members and may remove them without cause. The Annual Comprehensive Financial Report (ACFR) of the Town of Chapel Hill therefore includes OWASA's financial data and OWASA's ACFR includes statistical data about the Town.

Background

A special purpose local governmental entity organized under state law, OWASA is a public non-profit agency providing water, wastewater and reclaimed water services to the Carrboro-Chapel Hill community. We serve about 85,000 people.



OWASA Water Tower on University of North Carolina Campus

Creation of OWASA

Before OWASA was established, the University of North Carolina at Chapel Hill (UNC) and the Towns of Chapel Hill and Carrboro provided public water and sewer services to the Carrboro-Chapel Hill community.

Following recommendations of a Utilities Study Commission created in 1971, on August 9, 1976, the state approved conveyance of the University's water and wastewater utilities to OWASA in accord with *Agreements of Sale and Purchase* among the University, the Towns and OWASA. The Town of

Carrboro, the Town of Chapel Hill and Orange County governing boards incorporated OWASA under Chapter 162A of state law. OWASA began serving the community on February 16, 1977, upon transfer of the municipal and University systems to OWASA.



University Lake

Governance

A nine-member Board of Directors governs OWASA. The Chapel Hill Town Council appoints five, and the Carrboro Town Council and the Orange County Board of Commissioners each appoints two Board Members. The OWASA Board adopts the annual budget; sets rates, fees, and charges based on cost-of-service principles; makes policy decisions; approves issuance of revenue bonds or other debt instruments; and appoints the Executive Director, General Counsel and Independent Auditor.

Water System

Our water comes from Cane Creek Reservoir, a three-billion-gallon supply eight miles west of Carrboro; University Lake, a 450-million-gallon reservoir on the west side of Carrboro; and the 200 million-gallon Quarry Reservoir three miles west of Carrboro.



Cane Creek Reservoir

OWASA has a state allocation of water supply storage capacity in Jordan Lake equivalent to about five million gallons of water per day (MGD). OWASA does not currently receive water from Jordan Lake to meet the daily needs of its service area nor does it own facilities to do so. However, through mutual aid agreements, OWASA can obtain drinking water from Jordan Lake from the Town of Cary through OWASA's system connection with the City of Durham. OWASA also maintains emergency water system connections with the Town of Hillsborough and Chatham County public drinking water systems.



Clarification Tanks at the Jones Ferry Road Water Treatment Plant

Our Jones Ferry Road Water Treatment Plant (WTP) has a capacity of 20 MGD. Our drinking water storage capacity is eight million gallons, and we maintain about 400 miles of raw water, finished water, and water interconnection lines.

OWASA met or surpassed all federal and state standards for drinking water quality in 2022.

Wastewater System

We operate and maintain about 350 miles of sanitary sewer and force main lines, and 21 pump stations to carry wastewater to the Mason Farm Wastewater Treatment Plant (WWTP), which has a peak treatment capacity of 14.5 MGD (daily average for a calendar month).

Highly treated wastewater is recycled to the natural environment at Morgan Creek on the southeast side of Chapel Hill or provided as reclaimed water for non-drinking uses as described below. Morgan Creek is a tributary of Jordan Lake, a water source for several communities in the region.

OWASA's treated wastewater was in full compliance with regulatory standards in 2022.



Mason Farm Wastewater Treatment Plant

Reclaimed Water System

OWASA operates a reclaimed water (RCW) system at the Mason Farm WWTP. Federal and state grants funded about 10% of the project to build the system with UNC, OWASA's primary RCW customer, providing funds for the balance of the construction costs.

The RCW system is financially self-supporting. OWASA recovers all operating, maintenance, management, and overhead costs through rates and fees. Financial responsibilities, including rate decisions by OWASA, and other technical matters are specified in a contract between OWASA and UNC.

The University uses RCW for make-up water in cooling towers at chiller plants, toilet flushing, and irrigation. UNC's RCW use averaged about 690,000 gallons per day during FY 2022. By decreasing the amount of drinking water used for non-drinking purposes, the RCW system helps reduce the community's risks in future droughts and other water shortages. The system also enables OWASA to defer the need to expand system capacity and reduces energy use and costs.

Economic Conditions

In March 2020, the COVID-19 pandemic began impacting the economy of OWASA's service area. UNC essentially closed its campus and conducted classes online for the rest of the semester. Many businesses closed or significantly reduced operations. Drinking water demand for UNC and businesses decreased substantially while water use by residences increased. The pandemic's impact on the service area began to subside in FY 2022 and water demand has returned to levels more typical of the community's average use in recent years.

In June 2022, the unemployment rate in Orange County was 2.9% compared to the North Carolina average of 3.4 percent and US average of 3.6 percent (Source: US Bureau of Labor Statistics). According to the most recent census, the estimated population of Orange County increased by 11 percent from 2010 to 2020. The estimated population for Orange County as of June 2022 was 149,964.

Financial Information

The annual budget is an integral part of OWASA's financial operations. Appropriations are set at the departmental level. The annual budget and capital project ordinances are adopted by the OWASA Board of Directors creating a legal limit on annual spending. Multi-year project ordinances are adopted for capital projects. OWASA's operations are accounted for, and reported as, an enterprise fund because our services are primarily funded with user fees.

OWASA's management is responsible for the accounting system and for establishing and maintaining internal financial controls. The internal control system is designed to provide reasonable assurance regarding the safeguarding of assets against loss from unauthorized use or disposition and the reliability of financial records for preparing financial statements in conformity with accounting principles generally accepted in the United States of America. Management believes that OWASA's internal accounting controls adequately protect assets and provide reasonable assurance of the proper recording of financial transactions.

OWASA is required by law to use cost-of-service rates. We set our rates, fees and charges to cover the cost of each of our services. We use increasing block water rates for individually metered residential customers and a year-round water rate for multi-family master metered customers. OWASA uses seasonal water rates for non-residential customers; non-residential customers pay a higher water rate during the peak demand months of May through September and a lower rate in the remaining months. Irrigation-only water customers pay a year-round water rate due to the higher system capacity needed to serve them. When development creates new connections to OWASA's system, fees are charged to ensure that the appropriate portion of the costs of providing system capacity is paid for by the parties that tap into and benefit from that capacity. Annual adjustments of rates, fees and charges normally occur on October 1.

Independent Audit

OWASA is required by state law to undergo an annual independent financial audit. OWASA's auditor, Martin Starnes & Associates, CPAs, P.A., was retained following an open, competitive, qualifications-based selection process. The independent auditor's report on the General-Purpose Financial Statements is included in the Financial Section of this report.

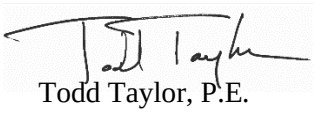
Acknowledgements

We express our appreciation to the independent certified public accountants, Martin Starnes & Associates, CPAs, P.A., who assisted and significantly contributed to this report.

Preparation of this report could not have been accomplished without the efficient and dedicated work of the OWASA team.

We thank the OWASA Board of Directors for their responsible policy guidance in financial management.

Respectfully submitted,



Todd Taylor, P.E.
Executive Director



Stephen Winters, CPA
Director of Finance and Customer Service

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Orange Water and Sewer Authority
North Carolina

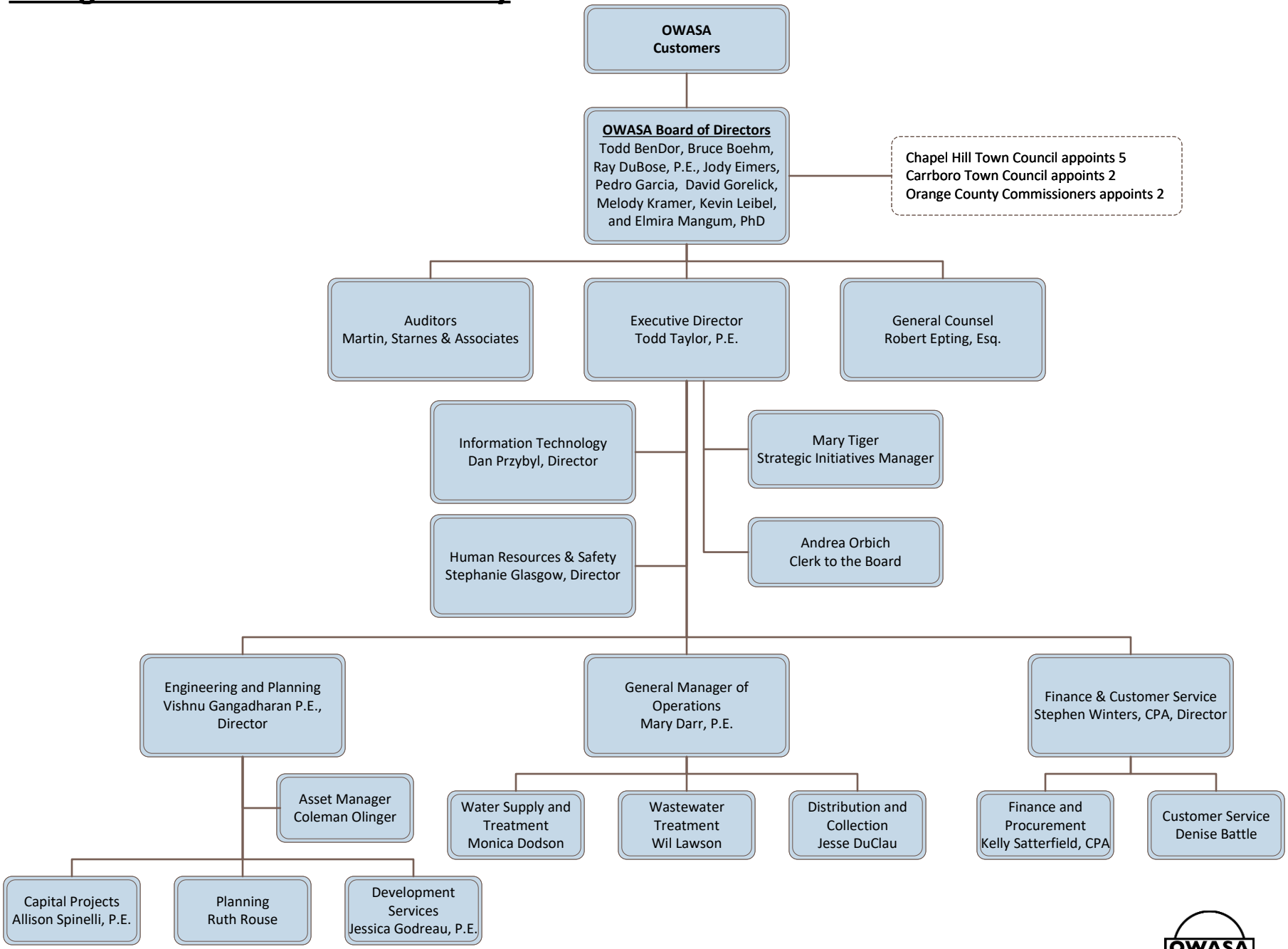
For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2021

Christopher P. Morrill

Executive Director/CEO

Orange Water and Sewer Authority



OWASA

7-12-2022

ORANGE WATER AND SEWER AUTHORITY
BOARD OF DIRECTORS

CHAIR

Bruce Boehm
1921 South Lakeshore Drive
Chapel Hill, NC 27514
Appointed by Chapel Hill; Term Expires 6/30/25

VICE CHAIR

Todd BenDor
904 Coker Drive
Chapel Hill, NC 27517
Appointed by Chapel Hill; Term Expires 6/30/24

SECRETARY

Ray DuBose
103 Easy Street
Chapel Hill, NC 27516
Appointed by Orange County; Term Expires 6/30/23

MEMBERS

Jody Eimers
3120 Landeau Dr.
Hillsborough, NC 27278
Appointed by Orange County; Term Expires 6/30/24

Pedro Garcia
319 Sonoma Way
Chapel Hill, NC 27516
Appointed by Chapel Hill; Term Expires 6/30/25

David Gorelick
1002 Willow Drive, Apt.34
Chapel Hill, NC 27514
Appointed by Orange County; Term Expires 6/30/23

Melody Kramer
103 Richard Dixon Court
Carrboro, NC 27510
Appointed by Carrboro, Term Expires 6/30/24

Kevin Leibel
105 Saint Andres Pl
Chapel Hill, NC 27517
Appointed by Chapel Hill; Term Expires 6/30/23

Elmira Mangum
102 Rivercreek Place
Carrboro, NC 27510
Appointed by Carrboro; Term Expires 6/30/25

Orange Water and Sewer Authority

Management Team

Denise Battle, Customer Service Manager

Mary Darr, P.E., General Manager of Operations

Monica Dodson, Water Supply and Treatment Manager

Jesse DuClau, Water Distribution and Wastewater Collection Systems Manager

Vishnu Gangadharan, P.E., Director of Engineering and Planning

Stephanie Glasgow, M.E.S.H., MPM, P.H.R., SHRM-CP, Director of Human Resources and Safety

Jessica Godreau, P.E., BCEE, Engineering Manager (Development Services)

Wil Lawson, Water Treatment and Biosolids Recycling Manager

Andrea Orbich, Executive Assistant

Daniel Przybyl, CGCIO, Director of Information Technology

Ruth Rouse, A.I.C.P., Planning and Development Manager

Kelly Satterfield, CPA, Finance and Procurement Manager

Todd Taylor, P.E., Executive Director

Mary Tiger, Strategic Initiatives Manager

Allison Spinelli, P.E., Engineering Manager (Capital Projects)

Stephen Winters, CPA, Director of Finance and Customer Service

General Counsel

Robert Epting, Esquire

Epting and Hackney, Attorneys at Law

MARTIN ♦ STARNES
& ASSOCIATES, CPAs, P.A.
"A Professional Association of Certified Public Accountants and Management Consultants"

Independent Auditor's Report

To the Board of Directors
Orange Water and Sewer Authority
Carrboro, North Carolina

Report on the Audit of Financial Statements

Opinions

We have audited the financial statements of the business-type activities of Orange Water and Sewer Authority (the "Authority") (a component unit of the Town of Chapel Hill, North Carolina), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of Orange Water and Sewer Authority as of June 30, 2022 and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Orange Water and Sewer Authority, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a bases for our audit opinions.

Change in Accounting Principle

As discussed in Note 7 to the financial statements, in 2022 the Authority adopted new accounting guidance, GASB Statement No. 87, *Leases.* Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Other Post-Employment Benefits Schedules of Changes in the Total OPEB Liability and Related Ratios, and the Local Governmental Employees' Retirement System Schedules of the Proportionate Share of Net Pension Asset/Liability and Contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the

information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Orange Water and Sewer Authority's basic financial statements. The budgetary schedules, as well as the Schedule of Expenditures of Federal and State Awards, as required by Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* and the State Single Audit Implementation Act, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary schedules and the Schedule of Expenditures of Federal and State Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated October 5, 2022 on our consideration of Orange Water and Sewer 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 Orange Water and Sewer 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 Orange Water and Sewer Authority's internal control over financial reporting and compliance.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, North Carolina
October 5, 2022

Management's Discussion and Analysis

The management of the Orange Water and Sewer Authority (OWASA) offers the following discussion and analysis as a supplement to the organization's financial position and activities for the fiscal year ended June 30, 2022. This presentation is intended to enhance the readers' understanding of the financial statements which follow and should be read in conjunction with those statements and the introductory letter of transmittal found on pages i–vii.

