

AGENDA
Lower Cape Fear Water & Sewer Authority
1107 New Pointe Boulevard, Suite # 17, Leland, North Carolina
9:00 a.m. – Regular Monthly Board Meeting
January 12, 2026

MEETING CALL TO ORDER: Chairman Phillips

INVOCATION

PLEDGE OF ALLEGIANCE

APPROVAL OF CONSENT AGENDA

- C1** – Minutes of December 8, 2025, Regular Board Meeting
- C2** – Kings Bluff Monthly Operations and Maintenance Report
- C3** – Bladen Bluffs Monthly Operations and Maintenance Reports
- C4** – Line-Item Adjustment for November 30, 2025

PRESENTATION TO: Patrick DeVane, Bladen County, by Chairman Scott Phillips

NEW BUSINESS

- NB1** – Presentation of Annual Audit Report for Fiscal Year Ending June 30, 2025
- NB2** – Appointment of Calendar Year 2026 Finance Committee by Chairman DeVane
- NB3** – Appointment of Calendar Year 2026 Personnel Committee by Chairman DeVane
- NB4** – Appointment of Calendar Year 2026 Long Range Planning Committee by Chairman DeVane
- NB5** – Resolution to Proceed with Purchase of Steel Coil for Project 2 (Phase 3) of the 10 Mile Phased Parallel Raw Water Line Project

ENGINEER'S COMMENTS

ATTORNEY COMMENTS

EXECUTIVE DIRECTOR REPORT

- EDR1** – Comments on Customers' Water Usage and Raw Water Revenue for Fiscal Year to Date Ending December 31, 2025
- EDR2** – Operating Budget Status, Ending November 30, 2025
- EDR3** – Summary of Activities
- EDR4** – Proposed Budget Calendar

DIRECTOR'S COMMENTS AND/OR FUTURE AGENDA ITEMS

PUBLIC COMMENT

CLOSED SESSION

CS1 – Closed Session in accordance with N.C.G.S. §143-318. 11(a)(3) to discuss with our attorney a matter within the attorney-client privilege

ADJOURNMENT

The next board meeting of the Lower Cape Fear Water & Sewer Authority is scheduled for Monday, February 9th at 9:00 a.m. in the Authority's office located at 1107 New Pointe Boulevard, Suite 17, Leland, North Carolina.

AGENDA ITEM

To: CHAIRMAN PHILLIPS AND BOARD MEMBERS

From: TIM H. HOLLOMAN, EXECUTIVE DIRECTOR

Date: January 12, 2026

Re: Consent Agenda

Reviewed and approved as to form: MATTHEW A. NICHOLS, AUTHORITY ATTORNEY

Please find enclosed the items of a routine nature for consideration and approval by the Board of Directors with one motion. However, that does not preclude a board member from selecting an item to be voted on individually, if so desired.

- C1** – Minutes of December 8, 2025, Regular Board Meeting
- C2** – Kings Bluff Monthly Operations and Maintenance Report
- C3** – Bladen Bluffs Monthly Operations and Maintenance Report
- C4** – Line-Item Adjustment for November 30, 2025

Action Requested: Motion to approve/disapprove Consent Agenda.

Lower Cape Fear Water & Sewer Authority
Regular Board Meeting Minutes
December 8th, 2025

Chairman DeVane called to order the Authority meeting scheduled on December 8th, 2025, at 9:00 a.m. and welcomed everyone present. The meeting was held at the Authority's office located at 1107 New Pointe Boulevard, Suite 17, Leland, North Carolina. Director Sue gave the invocation.

Roll Call by Vice-Chairman Phillips:

Present: Damien Buchanan, Patrick DeVane, Jerry Groves, Harry Knight, Scott Phillips, Charlie Rivenbark, Chris Smith, Bill Sue, Phil Tripp, Frank Williams, and Rob Zapple

Present by Virtual Attendance: Al Leonard and Bill Saffo

Absent: Wayne Edge

Staff: Tim H. Holloman, Executive Director; Matthew Nichols, General Counsel; Sam Boswell, COG; and Danielle Hertzog, Financial Administration Assistant

Guests Present: Jorgen Holmberg, Computer Warriors; David Carson, Brunswick County Kings Bluff Water Resource Supervisor; Chris Giesting, Brunswick County Water Resources Manager; Anthony Colon, Pender County Utilities Director; James Proctor, Pender County Utilities Deputy Director; David Fournier, HDR Construction Services; Will Shull, HDR Associate Vice President; Kevin Morris, Cape Fear Public Utility Authority Deputy Director; Jeff Gramm, Cape Fear Public Utility Authority Treatment/Engineering Services Administration; Benjamin Kearns, Cape Fear Public Utility Authority Water Resources Manager Water Treatment

Guests Virtual Attendance: Heidi Cox, NC DEQ Regional Engineering Supervisor, Division of Water Infrastructure; Aaron Smith, Brunswick County Director of Fiscal Operations; John Nichols, Brunswick County Public Utilities Director; Jess Powell, P.E., McKim & Creed; Ken Waldroup, Cape Fear Public Utility Authority Executive Director; Caleb Stoker, Smithfield Foods, Senior EHS Manager

PLEDGE OF ALLEGIANCE: Chairman DeVane led the Pledge of Allegiance.

APPROVAL OF CONSENT AGENDA

C1 – Minutes of November 10, 2025, Regular Board Meeting

C2 – Kings Bluff Monthly Operations and Maintenance Report

C3 – Bladen Bluffs Monthly Operations and Maintenance Reports

C4 – Line-Item Adjustment for October 31, 2025

Director Zapple is requesting a more comprehensive update on the issues with TMEIC/Underwood, along with a defined strategy for addressing the ongoing VFD troubleshooting efforts.

Motion: Director Zapple **MOVED**; seconded by Director Rivenbark, approval of the Consent Agenda Items. Upon voting, the **MOTION CARRIED UNANIMOUSLY**.

NEW BUSINESS

NB1- Election of Authority's Board of Directors Officers for the term of January 1, 2026, until December 31, 2026

Chairman DeVane presented the following slate of officers for board consideration from January 1, 2026, to December 31, 2026. Per the Authority's Bylaws (Article III. - Officers 1.), the chairmanship shall rotate among the political subdivisions, with Brunswick County next in the rotation.

Chairman: Scott Phillips (Brunswick County)
Vice-Chairman: Al Leonard (Columbus County)
Secretary: Charlie Rivenbark (City of Wilmington)
Treasurer: Damien Buchanan (Pender County)
Assistant Treasurer: Harry Knight (New Hanover County)

Motion: Director Williams **MOVED**; seconded by Director Zapple, approval of the Board of Directors Officers for the term of January 1, 2026, until December 31, 2026. Upon voting, the **MOTION CARRIED UNANIMOUSLY**

NB2- Approval of Authority's 2026 Regular Scheduled Meeting Calendar

Motion: Director Williams **MOVED**; seconded by Director Knight, approval of the Authority's 2026 Regular Scheduled Meeting Calendar. Upon voting, the **MOTION CARRIED UNANIMOUSLY**.

NB3- Draft Resolution Adopting Ransomware Cybersecurity Policy

Executive Director Holloman advised that we are still working on the policy, as this policy is not mandated; however, Matt Nichols is researching best practices and statewide guidance. Executive Director Holloman stated that staff will continue working on the policy and will bring it back to the board in a few months.

PRESENTATION: Will Shull with HDR Design Build Process Update

A copy of the presentation will be attached to the minutes.

ENGINEER'S COMMENTS

No comments

ATTORNEY COMMENTS

Matt Nichols wanted to let the board know that he and Executive Director Holloman attended the IBT public hearing in Fayetteville. They will also attend the public hearing in Raleigh on December 9th, 2025.

EXECUTIVE DIRECTOR REPORT

EDR1 – Comments on Customers' Water Usage and Raw Water Revenue for Fiscal Year to Date Ending November 30, 2025

Executive Director Holloman reported that during November, CFPUA and Pender County exceeded projections.

DIRECTOR'S COMMENTS AND/OR FUTURE AGENDA ITEMS

Director Zapple requested that, at a future meeting, the board receive an update on the check dams for the Kings Bluff intakes.

PUBLIC COMMENT

No comments.

ADJOURNMENT

There being no further business, Chairman DeVane adjourned the meeting at 9:50 a.m.