Financial Highlights

- At June 30, 2022, OWASA's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by $283.5 million.
- OWASA's total net position increased by $4.0 million, primarily resulting from income realized from operating activities.
- Due to the condition and capacity of OWASA's system, about 72% of the organization's $9.4 million capital expenditures for Fiscal Year (FY) 2022 was invested in replacing and rehabilitating existing infrastructure.
- Non-current liabilities decreased by about $10.3 million as a result of securing a low-interest loan from the state of North Carolina and making principal payments on long-term debt.
- OWASA's credit ratings of AA+ from Fitch, Aa1 from Moody's, and AAA from Standard & Poor's remain unchanged.

Overview of the Financial Statements

OWASA's primary mission is to provide water, wastewater, and reclaimed water services to Chapel Hill, Carrboro, and portions of southeastern Orange County. OWASA does not provide other general purpose government services or programs. OWASA's operations, capital improvements program, and debt payments are funded almost entirely through rates, fees and other charges for water, wastewater, and reclaimed water services. OWASA is considered to be, and therefore presents its financial report, as a stand-alone enterprise fund.

As a stand-alone enterprise fund, OWASA'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- and long-term financial information about OWASA's financial position. Presentations of comparative data in these schedules are intended to enhance the reader's ability to gauge OWASA's fiscal strength and provide useful trend information. *Notes to the Financial Statements* and a *Schedule of Revenues and Expenditures – Budget and Actual* appear immediately following the basic financial statements. In addition, other required supplementary information, generally statistical and demographic in nature, is presented.

The *Statement of Net Position* presents OWASA's basic financial position through disclosure of information about OWASA's assets and liabilities. Net position represents the difference between total assets and deferred outflows of resources and total liabilities. Over time, net position may serve as a useful indicator of OWASA's financial condition.

The *Statement of Revenues, Expenses and Changes in Net Position* provides information regarding OWASA'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 arising from operating, capital and related financing and investing activities. Because OWASA's *Statement of Revenues,*

Expenses and Changes in Net Position measures the flow of total economic resources, operating income usually differs from net cash flow from operations. To supplement the reader's understanding of this difference, the *Statement of Cash Flows* includes reconciliation between these two amounts. In accordance with accounting principles generally accepted in the United States, a reconciliation of cash and cash equivalents is also presented in this statement.

The *Notes to the Financial Statements* provide additional information that is essential to a full understanding of the data provided in the financial statements.

Financial Analysis

Orange Water and Sewer Authority
Schedule of Net Position
($ millions)

	Fiscal Year Ended		Percentage of Change
	2022	**2021**	
Current assets	$37.9	$38.1	(0.5%)
Capital and other long-term assets	359.1	358.1	0.3
Total assets	397.0	396.2	0.2
Total deferred outflows of resources	6.6	6.0	10.0
Current liabilities	13.1	11.0	19.1
Non-current liabilities	99.9	110.3	(9.3)
Total liabilities	113.0	121.3	(6.8)
Total deferred inflows of resources	7.1	1.4	407.1
Net position			
Net investment in capital assets	268.9	263.6	2.0
Restricted	0.3	0.3	0.0
Unrestricted	14.3	15.6	(8.3)
Total net position	$283.5	$279.5	1.4

OWASA's assets exceeded liabilities by $283.5 million at June 30, 2022, compared to $279.5 million at June 30, 2021. OWASA's overall financial position strengthened between FY 2021 and 2022 as net position increased by $4.0 million. Total assets increased during the same period by $0.7 million. These trends reflect investments in infrastructure improvements funded through a combination of cash and debt.

Net capital assets comprised about 95% of total assets for 2022. These capital assets are essential in providing water and wastewater services to customers and are not available for future spending. The resources needed to repay the related debt must be provided by other sources. At June 30, 2022, these other unrestricted resources totaled $14.3 million and may be used for any lawful purpose.

Non-current liabilities decreased by approximately $10.3 million during the same period reflecting increases in low-interest loans from the state of North Carolina net of principal payments on long-term debt.

OWASA anticipates continued increases in net position arising from its planned capital improvements program and projected excess of revenues and contributions over expenditures.

Orange Water and Sewer Authority
Revenues, Expenses and Change in Net Position
($ Millions)

	Fiscal Year Ended 2022	Fiscal Year Ended 2021	Percentage of Change (2021 to 2022)
Operating revenues			
Drinking water	$18.9	$17.6	7.4%
Wastewater	18.0	16.6	8.4
Reclaimed water	0.5	0.5	0.0
Other	0.6	0.3	100.0
Total operating revenues	38.0	35.0	8.6
Operating expenses	34.3	33.4	3.0
Operating income	3.7	1.6	131.3
Non-operating revenues			
System development fees	0.8	1.9	(57.9)
Amortization of bond and lease revenue	1.0	0.9	11.1
Cell phone tower rental	0.4	0.5	(20.0)
Grants	0.3	0.0	
Miscellaneous	0.1	0.1	0.0
Total non-operating revenues	2.6	3.4	(23.5)
Non-operating expenses			
Interest	3.2	2.7	18.5
Cost of issuance	0.0	0.4	(100.0)
Total non-operating expenses	3.2	3.1	3.2
Net non-operating	(0.6)	0.3	
Income before contributions	3.1	1.9	63.2
Capital contributions	0.9	1.4	(35.7)
Increase (decrease) in net position	4.0	3.3	21.2
Net position, July 1	279.5	276.2	1.2
Change in accounting principles / restatement (see Note 7)	0.0	0.0	
Net position, June 30	$283.5	$279.5	1.4

The above condensed two-year comparison of Revenues, Expenses and Change in Net Position, combined with the following discussion provides additional insight regarding changes in net position.

- **Operating Revenues:** OWASA is not empowered to levy or collect taxes, nor does OWASA receive funding from the taxing authorities within its service area. OWASA's operations, capital improvements program and debt service are funded almost entirely from fees charged to customers for water, wastewater, and reclaimed water services, and other related services. As a result, OWASA's revenue stream is impacted by fluctuations in demand for services and other economic factors.

Revenues derived from water, wastewater, and reclaimed water services are comprised of two components; a fixed monthly service charge based on the size of the installed water meter and a monthly volume usage (commodity) charge per thousand gallons of water consumed. The wastewater commodity charge is measured based on water consumption. However, for single-family residential customers, the wastewater commodity charge incorporates the assumption that not all water consumed is returned to the wastewater system. Wastewater billings for residential customers are capped at 15,000 gallons per month. All rates, fees and charges are calculated under a cost-of-service rate-making methodology.

In FY 2022, drinking water volume sales averaged 5.8 million gallons per day (mgd); the average for 2021 was 5.6 mgd, respectively. FY 2021 drinking water sales were lower due to the impact that the COVID-19 pandemic on the local economy.

Drinking water demand remains much lower than long-term historical trends and reflects OWASA's and its customers' continued commitment to water conservation, the conservation signal delivered through the increasing block rate and seasonal pricing structures for single-family residential and nonresidential customers, respectively, and the use of reclaimed water by the University of North Carolina. Operating revenues for FY 2022 were about 7.0% greater than the previous year or $38.0 million.

- **Operating Expenses**: Operating expenses were $34.3 million or about 3.0% greater than FY 2021. Operating expenses include a $11.3 million charge for depreciation and a $692,000 charge for post-employment benefits. OWASA's ability to meet operating expenses and adequately cover debt service remained positive.

- **Non-Operating Revenues (Expenses):** Non-operating revenues are comprised primarily of system development fees, interest earnings, and gains (or losses) from the sale of surplus property. System development fees are calculated to recover from new customers a share of the cost of system capacity when a new connection is made to the system. Non-operating expenditures are made up primarily of interest expense on debt and amortization of bond expenses.

  System development fee revenue was approximately $801,000 in FY 2022: about 57% less than FY 2021. Interest earned in FY 2022 totaled about $17,700. Investments remained in safe and liquid secured deposits.

- **Capital Contributions**: Capital contributions totaled approximately $0.9 million for the year and were comprised of construction costs of developer dedicated facilities. Contributions in aid of construction in the form of dedicated service lines are classified as contributions after net income. Although OWASA receives such contributions annually, these transactions are not cash or cash equivalents and are not included in the budget under the modified accrual method.

Capital Assets

Each year, OWASA expands or places into service new and renewed capital assets. Capital assets net of depreciation as of the end of FY 2022 was about $357.7 million, a decrease of approximately $0.1 million from FY 2021. The net decrease consisted of additions totaling $11.6 million and a reduction due to deprecation of $11.3 million. The asset additions included the rehabilitation or replacement of various water and wastewater mains and improvements to the Jones Ferry Road Water Treatment Plant and the Mason Farm Wastewater Treatment Plant.

The majority of OWASA's capital expenditures over the next 15 years is expected to be invested in replacing and rehabilitating existing assets. System capacity is expected to be sufficient to meet the community's needs well into the future. Please refer to page 25 for additional information on capital assets.

Orange Water and Sewer Authority
Capital Assets
($ Millions)

	Fiscal Year Ended		Percentage of Change (2021 to 2022)
	2022	2021	
Land	$17.8	$17.6	1.1%
Construction in progress	48.4	57.9	(16.4)
Water treatment and distribution	109.7	106.5	3.0
Wastewater collection and treatment	162.1	154.1	5.2
Fixtures and equipment	19.7	21.7	(9.2)
Total	$357.7	$357.8	0.0

Debt Administration

OWASA policy stipulates that at least 30% of capital improvements projects be funded with cash from operations. At June 30, 2022 and 2021, OWASA's outstanding bond and loan debt totaled $89.6 million, $94.2 million respectively, net of applicable premiums, discounts and deferred refunding costs. These amounts consist of a low-interest and interest-free loans from the state of North Carolina, and water and wastewater system revenue refunding bonds issued in fiscal years 2014, 2018, 2019, 2020, and 2021. At year end, OWASA owed an accrued debt service liability of approximately $4.7 million. This amount was credited in full to the trustee restricted bond service account as of June 30, 2022.

OWASA's credit ratings for its bonds are AAA by Standard & Poor's, Aa1 by the Moody's, AA+ by Fitch Ratings. These ratings reflect OWASA's strong fiscal policy and standards and are considered excellent for an entity that does not have taxing authority.

Please refer to page 27 in the Notes to Financial Statements section for greater detail on OWASA's outstanding debt obligations.

Economic Factors

OWASA's location in Orange County, North Carolina includes a number of factors that benefit the organization and, thereby, its customers.

- The University of North Carolina at Chapel Hill (UNC) is OWASA's largest customer and accounts for approximately 19% of total drinking water sales.
- The Carrboro-Chapel Hill economy benefits from the size and strength of UNC and UNC Healthcare: public entities that serve the entire state. The University continues to actively plan and develop new facilities and infrastructure.
- There are no major industries in the service area that are subject to significant changes in economic conditions.
- Orange County's unemployment rate has historically been better than the state and national average.

OWASA encourages water conservation through public education, voluntary and mandatory water use restrictions, and pricing structures. Reduced water use through conservation provides many benefits to the community including extending the life of OWASA's water supply and system capacity. The organization continues to strive to improve efficiencies and reduce costs to limit rate increases without adversely impacting services levels.

FY 2023 Budget Highlights

OWASA's Board of Directors approved a budget that includes a 16% increase in the rates charged for monthly water and sewer services.

Last year, we projected that we would need to implement a 7% rate increase in FY 2023. Several factors led to the need for a larger rate increase to fund the FY 2023 budget.

- Drinking water sales are not increasing.
- The rate of inflation for the last year was 9%.
- The economic impact of the pandemic led to deferring projects and expenditures that now need to be addressed.
- Through the development of a new strategic plan, key initiatives have been identified which require funding.

The FY 2023 budget for Operating expenses is about 12% greater than the original FY 2022 budget. Capital improvement expenditures are budgeted to be approximately $21.9 million.

Projected operating revenues for FY 2023 assumes little to no impact of the COVID-19 pandemic on water demand in OWASA's service area. Water demand for FY 2023 is expected to return to pre-pandemic levels.

Requests for Information

This report is designed to provide an overview of Orange Water and Sewer Authority's finances. Questions concerning any of the information found in this report or requests for additional information may be directed to the Director of Finance and Customer Service, 400 Jones Ferry Road, Carrboro, North Carolina 27510-2001.

ORANGE WATER AND SEWER AUTHORITY

STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2022

	2022
Assets:	
Current assets:	
Cash and cash equivalents	$ 24,040,201
Receivables:	
Trade accounts (net of allowances for uncollectible accounts of approximately $178,000 for 2022)	3,980,857
Other	970,510
Inventory, materials, and supplies	1,884,596
Leases receivable	325,840
Prepaid expenses	277,396
Restricted cash and cash equivalents:	
Cash and cash equivalents	1,065,309
Cash and cash equivalents, trustee	5,400,732
Total current assets	37,945,441
Non-current assets:	
Restricted cash and cash equivalents	323,721
Lease receivable, non-current	429,741
Right-to-use lease assets, net of amortization	622,837
Capital assets:	
Non-depreciable	66,245,426
Depreciable	291,409,521
Total capital assets, net of accumulated depreciation	357,654,947
Total non-current assets, net	359,031,246
Total assets	396,976,687
Deferred Outflows of Resources:	
Contributions to pension plan in current fiscal year	1,042,033
Pension deferrals	1,815,721
Contributions to OPEB plan in current fiscal year	275,678
OPEB deferrals	3,189,338
Deferred charge on refunding	315,906
Total deferred outflows of resources	6,638,676

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

ORANGE WATER AND SEWER AUTHORITY

STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2022

	2022
Liabilities:	
Current liabilities:	
Payable from current assets:	
Trade and construction contracts payable	2,935,896
Accrued expenses	407,021
Payable from restricted cash and cash equivalents:	
Accrued interest	813,522
Customer deposits and advances	1,389,030
Current maturity of note payable	1,019,800
Current maturities of bonds payable	5,979,885
Current portion of compensated absences	517,732
Current maturity of lease liabilities	59,555
Total current liabilities	13,122,441
Non-current liabilities:	
Note payable	13,040,666
Bonds payable	68,982,668
Compensated absences	172,577
Lease liabilities	563,172
Net pension liability	1,875,283
Total OPEB liability	15,281,858
Total non-current liabilities	99,916,224
Total liabilities	113,038,665
Deferred Inflows of Resources:	
Leases	798,645
Pension deferrals	2,743,568
OPEB deferrals	3,559,474
Total deferred inflows of resources	7,101,687
Net Position:	
Net investment in capital assets	268,947,944
Restricted for capital reserve	323,721
Unrestricted	14,203,346
Total net position	$ 283,475,011

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

ORANGE WATER AND SEWER AUTHORITY

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - PROPRIETARY FUND FOR THE YEAR ENDED JUNE 30, 2022

	2022
Operating Revenues:	
Water	$ 18,872,830
Sewer	18,049,316
Service initiation fees	15,945
Reclaimed water	452,479
Other	604,690
Total operating revenues	37,995,260
Operating Expenses:	
Water supply and treatment	4,760,507
Water distribution	3,664,480
Sewer treatment	4,996,720
Sewer collection	1,441,847
General and administrative	7,417,715
Depreciation and lease amortization	11,336,214
Other post-employment benefits	691,545
Total operating expenses	34,309,028
Operating income (loss)	3,686,232
Non-Operating Revenues (Expenses):	
System development fees	801,021
Investment income, net of fair value of investments adjustment	17,689
Interest expense	(3,121,647)
Amortization of bond and lease expense	1,069,980
Gain (loss) on disposal of capital assets	14,319
Grants	261,669
Cell phone tower rental	355,212
Miscellaneous	9,515
Total non-operating revenues (expenses)	(592,242)

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

ORANGE WATER AND SEWER AUTHORITY

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - PROPRIETARY FUND FOR THE YEAR ENDED JUNE 30, 2022

	2022
Income (loss) before capital contributions	3,093,990
Capital Contributions:	
Contributions in aid of construction	876,715
Change in net position	3,970,705
Net Position:	
Beginning of year - July 1	279,510,387
Restatement	(6,081)
Beginning of year, restated	279,504,306
End of year - June 30	$ 283,475,011

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

ORANGE WATER AND SEWER AUTHORITY

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2022

	2022
Cash Flows from Operating Activities:	
Receipts from customers	$ 37,843,805
Payments to suppliers	(9,358,454)
Payments to employees	(13,236,034)
Other receipts	452,261
Net cash provided (used) by operating activities	15,701,578
Cash Flows from Capital and Related Financing Activities:	
Acquisition and construction of capital assets	(10,698,059)
Proceeds from disposal of capital assets	14,319
Lease payments received	407,791
Lease liability payments	(63,733)
Principal paid on bond maturities and other long-term debt	(4,762,329)
Interest paid on bond maturities and other long-term debt	(3,127,372)
System development fees received	801,022
Proceeds from issuance of debt	732,069
Capital grants and contributions	118,012
Net cash provided (used) by capital and related financing activities	(16,578,280)
Cash Flows from Investing Activities:	
Interest and dividends on investments	20,390
Net increase (decrease) in cash and cash equivalents	(856,312)
Cash and Cash Equivalents:	
Beginning of year - July 1	31,686,275
End of year - June 30	$ 30,829,963

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

ORANGE WATER AND SEWER AUTHORITY

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2022

	2022
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating income (loss)	$ 3,686,232
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation and amortization	11,336,214
Pension (benefit) expense	(78,992)
Changes in assets and liabilities:	
(Increase) decrease in trade accounts receivable	512,154
(Increase) decrease in other receivables	(58,919)
(Increase) decrease in inventory	(455,340)
(Increase) decrease in prepaid expenses	(216,036)
(Increase) decrease in deferred outflows of resources for OPEB	(381,457)
(Increase) decrease in deferred outflows of resources for pensions	(203,205)
Increase (decrease) in trade and construction contracts payable	864,673
Increase (decrease) in customer deposits	(152,429)
Increase (decrease) accrued expenses	38,736
Increase (decrease) compensated absences	(34,736)
Increase (decrease) in net pension liability	(2,667,614)
Increase (decrease) in deferred inflows of resources for pensions	2,714,943
Increase (decrease) in deferred inflows of resources for OPEB	2,153,227
Increase (decrease) in other post-employment benefits	(1,355,873)
Net cash provided (used) by operating activities	$ 15,701,578
Non-Cash Capital and Related Financing Activities:	
Property, plant, and equipment contributed by private developers	$ 876,715
Right-to-use asset aquired in exchange for a lease liability	686,460
Total non-cash capital and related financing activities	$ 1,563,175

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

ORANGE WATER AND SEWER AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

1. Summary of Significant Accounting Policies

The accounting policies of the Orange Water and Sewer Authority conform to generally accepted accounting principles as they apply to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

The Orange Water and Sewer Authority (the "Authority") was created pursuant to Chapter 162A of the North Carolina General Statutes by the Board of Commissioners of Orange County and the Town Council of Chapel Hill and the Board of Aldermen of the Town of Carrboro in June 1975, as a public entity, politic and corporate, for the purpose of acquiring, consolidating, improving, and operating the existing water and sewer systems serving the above governmental jurisdictions and certain contiguous areas. The Authority is a separate governmental unit granted independent authority by the North Carolina General Statutes to allow the Authority's Board of Directors to set rates, fees, and charges without oversight, supervision, or direction from any other state or local entity or agency.

Because the Town Council of Chapel Hill appoints a majority of the Authority's Board of Directors and may remove them without cause, the Authority falls within the definition of a "Component Unit" provided in applicable accounting standards. For this reason, the Authority's financial data is incorporated into the Annual Comprehensive Financial Report of the Town of Chapel Hill.

B. Basis of Presentation

The business-type activities are financed in whole or in part by fees charged to external parties. All activities of the Authority are considered business-type activities.

Fund Financial Statements. The fund financial statements provide information about the Authority's funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions. The Authority has one fund category - proprietary funds.

Enterprise Fund

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

The Enterprise Fund is considered a major fund for the year ended June 30, 2022.

C. Measurement Focus and Basis of Accounting

In accordance with North Carolina General Statutes, all funds of the Authority are maintained during the year using the modified accrual basis of accounting.

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Authority's Enterprise Fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Budgetary Data

Annual budgets are adopted on a basis consistent with provisions of the North Carolina Local Government Budget and Fiscal Control Act, which is the modified accrual method of accounting. All annual appropriations lapse at fiscal year-end.

The Authority begins developing its budget in the second quarter of each year and the Board of Directors approves the budget in early June after public hearings are held.

Budgeted revenues are reflected by source and budgeted expenses by department. On a periodic basis, as required by changing conditions, the budgeted amounts are amended. The budgeted amounts shown in the supplemental schedules reflect the governing board's amendments through the fiscal year-end. Expenditures may not legally exceed appropriations at the department level.

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

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 money market accounts and certificates of deposit.

State law [G.S. 159-30(c)(8)] 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 with a maturity of more than one year at acquisition and non-money market investments are reported at cost or amortized cost, which approximates their fair value as determined by quoted market prices. The NCCMT Government Portfolio, an SEC-registered (2a-7) money market fund, is measured at fair market value. Money market investments that have a remaining maturity at the time of purchase of one year or less are reported at amortized cost.

Cash and Cash Equivalents

The Authority's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Restricted Assets

Certain proceeds of the Authority's revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the Statement of Net Position, because they are maintained in separate bank accounts and their use is limited by applicable bond covenants. Customer deposits held by the Authority before any services were supplied are restricted to the service for which the deposits were collected. Capital reserve amounts are restricted for future maintenance and repairs.

Orange Water and Sewer Authority Restricted Cash

Business-Type Activities:	**2022**
Bond service	$ 5,400,732
Capital reserve	323,721
Customer deposits	1,065,309
Total business-type activities	$ 6,789,762

Receivables

All trade receivables are shown net of an allowance for uncollectibles. Trade receivables are determined to be uncollectible based on collection history for similar customers. The Authority grants credit to residential, business and industrial customers, substantially all of whom are local to the Orange County, North Carolina, area.

Allowance for Doubtful Accounts

The Authority historically experiences uncollectible accounts, and accounts receivable is shown net of an allowance for doubtful accounts. This amount is estimated by analyzing the percentage of receivables that were written off in prior years. The allowance was $178,000 at June 30, 2022.

Lease Receivable

The Authority's lease receivables are measured at the present value of lease payments expected to be received during the lease terms. Under the lease agreements, the Authority may receive variable lease payments that are dependent upon the lessee's revenue. The variable payments are recorded as an inflow of resources in the period the payments in received.

A deferred inflow of resources is recorded for the lease. The deferred inflows of resources are recorded at the initiation of the lease in an amount equal to the initial recording of the lease receivables. The deferred inflows of resources are amortized on a straight-line basis over the term of the lease.

Inventory and Prepaid Items

Materials and supplies are valued at average cost and are held for subsequent use. The cost of these inventories is expensed when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the Statement of Net Position and expensed as the items are used.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the financial statements. Capital assets are defined by the Authority as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets received prior to June 30, 2015 are recorded at their estimated fair market value at the date of donation. Donated capital assets received after June 30, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment are depreciated using the straight-line method by groups or classes of property over the following expected service lives:

	Years
Water treatment and distribution	20-60
Sewer collection and treatment	40-60
Fixtures and equipment	5-20

Assets under capitalized lease obligations are recorded at the discounted present value of the future minimum lease payments at the inception of the respective leases. The amounts capitalized are being amortized by the straight-line method over the lesser of the term of the lease or the estimated life of the asset. Amortization of these assets is included in depreciation expense.

Right-to-Use Assets

The Authority has recorded right-to-use assets as a result of implementing GASB 87. The right-to-use assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. The right to use assets are amortized on a straight-line basis over the life of the related lease.

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net assets that applies to future periods and so will not be recognized as an expense or expenditure until then. The Authority has several items that meet these criteria, an unamortized loss on bond defeasance for water and sewer refunding bonds, pension related deferrals, contributions made to the pension plan in the current fiscal year, contributions made to the OPEB plan in the current fiscal year, and OPEB related deferrals. In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net assets that applies to future periods and so will not be recognized as revenue until then. The Authority has three items that meet these criteria in the current year – leases, pension related deferrals, and OPEB related deferrals.

Compensated Absences

It is the Authority's policy to permit employees to accumulate earned, but unused, vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the Authority does not have a policy to pay any amounts when employees separate from service with the Authority. All vacation pay is accrued when incurred in the financial statements. At June 30, 2022, the Authority had recorded a liability for accrued vacation and the salary-related payments of $690,309.

Long-Term Debt

Long-term debt is reported net of applicable bond premium or discount, which are deferred and amortized over the life of the bonds using the effective interest method.

Net Position

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

Net position classified as net investment in capital assets, consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted for Capital Reserve – represents a portion of net position that is restricted by revenue source for future maintenance and capital.

Unrestricted net position consists of net position that does not meet the definition of "restricted" or "net investment in capital assets."

F. Operating Revenues and Expenses

Operating revenues and expenses generally result from providing services in connection with the Authority's principal ongoing operations, which is the sale of water and treatment of wastewater for its customers. The Authority also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expense for the Authority includes the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

G. Accounting Estimates

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

H. Defined Benefit Cost-Sharing Pension Plans

For purposes of measuring the net 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 Local Governmental Employees' Retirement System (LGERS) and additions to/deductions from LGERS fiduciary net positions have been determined on the same basis as they are reported by LGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The Authority's employer contributions are recognized when due and the Authority has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the state-administered defined benefit pension plans. Investments are reported at fair value.

2. Detail Notes On All Funds

Assets

Deposits

All of the Authority's deposits are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits exceeding the federal depository insurance coverage level are collateralized with securities held by the Authority's agents in the unit's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Authority, these deposits are considered to be held by their agents in the

Authority's name. The amount of the pledged collateral is based on an approved averaging method for non-interest-bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Authority, or with 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 policy regarding custodial credit risk for deposits but relies on the State Treasurer to enforce standards for minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Authority complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2022, the Authority's deposits had a carrying amount of $25,352,353 and a bank balance of $24,999,978. Of the bank balance, $500,000 was covered by federal depository insurance, and $24,499,978 in deposits was covered by collateral held under the Pooling Method. The Authority had cash on hand of $1,700 at June 30, 2022.

Cash Equivalents

At June 30, 2022, the Authority's cash equivalents balance was as follows:

	2022
The North Carolina Capital Management Trust, government portfolio	$ 5,475,910

Interest Rate Risk. The Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. The Authority's policy regarding credit risk is that funds shall not be exposed to undue or unreasonable risk. State law limits investments in commercial paper to the top rating issued by nationally recognized statistical rating organizations ("NRSROs"). The Authority's investment in the NCCMT government portfolio carried a credit rating of AAAm by Standard & Poor's and AAA-mf by Moody's Investors Service as of June 30, 2022.

Receivables

Receivables, net of allowance for uncollectible accounts, at June 30, 2022 were as follows:

	2022
Utility accounts receivable	$ 3,980,857
Grants receivable	143,657
Other receivable	826,853
Total receivables, net	$ 4,951,367

Leases Receivable

In October 2021, the Authority entered into a 60 month lease as lessor with a cell phone carrier. An initial lease receivable was recorded in the amount of $266,371. Under the lease, the cell phone carrier pays the Authority $55,000 annually through 10/19/2026 in exchange for a license to a portion of the property located at 609 Piney Mountain Road, Chapel Hill, NC for placement of cellular equipment. The lease receivable is measured as the present value of the future minimum rent payments expected to be received during the lease term at a discount rate of 1.62%, which is the calculated Incremental Borrowing Rate. As of June 30, 2022, the value of the lease receivable is $211,371 and the value of the deferred inflow of resources was $213,097. During fiscal year 2022, the Authority recognized $53,274 of lease revenue and $2,383 of interest revenue under the lease.

In December 2017, the Authority entered into a 60 month lease as lessor with a cell phone carrier. An initial lease receivable was recorded in the amount of $55,000. Under the lease, the cell phone carrier pays the Authority $55,000 annually through 12/14/2022 in exchange for a license to a portion of the property located at 609 Piney Mountain Road, Chapel Hill, NC for placement of cellular equipment. The lease receivable is measured as the present value of the future minimum rent payments expected to be received during the lease term at a discount rate of 0.0%, which is the calculated Incremental Borrowing Rate. As of June 30, 2022, the value of the lease receivable is $0 and the value of the deferred inflow of resources was $27,500. During fiscal year 2022, the Authority recognized $27,500 of lease revenue under the lease.

In February 2022, the Authority entered into a 60 month lease as lessor with a cell phone carrier. An initial lease receivable was recorded in the amount of $262,809. Under the lease, the cell phone carrier pays the Authority $55,000 annually through 2/14/2027 in exchange for a license to a portion of the property located at 251 Manning Drive, Chapel Hill, NC for placement of cellular equipment. The lease receivable is measured as the present value of the future minimum rent payments expected to be received during the lease term at a discount rate of 2.32%, which is the calculated Incremental Borrowing Rate. As of June 30, 2022, the value of the lease receivable is $207,809 and the value of the deferred inflow of resources was $210,247. During fiscal year 2022, the Authority recognized $52,562 of lease revenue and $1,783 of interest revenue under the lease.

In April 2019, the Authority entered into a 60 month lease as lessor with a cell phone carrier. An initial lease receivable was recorded in the amount of $116,169. Under the lease, the cell phone carrier pays the Authority $60,500 annually through 3/31/2024 in exchange for a license to a portion of the property located at 609 Piney Mountain Road, Chapel Hill, NC for placement of cellular equipment. The lease receivable is measured as the present value of the future minimum rent payments expected to be received during the lease term at a discount rate of 2.76%, which is the calculated Incremental Borrowing Rate. As of June 30, 2022, the value of the lease receivable is $58,875 and the value of the deferred inflow of resources was $58,085. During fiscal year 2022, the Authority recognized $58,084 of lease revenue and $3,607 of interest revenue under the lease.

In July 2018, the Authority entered into a 60 month lease as lessor with a cell phone carrier. An initial lease receivable was recorded in the amount of $110,000. Under the lease, the cell phone carrier pays the Authority $55,000 annually through 7/31/2023 in exchange for a license to a portion of the property located at 251 Manning Drive, Chapel Hill, NC for placement of cellular equipment. The lease receivable is measured as the present value of the future minimum rent payments expected to be received during the lease term at a discount rate of 0.0%, which is the calculated Incremental Borrowing Rate. As of June 30, 2022, the value of the lease receivable is $55,000 and the value of the deferred inflow of resources was $55,000. During fiscal year 2022, the Authority recognized $55,000 of lease revenue under the lease.

In July 2018, the Authority entered into a 60 month lease as lessor with a cell phone carrier. An initial lease receivable was recorded in the amount of $110,000. Under the lease, the cell phone carrier pays the Authority $55,000 annually through 7/1/2023 in exchange for a license to a portion of the property located at 251 Manning Drive, Chapel Hill, NC for placement of cellular equipment. The lease receivable is measured as the present value of the future minimum rent payments expected to be received during the lease term at a discount rate of 0.0%, which is the calculated Incremental Borrowing Rate. As of June 30, 2022, the value of the lease receivable is $55,000 and the value of the deferred inflow of resources was $55,000. During fiscal year 2022, the Authority recognized $55,000 of lease revenue under the lease.