Respectfully Submitted:

Al Leonard, Secretary



Project Status Update

Lower Kings Bluff
54-In Raw Water
Transmission Main Project

December Board Meeting

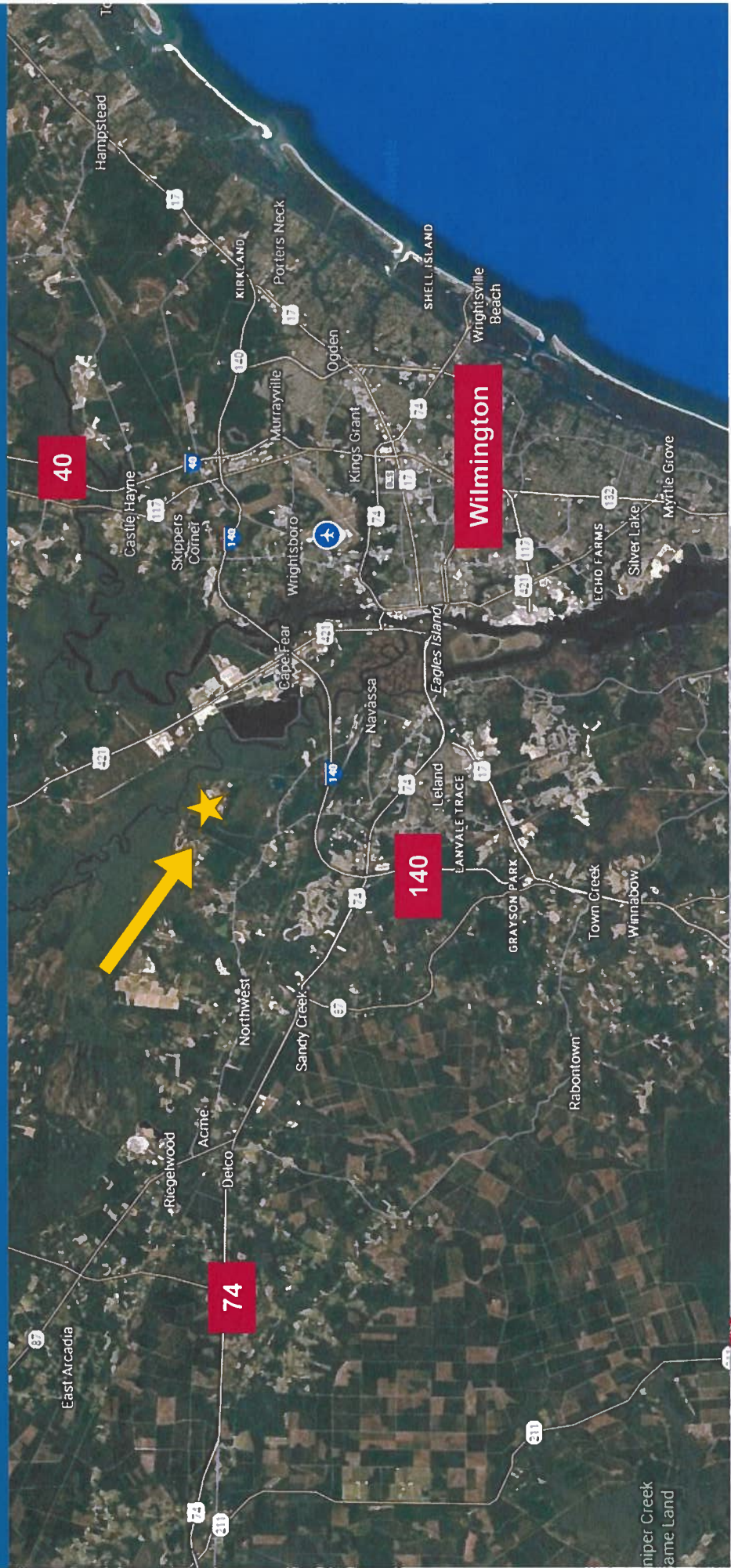
12/8/25



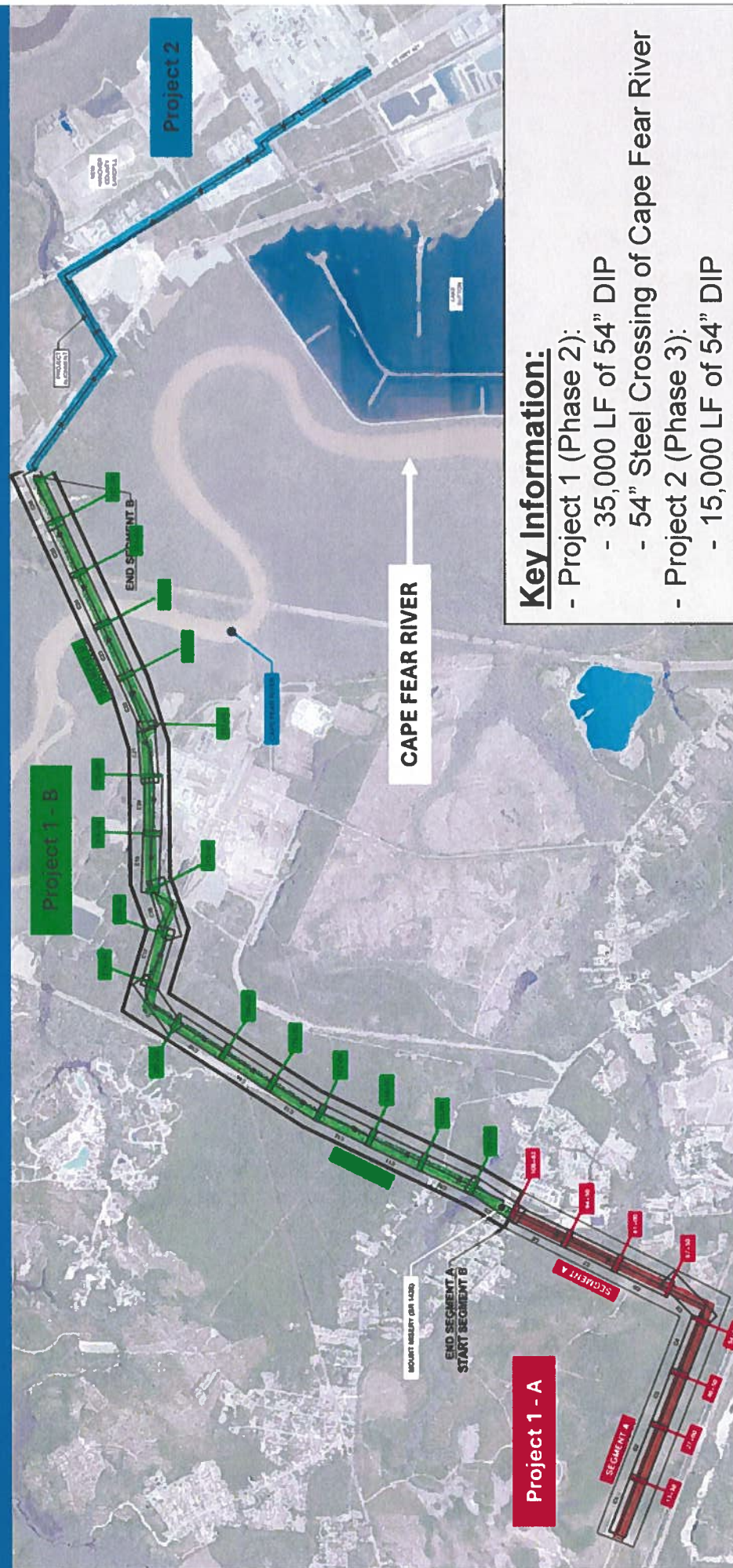
Agenda

- 01 Project Recap**
- 02 Project Status**
- 03 Funding Management**
- 04 Contract Support**