In August 2020, the Authority entered into a 60 month lease as lessor with a cell phone carrier. An initial lease receivable was recorded in the amount of $224,646. Under the lease the cell phone carrier pays the Authority $55,000 annually. Commencing August 1, 2020 and each year thereafter, the license fee will increase by 2.0% over the license paid in the previous year. This will continue through 8/1/2025 in exchange for a license to a portion of the property located at 251 Manning Drive, Chapel Hill, NC for placement of cellular equipment. The lease receivable is measured as the present value of the future minimum rent payments expected to be received during the lease term at a discount rate of 1.14%, which is the calculated Incremental Borrowing Rate. As of June 30, 2022, the value of the lease receivable is $167,526 and the value of the deferred inflow of resources was $179,716. During fiscal year 2022, the Authority recognized $44,929 of lease revenue and $1,742 of interest revenue under the lease.

	Lease Receivables		
Year Ending June 30	Principal Payments	Interest Payments	Total
2023	$ 325,840	$ 11,780	$ 337,620
2024	159,594	7,526	167,120
2025	162,271	4,849	167,120
2026	107,876	2,124	110,000
Total	$ 755,581	$ 26,279	$ 781,860

Capital Assets

A summary of changes in the Authority's capital assets follows:

	Balance July 1, 2021	Increases	Decreases	Transfers	Balance June 30, 2022
Non-Depreciable Assets:					
Land	$ 17,605,354	$ 238,668	$ -	$ -	$ 17,844,022
Construction in progress	57,924,178	9,157,317	(2,700)	(18,677,391)	48,401,404
Total non-depreciable assets	75,529,532	9,395,985	(2,700)	(18,677,391)	66,245,426
Depreciable Assets:					
Water treatment and distribution	185,814,249	1,101,842	(221,018)	5,981,697	192,676,770
Sewer collection and treatment	240,002,158	422,644	-	12,597,595	253,022,397
Fixtures and equipment	59,468,674	654,303	(338,197)	98,099	59,882,879
Total depreciable assets	485,285,081	2,178,789	(559,215)	18,677,391	505,582,046
Less Accumulated Depreciation:					
Water treatment and distribution	79,308,713	3,925,959	(221,018)	-	83,013,654
Sewer collection and treatment	85,950,649	4,932,389	-	-	90,883,038
Fixtures and equipment	38,199,786	2,414,243	(338,196)	-	40,275,833
Total accumulated depreciation	203,459,148	$ 11,272,591	$ (559,214)	$ -	214,172,525
Total depreciable assets	281,825,933				291,409,521
Capital assets, net	$ 357,355,465				$ 357,654,947

Net Investment in Capital Assets

The total net investment in capital assets is composed of the following elements:

	2022
Capital assets, net	$ 357,654,947
Right-to-use leased assets, net	622,837
Total debt, gross	(89,645,746)
Deferred charge related to debt	315,906
Net investment in capital assets	$ 268,947,944

Right-to-Use Leased Assets

The Authority has recorded six right-to-use leased assets. The assets are right-to-use assets for leased equipment. The related leases are discussed in the Leases subsection of the Liabilities section of this note. The right-to-use lease assets are amortized on a straight-line basis over the terms of the related leases.

Right-to-use asset activity for the year ended June 30, 2022 was as follows:

	Balance July 1, 2021	Increases	Decreases	Balance June 30, 2022
Right-to-use assets:				
Leased equipment	$ -	$ 220,471	$ -	$ 220,471
Leased solar equipment	-	465,989	-	465,989
Total right-to-use assets	-	686,460	-	686,460
Less accumulated amortization for:				
Leased equipment	-	44,983	-	44,983
Leased solar equipment	-	18,640	-	18,640
Total accumulated amortization	-	$ 63,623	$ -	63,623
Right-to-use assets, net	$ -			$ 622,837

Liabilities

Long-Term Obligations

Long-term debt as of June 30, 2022 consists of the following:

	2022
Revenue Bonds:	
Revenue bonds payable, Series 2020 Revenue Bonds, in the amount of $9,500,000, issued April 7, 2020, with coupon rates of 5.0%, final maturity June 2026; net of unamortized premium of $821,835 at June 30, 2021	$ 6,325,000
Revenue bonds payable, Series 2019 Revenue Bonds, in the amount of $16,640,000, issued November 15, 2019, with coupon rates of 3.0% and 5.0%, final maturity June 2044; net of unamortized premium of $1,877,575 at June 30, 2021	15,840,000
Revenue bonds payable, Series 2018 Refunding Revenue Serial bonds, in the amount of $18,075,000, issued April 10, 2018, with a coupon rate of 2.3%, final maturity July 2029, net of unamortized premium of $1,309,010 at June 30, 2021	17,000,000
Revenue bonds payable, Series 2014 Refunding Revenue Serial bonds, in the amount of $15,695,000, issued December 18, 2014, with coupon rates of 3.0% and 5.0%, final maturity July 2031, net of unamortized premium of $812,604 at June 30, 2021	11,630,000
Revenue bonds payable, Series 2021 Water and Sewer System Revenue Bonds, in the amount of $18,840,000, issued April 8, 2021, with coupon rates of 5.0%, final maturity June 2046; net of unamortized premium of $1,611,608 at June 30, 2021	18,840,000
	$ 69,635,000

The revenue bonds are secured by pledged water and sewer customer revenues, net of specified operating expenses to repay revenue bonds. In the event of a default, the Authority agrees to pay to the purchaser, on demand, interest on any and all amounts due and owing by the Authority under the related agreements.

	2022
Note Payable Direct Borrowing:	
Note payable to NCDEQ in the amount of $6,560,000 issued October 4, 2014, interest at 0%, Federal Revolving loan, beginning May 2015, payable in annual installments of $328,000, with a final payment due in May 2034	$ 3,936,000
Note payable to NCDEQ in the amount of $1,056,000 issued July 28, 2018, interest at 1.53%, DWSRF loan, beginning May 2019, payable in annual installments of $52,800, with a final payment due in May 2038	790,847
Note payable to NCDEQ in the amount of $3,028,700 issued June 17th, 2019, interest at 1.53%, DWSRF loan, beginning November 2020, due in annual installments,varying, with a final payment due in May 2040	2,529,063
Note payable to NCDEQ in the amount of $1,658,000 issued September 12, 2017, interest at 1.53%, State Reserve Loan, beginning May 2021, due in annual installments, varying, with a final payment due in May 2040	191,659
Note payable to NCDEQ in the amount of $1,525,000 issued August 1, 2017, interest at 1.53%, State Reserve Loan, beginning November 2020, due in annual installments, varying, with a final payment due in May 2040	753,186
Note payable to NCDEQ in the amount of $670,156 issued April 7, 2020, interest at 1.42%, DWSRF loan, beginning May 2021, due in annual installments, varying, with a final payment due in May 2040	603,140
Note payable to NCDEQ in the amount of $6,132,000 issued June 3, 2019, interest at 1.53%, Federal Revolving loan, beginning May 2020, payable in annual installments of $266,429, with a final payment due in May 2039	4,529,299
Note payable to NCDEQ in the amount of $1,071,000 issued July 27, 2019, interest at 1.53%, Federal Revolving loan, beginning May 2020, payable in annual installments of $53,550, with a final payment due in May 2039	727,272
	$ 14,060,466

The Authority's outstanding notes from direct borrowings related to business-type activities is not secured by a pledge of the faith and credit of the State of North Carolina or of the Authority but is payable solely from the revenues of the project or benefited systems, or other available funds. The note contains provisions that an event of default would result in (1) any other monies due to the Authority from the state may be withheld by the state and applied to the payment of the outstanding note.

Bonds payable maturities are as follows:

Year Ending June 30	Maturities	Amortization of Premiums and Deferred Refunding Losses	Total	Interest
2023	$ 5,005,000	$ 939,784	$ 5,944,784	$ 2,663,512
2024	5,320,000	812,507	6,132,507	2,408,513
2025	5,645,000	673,572	6,318,572	2,137,638
2026	5,980,000	522,601	6,502,601	1,850,512
2027	4,495,000	421,307	4,916,307	1,578,051
2028-2032	20,090,000	1,103,437	21,193,437	5,143,125
2033-2037	7,975,000	345,485	8,320,485	2,560,388
2038-2042	9,125,000	155,353	9,280,353	1,410,088
2043-2045	6,000,000	37,602	6,037,602	301,242
Total	$ 69,635,000	$ 5,011,648	$ 74,646,648	$ 20,053,069

Notes payable – direct borrowing maturities are as follows:

Year Ending June 30	Maturities	Interest	Total
2023	$ 1,019,800	$ 139,446	$ 1,159,246
2024	993,409	144,453	1,137,862
2025	947,867	130,351	1,078,218
2026	921,480	121,248	1,042,728
2027	922,900	112,334	1,035,234
2028-2032	4,636,557	427,242	5,063,799
2033-2037	3,348,291	211,078	3,559,369
2038-2042	1,216,239	32,888	1,249,127
2043	53,923	-	53,923
Total	$ 14,060,466	$ 1,319,040	$ 15,379,506

Advance Refunding

On December 18, 2014, the Authority issued $15,695,000 of Series 2014 revenue bonds to provide resources that were placed in an irrevocable trust to be used for all future debt service payments of $16,430,000 of Series 2006 revenue bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the Statement of Net Position. The reacquisition price exceeded the net carrying amount of the old debt by $561,010. This amount is being amortized over the life of the refunded debt, which is shorter than the life of the new debt issued. This advanced refunding was undertaken to reduce total debt service payments over the next 17 years by $1,984,121 and resulted in an economic gain of $1,596,310.

On April 7, 2020, the Authority issued $9,500,000 of Series 2020 revenue bonds to provide resources that were placed in an irrevocable trust to be used for all future debt service payments of $10,350,000 of Series 2010 revenue bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the Statement of Net Position. This advanced refunding was undertaken to reduce total debt service payments over the next 6 years by $1,091,381 and resulted in an economic gain of $1,024,076.

Long-term liability activity for the year ended June 30, 2022 is as follows:

	Balance July 1, 2021	Additions	Retirements	Balance June 30, 2022	Due Within One Year
Direct borrowings	$ 14,315,726	$ 732,069	$ 987,329	$ 14,060,466	$ 1,019,800
Bonds Payable:					
Revenue bonds	73,410,000	-	3,775,000	69,635,000	5,005,000
For issuance premiums	6,432,633	-	1,105,080	5,327,553	974,885
Lease liabilities	-	686,460	63,733	622,727	59,555
Compensated absences	725,045	612,031	646,767	690,309	517,732
Net pension liability (LGERS)	4,542,897	-	2,667,614	1,875,283	-
Total OPEB liability	16,637,731	-	1,355,873	15,281,858	-
Total	$116,064,032	$ 2,030,560	$ 10,601,396	$ 107,493,196	$ 7,576,972

The Authority has pledged future water and sewer customer revenues, net of specified operating expenses, to repay $69,635,000 in revenue bonds issued in 2014, 2018, 2019, 2020, and 2021. Proceeds from the bonds were used for rehabilitation or expansion of the Authority's water and sewer systems. Annual principal and interest payments are expected to require less than 23% of net revenues. Principal and interest on the bonds are payable through 2046, solely from the water and sewer customer net revenues. The total principal and interest remaining to be paid on the bonds is $89,688,069. Principal and interest paid in the year ended June 30, 2022 was $6,656,257 and total customer net revenues was $37,995,260. There is no unused line of credit.

The Authority is in compliance with the covenants to rates, fees, rentals, and charges in the bond order Section 7.04 Rate Covenant, authorizing the issuance of the Water and Sewer Revenue bonds, Series 2014, 2018, 2019, 2020, and 2021. The bond order requires the debt service coverage ratio to be no less than the greater of (i) 120% of the debt service requirements for parity indebtedness and (ii) 100% of the debt service requirements for parity indebtedness and subordinated indebtedness for such fiscal year.

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

Operating revenues and charges for services	$ 37,995,260
Operating expenses*	22,281,269
Income available for debt service	$ 15,713,991
Debt service on parity indebtedness - principal and interest paid	$ 6,656,257
Debt service coverage ratio - parity indebtedness	236%
Subordinated indebtedness debt service - principal and interest paid	$ 1,185,925
Debt service coverage ratio - parity and subordinated indebtedness	200%

*Per rate covenants, this does not include depreciation, amortization, interest expense, or OPEB.

Leases

The Authority has entered into agreements to lease certain equipment. The lease agreements qualify as other that short-term leases under GASB 87 and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception.

In April 2019, the Authority entered into an agreement to lease printing equipment and requires 20 quarterly payments of $916. There are no variable payment components of the lease. The lease liability is measured at a discount rate of 2%, which is the stated rate in the lease agreement. As a result of the lease, the Authority has recorded a right to use asset with a net book value of $10,261 at June 30, 2022.

In December 2021, the Authority entered into an agreement to lease postage equipment and requires 60 monthly payments of $507. There are no variable payment components of the lease. The lease liability is measured at a discount rate of 1.3%, which is the stated rate in the lease agreement. As a result of the lease, the Authority has recorded a right to use asset with a net book value of $15,747 at June 30, 2022.

In March 2021, the Authority entered into an agreement to lease printing equipment and requires 60 monthly payments of $3,213. There are no variable payment components of the lease. The lease liability is measured at a discount rate of 2.8%, which is the stated rate in the lease agreement. As a result of the lease, the Authority has recorded a right to use asset with a net book value of $149,480 at June 30, 2022.

In January 2021, the Authority entered into an agreement to solar energy equipment and requires 26 annual payments of $7,280. There are no variable payment components of the lease. The lease liability is measured at a discount rate of 3.2%, which is the stated rate in the lease agreement. As a result of the lease, the Authority has recorded a right to use asset with a net book value of $122,776 at June 30, 2022.

In September 2020, the Authority entered into an agreement to solar energy equipment and requires 25 annual payments of $13,000. There are no variable payment components of the lease. The lease liability is measured at a discount rate of 2.4%, which is the stated rate in the lease agreement. As a result of the lease, the Authority has recorded a right to use asset with a net book value of $231,522 at June 30, 2022.

In January 2021, the Authority entered into an agreement to solar energy equipment and requires 25 annual payments of $5,260. There are no variable payment components of the lease. The lease liability is measured at a discount rate of 2.7%, which is the stated rate in the lease agreement. As a result of the lease, the Authority has recorded a right to use asset with a net book value of $93,051 at June 30, 2022.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2022, were as follows:

	Business-Type Activities		
Year Ending June 30	Principal Payments	Interest Payments	Total
2023	$ 59,555	$ 14,287	$ 73,842
2024	59,099	13,223	72,322
2025	55,510	12,251	67,761
2026	56,449	11,312	67,761
2027	16,785	10,587	27,372
2028-2032	81,116	46,584	127,700
2033-2037	92,690	35,010	127,700
2038-2042	105,943	21,757	127,700
2043-2046	95,580	6,579	102,159
Total	$ 622,727	$ 171,590	$ 794,317

Pension Plan Obligations

Local Governmental Employees' Retirement System

Plan Description. The Authority is a participating employer in the state-wide Local Governmental Employees' Retirement System (LGERS), a cost-sharing, multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent,

who serve as ex-officio members. The LGERS 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, by calling (919) 981-5454, or at www.osc.nc.gov.

Benefits Provided. LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

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. Authority employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Authority's contractually required contribution rate for the year ended June 30, 2022, was 11.39% of compensation 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 $1,042,033, for the year ended June 30, 2022.

Refunds of Contributions – Authority employees who have terminated service as a contributing member of LGERS, may file an application for a refund of their contributions. By state law, refunds to members with at least five years of service include 4% interest. State law requires a 60-day waiting period after service termination before the refund may be paid. The acceptance of a refund payment cancels the individual's right to employer contributions, or any other benefit provided by LGERS.

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

At June 30, 2022, the Authority reported a liability of $1,875,283 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2020. The total pension liability was then rolled forward to the measurement date of June 30, 2021 utilizing update procedures incorporating the actuarial assumptions. The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2022, the Authority's proportion was 0.12228% (measured as of June 30, 2021), which was a decrease of 0.00485% from its proportion as of June 30, 2021 (measured as of June 30, 2020).

For the year ended June 30, 2022, the Authority recognized pension expense of $807,165. At June 30, 2022, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 596,594	$ -
Changes of assumptions	1,178,156	-
Net difference between projected and actual earnings on pension plan investments	-	2,679,213
Changes in proportion and differences between employer contributions and proportionate share of contributions	40,971	64,355
Employer contributions subsequent to the measurement date	1,042,033	-
Total	$ 2,857,754	$ 2,743,568

$1,042,033 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 ending June 30, 2023. Other amounts reported as deferred inflows and outflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Amount
2023	$ 169,503
2024	(58,634)
2025	(218,861)
2026	(819,855)
Total	$ (927,847)

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

Inflation	2.5 percent
Salary increases	3.25 to 8.25 percent, including inflation and productivity factor
Investment rate of return	6.50 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2020 valuation were based on the results of an actuarial experience study for the period January 1, 2015 through December 31, 2019.

Future ad hoc cost of living adjustment amounts are not considered to be substantively automatic and are, therefore, not included in the measurement.

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections.

Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2021 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed income	29.0%	1.4%
Global equity	42.0%	5.3%
Real estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Opportunistic fixed income	7.0%	6.0%
Inflation sensitive	6.0%	4.0%
Total	100%	

The information above is based on 30-year expectations developed with the consulting actuary as part of a study conducted in 2016, and is part of the asset, liability and investment policy of the North Carolina Retirement Systems. 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%. Return projections do not include any excess return expectations over benchmark averages. All rates of return and inflation are annualized.

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

Sensitivity of the Authority's Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate. The following presents the Authority's proportionate share of the net pension liability (asset) calculated using the discount rate of 6.50 percent, as well as what the Authority's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.50 percent) or 1-percentage-point higher (7.50 percent) than the current rate:

	1% Decrease (5.50%)	Current Discount Rate (6.50%)	1% Increase (7.50%)
Authority's proportionate share of the net pension liability (asset)	$ 7,279,685	$ 1,875,283	$ (2,572,229)

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 (ACFR) for the State of North Carolina.

Other Post-Employment Benefits (OPEB)

Plan Description. The Authority administers a single-employer, defined benefit plan (the OPEB plan) that provides health and life insurance benefits to eligible retirees. The Authority has the authority to establish and amend the benefit terms and financing requirements. No assets are accumulated in a trust that meets the criteria in Paragraph 4 of GASB Statement No. 75.

Benefits Provided. If hired prior to September 1, 2019, an employee who retires with 30 or more years of service, or is at least age 60 with at least 10 years of service may continue in the Authority's group health plan until death. Eligible retirees are also provided life insurance coverage of $5,000. Retiree cost sharing is as follows: For retirees age 60 with 10 to 15 years of service, the retiree pays 50% of the retiree premium. For retirees age 60 with 15 to 20 years of service, the retiree pays 25% of the retiree premium. For retirees age 60 with 20 or more years of service, the retiree pays 0% of the retiree

premium. There is no spousal coverage provided. The Authority may amend the benefit provisions at any time. Coverage for all retirees who are eligible for Medicare will be transferred to a Medicare Supplemental plan after qualifying for Medicare. A separate stand-alone report is not issued.

If hired after September 1, 2019, employees are required to contribute to a Retirement Health Savings (RHS) account. Employees will contribute 2% each pay period up to $1,000 per plan year. The Authority will contribute $35 per pay period up to $910 per year. The employer contribution and the employee $1,000 per plan year will increase annually by the Board approved Cost of Labor Adjustment.

All active full-time employees are eligible for membership. At June 30, 2021, the plan membership consisted of:

Members	
Retirees and dependents receiving benefits	47
Active members	125
Total	172

Total OPEB Liability

The Authority's total OPEB liability of $15,281,858 was measured as of June 30, 2021 and was determined by an actuarial valuation as of June 30, 2021.

Actuarial Assumptions and Other Inputs. The total OPEB liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.5 percent
Salary increases	3.25 - 8.41 percent, average, including inflation
Discount rate	2.16 percent
Healthcare cost trend rates	Pre-Medicare - 7.00% for 2021 decreasing to an ultimate rate of 4.50% by 2031 Medicare - 5.125% for 2021 decreasing to an ultimate rate of 4.50% by 2024

The discount rate used to measure the total OPEB liability is based on the June average of the Bond Buyer General Obligation 20-year Municipal Bond Index published weekly by The Bond Buyer.

Changes in the Total OPEB Liability

Total OPEB Liability:	
Balance at July 1, 2021	$ 16,637,731
Changes for the year:	
Service cost at end of year	619,739
Interest	378,143
Changes in benefit terms	(132,920)
Difference between expected and actual experience	(2,942,246)
Changes of assumptions or other inputs	1,016,893
Benefit payments and implicit subsidy credit	(295,482)
Net change in total OPEB liability	(1,355,873)
Balance at June 30, 2022	$ 15,281,858

Changes in assumptions and other inputs reflect a change in the discount rate from 2.21% to 2.16%.

Mortality rates were based on the Pub-2010 mortality tables, with adjustments for LGERS experience and generational mortality improvements using Scale MP-2019.

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, and salary increases used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period January 1, 2015 – December 31, 2019, adopted by the LGERS Board.

The remaining actuarial assumptions (e.g., initial per capita costs, healthcare cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2021 valuation were based on a review of recent plan experience done concurrently with the June 30, 2021 valuation.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate. The following presents the total OPEB liability of the Authority, as well as what the Authority's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.16 percent) or 1-percentage-point higher (3.16 percent) than the current discount rate:

	1% Decrease (1.16%)	Current Discount Rate (2.16%)	1% Increase (3.16%)
Total OPEB liability	$ 18,632,200	$ 15,281,858	$ 12,716,291

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates. The following presents the total OPEB liability of the Authority, as well as what the Authority's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Current	1% Increase
Total OPEB liability	$ 12,591,520	$ 15,281,858	$ 18,854,998

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2022, the Authority recognized OPEB expense of $691,545. At June 30, 2022, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 12,830	$ 2,745,463
Changes of assumptions or other inputs	3,176,508	814,011
Contributions made to the OPEB plan in the current year	275,678	-
Total	$ 3,465,016	$ 3,559,474

$275,678 reported at deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total OPEB liability in the year ending June 30, 2023. Other amounts reported as deferred inflows and outflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Amount
2023	$ (173,417)
2024	(173,417)
2025	(84,144)
2026	45,287
2027	153,690
Thereafter	(138,135)
Total	$ (370,136)

Other Employment Benefits

The Authority has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Government Employees' Retirement System (Death Benefit Plan), a multiple-employer, state-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months' salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed $50,000 or be less than $25,000. Because all death benefit payments are made from the Death Benefit Plan and not by the Authority, the Authority does not determine the number of eligible participants. The Authority

has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. Contributions are determined as a percentage of monthly payroll based upon rates established annually by the state. Separate rates are set for employees not engaged in law enforcement and law enforcement officers. The Authority considers these contributions to be immaterial.

Deferred Outflows and Inflows of Resources

The Authority has several deferred outflows and deferred inflows of resources comprised of the following:

	2022
Deferred Outflows:	
Contributions to pension plan in current fiscal year	$ 1,042,033
Pension deferrals	1,815,721
Contributions to OPEB plan in current fiscal year	275,678
OPEB deferrals	3,189,338
Deferred charge on refunding	315,906
Total	$ 6,638,676
Deferred Inflows:	
Leases	$ 798,645
Pension deferrals	2,743,568
OPEB deferrals	3,559,474
Total	$ 7,101,687

3. Risk Management and Commitments

Risk Management. The Authority is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The Authority has property, general liability, workers' compensation, and employee health coverage. Claims have not exceeded coverage in any of the past three fiscal years. The Authority's property insurance does have a flood coverage endorsement. Coverage is provided in zones B, C and X. There is a $5M single occurrence paand yearly aggregate limit and the deductible is $50k for a single occurrence.

In accordance with G.S. 159-29, the Authority's employees that have access to $100 or more at any given time of the Authority's funds are performance bonded through a commercial surety bond. The Finance Officer is individually bonded for $200,000. The remaining employees that have access to funds are bonded under a blanket bond for $200,000.

Commitments. The Authority is committed under various contracts for the completion of water and wastewater treatment facilities and other water and sewer projects. Management estimates the cost to complete these contracts to be approximately $15,562,056 at June 30, 2022.

4. Net Position

At June 30, 2022, the Board of Directors had approved the use of the unrestricted net position for the following purposes:

	2022
Operating reserve	$ 14,203,346

5. Summary Disclosure of Significant Contingencies

Federal and State-Assisted Programs

The Authority has received proceeds from federal and state grants. Periodic audits of these grants are required, and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds will be immaterial. No provisions have been made in the accompanying financial statements for the refund of grant monies.

6. Prior Period Adjustment

During the fiscal year ended June 30, 2022, the Authority implemented GASB 87, *Leases*. As a result, the Authority restated the beginning net position related to prior year capital leases. An adjustment to beginning net position has been recorded to take the related debt and capital asset balances off the books, the net effect of which decreased fund balance by $6,081.

7. Change in Accounting Principle

For the year ended June 30, 2022, the financial statements include the adoption of GASB Statement No. 87, *Leases*. The primary objective of this statement is to enhance the relevance and consistency of information about governments' leasing activities. This statement establishes a single model for lease accounting based on the principle that leases are financings of the right-to-use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

8. Subsequent Events

The Authority accepted a state revolving loan from N.C. Department of Environmental Quality for $4,212,500 close to year-end. There were no draws as of June 30, 2022, as the project is just in the beginning stages.

ORANGE WATER AND SEWER AUTHORITY

OTHER POST-EMPLOYMENT BENEFITS
REQUIRED SUPPLEMENTARY INFORMATION
LAST FIVE FISCAL YEARS

Schedule of Changes in the Total OPEB Liability and Related Ratios

Total OPEB Liability	2022	2021	2020	2019	2018
Service cost at end of year	$ 619,739	$ 407,705	$ 445,581	$ 473,531	$ 537,550
Interest	378,143	459,812	488,973	449,217	396,831
Changes in benefit terms	(132,920)	-	-	-	-
Difference between expected and actual experience	(2,942,246)	(37,771)	(387,860)	10,631	23,866
Changes of assumptions or other inputs	1,016,893	3,227,040	(97,373)	(719,076)	(1,282,089)
Benefit payments and implicit subsidy credit	(295,482)	(295,107)	(283,833)	(242,282)	(240,928)
Net change in total OPEB liability	(1,355,873)	3,761,679	165,488	(27,979)	(564,770)
Total OPEB liability - beginning	16,637,731	12,876,052	12,710,564	12,738,543	13,303,313
Total OPEB liability - ending	$ 15,281,858	$ 16,637,731	$ 12,876,052	$ 12,710,564	$ 12,738,543
Covered-employee payroll	$ 7,816,728	$ 7,704,086	$ 7,704,086	$ 7,751,275	$ 7,751,275
Total OPEB liability as a percentage of covered-employee payroll	195.50%	215.96%	167.13%	163.98%	164.34%

Notes to Schedule:
Changes of Assumptions: Changes of assumptions and other inputs reflect the effects of changes on the discount rate of each period. The following are the discount rates used in each period:

Fiscal Year	Rate
2022	2.16%
2021	2.21%
2020	3.50%
2019	3.89%
2018	3.56%

There were no assets accumulated in a trust that meets the criteria of GASB codification P22.101 or P52.101 to pay related benefits for the OPEB plan.

ORANGE WATER AND SEWER AUTHORITY

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

	Local Governmental Employees' Retirement System				
	2022	**2021**	**2020**	**2019**	**2018**
Authority's proportion of the net pension liability (asset) (%)	0.12228%	0.12713%	0.12175%	0.12572%	0.12711%
Authority's proportion of the net pension liability (asset) ($)	$ 1,875,283	$ 4,542,897	$ 3,324,897	$ 2,982,507	$ 1,941,888
Authority's covered payroll	$ 8,877,118	$ 8,780,335	$ 8,396,386	$ 8,171,152	$ 8,194,045
Authority's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	21.12%	51.74%	39.60%	36.50%	23.70%
Plan fiduciary net position as a percentage of the total liability**	95.51%	88.61%	90.86%	91.63%	94.18%

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

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

The pension schedules are intended to report information for ten years, and additional years' information will be displayed as it becomes available.

ORANGE WATER AND SEWER AUTHORITY

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

	Local Governmental Employees' Retirement System			
	2017	**2016**	**2015**	**2014**
Authority's proportion of the net pension liability (asset) (%)	0.12882%	0.11995%	0.12040%	11.89000%
Authority's proportion of the net pension liability (asset) ($)	$ 2,733,991	$ 538,330	$ (709,819)	$ 1,433,202
Authority's covered payroll	$ 6,980,328	$ 7,352,374	$ 7,297,821	$ 6,909,854
Authority's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	39.17%	7.32%	(9.73%)	20.74%
Plan fiduciary net position as a percentage of the total liability**	91.47%	98.09%	102.64%	94.35%

ORANGE WATER AND SEWER AUTHORITY

CONTRIBUTIONS
REQUIRED SUPPLEMENTARY INFORMATION
LAST NINE FISCAL YEARS

Local Governmental Employees' Retirement System	2022	2021	2020	2019	2018
Contractually required contribution	$ 1,042,033	$ 963,041	$ 790,230	$ 655,451	$ 617,219
Contributions in relation to the contractually required contribution	1,042,033	963,041	790,230	655,451	617,219
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 9,148,654	$ 8,877,118	$ 8,780,335	$ 8,396,386	$ 8,171,152
Contributions as a percentage of covered payroll	11.39%	10.85%	9.00%	7.81%	7.55%

The pension schedules are intended to report information for ten years, and additional years' information will be displayed as it becomes available.