Project Location



Project Scope



Project 1 – Status – Construction Phase

1A

~100%

10,883 LF /
10,883 LF

1B

86%

20,711 LF /
24,117 LF

Total Pipe Installed

90%

31,594 LF /
35,000 LF

DB Team Pay Applications Burn Rate



Total Cost

86%

\$33.4M Requested
\$39.5M Contract

Project 1 Construction Highlights

Railroad
Crossing

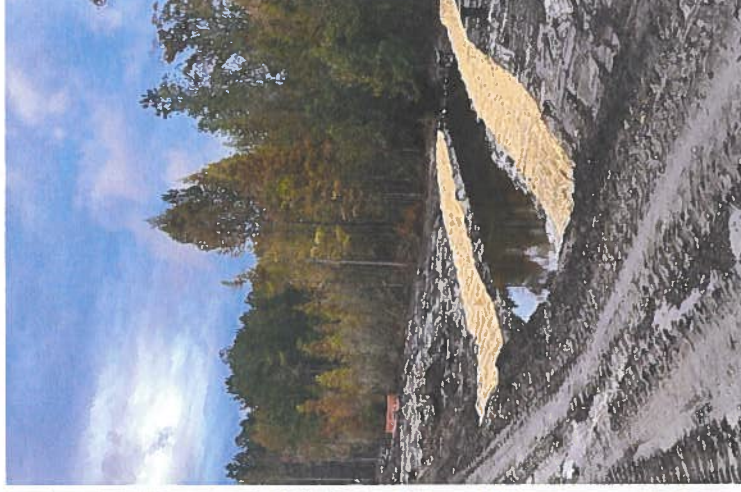
Groundwater
Treatment

Pipe Inspection

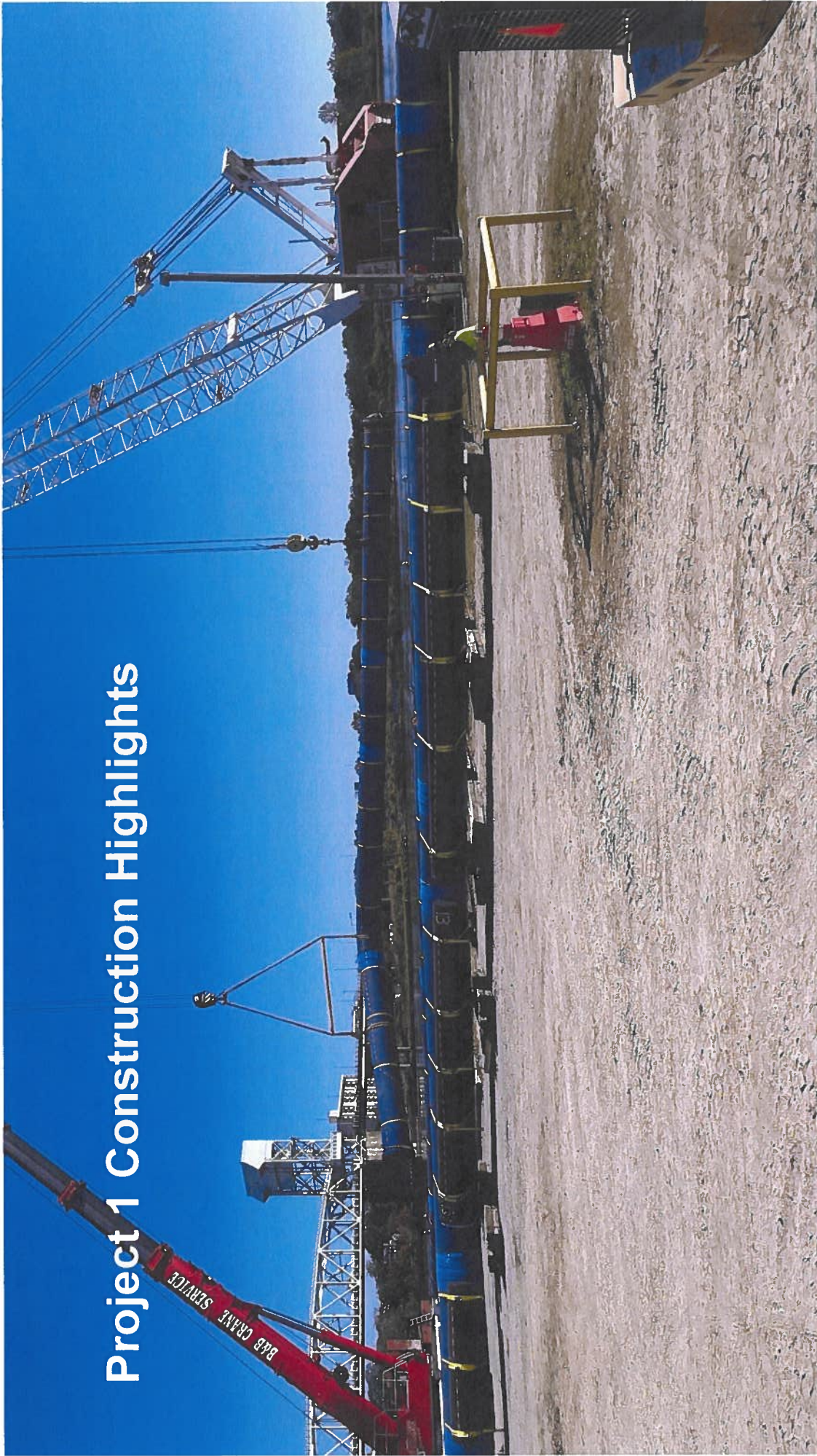
DOT Roadway
Crossings

Creek Crossings

River Crossings



Project 1 Construction Highlights

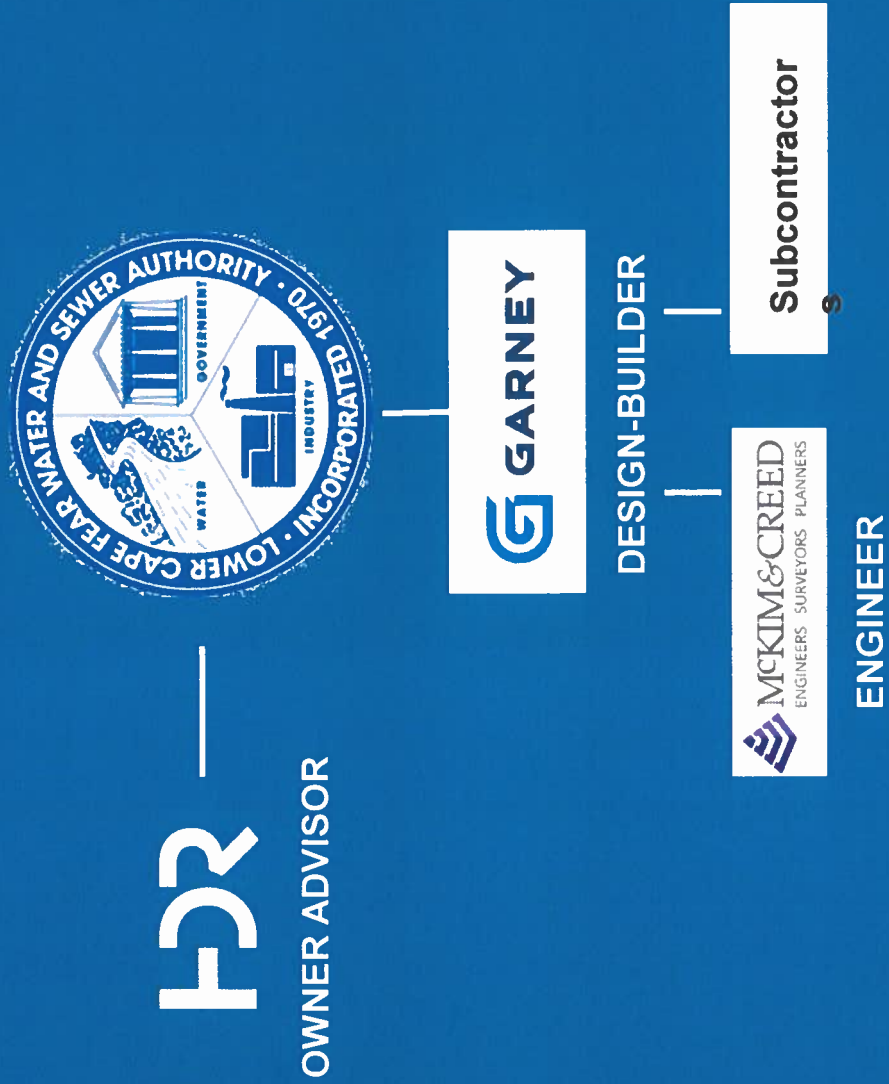


Project 2 – Status – Preconstruction Phase

- **Detail Design**
 - Alignment set
 - 75% Plan Development – Dec. 2025
- **Easements**
 - Property Appraisals Complete
- **GMP**
 - #1 – Release Steel Coil (Dec.)
 - #2 – Balance of the Work
- **Construction**
 - April 2026 Anticipated NTP