ORANGE WATER AND SEWER AUTHORITY

CONTRIBUTIONS
REQUIRED SUPPLEMENTARY INFORMATION
LAST NINE FISCAL YEARS

Local Governmental Employees' Retirement System	2017	2016	2015	2014
Contractually required contribution	$ 598,984	$ 510,262	$ 519,888	$ 516,608
Contributions in relation to the contractually required contribution	598,984	510,262	519,888	516,608
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Covered payroll	$ 8,194,045	$ 6,980,328	$ 7,352,374	$ 7,297,821
Contributions as a percentage of covered payroll	7.31%	7.31%	7.07%	7.08%

ORANGE WATER AND SEWER AUTHORITY

ENTERPRISE FUND - WATER
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2022

	Final Budget	Actual	Variance Over/Under
Revenues:			
Operating revenues:			
Water	$ 18,194,238	$ 18,872,830	$ 678,592
Sewer	18,749,746	18,049,316	(700,430)
Reclaimed water	463,200	452,479	(10,721)
Service initiation fees	16,510	15,945	(565)
Other	898,581	604,690	(293,891)
Total operating revenues	38,322,275	37,995,260	(327,015)
Non-operating revenues:			
Interest income	97,759	17,689	(80,070)
System development fees	1,249,897	801,021	(448,876)
Cell phone tower rental	-	355,212	355,212
Miscellaneous	-	5,523	5,523
FEMA reimbursement	-	261,669	261,669
Total non-operating revenues	1,347,656	1,441,114	93,458
Total revenues	39,669,931	39,436,374	(233,557)
Expenditures:			
Water supply and treatment:			
Salaries and wages	1,474,732	1,576,095	(101,363)
Fringe benefits	598,020	424,633	173,387
Materials and supplies	191,491	159,137	32,354
Chemicals	1,466,645	1,419,843	46,802
Utilities	433,234	295,368	137,866
Maintenance	1,039,578	865,997	173,581
Professional services	32,500	42,712	(10,212)
Insurance	60,139	53,579	6,560
Communication	3,000	484	2,516
Education and development	11,960	5,009	6,951
Miscellaneous	80,904	55,215	25,689
Total water supply and treatment	5,392,203	4,898,072	494,131

ORANGE WATER AND SEWER AUTHORITY

ENTERPRISE FUND - WATER
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2022

	Final Budget	Actual	Variance Over/Under
Water distribution:			
Salaries and wages	1,765,423	1,725,464	39,959
Fringe benefits	1,337,522	1,335,789	1,733
Materials and supplies	117,241	119,429	(2,188)
Utilities	244,015	145,506	98,509
Maintenance	629,443	519,149	110,294
Insurance	6,404	5,075	1,329
Communication	5,000	3,018	1,982
Printing and reproduction	1,500	49	1,451
Education and development	18,300	7,347	10,953
Miscellaneous	2,500	5,152	(2,652)
Total water distribution	4,127,348	3,865,978	261,370
Construction credits	(387,500)	(201,498)	(186,002)
Wastewater treatment:			
Salaries and wages	1,533,681	1,678,872	(145,191)
Fringe benefits	578,016	423,994	154,022
Materials and supplies	234,464	302,445	(67,981)
Chemicals	947,108	966,926	(19,818)
Utilities	750,035	554,078	195,957
Maintenance	1,248,920	900,270	348,650
Professional services	16,550	1,155	15,395
Insurance	72,131	64,263	7,868
Communication	740	636	104
Education and development	47,075	23,588	23,487
Miscellaneous	91,350	80,493	10,857
Total wastewater treatment	5,520,070	4,996,720	523,350
Sewer collections:			
Salaries and wages	571,068	546,659	24,409
Fringe benefits	264,342	202,580	61,762
Materials and supplies	63,151	47,513	15,638
Chemicals	230,000	230,939	(939)
Utilities	143,861	108,100	35,761
Maintenance	249,165	307,064	(57,899)
Insurance	6,404	6,206	198
Communication	500	408	92

ORANGE WATER AND SEWER AUTHORITY

ENTERPRISE FUND - WATER
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2022

	Final Budget	Actual	Variance Over/Under
Printing and distribution	2,000	21	1,979
Education and development	10,800	3,011	7,789
Miscellaneous	6,000	2,427	3,573
Total sewer collections	1,547,291	1,454,928	92,363
Construction credits	-	(13,081)	13,081
General and administrative:			
Salaries and wages	3,877,477	3,930,045	(52,568)
Fringe benefits	987,142	885,387	101,755
Materials and supplies	167,503	152,639	14,864
Utilities	179,820	192,613	(12,793)
Maintenance	536,755	521,322	15,433
Professional services	1,304,575	1,349,153	(44,578)
Insurance	129,692	147,119	(17,427)
Communication	193,206	196,006	(2,800)
Printing and reproduction	25,900	11,266	14,634
Education and development	96,835	60,038	36,797
Miscellaneous	275,850	143,217	132,633
Total general and administrative	7,774,755	7,588,805	185,950
Construction credits	(304,575)	(136,354)	(168,221)
Debt Service:			
Principal		4,826,062	
Interest		3,115,922	
Total debt service	8,623,186	7,941,984	681,202
Capital outlay	18,686,250	11,384,519	7,301,731
Total expenditures	50,979,028	41,780,073	9,198,955
Revenues over (under) expenditures	(11,309,097)	(2,343,699)	8,965,398

ORANGE WATER AND SEWER AUTHORITY

ENTERPRISE FUND - WATER
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2022

	Final Budget	Actual	Variance Over/Under
Other Financing Sources (Uses):			
Proceeds from borrowing	887,073	732,069	155,004
Lease liabilities issued	-	686,460	(686,460)
Appropriated fund balance	10,422,024	-	10,422,024
Total other financing sources (uses)	11,309,097	1,418,529	9,890,568
Net change in fund balance	$ -	(925,170)	$ (925,170)
Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual Basis:			
Principal debt and lease payments		4,826,062	
Long-term debt issued		(1,418,529)	
Change in interest accrual for bonded debt		(5,725)	
Depreciation and lease amortization		(11,336,214)	
Change in deferred outflows of resources - pensions		203,205	
Change in net pension liability		2,667,614	
Change in deferred inflows of resources - pensions		(2,714,943)	
Change in compensated absences		34,736	
OPEB expense		(691,545)	
Amortization of bond expense and patent		1,069,980	
Capital outlay		10,698,059	
Right to use asset capitalized		686,460	
Capital contributions		876,715	
Change in net position		$ 3,970,705	

ORANGE WATER AND SEWER AUTHORITY

SCHEDULE OF REVENUES AND EXPENDITURES -
PROJECT FUNDS
FROM INCEPTION THROUGH JUNE 30, 2022

	Project Budget	Cumulative Total to June 30, 2022	Unexpended Balance as of June 30, 2022
Raw Water Supply Sources:			
Revenues:			
General Fund	$ 2,136,103	$ 913,801	$ 1,222,302
Expenditures:			
Jordan Lake raw water supply intake and pumping facility	$ 357,558	$ 367,823	$ (10,265)
Stone quarry development	426,545	207,872	218,673
Cane Creek pump station improvements	35,000	-	35,000
Cane Creek raw water transmission main capacity study	200,000	275	199,725
Cane Creek dam rehabilitation	350,000	26,243	323,757
Cane Creek dam resurfacing	-	41,995	(41,995)
University Lake permanganate facility	647,000	266,934	380,066
University Lake fishing pier and boat launch	70,000	-	70,000
Western Intake Partnership projects	50,000	2,659	47,341
Total expenditures	$ 2,136,103	$ 913,801	$ 1,222,302
Water Treatment:			
Revenues:			
General Fund	$ 11,875,000	$ 9,827,454	$ 2,047,546
Expenditures:			
Water treatment plant rehabilitation projects	$ 80,000	$ 131,057	$ (51,057)
Water treatment plant front entry rehabilitation	35,000	11,235	23,765
Water treatment plant flash mix basins isolation valve replacement	50,000	-	50,000
HVAC replacement	475,000	374,468	100,532
Water treatment plant concrete condition assessment	-	2,700	(2,700)
Water treatment plant clearwell rehabilitation	100,000	33,431	66,569
Water treatment plant electrical distribution improvements	2,700,000	601,612	2,098,388
Plants SCADA master plan	675,000	198,619	476,381
Water treatment plant finished water pump No. 6 VFD	-	97,577	(97,577)
Water treatment plant sedimentation basin rehabilitation	2,647,000	2,813,582	(166,582)
Water treatment plant finished water pump improvements	900,000	1,018,834	(118,834)
Cane Creek raw water pump station roof replacement	-	7,989	(7,989)
Water treatment plant chemical facility upgrades	2,905,000	3,829,926	(924,926)
Water treatment plant belt filter press replacement	1,308,000	706,424	601,576
Total expenditures	$ 11,875,000	$ 9,827,454	$ 2,047,546
Drinking Water Storage:			
Revenues:			
General Fund	$ -	$ 29,889	$ (29,889)
Expenditures:			
Manning tank fence replacement	$ -	$ 29,889	$ (29,889)

ORANGE WATER AND SEWER AUTHORITY

SCHEDULE OF REVENUES AND EXPENDITURES - PROJECT FUNDS
FROM INCEPTION THROUGH JUNE 30, 2022

	Project Budget	Cumulative Total to June 30, 2022	Unexpended Balance as of June 30, 2022
Water Transmission & Disribution:			
Revenues:			
General Fund	$ 32,706,547	$ 23,301,034	$ 9,405,513
Expenditures:			
Water main - road improvement projects	$ 1,176,000	$ 533,752	$ 642,248
Water main rehabilitation/replacement projects	9,287,547	6,460,189	2,827,358
High priority water main replacement	9,012,000	7,853,103	1,158,897
Water main upgrades - development projects	231,000	-	231,000
Lead and copper rule compliance	-	20,077	(20,077)
Barbee Chapel Road booster pump station study	75,000	-	75,000
Dobbins Drive water main replacement	1,196,000	1,588,355	(392,355)
Dobbins Drive water main condition assessment	435,000	-	435,000
Cameron Avenue water main replacement	5,493,000	2,971,988	2,521,012
Cameron Avenue water main design alternatives assessment	25,000	-	25,000
Water distribution system hydraulic model	310,000	103,364	206,636
Galvanized water main replacement	-	7,909	(7,909)
Jones Ferry water line improvements	3,433,000	3,110,554	322,446
Distribution system prioritization model	495,000	466,890	28,110
Bolinwood Bridge water main replacement	300,000	156,568	143,432
Westwood neighborhood water and sewer rehabilitation	75,000	-	75,000
Lake Ellen water main replacement	160,000	-	160,000
Brandywine Road water main replacement	739,000	-	739,000
Barnes Street valve evaluation	34,000	-	34,000
Distribution system condition assessment	170,000	10,329	159,671
Water main replacement - Group II	60,000	17,956	42,044
Total expenditures	$ 32,706,547	$ 23,301,034	$ 9,405,513
Wastewater Collection Lines:			
Revenues:			
General Fund	$ 21,468,000	$ 17,139,897	$ 4,328,103
Expenditures:			
Gravity sewer rehabilitation	$ 13,187,000	$ 11,330,656	$ 1,856,344
Bolinwood Drive interceptor replacement	1,254,000	381,274	872,726
Dobbins Drive interceptor replacement	2,910,000	2,322,137	587,864
Willow Drive interceptor replacement	25,000	-	25,000
Rocky Branch interceptor replacement	412,000	39,502	372,498
Morgan Creek interceptor replacement	100,000	39,351	60,649
Morgan Creek interceptor emergency repair	-	431,213	(431,213)

ORANGE WATER AND SEWER AUTHORITY

SCHEDULE OF REVENUES AND EXPENDITURES - PROJECT FUNDS
FROM INCEPTION THROUGH JUNE 30, 2022

	Project Budget	Cumulative Total to June 30, 2022	Unexpended Balance as of June 30, 2022
Creek crossing access improvements	771,000	136,643	634,357
Sanitary sewer hydraulic modeling	1,214,000	655,204	558,797
Collection system basin No. 28 rehabilitation	320,000	-	320,000
Collection system flow monitors	110,000	28,219	81,781
Collection system on-call modeling	-	2,550	(2,550)
East Main Street sewer rehabilitation	1,165,000	1,773,149	(608,149)
Total expenditures	$ 21,468,000	$ 17,139,897	$ 4,328,103
Waste Water Pumping Stations and Force Mains:			
Revenues:			
General Fund	$ 1,077,000	$ 443,461	$ 633,539
Expenditures:			
Rogerson Drive force main routing study	$ 50,000	$ -	$ 50,000
Rogerson Drive force main evaluation	75,000	-	75,000
Rogerson Drive force main and pump station program	247,000	154,469	92,531
Pump station operational assessments	140,000	48,228	91,772
Rogerson Drive grit removal evaluation	30,000	24,973	5,027
Wastewater pump station rehabilitation	535,000	215,791	319,209
Total expenditures	$ 1,077,000	$ 443,461	$ 633,539
Wastewater Treatment and Disposal:			
Revenues:			
General Fund	$ 22,145,000	$ 15,016,238	$ 7,128,762
Expenditures:			
Mason Farm wastewater treatment plant rehabilitation and improvement project	$ 2,107,000	$ 2,431,685	$ (324,685)
Mason Farm wastewater treatment plant solids thickening system improvements	8,601,000	6,343,121	2,257,879
Mason Farm wastewater treatment plant hyper-pitch mixer blades	58,000	-	58,000
Mason Farm wastewater treatment plant piping heat tracing and insulation	35,000	-	35,000
Plant facilities building envelope rehabilitation	1,175,000	797,630	377,370
Mason Farm wastewater treatment plant miscellaneous building rehabilitation	65,000	-	65,000
Mason Farm wastewater treatment plant biosolids conveyance and loading	91,000	-	91,000
Offsite biosolids storage improvements	115,000	38,782	76,218
Mason Farm wastewater treatment plant filtrate side stream treatment	194,000	-	194,000
Mason Farm wastewater tretament plant secondary clarifier rehabilitation and pumping improvements	2,461,000	1,246,255	1,214,745

ORANGE WATER AND SEWER AUTHORITY

SCHEDULE OF REVENUES AND EXPENDITURES - PROJECT FUNDS
FROM INCEPTION THROUGH JUNE 30, 2022

	Project Budget	Cumulative Total to June 30, 2022	Unexpended Balance as of June 30, 2022
Mason Farm wastewater treatment plant digester complex rehabilitation and improvements	1,575,000	1,101,584	473,416
Mason Farm wastewater treatment plant fermenter tank and pumping rehabilitation	200,000	-	200,000
Mason Farm wastewater treatment plant primary sludge pump station rehabilitation and old lab building demo	75,000	-	75,000
Mason Farm wastewater treatment plant rehabilitation and replacement of chemical building and piping	995,000	955,426	39,574
Mason Farm wastewater treatment plant security improvements	182,000	33,380	148,620
Mason Farm wastewater treatment plant gas monitoring system	190,000	-	190,000
Mason Farm wastewater treatment plant headworks rehabilitation	1,361,000	1,518,699	(157,699)
Mason Farm wastewater treatment plant mater plan	335,000	138,160	196,840
Mason Farm wastewater treatment plant clarifier No. 4 conversion	1,525,000	184,952	1,340,048
Mason Farm wastewater treatment plant administration building planning study	80,000	24,050	55,950
Mason Farm wastewater treatment plant food assessment project	-	31,943	(31,943)
Digester cleaning operational assistance	-	86,551	(86,551)
Biogas removal system improvements	250,000	-	250,000
Reclaimed water quality evaluation	75,000	-	75,000
Reclaimed water valve and coupling rehabilitation	400,000	84,018	315,982
Total expenditures	$ 22,145,000	$ 15,016,238	$ 7,128,762
Facility Improvements:			
Revenues:			
General Fund	$ -	$ 74,959	$ (74,959)
Expenditures:			
Administration building rehabilitation projects	$ -	$ 64,719	$ (64,719)
Administration building locker room renovation study	-	10,240	(10,240)
Total expenditures	$ -	$ 74,959	$ (74,959)

Orange Water and Sewer Authority

STATISTICAL SECTION

Financial Trends - These schedules contain trend information to help the reader understand how the Authority's financial performance has changed over time.

Table 1	Net Position By Components
Table 2	Changes in Net Position
Table 3	Water Processed and Wastewater Treated

Debt Capacity - These schedules present information to help the reader assess the affordability of the Authority's current levels of outstanding debt and the Authority's ability to issue additional debt in the future.

Table 4	Ratio of Bonded Debt to Net Operating Revenues and Net Bonded Debt Per Customer
Table 5	Ratio of Total Debt to Net Operating Revenues and Net Total Debt Per Customer

Revenue Capacity - These schedules contain information to help the reader assess the Authority's most significant local revenue sources. Data for the Town of Chapel Hill, NC is presented since OWASA is considered a Component Unit of the Town.

Table 6	Principal Water and Sewer Customers
Table 7	Town of Chapel Hill NC, Property Tax Levies and Collections
Table 8	Town of Chapel Hill, NC Assessed Value and Actual Value of Taxable Property
Table 9	Town of Chapel Hill, NC Direct and Overlapping Property Tax Rates (Per $100 of Assessed Value)

Demographic and Economic Information - These schedules offer demographic and economic indicators to help the reader understand the environment within which the Authority's financial activities take place.