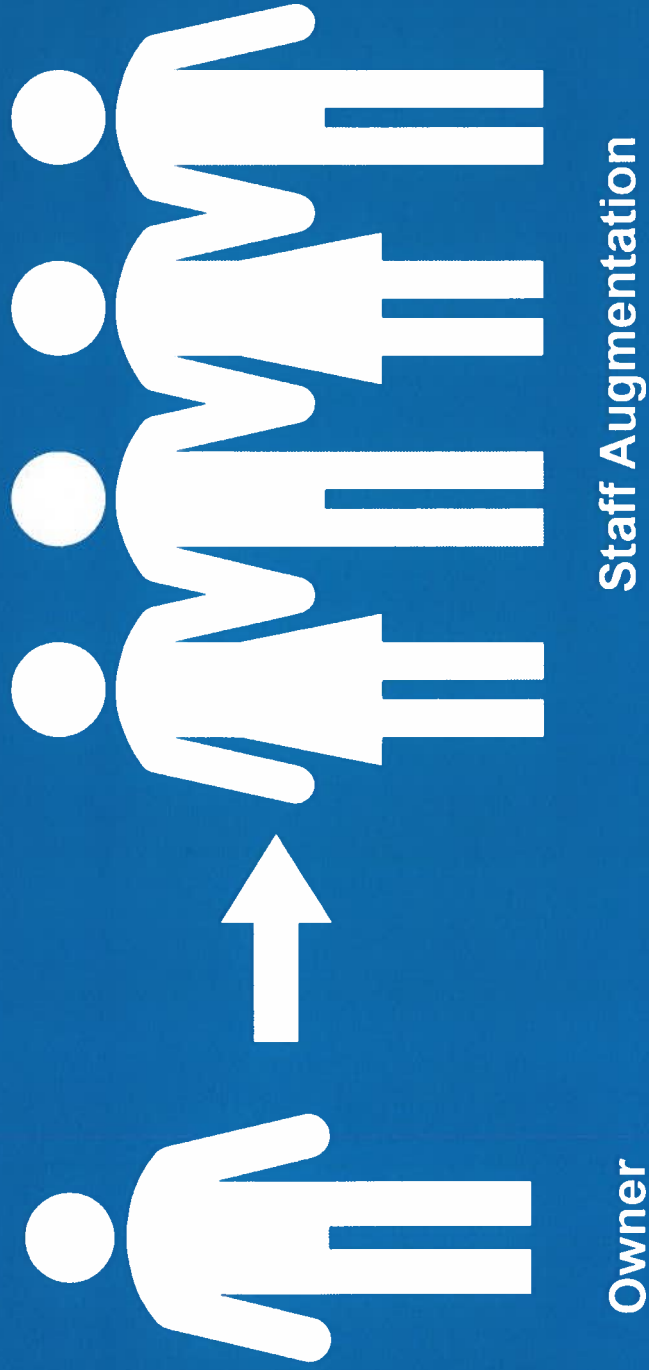


Org Chart



Owner's Advisor

A collaborative partner who has the flexibility and expertise to help you meet your objectives for a project or program



Quality Control and Assurance (Construction)



Pipe

Holiday Testing
Coating Thickness
Mortar Lining
Pipe Thickness
Burial Depth
Cathodic System

Joint Connections

Wraps
Tack Welds
Permanent Welds
Bell Spigot Lap Welds
Third Party Testing

Backfill

Stone Bedding
Survey Pipe to Final Grade.
Spring Line Cover
Tracer Wire and Tape
Compaction and soils



Erosion Sediment Controls

Seeding
Slope Stabilization
Turbidity Curtains
Diversion Swales and Piping
Silt Fence

River Crossing

- Bathymetric Survey
- Marine Pipe Joint Connection
- Marine Pipe Coatings
- Hardware and Gasket Materials
- Cathodic System

EHS

Environmental
Health
Safety



Funding Management

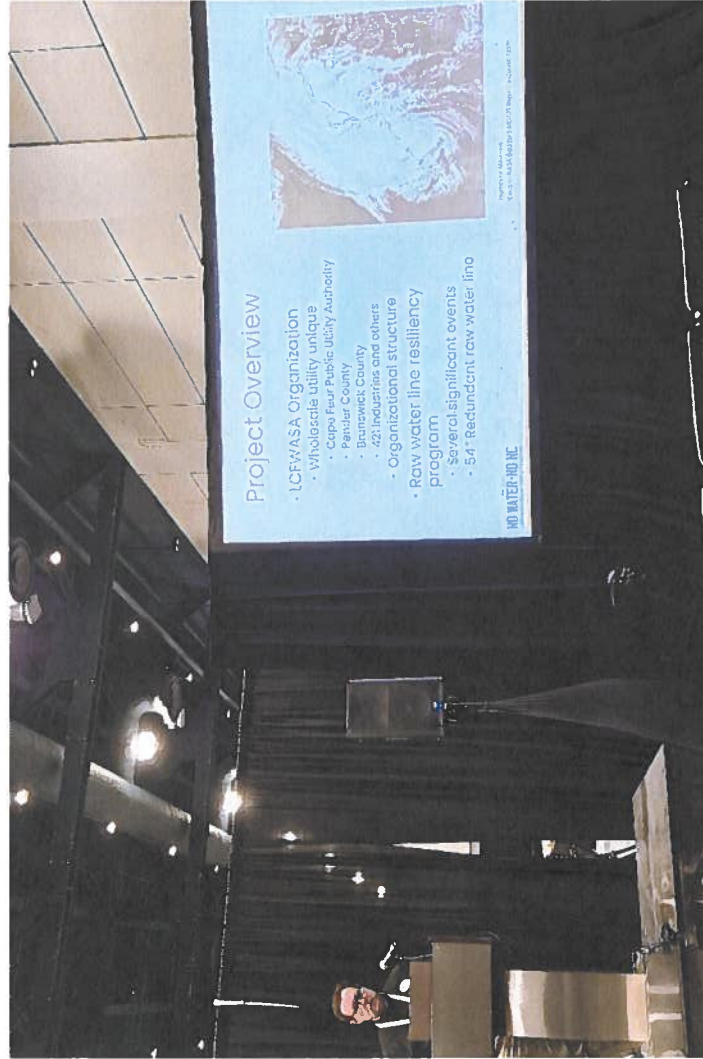
Three funding sources

- ARPA – Federal grant
 - 2 CFR Part 200 (aka Uniform Guidance) fully applies
 - Federal procurement
 - Not an infrastructure program
- DWSRF – low-interest loan
 - Some federal conditions apply per § 200.101
 - State procurement process
- State grant
 - No environmental document
 - Directed grant – no engineering report required



	Funding Source
Project 1	ARPA Grant
Project 2	State Grant
	State Grant
	DWSRF (CFPUA)

Funding Management



- NC OneWater Annual Conference
- November 2025
- Focus: Funding
- Tim Holloman & Kim Colson

Contracts

- **Project 2 – Contract Document Development**
 - 520 – Preliminary Agreement
 - **525 – Construction Agreement**
 - **535 – General Conditions**
- **Work with LCFWASA Council to Develop**



EXHIBIT A



STANDARD FORM OF AGREEMENT
BETWEEN OWNER AND DESIGN-BUILDER - LUMP SUM

STANDARD FORM OF GENERAL
CONDITIONS OF CONTRACT
BETWEEN OWNER AND
DESIGN-BUILDER

Document No. 625
Second Edition, 2010
© Design-Build Institute of America
Washington, DC

Document No. 535
Second Edition, 2010
© Design-Build Institute of America
Washington, DC

BRUNSWICK COUNTY PUBLIC UTILITIES

Kings Bluff Pump Station/LCFWASA

246 Private Rd. 703
Riegelwood, NORTH CAROLINA 28456

MAILING ADDRESS
P. O. Box 249
BOLIVIA, NORTH CAROLINA 28422

TELEPHONE (910) 655-4799
FAX (910) 655-4798

TO: Tim Holloman

FROM: David Carson

DATE: 1/1/2026

SUBJECT: Monthly maintenance report for December 2025

Mr. Holloman,

The Maintenance and Operations of the King's Bluff facility (KB) for the month of December were performed as prescribed in the station SOP'S and other items are as follows.

The diesel drive booster pumps along with the standby System Computer and Data Acquisition (SCADA) generator located at the raw tank and the SCADA generator located at INVISTA / CFPUA vaults off HWY 421 were run and tested weekly and verified standby ready.

Items Highlighted in yellow were on Annual Inspection

KB personnel completed all locates issued by the Boss 811 system.

KB personnel continued to organize spare parts room in generator building.

KB personnel painted oil overflow/vent boxes containers at Generator building.

KB personnel assisted Garney Construction in location of valve at Pender County.

KB personnel along with Underwood Pump trouble shoot harmonic/voltage issues with V.F.D. (Variable Frequency Drive).

KB personnel began installing Mission/Mydro850 monitoring call out system to assist on call personnel at Kings Bluff.

KB personnel scraped floor of generator building to be epoxied painted later.

KB personnel have been inspecting the Right Of Ways (ROW) as LJ.s has been cutting the ROW.

KB personnel painted electrical box connection at generator building.

KB personnel along with I&E (Instrumentation and Electrical) and Randy Haire assisted TMEIC with trouble shooting issues with V.F.D.#1 (Variable frequency drive) and the recurring cooling fan fault that has been the main fault that has been a consistent problem since VFD#1 was installed as we have discovered it has been an ongoing power quality issue that is under investigation. It seems to be that this newer technology of these VFD's that we now have are much more sensitive to dips and swells of the power whether it be on utility or generator power - *this is a power quality issue*. TMEIC has made some parameter adjustment to all three VFD's and all three VFD/Pumps have performed well for the last few weeks on utility power. We have asked for assistance from McKim& Creed and have been trying to get Nasir Farah all the information that we can and are working to get McKim& Creed, TMEIC, and Russel Underwood together to work on a solution to this power quality issue.

KB personnel assisted United Insulation in insulating Air relief valves (ARV) on Booster Pumps at raw tank (Winterizing).

KB personnel opened valves at blow offs to purge water on right of way and bypassed the first section of 48" line in preparation for a minor repair on the Pressure Reducing Valve (P.R.V.)

KB personnel, in conjunction with Gary Wilkerson from Underwood Pump, flushed screens and changed faulty gaskets at P.R.V. and some maintenance training.

KB personnel helped I&E (Instrumentation and Electrical) to replace faulty wire from MCC-2/electrical panel to heaters in gallery of pump room #4 & #5.

KB personnel applied electrical warning/hearing protection signage at various locations in generator building.

Contractors:

I&E (Instrumentation and Electrical) replaced Rosemont sensors

TMEIC

Underwood pump

Randy Haire

United Insulation

McDuffie Pest Control

LJ's land management continued to cut R.O.W. (right of way)

David Carson



To: Tim Holloman - LCFWASA

From: James Kern – Bladen Bluffs SWTP ORC

Date: 1/2/26

Subject: December 2025 Operations

During the month of December, Bladen Bluffs SWTP operated a total of 22 days, treating 56.81 million gallons of water.

We used:

30,146 lbs. of aluminum sulfate (Alum)

7,210 lbs. of sodium hydroxide (Caustic)

1,181 lbs. of sodium hypochlorite (2,372 gallons of 6% Chlorine Bleach)

James Kern
Water Treatment Plant
Supervisor

(910) 862-3114
(910) 862-3146
(910) 733-0016 mobile
jkern@smithfield.com

Smithfield.
Good food. Responsibly.®

Bladen Bluffs Surface Water Treatment
Plant
17014 Highway 87 West
Tar Heel, NC 28392
www.smithfieldfoods.com

Bladen Bluffs SWTP Maintenance Report

Date: 1/2/2026

ISSUE:

PLAN OF ACTION:

All PLC need updated	Quote received...plan to order hardware and schedule install/update soon
Vault intrusion electrical needs replaced	Parts arrived – scheduling install when SEC here for large electrical repair
Wooden walkway to river needs replacement	Planning repair/replace
Transfer pump #2 NA	Bad wire – temp fix. Scheduling for when SEC here for large electrical repair
Look into replacing worn out safety signs	IN PROGRESS
Suspect a mud valve is leaking	Inspected – NO leak
Outdoor digital displays no good	Ordering new
RWPS level indicator not working	Ordering new indicator
Settle Basin need cleaning	COMPLETE
Caustic transfer pump keep tripping out	Repaired both

Monthly Operating Reports (MORs) Summary

(No user data entry – all values are auto-populated.)

Year: <u>2025</u>	PWS Name: <u>Bladen Bluffs Water System</u>	PWSID#: <u>NC5009012</u>
Month: <u>December</u>	Facility Name: <u>Bladen Bluff</u>	

Combined Filter Effluent (CFE) Turbidity

Samples exceeding 1 NTU (count): <u>0</u>	Number of samples required: <u>114</u>
Samples exceeding .3 NTU (count): <u>0</u>	Number of samples taken: <u>116</u>
Samples exceeding .3 NTU (pct): <u>0.0%</u>	Highest single turbidity reading NTU: <u>0.168</u>
	Monthly average turbidity NTU: <u>0.048</u>

Individual Filter Effluent (IFE) Turbidity

1) Was each filter <u>continuously</u> monitored for turbidity?	Yes	<u>X</u>	No	
2) Was each filter's monitoring results <u>recorded every 15 minutes</u> ?	Yes	<u>X</u>	No	
3) Was there a failure of the continuous turbidity monitoring equipment?	Yes		No	<u>X</u>
4) Was any individual filter turbidity level > 1.0 NTU in two consecutive measurements ?	Yes		No	<u>X</u>
5) Was any individual filter turbidity level > 0.5 NTU in two consecutive measurements at the end of 4 hours of operation after the filter has been backwashed or otherwise taken offline ?	Yes		No	<u>X</u>
6) Was any individual filter turbidity level > 1.0 NTU in two consecutive measurements in each 3 consecutive months ?	Yes		No	<u>X</u>
7) Was any individual filter turbidity level > 2.0 NTU in two consecutive measurements in 2 consecutive months ?	Yes		No	<u>X</u>

Entry Point Residual Disinfectant Concentration (EPRD)

Disinfectant Used <u>Chlorine</u>	Number of samples required <u>114</u>
Minimum EPRD concentration <u>1.0000</u>	Number of samples taken <u>116</u>

Distribution Residual Disinfectant Concentration

Number of samples under 0.010 mg/L (without any detectable) excluding where HPC is ≤ 500/mL	<u>0</u>
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Contact Time (CT) Ratio

Lowest CT ratio reading <u>12.80</u>	Number of CT ratios required <u>22</u>
Number of CT ratios below 1.0 <u>0</u>	Number of CT ratios calculated <u>22</u>

Remarks From General Info Worksheet

☒ By checking this box, the ORC certifies that the requirements of 15A NCAC 18C .1301 "General Requirements", .1302 "Tests, Forms, and Reporting", and .1303 "Facility Oversight" have been met for the month of December, 2025 and that records documenting compliance with this rule are maintained on the premises and available for inspection upon request.

NCDENR/DEH
PWSS
Version: V02.10-00

COMPLETED BY: James Kern

CERTIFICATE GRADE: A - Surface

CERTIFICATE NUMBER: 120147

CONSENT AGENDA (C4)**Lower Cape Fear Water & Sewer Authority**

CONSENT ITEM- Background: Line-Item adjustments are made to align revenues and expenditures more closely to actuals without exceeding or decreasing the approved or amended budget.

LINE-ITEM ADJUSTMENTS FOR 11/30/2025

Operating Fund:	Line-Item Budget Amount prior to Adjustment	Decrease	Increase	Budget Amount as of 11/30/2025
Expenses				
4046-00 Professional Services General	\$55,000		\$75,000	\$130,000
4048-01 Engineer	\$150,000	\$(82,500)		\$67,500
4062-01 Office Equipment	\$30,000		\$5,000	\$35,000
4070-01 Travel & Training	\$36,000		\$2,500	\$38,500
Total	\$271,000	\$(82,500)	\$82,500	\$271,000

AGENDA ITEM

To: CHAIRMAN PHILLIPS AND BOARD MEMBERS

From: TIM HOLLOMAN, EXECUTIVE DIRECTOR

Date: January 12, 2026

Re: Presentation of Annual Audit Report for Fiscal Year Ending June 30, 2025 (Thompson, Price, Scott, Adams & Co., P.A.)

A representative from the Authority's auditor, Thompson, Price, Scott, Adams & Co., P.A., will present the *Annual Financial Report for the Year Ended June 30, 2025*.

The complete report is also available for members as a hard copy or PDF file if desired.

Action Requested: For information purposes only.