Table 10	Town of Chapel Hill, NC Demographic and Economic Statistics

Operating Information - These schedules contain service and infrastructure data to help the reader understand how the information in the Authority's financial report relates to the services the Authority provides and the activities it performs.

Table 11	Miscellaneous Statistical Data
Table 12	Full-Time Equivalents (authorized)

ORANGE WATER AND SEWER AUTHORITY **Table 1**

Net Position by Components
Last Ten Fiscal Years
(Accrual Basis of Accounting)
(Unaudited)

	Fiscal Year									
	2022	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**	**2013**
Net investment in capital assets	$ 268,947,944	$ 263,554,194	$ 270,044,238	$ 266,060,335	$ 255,136,679	$ 236,928,712	$ 224,969,584	$ 218,421,756	$ 219,522,714	$ 206,109,733
Restricted for capital reserve	323,721	310,538	276,217	241,332	206,053	171,013	260,978	222,470	187,910	151,600
Restricted for future capital projects	-	-	-	-	-	-	-	-	-	14,116,382
Restricted for debt service	-	-	-	-	-	-	-	-	-	-
Unrestricted	14,203,346	15,645,655	5,839,587	6,068,016	9,495,342	26,560,322	29,327,642	26,899,507	18,686,692	11,759,800
Total	$ 283,475,011	$ 279,510,387	$ 276,160,042	$ 272,369,683	$ 264,838,074	$ 263,660,047	$ 254,558,204	$ 245,543,733	$ 238,397,316	$ 232,137,515

ORANGE WATER AND SEWER AUTHORITY

Table 2

Changes in Net Position
Last Ten Fiscal Years
(Accrual Basis of Accounting)
(Unaudited)

	Fiscal Year									
	2022	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**	**2013**
Operating Revenues:										
Water	$ 18,872,830	$ 17,608,186	$ 17,893,981	$ 17,666,256	$ 19,013,363	$ 17,540,247	$ 17,894,907	$ 18,291,453	$ 17,969,519	$ 17,819,790
Sewer	18,049,316	16,620,662	16,948,606	17,058,037	16,868,447	16,561,076	16,514,394	16,739,718	16,589,072	16,313,731
Service initiation fees	15,945	15,810	24,680	98,625	156,225	169,965	169,660	167,410	167,615	161,015
Other	1,057,169	1,270,163	1,438,927	1,362,922	1,505,208	1,469,106	1,790,409	1,762,261	1,116,826	1,163,077
Total operating revenues	37,995,260	35,514,821	36,306,194	36,185,840	37,543,243	35,740,394	36,369,370	36,960,842	35,843,032	35,457,613
Operating Expenses:										
Water supply and treatment	4,760,507	4,526,700	4,883,456	5,001,419	5,601,957	5,145,181	4,692,599	4,553,491	4,267,802	4,587,852
Water distribution	3,664,480	4,364,507	4,734,237	4,045,476	2,659,501	3,554,221	2,781,136	2,782,489	2,720,838	2,323,295
Sewer treatment	4,996,720	4,905,226	5,081,371	5,406,223	4,607,301	4,813,684	4,561,981	4,457,289	4,721,294	4,763,520
Sewer collections	1,441,847	1,228,687	1,265,359	1,065,628	1,264,196	1,329,131	1,185,549	1,254,390	1,224,941	1,352,127
General and administrative	7,417,715	6,833,838	7,244,321	6,820,965	7,352,499	6,331,018	6,403,637	5,951,983	5,662,788	5,754,629
Depreciation and amortization	11,336,214	10,476,244	9,780,753	9,558,087	9,226,257	8,909,129	8,919,124	9,384,310	9,393,739	9,514,909
Other post-employment benefits	691,545	986,707	602,645	613,772	765,944	493,193	466,573	372,993	1,012,532	1,033,149
Total operating expenses	34,309,028	33,321,909	33,592,142	32,511,570	31,477,655	30,575,557	29,010,599	28,756,945	29,003,934	29,329,481
Operating income (loss)	3,686,232	2,192,912	2,714,052	3,674,270	6,065,588	5,164,837	7,358,771	8,203,897	6,839,098	6,128,132
Non-Operating Revenues (Expenses):										
System development fees	801,021	1,860,926	1,393,871	1,593,210	1,599,382	2,219,227	1,397,652	1,429,244	1,069,551	1,769,883
Investment adjustment	17,689	1,291	63,207	64,842	56,524	32,802	20,663	15,133	14,755	15,664
Interest expense	(3,121,647)	(2,708,475)	(2,565,779)	(2,161,022)	(1,863,061)	(1,668,138)	(1,729,871)	(2,637,681)	(2,644,155)	(2,334,944)
Amortization of bond expense and patent	1,069,980	946,570	611,927	544,907	102,842	914,691	120,781	(177,021)	107,636	111,529
Other	640,715	(308,023)	(419,681)	(219,674)	(19,340)	75,348	-	(145,273)	23,591	4,228
Income (loss) before contributions	3,093,990	1,985,201	1,797,597	3,496,533	5,941,935	6,738,767	7,167,996	6,688,299	5,410,476	5,694,492
Capital Contributions:										
Capital grants and contributions	-	-	-	-	-	-	18,170	2,320	-	-
Contributions in aid of construction	876,715	1,365,144	1,992,762	4,035,076	1,509,516	2,363,076	1,828,305	1,372,391	849,325	420,251
Total capital contributions	876,715	1,365,144	1,992,762	4,035,076	1,509,516	2,363,076	1,846,475	1,374,711	849,325	420,251
Increase in net position	3,970,705	3,350,345	3,790,359	7,531,609	7,451,451	9,101,843	9,014,471	8,063,010	6,259,801	6,114,743
Net Position:										
Beginning of year, previously reported - July 1	279,510,387	276,160,042	272,369,683	264,838,074	263,660,047	254,558,204	245,543,733	238,397,316	232,137,515	195,192,647
Restatement	(6,081)	-	-	-	(6,273,424)	-	-	(916,593)	-	(789,581)
Beginning of year, restated	279,504,306	276,160,042	272,369,683	264,838,074	257,386,623	254,558,204	245,543,733	237,480,723	232,137,515	194,403,066
End of year - June 30	$ 283,475,011	$ 279,510,387	$ 276,160,042	$ 272,369,683	$ 264,838,074	$ 263,660,047	$ 254,558,204	$ 245,543,733	$ 238,397,316	$ 200,517,809

ORANGE WATER AND SEWER AUTHORITY

Table 3

Water Processed and Wastewater Treated
(Thousands of Gallons)
Last Ten Fiscal Years
(Unaudited)

Fiscal Year Ended June 30	Water Processed and Pumped to System	Wastewater Treated
2013	2,413,000	2,942,331
2014	2,477,000	3,027,879
2015	2,521,096	2,954,345
2016	2,440,937	3,149,225
2017	2,397,093	3,094,963
2018	2,463,021	2,843,422
2019	2,432,215	2,971,517
2020	2,352,007	2,734,725
2021	2,254,895	2,830,202
2022	2,367,625	2,604,900

Source: Orange Water and Sewer Authority's records

ORANGE WATER AND SEWER AUTHORITY

Table 4

Ratio of Bonded Debt to Net Operating Revenues and Net Bonded Debt Per Customer
Last Ten Fiscal Years
(Unaudited)

Fiscal Year Ended June 30	Customer Estimate	Net Operating Revenues	Debt Service Requirements	Net Bonded Debt	Ratio of Net Revenues to Debt Service Requirements	Net Bonded Debt Per Customer
2013	$ 21,043	$ 18,461,737	$ 7,898,190	$ 83,845,000	$ 2.34	$ 3,984.46
2014	21,105	18,329,675	7,814,155	78,675,000	2.35	3,727.79
2015	21,239	19,405,577	8,542,276	72,910,000	2.27	3,432.84
2016	21,385	18,162,783	7,662,664	67,720,000	2.37	3,166.71
2017	21,526	16,819,188	7,930,519	61,835,000	2.12	2,872.57
2018	21,585	17,713,695	7,007,230	55,125,000	2.53	2,553.86
2019	21,712	15,504,181	6,362,502	50,185,000	2.44	2,311.39
2020	21,823	14,998,272	7,213,125	60,845,000	2.08	2,788.11
2021	21,921	15,843,468	7,933,465	73,410,000	2.00	3,348.84
2022	21,987	16,504,924	7,331,366	69,635,000	2.25	3,167.10

ORANGE WATER AND SEWER AUTHORITY **Table 5**

Ratio of Total Debt to Net Operating Revenues and Net Total Debt Per Customer
Last Ten Fiscal Years
(Unaudited)

Fiscal Year Ended June 30	Customer Estimate	Net Operating Revenues	Debt Service Requirements	Net Bonded Debt	For Issuance Premiums	Direct Borrowings	Net Pension Liability	Compensated Absences	Lease Liabilities	OPEB	Net Total Debt	Ratio of Net Revenues to Debt Service Requirements	Net Total Debt Per Customer
2013	$ 21,043	$ 18,461,737	$ 7,898,190	$ 83,845,000	$ 4,160,909	$ -	$ -	$ 481,203	$ -	$ 4,443,670	$ 92,930,782	$ 2.34	$ 4,416.23
2014	21,105	18,329,675	7,814,155	78,675,000	3,733,163	-	-	491,731	-	5,456,202	88,356,096	2.35	4,186.50
2015	21,239	19,405,577	8,542,276	72,910,000	4,937,175	6,232,000	-	516,863	-	5,829,195	90,425,233	2.27	4,257.51
2016	21,385	18,162,783	7,662,664	67,720,000	4,271,568	5,904,000	538,330	544,683	-	6,295,768	85,274,349	2.37	3,987.58
2017	21,526	16,819,188	7,930,519	61,835,000	3,165,258	5,576,000	2,733,991	555,659	-	6,788,961	80,654,869	2.12	3,746.86
2018	21,585	17,713,695	7,007,230	55,125,000	4,807,515	5,248,000	1,941,888	571,149	-	12,738,543	80,432,095	2.53	3,726.30
2019	21,712	15,504,181	6,362,502	50,185,000	4,070,989	12,244,218	2,982,507	598,837	-	12,710,564	82,792,115	2.44	3,813.20
2020	21,823	14,998,272	7,213,125	60,845,000	5,780,504	13,400,502	3,324,897	700,858	-	12,876,052	96,927,813	2.08	4,441.54
2021	21,921	15,843,468	7,933,465	73,410,000	6,432,633	14,315,726	4,542,897	725,045	-	16,637,731	116,064,032	2.00	5,294.65
2022	21,987	16,504,924	8,573,172	69,635,000	5,327,553	14,060,466	1,875,283	690,309	622,727	15,281,858	107,493,196	1.93	4,888.94

ORANGE WATER AND SEWER AUTHORITY

Table 6

Principal Water and Sewer Customers
Year Ended June 30, 2022 and 2013
(Unaudited)

	Percent of Water Sales 2022	Percent of Water Sales 2013
University of North Carolina at Chapel Hill	20%	23%
Chapel Hill - Carrboro City Schools	1%	1%
Triangle Communities (Apartments)	<1%	<1%
Royal Park Apartments	<1%	
Northwood Ravin Apartments	<1%	
Town of Chapel Hill	<1%	<1%
Chapel Hill Housing	<1%	
The Villages Apartments	<1%	<1%
Trinity at the Hill Apartments	<1%	
Shadowood Apartments	<1%	
Carol Woods Retirement Community		<1%
University Place		<1%
Chapel Ridge Apartments		
Estes Park Apartments		
The Cedars of Chapel Hill (Apartments)		
Abbey Court Condominiums		
Kingswood Apartments		<1%
Pinegate Apartments		<1%
Aspen Square Apartments		<1%

Source: Orange Water and Sewer Authority's Records

Town of Chapel Hill NC, Property Tax Levies and Collections
Last Ten Fiscal Years
(Unaudited)

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date		Outstanding Delinquent Taxes
		Amount	Percentage of Original Levy		Amount	Percentage of Adjusted Levy	
2013	$ 36,084,217	$ 35,809,148	99.24%	$ -	$ 35,809,148	99.24%	$ 275,069
2014	38,361,125	38,115,148	99.36%	-	38,115,148	99.36%	245,977
2015	39,009,200	38,849,950	99.59%	-	38,849,950	99.59%	159,250
2016	39,789,825	39,638,269	99.62%	-	39,638,269	99.62%	151,556
2017	39,471,449	39,314,757	99.60%	-	39,314,757	99.60%	156,692
2018	40,816,019	40,679,175	99.66%	-	40,679,175	99.66%	136,844
2019	43,418,983	43,206,984	99.51%	-	43,206,984	99.51%	211,999
2020	45,060,958	44,871,448	99.58%	-	44,871,448	99.58%	189,510
2021	46,050,771	45,882,304	99.63%	-	45,882,304	99.63%	168,467
2022	48,632,356	48,492,226	99.71%	-	48,492,226	99.71%	140,130

Town of Chapel Hill, NC Assessed Value and Actual Value of Taxable Property
Last Ten Fiscal Years
(Unaudited)

Fiscal Year Ended June 30		Residential Property	Commercial Property	Combined Real Property	Personal Property	Public Service Companies (3)	Total Taxable Assessed Value	Total Direct Tax Rate (4)	Estimated Actual Taxable Value (5)	Ratio of Assessed Value to Estimated Actual Value (6)
2013		*	*	$ 6,701,285,738	$ 536,958,587	$ 66,253,143	$ 7,304,497,468	$ 0.494	$ 7,035,732,487	103.82%
2014		*	*	6,823,181,920	573,309,679	66,762,306	7,463,253,905	0.514	7,421,692,427	100.56%
2015		*	*	6,862,576,184	519,383,543	65,246,662	7,447,206,389	0.524	7,606,952,389	97.90%
2016		*	*	6,913,283,131	541,047,846	85,443,691	7,539,774,668	0.524	7,599,047,236	99.22%
2017		*	*	6,902,832,865	546,117,755	83,768,622	7,532,719,242	0.524	7,562,971,127	99.60%
2018	(1)	*	*	7,399,771,971	550,409,864	84,467,574	8,034,649,409	0.508	8,062,060,414	99.66%
2019		*	*	7,529,444,369	613,170,831	80,677,065	8,223,292,265	0.528	8,263,784,811	99.51%
2020		*	*	7,601,209,365	598,051,765	84,003,208	8,283,264,338	0.544	8,318,200,781	99.58%
2021		*	*	7,805,662,760	576,246,878	83,305,619	8,465,215,257	0.544	8,496,652,873	99.63%
2022	(1)	*	*	8,754,178,419	618,604,665	88,764,776	9,461,547,860	0.514	9,489,066,152	99.71%

*The Breakdown between residential and commercial property is not available for fiscal years after 2011.

Notes:
(1) Revaluation year.
(2) Increase due to revaluation and the addition of $200 million from a major annexation.
(3) Public service companies valuations are provided by the North Carolina Department of Revenue. These amounts include both real and personal property.
(4) Per $100 of value. Includes taxes for General Fund, Debt Service Fund, and Transit Fund.
(5) The estimated market value is calculated by dividing the assessed value by an assessment-to-sales ratio determined by the North Carolina Department of Revenue. The ratio is based on actual property sales which took place during the fiscal year.
(6) Source is the Property Tax Division of the North Carolina Department of Revenue.