LOWER CAPE FEAR WATER AND SEWER AUTHORITY

ANNUAL FINANCIAL REPORT
For the Year Ended June 30, 2025

ANNUAL BUDGET

Fiscal Year 2024 - 2025



LOWER CAPE FEAR WATER & SEWER AUTHORITY
1107 NEW POINTE BLVD., SUITE 17
LELAND, NORTH CAROLINA 28451

AUTHORITY BOARD OF DIRECTORS

PATRICK DEVANE, CHAIRMAN
SCOTT PHILLIPS, VICE CHAIRMAN
AL LEONARD, SECRETARY
CHARILE RIVENBARK, TREASURER
JERRY GROVES, ASSISTANT TREASURER
DAMIEN BUCHANAN
WAYNE EDGE
HARRY KNIGHT
BILL SAFFO
CHRIS SMITH
WILLIAM SUE
PHIL TRIPP
FRANK WILLIAMS
ROB ZAPPLE

BLADEN COUNTY
BRUNSWICK COUNTY
COLUMBUS COUNTY
CITY OF WILMINGTON
PENDER COUNTY
PENDER COUNTY
BLADEN COUNTY
NEW HANOVER COUNTY
CITY OF WILMINGTON
COLUMBUS COUNTY
BRUNSWICK COUNTY
BRUNSWICK COUNTY
BRUNSWICK COUNTY
NEW HANOVER COUNTY

TIM HOLLOMAN, EXECUTIVE DIRECTOR
DANIELLE HERTZOG, ADMINISTRATIVE ASSISTANT

LOWER CAPE FEAR WATER AND SEWER AUTHORITY
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June 30, 2025

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LOWER CAPE FEAR WATER AND SEWER AUTHORITY
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FINANCIAL SECTION



Thompson, Price, Scott, Adams & Co., P.A.
 4024 Oleander Drive Suite 103
 Wilmington, North Carolina 28403
 Telephone (910) 791-4872
 Fax (910) 239-8294

Independent Auditor's Report

To the Chairman of the Board
 and Members of the Board of Directors
 Lower Cape Fear Water and Sewer Authority
 Leland, North Carolina

Report on the Audit of Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities, each major fund, and the aggregate remaining fund information of the Lower Cape Fear Water and Sewer Authority as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise Lower Cape Fear Water and Sewer Authority's basic financial statements as listed in the table of contents.

In our opinion, based on our audit, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, each major fund, and the aggregate remaining fund information of Lower Cape Fear Water and Sewer Authority as of June 30, 2025, and the respective changes in financial position, and cash flows, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for 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. 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 the Lower Cape Fear 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 basis for our audit opinions.

Responsibilities of Management for the Audit of the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; 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.

Members

American Institute of CPAs – N.C. Association of CPAs – AICPA's Private Companies Practice Section

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free of 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 *Governmental Auditing Standards* will always detect 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 *Governmental Auditing Standards* we

- exercised professional judgement and maintained professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Lower Cape Fear 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 the Lower Cape Fear 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 Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Asset (Liability) presented to supplement the basic financial statements. Such information is the responsibility of management, 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 the 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 consist 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 basic financial statements of Lower Cape Fear Water and Sewer Authority. The combining and individual fund financial statements, budgetary schedules, other schedules, as well as the accompanying 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 by us. In our opinion, based on our audit, the procedures performed as described above, the combining and individual fund financial statements, budgetary schedules, other 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2025, on our consideration of the Lower Cape Fear Water and Sewer Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Lower Cape Fear 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 Lower Cape Fear Water and Sewer Authority's internal control over financial reporting and compliance.

Thompson, Price, Scott, Adams & Co., PA
Wilmington, North Carolina
December 5, 2025

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

As management of the Lower Cape Fear Water and Sewer Authority (the "Authority"), we offer readers of the Lower Cape Fear Water and Sewer Authority's financial statements this narrative overview and analysis of the financial activities of the Lower Cape Fear Water and Sewer Authority for the fiscal year ended June 30, 2025. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Authority's financial statements, which follow this narrative.

Financial Highlights

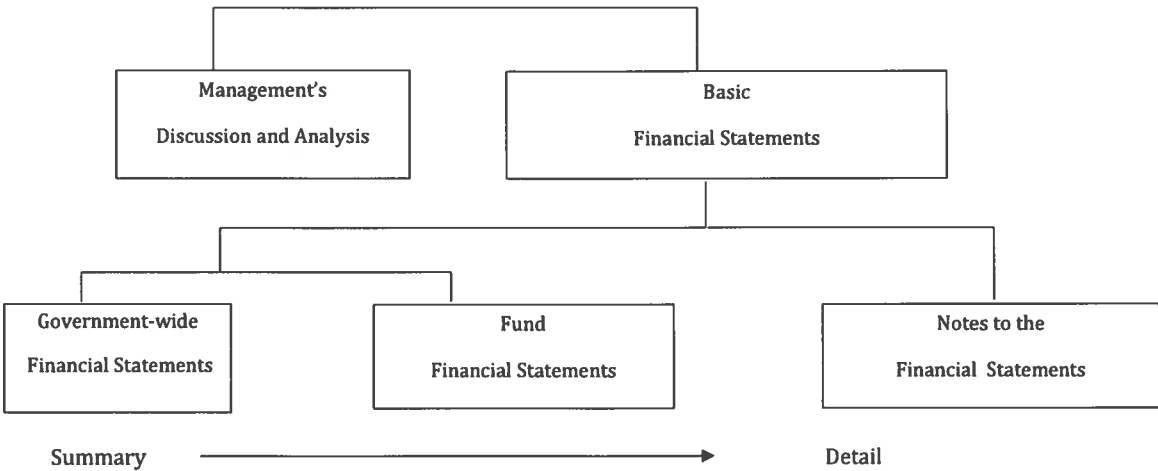
- The assets and deferred outflows of resources of the Lower Cape Fear Water and Sewer Authority exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$54,333,026 (net position).
- The Authority's total net position increased by \$20,975,778, before the restatement.
- As of the close of the current fiscal year, the Lower Cape Fear Water and Sewer Authority reported ending fund balances as follows:

Renewal and Replacement Fund	\$	2,048,503
Right of Way Fund		281,511
System Development Charge Fund		14
Enterprise Capital Project Fund		514,719
Mile Line Project Fund		860,671
- The Lower Cape Fear Water and Sewer Authority's total debt decreased by \$1,035,000 during the current fiscal year due to normal principal payments.

Overview of the Financial Statements

The Authority's primary mission is to provide raw water services to various customers in the Lower Cape Fear region. The Authority does not provide other general purpose government services or programs. As such, the Authority is considered to be, and therefore presents the Authority's financial report, as a stand-alone enterprise fund.

Required Components of Annual Financial Report
Figure 1



Basic Financial Statements

The first three documents (Exhibits A, B, and C) are the **basic financial statements**. They provide both short and long-term information concerning the Authority's financial status. The next section is the **notes** that provide a narrative and data explanation regarding selected financial statement presentations. The next section is the **required supplemental financial data section**. The next five documents (Schedules 1-5) are **supplemental information** that focus on individual funds: one enterprise fund, two project funds, and two special revenue funds.

Government-Wide Financials Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Authority's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the Authority's financial status as a whole.

The government-wide statements report the Authority's net position and how it has changed. Net position is the difference between the Authority's assets and deferred outflows of resources and total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the Authority's financial condition.

The government-wide statements show business-type activities, the only type of activities the Authority has. Business-type activities are those that the Authority charges customers to provide. These include water services offered by the Lower Cape Fear Water and Sewer Authority.

Fund Financial Statements

The fund financial statements provide a more detailed look at the Authority's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Lower Cape Fear Water and Sewer Authority, like all over governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the Authority's budget ordinance. All of the funds of the Lower Cape Fear Water and Sewer Authority are proprietary funds.

Proprietary Funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Lower Cape Fear Water and Sewer Authority uses enterprise funds to account for its water activity.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found following Exhibit C of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning Lower Cape Fear Water and Sewer Authority's progress in funding its obligation to provide pension benefits to its employees.

Financial Analysis

Lower Cape Fear Water and Sewer Authority's Net Position
Figure 2

	Business-Type Activities	
	2025	2024
Assets:		
Current and other assets	\$ 14,861,219	\$ 9,371,018
Capital assets	58,453,673	40,642,321
Total assets	73,314,892	50,013,339
Deferred outflows of resources	73,117	85,038
Liabilities:		
Current liabilities	4,500,475	1,100,543
Long-term liabilities	14,554,397	15,476,200
Total liabilities	19,054,872	16,576,743
Deferred inflows of resources	111	219
Net position:		
Net investment in capital assets	43,068,673	24,222,321
Unrestricted	11,264,353	9,299,094
Total net position	\$ 54,333,026	\$ 33,521,415

As noted earlier, net position may serve over time as one useful indicator of the Authority's financial condition. The assets and deferred outflows of resources of the Authority exceeded liabilities and deferred inflows by \$54,333,026 as of June 30, 2025. The Authority's net position increased by \$20,975,778, before restatement, for the fiscal year ended June 30, 2025. However, the largest portion of net position \$43,068,673 (79%) reflects the Authority's net investment in capital assets (e.g. land, buildings, machinery and equipment). The Lower Cape Fear Water and Sewer Authority uses these capital assets to provide services to customers; consequently, these assets are not available for future spending. Although the Authority's net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources since the capital assets cannot be used to liquidate these liabilities. The remaining balance of \$11,264,353 (21%) is unrestricted.

Several particular aspects of the Authority's financial operations positively influenced the total net position:

- Increase in investment earnings.
- Increase in capital contributions.

Lower Cape Fear Water and Sewer Authority's Changes in Net Position
Figure 3

	Business-Type Activities	
	2025	2024
Revenues:		
Charges for services	\$ 9,246,891	\$ 10,098,155
Other operating	116,124	89,005
Investment earnings	229,422	42,221
Other non-operating	4,432,152	97,496
Total revenues	14,024,589	10,326,877
Expenses:		
Operations	4,596,563	5,146,860
Depreciation and amortization	1,840,330	1,812,138
Interest and fees paid	610,946	607,137
Total expenses	7,047,839	7,566,135
Increase (decrease) in net position before capital contributions	6,976,750	2,760,742
Other financing sources (uses):		
Capital contributions	13,999,028	1,664,740
Total other financing sources (uses)	13,999,028	1,664,740
Increase (decrease) in net position	20,975,778	4,425,482
Net position, beginning, as previously reported	33,521,415	29,095,933
Restatement	(164,167)	-
Net position, beginning as restated	33,357,248	29,095,933
Net position, ending	\$ 54,333,026	\$ 33,521,415

Business-type activities: Business-type activities increased the Authority's net position by \$20,975,778. Key element of this increase is as follows:

- Increase in capital contributions.

Capital Asset and Debt Administration

Capital assets. The Lower Cape Fear Water and Sewer Authority's investment in capital assets as of June 30, 2025, totals \$58,453,673 (net of accumulated depreciation). These assets include buildings, land, equipment, vehicles, and water system improvements.

Lower Cape Fear Water and Sewer Authority's Capital Assets
(net of depreciation)
Figure 4

	2025	2024
Land	\$ 1,033,990	\$ 882,053
Construction in progress	20,758,987	1,947,834
Buildings	469,433	470,461
Vehicles	732,754	773,531
Equipment	1,332,236	1,192,194
Plant & distribution system	34,117,106	35,376,248
Infrastructure	9,167	-
Total	\$ 58,453,673	\$ 40,642,321

Additional information on the Authority's capital assets can be found in the notes to the Basic Financial Statements.

Long-term Debt. As of June 30, 2025, the Authority had total bonded debt outstanding of \$15,385,000. The changes in long-term debt for the year ended June 30, 2025 was as follows:

		Revenue Bonds	
		Figure 5	
		2025	2024
Revenue bonds		\$ 15,385,000	\$ 16,420,000
Total		\$ 15,385,000	\$ 16,420,000

Economic Factors and Next Year's Budgets and Rates

- The adopted budget for fiscal year 2025-2026 illustrates an increase in customer revenues due to an increase in the raw water rate from \$0.4400 per 1,000 gallons to \$0.4800 per 1,000 gallons for government entities and from \$0.6600 per 1,000 gallons to \$0.7000 per 1,000 gallons for non-government entities to provide for the required debt services through 2026.
- The Bladen Bluffs water treatment plant operated by Smithfield Farmland, Inc. will continue to experience increased costs as it enters into its 13th year of operations, but those costs are offset 100% by revenues received including all debt service.

Requests for Information

This report is designed to provide an overview of the Authority's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to Tim Holloman, Executive Director, Lower Cape Fear Water and Sewer Authority, 1107 New Pointe Blvd., Suite 17, Leland, NC 28451. You can also call (910)383-1919, or visit our website at www.lcfwasa.org for more information.

BASIC FINANCIAL STATEMENTS

Exhibit A

Lower Cape Fear Water and Sewer Authority
Statement of Fund Net Position
June 30, 2025

	Major Enterprise Fund
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 11,266,088
Accounts receivable, customers (net)	489,711
Accounts receivable, other	114,314
Grants receivable	2,991,106
Total current assets	<u>14,861,219</u>
Non-current assets:	
Capital assets:	
Land and construction in progress	21,792,977
Other capital assets, net of depreciation	36,660,696
Total capital assets	<u>58,453,673</u>
Total assets	<u>73,314,892</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension deferrals	73,117
Total deferred outflows of resources	<u>73,117</u>
LIABILITIES	
Current liabilities:	
Accounts payable and accrued liabilities	3,364,355
Compensated absences - current	21,120
Current portion of long-term debt	1,115,000
Total current liabilities	<u>4,500,475</u>
Non-current liabilities:	
Net pension liability	94,313
Non-current portion of compensated absences	190,084
Non-current portion of long-term debt	14,270,000
Total non-current liabilities	<u>14,554,397</u>
Total liabilities	<u>19,054,872</u>
DEFERRED INFLOWS OF RESOURCES	
Pension deferrals	111
Total deferred inflow of resources	<u>111</u>
NET POSITION	
Net investment in capital assets	43,068,673
Unrestricted	11,264,353
Total net position	<u>\$ 54,333,026</u>

The notes to the financial statements are an integral part of this statement.

Exhibit B

**Lower Cape Fear Water and Sewer Authority
Statements of Revenues, Expenses, and
Changes in Fund Net Position
For the Fiscal Year Ended June 30, 2025**

	Major Enterprise Fund
OPERATING REVENUES	
Charges for services	\$ 9,246,891
Other operating revenue	116,124
Total operating revenues	<u>9,363,015</u>
OPERATING EXPENSES	
Operations and administration	4,596,563
Depreciation and amortization	1,840,330
Total operating expenses	<u>6,436,893</u>
Operating income (loss)	<u>2,926,122</u>
NONOPERATING REVENUES (EXPENSES)	
Investment earnings	229,422
Partner revenue	4,432,152
Interest and fees paid	(610,946)
Total nonoperating revenues (expenses)	<u>4,050,628</u>
Income (loss) before transfers and capital contributions	6,976,750
OTHER FINANCING SOURCES (USES)	
Capital contributions	13,999,028
Total other financing sources (uses)	<u>13,999,028</u>
Change in net position	20,975,778
Net position, beginning, as previously reported	33,521,415
Restatement	(164,167)
Net position, beginning as restated	<u>33,357,248</u>
Net position, ending	<u><u>\$ 54,333,026</u></u>

The notes to the financial statements are an integral part of this statement.

Exhibit C

Lower Cape Fear Water and Sewer Authority
Statements of Cash Flows
For The Fiscal Year Ended June 30, 2025

	Major Enterprise Fund
Cash flows from operating activities:	
Cash received from customers	\$ 6,375,641
Cash paid for goods and services	(845,518)
Cash paid to employees for services	(390,271)
Net cash provided (used) by operating activities	<u>5,139,852</u>
Cash flows from capital and related financing activities	
Acquisition of capital assets and construction	(19,651,682)
Principal paid on bonds and notes payable	(1,035,000)
Capital contributions	13,999,028
Partner revenue	4,432,152
Interest and fees paid on bonds and notes	(610,946)
Net cash provided (used) by capital and related financing activities	<u>(2,866,448)</u>
Cash flows from investing activities:	
Interest on investments	<u>229,422</u>
Net cash provided	
Net increase (decrease) in cash and cash equivalents	2,502,826
Cash and cash equivalents:	
Beginning of year, July 1	8,763,262
End of year, June 30	<u><u>\$ 11,266,088</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ 2,926,122
Adjustments to reconcile operating income (loss) to Net cash provided (used) by operating activities:	
Depreciation	1,840,330
(Increase) decrease in accounts receivable	(2,987,374)
Increase (decrease) in accounts payable & accrued liabilities	3,312,123
Increase (decrease) in net pension liability	3,113
Increase (decrease) in compensated absences	33,725
(Increase) decrease in deferred outflows of resources for pensions	11,921
Increase (decrease) in deferred inflows of resources for pensions	(108)
	<u>2,213,730</u>
Net cash provided (used) by operating activities	<u><u>\$ 5,139,852</u></u>

The notes to the financial statements are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

**Lower Cape Fear Water and Sewer Authority
Notes to the Financial Statements
For the Year Ended June 30, 2025**

I. Summary of Significant Accounting Policies

The accounting policies of the Lower Cape Fear Water and Sewer Authority (the "Authority") conform to generally accepted accounting principles as applicable to governments. The Authority does not have any discretely presented component units. The following is a summary of the more significant accounting policies:

A. Reporting Entity

The Authority is a public authority created under applicable laws of the State of North Carolina and has constructed a pipeline system that provides raw water to counties, adjacent public utility authorities, and industrial customers in southeastern North Carolina. The Authority's current customer mix is comprised as follows:

Customers with the ability to purchase raw water at June 30, 2025:

- 2 County Governments
- 2 Industries
- 1 Government Utility Authority

The Authority is not considered to be a joint venture under generally accepted accounting principles since the customers do not retain an ongoing financial interest (i.e., an equity interest in either assets or liabilities) or responsibility. It is considered a jointly governed organization.