ORANGE WATER AND SEWER AUTHORITY

Table 9

Town of Chapel Hill, NC Direct and Overlapping Property Tax Rates (Per $100 of Assessed Value)
Last Ten Fiscal Years
(Unaudited)

	Years Taxes Payable									
	2013	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**
Chapel Hill within Orange County:										
Town direct rates:										
General Fund	$ 0.378	$ 0.388	$ 0.388	$ 0.388	$ 0.388	$ 0.376	$ 0.386	$ 0.386	$ 0.386	$ 0.372
Transportation	0.041	0.051	0.051	0.051	0.051	0.050	0.060	0.060	0.060	0.054
Debt Service**	0.075	0.075	0.085	0.085	0.085	0.082	0.082	0.098	0.098	0.088
Downtown Service District	0.071	0.071	0.071	0.071	0.071	0.070	0.070	0.070	0.070	0.064
Overlapping rates:										
Orange County	0.858	0.858	0.878	0.878	0.878	0.838	0.850	0.868	0.868	0.819
Chapel Hill - Carrboro School District	0.188	0.208	0.208	0.208	0.208	0.202	0.202	0.202	0.202	0.183
Total	1.611	1.651	1.681	1.681	1.681	1.618	1.650	1.684	1.070	1.002
Chapel Hill within Durham County:										
Town direct rates:										
General Fund	0.378	0.388	0.388	0.388	0.388	0.376	0.386	0.386	0.386	0.372
Transportation	0.041	0.051	0.051	0.051	0.051	0.050	0.060	0.060	0.060	0.054
Debt Service	0.075	0.075	0.085	0.085	0.085	0.082	0.082	0.098	0.098	0.088
Overlapping rates:										
Durham County	0.744	0.744	0.744	0.793	0.740	0.768	0.778	0.712	0.712	0.722
Total	1.238	1.258	1.268	1.317	1.264	1.276	1.306	1.256	1.256	1.236

*Revaluation Year

Source: North Carolina State Department of Revenue

Town of Chapel Hill, NC Demographic and Economic Statistics
Last Ten Fiscal Years
(Unaudited)

Year	Population (1)	Personal Income (in thousands)(2)	Per Capita Personal Income (2)	Median Age (3)	Education Level in Years of Schooling (3)	School Enrollment (4)	Unemployment Rate % (5)
2013	58,424	$ 6,608,945	$ 48,683	25.6	15.82	41,402	5.6
2014	59,271	7,131,776	51,702	25.3	15.82	41,242	4.4
2015	59,653	7,345,876	52,339	25.3	15.82	41,176	4.9
2016	59,753	7,440,708	52,989	25.8	15.82	41,490	5.2
2017	59,569	7,822,299	55,338	25.7	15.82	41,199	4.9
2018	59,903	8,286,315	58,438	26.2	15.82	42,038	4.3
2019	63,178	9,015,914	62,202	26.4	15.82	42,138	3.9
2020	64,051	9,840,004	67,385	26.2	15.82	42,295	4.5
2021	63,634	9,678,411	65,185	25.8	15.82	41,824	4.5
2022	61,912	10,001,400	67,089	25.2	15.82	42,925	3.2

Notes:
(1) Town of Chapel Hill Department of Planning, Office of State Budget and Management
(2) U.S. Department of Commerce, Bureau of Economic Analysis. Data available for Orange County only. Most recent available census data.
(3) U.S. Department of Commerce, most recent available census data.
(4) Chapel Hill-Carrboro City Schools and The University of North Carolina at Chapel Hill.
(5) N.C. Employment Security Commission, Local Area Unemployment Statistics.

ORANGE WATER AND SEWER AUTHORITY

Table 11

Miscellaneous Statistical Data
Year Ended June 30, 2022
(Unaudited)

Year Founded and Incorporated	1975
Size of Service Area:	
Square miles	31
Miles of water pipe	404
Miles of wastewater collection pipe	349
Customer accounts	21,987
Budgeted Employee Positions	139.0
Water Treatment Plant Capacity (in MGD):	
Capacity	20
Production average	6.6
Production peak	8.6
Wastewater Treatment Plant Capacity (in MGD):	
Capacity	14.5
Average daily flow	7.8
Number of Water Supply Resources	4
Total Capacity of Water Supply Resources (millions of gallons):	
Cane Creek Reservoir	3,000
University Lake	450
Quarry Reservoir	200
Jordan Lake Level II Allocation	5 MGD

Source: Orange Water and Sewer Authority's Records

ORANGE WATER AND SEWER AUTHORITY

Table 12

Full-Time Equivalents (authorized)
Last Ten Fiscal Years
(Unaudited)

	Fiscal Year									
Department	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**	**2013**
General and Administrative:										
Office of the Executive Director	7.00	7.00	7.00	7.00	6.00	5.50	5.50	5.50	6.50	7.00
Customer Service	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00	7.50	7.50
Engineering	16.00	16.00	16.00	16.00	15.00	14.00	14.00	14.00	13.00	13.00
Human Resources	4.00	4.00	4.00	4.00	3.00	3.00	3.00	3.00	2.50	2.50
Finance	5.00	5.00	5.00	5.00	6.00	6.00	6.00	6.00	7.50	7.50
Information Technology	5.00	5.00	5.00	5.00	5.00	4.00	4.00	4.00	4.00	4.00
Operations:										
Water Supply and Treatment	25.00	25.00	25.00	25.00	26.00	25.50	25.50	25.50	26.50	25.00
Water Distribution	35.00	35.00	35.00	35.00	33.00	32.00	32.00	32.00	32.00	30.00
Wastewater Treatment	23.00	23.00	23.00	23.00	23.00	22.50	22.50	22.50	21.50	23.00
Sewer Collection	13.00	13.00	13.00	13.00	13.00	15.00	14.00	14.00	14.00	16.00
Totals	142.00	142.00	142.00	142.00	139.00	136.50	135.50	135.50	135.00	135.50

Source: Orange Water and Sewer Authority's Human Resource Department

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& ASSOCIATES, CPAs, P.A.
"A Professional Association of Certified Public Accountants and Management Consultants"

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

Independent Auditor's Report

To the Board of Directors
Orange Water and Sewer Authority
Carrboro, 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 financial statements of the business-type activities of the Orange Water and Sewer Authority (the "Authority"), a component unit of the Town of Chapel Hill, North Carolina, as of and for the year ended June 30, 2022 and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated October 5, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our 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 entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, North Carolina
October 5, 2022

MARTIN ♦ STARNES
& ASSOCIATES, CPAs, P.A.
"A Professional Association of Certified Public Accountants and Management Consultants"

Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; Required by the Uniform Guidance and the State Single Audit Implementation Act

Independent Auditor's Report

To the Board of Directors
Orange Water and Sewer Authority
Carrboro, North Carolina

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Orange Water and Sewer Authority's compliance with the types of compliance requirements described in the OMB *Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission that could have a direct and material effect on each of the Orange Water and Sewer Authority's major federal programs for the year ended June 30, 2022. The Orange Water and Sewer Authority's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings, Responses and Questioned Costs.

In our opinion, the Orange Water and Sewer Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

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

We are required to be independent of the Orange Water and Sewer Authority and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Orange Water and Sewer Authority's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material non-compliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Orange Water and Sewer Authority's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance, and the State Single Audit Implementation Act will always detect material non-compliance when it exists. The risk of not detecting material non-compliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Non-compliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Orange Water and Sewer Authority's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance, and the State Single Audit Implementation Act, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material non-compliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Orange Water and Sewer Authority's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the Orange Water and Sewer Authority's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance and the State Single Audit Implementation Act, but not for the purpose of expressing an opinion on the effectiveness of the Orange Water and Sewer Authority's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, non-compliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material non-compliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in*

internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

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

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, North Carolina
October 5, 2022

ORANGE WATER AND SEWER AUTHORITY

SCHEDULE OF FINDINGS, RESPONSES AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2022

1. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued on whether the financial statements audited were prepared in accordance to GAAP:	Unmodified			
Internal control over financial reporting:				
• Material weakness(es) identified?	_____	Yes	X	No
• Significant deficiency(ies) identified?	_____	Yes	X	None reported
Non-compliance material to financial statements noted?	_____	Yes	X	No

Federal Awards

Internal control over major federal programs:				
• Material weakness(es) identified?	_____	Yes	X	No
• Significant deficiency(ies) identified?	_____	Yes	X	None reported
Type of auditor's report issued on compliance for major federal programs:	Unmodified			
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	_____	Yes	X	No

Identification of major federal programs:

AL No(s)	Names of Federal Programs or Cluster
66.468	Drinking Water State Revolving Fund (DWSRF) Cluster

Dollar threshold used to distinguish between Type A and Type B programs	$750,000			
Auditee qualified as low-risk auditee?	_____	Yes	X	No

ORANGE WATER AND SEWER AUTHORITY

SCHEDULE OF FINDINGS, RESPONSES AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2022

2. Findings Related to the Audit of the Basic Financial Statements

None.

3. Findings Related to the Audit of Federal Awards

None.

ORANGE WATER AND SEWER AUTHORITY

SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2022

None reported.

ORANGE WATER AND SEWER AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2022

Grantor/Pass-through Grantor/Program Title	Federal AL Number	State/ Pass-through Grantor's Number	Federal (Direct & Passed-through) Expenditures	State Expenditures	Passed Through To Subrecipients
Federal Grants:					
U.S. Environmental Protection Agency					
Passed-through the N.C. Department of Environmental Quality:					
Division of Water Resources:					
Drinking Water State Revolving Fund (DWSRF) Cluster:					
Capitalization Grants for Drinking Water State Revolving Funds	66.468	WIF-1981	$ 1,280,059	$ -	$ -
Capitalization Grants for Drinking Water State Revolving Funds	66.468	WIF-1983	25,818	-	-
Total Drinking Water State Revolving Fund (DWSRF) Cluster			1,305,877	-	-
Total U.S. Environmental Protection Agency			1,305,877	-	-
U.S. Department of Homeland Security					
Passed-through the N.C. Department of Public Safety:					
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	81373 P/W 1528	10,096	3,365	-
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	102955 P/W 2687	463	-	-
Total Disaster Grants - Public Assistance (Presidentially Declared Disasters)			10,559	3,365	-
Total U.S. Department of Homeland Security			10,559	3,365	-
Total Federal Assistance			1,316,436	3,365	-
State Grants:					
N.C. Department of Environmental Quality					
Division of Water Resources:					
State Reserve Loan		H-SRP-D-17-0021	-	158,946	-
Total N.C. Department of Environmental Quality			-	158,946	-
Total State Assistance			-	158,946	-
Total Federal and State Assistance			$ 1,316,436	$ 162,311	$ -

Notes to the Schedule of Expenditures of Federal and State Awards:

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal and State Awards (SEFSA) includes the federal and state grant activity of the Orange Water and Sewer Authority under the programs of the federal government and the State of North Carolina for the year ended June 30, 2022. The information in this SEFSA is presented in accordance with the requirements of Title 2 US *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the State Single Audit Implementation Act. Because the schedule presents only a selected portion of the operations of the Orange Water and Sewer Authority, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Orange Water and Sewer Authority.

2. Summary of Significant Accounting Policies

Expenditures reported in the SEFSA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Orange Water and Sewer Authority has elected not to use the 10-percent de minimus indirect cost rate as allowed under the Uniform Guidance.

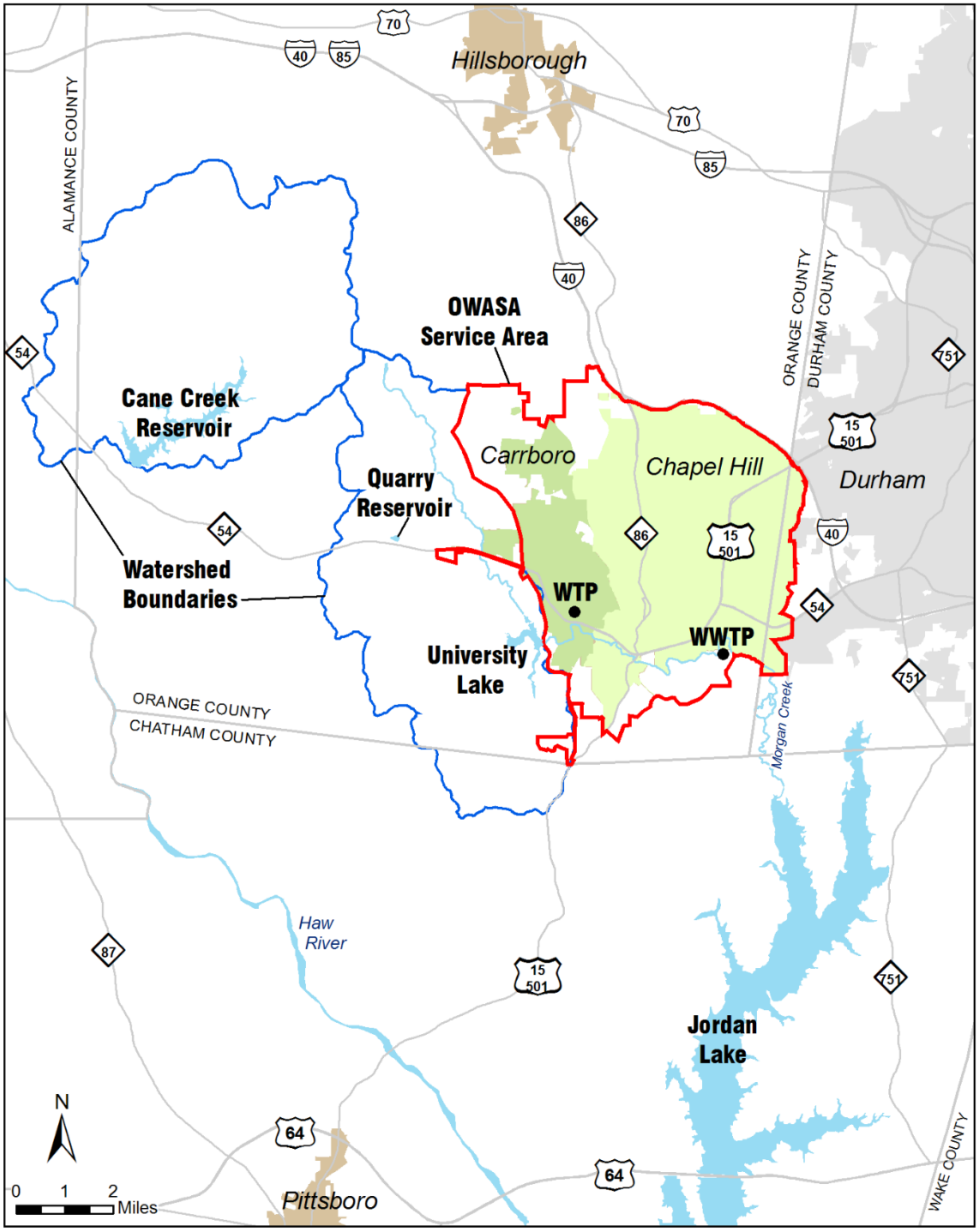
3. Loans Outstanding

The Authority had the following loan balances outstanding at June 30, 2022 for loans that the grantor/pass-passthrough grantor has still imposed continuing compliance requirements. Loans outstanding at the beginning of the year and loans made during the year are included in the SEFSA. The balance of loans outstanding at June 30, 2022 consist of:

Program Title	**AL Number**	**Pass-Through Grantor's Number**	**Amount Outstanding**
Capitalization Grants for Drinking Water State Revolving Funds	66.468	WIF-1981	$ 603,140
State Reserve Loan	N/A	H-SRP-D-17-0021	753,186
State Reserve Loan	N/A	E-SRP-W-17-0047	191,659

4. Indirect Cost Rate

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



OWASA

Orange Water and Sewer Authority

OWASA is Carrboro-Chapel Hill's not-for-profit public service agency delivering high quality water, wastewater, and reclaimed water services.