Under the Enabling Acts, the Authority is authorized, among other things, to: (a) acquire, lease, construct, reconstruct, improve, extend, enlarge, equip, maintain, and operate water and sewer systems located within the service area of the Authority's membership; (b) issue revenue bonds of the Authority to pay the cost of such acquisition, construction, reconstruction, improvement, extension, enlargement, or equipment; and (c) fix, revise, charge, and collect rates, fees, and charges for the use of and for the services and facilities furnished by any water and sewer system operated by the Authority. The Authority cannot levy ad valorem taxes.

The Authority is governed by a board of fourteen members, each of who is appointed for a term of three years by the respective governing bodies of each of the Authority members. Each constituent member of the Authority appoints and is represented by two Board members with the exception of Brunswick County, which appoints four members.

B. Basis of Presentation

Government-wide Statements : 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 contributions and investment earnings, result from non-exchange transactions or ancillary activities. The Authority has one fund category - proprietary funds.

Proprietary Funds

Enterprise Fund. Enterprise funds are 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 Water and Sewer Fund. The Water and Sewer Fund (the operating fund) is consolidated with the Renewal and Replacement Fund, Right of Way Fund, System Development Fund, Enterprise Capital Project Fund, and Mile Line Project Fund.

The Enterprise Fund is considered a major fund for the year ending June 30, 2025.

Notes to the Financial Statements

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.

Government-wide and Proprietary Fund Financial Statements. The proprietary fund financial statements are accounted for on a flow of economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the Authority gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants, donations, and similar items. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

D. Budgetary Data

The Authority's budgets are adopted as required by North Carolina General Statutes. An annual budget ordinance is adopted for the Operating Fund, Renewal and Replacement Fund, Right of Way Fund, System Development Charge Fund, Enterprise Capital Project Fund, and Mile Line Project Fund. All annual appropriations lapse at fiscal year end. Appropriations under project ordinances for the enterprise construction project sub funds lapse at the completion of the project. All budgets are prepared using the modified accrual basis of accounting which is consistent with the accounting system used to record transactions. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and the object level for the multi-year funds. During the year, an amendment was made to the original budget, the effects of which were not material. The budget ordinance must be adopted by June 30 of the fiscal year or the governing board must adopt an interim budget that covers the time until the annual ordinance can be adopted.

E. Assets, Liabilities, Deferred Outflows/Inflows or Resources, and Fund Equity**1. Deposits and Investments**

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

State law [G.S. 159-30(c)] authorizes the Authority to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances, and the North Carolina Capital Management Trust (NCCMT). The Authority's investments are reported at fair value. Non-participating interest earning investment contracts are accounted for at cost. The NCCMT Government Portfolio, a SEC-registered (2a-7) money market mutual fund, is measured at fair value. The NCCMT-Term Portfolio is a bond fund, has no rating and is measured at fair value. As of June 30, 2025, the Term Portfolio has a duration of .15 years. Because the NCCMT Government and Term Portfolios have a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months.

2. Cash and Cash Equivalents

The Authority considers all highly liquid investments with maturity of three months or less when purchased to be cash and cash equivalents.

Notes to the Financial Statements

3. Allowances for Doubtful Accounts

All receivables at June 30, 2025 are considered collectible.

4. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are of individual items of more than \$5,000. Donated capital assets received prior to June 30, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 30, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. General infrastructure assets acquired prior to July 1, 2003, consist of the water system assets that were acquired or that received substantial improvements subsequent to July 1, 1980, and are reported at estimated historical cost using deflated replacement cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. The Authority has elected to capitalize those interest costs that are incurred during the construction period of general fixed assets when appropriate. Assets are depreciated on a straight-line basis over estimated useful lives, which are as follows:

	<u>Years</u>
Buildings	40
Water supply system - pipeline	40
Water supply system - equipment	25
Office equipment	16
Vehicle	5

5. 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 expenditures during the period. Actual results could differ from these estimates.

6. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Authority has one item that meets this criterion - pension deferrals for the 2025 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Authority has one item that meet the criterion for this category - pension deferrals.

7. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable business-type activities or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discount. Bond issuance costs, except for prepaid insurance costs, are expensed in the reporting period in which they are incurred.

Notes to the Financial Statements

8. Compensated Absences

The vacation policy of the Authority provides for the accumulation of up to thirty days earned vacation leave with such leave being fully vested when earned. For the Authority's proprietary funds, an expense and a liability for compensated leave and the salary-related payments are recorded as the leave is earned. The Authority has assumed a first-in, first-out method of using accumulated compensated time. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability. The Authority's sick leave policy grants twelve days per year to full-time employees which can accumulate without limit, but which do not vest. As such, accumulated and non-vested sick leave is not provided in these financial statements.

The Authority's sick leave policy provides for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. In accordance with GASB Statement No. 101 for the Authority's government-wide funds, an expense and liability for sick leave is recognized using the "practical expedient approach" allowed by the Standard for the portion of sick leave expected to be used and paid by the Authority.

9. Net Position

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

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

11. Accounting for Changes

The Authority implemented GASB Statement No. 101, Compensated Absences in the current fiscal year. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The implementation of this Statement required a prior period restatement to reduce government-wide net position by \$164,167 to record the estimated liability for sick leave at June 30, 2024.

The Authority implemented GASB Statement No. 102, Certain Risk Disclosures. The disclosures provide users with timely information regarding certain concentrations or constraints and related events that have occurred or have begun to occur that make a government vulnerable to a substantial impact. As a result, users will have better information with which to understand and anticipate certain risks to a government's financial condition.

12. Recent Accounting Pronouncements**GASB Statement No. 103. Financial Reporting Model Improvements**

In April 2024, the GASB issued GASB Statement No. 103, Financial Reporting Model Improvements. The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues.

Notes to the Financial Statements

This Statement continues the requirement that the basic financial statements be preceded by management's discussion and analysis (MD&A), which is presented as required supplementary information (RSI). MD&A provides an objective and easily readable analysis of the government's financial activities based on currently known facts, decisions, or conditions and presents comparisons between the current year and the prior year. This Statement requires that the information presented in MD&A be limited to the related topics discussed in five sections: (1) Overview of the Financial Statements, (2) Financial Summary, (3) Detailed Analyses, (4) Significant Capital Asset and Long-Term Financing Activity, and (5) Currently Known Facts, Decisions, or Conditions. Furthermore, this Statement stresses that the detailed analyses should explain why balances and results of operations changed rather than simply presenting the amounts or percentages by which they changed. This Statement emphasizes that the analysis provided in MD&A should avoid unnecessary duplication by not repeating explanations that may be relevant to multiple sections and that "boilerplate" discussions should be avoided by presenting only the most relevant information, focused on the primary government. In addition, this Statement continues the requirement that information included in MD&A distinguish between that of the primary government and its discretely presented component units.

This Statement describes unusual or infrequent items as transactions and other events that are either unusual in nature or infrequent in occurrence. Furthermore, governments are required to display the inflows and outflows related to each unusual or infrequent item separately as the last presented flow(s) of resources prior to the net change in resource flows in the government-wide, governmental fund, and proprietary fund statements of resource flows. This Statement requires that the proprietary fund statement of revenues, expenses, and changes in fund net position continue to distinguish between operating and nonoperating revenues and expenses. Operating revenues and expenses are defined as revenues and expenses other than nonoperating revenues and expenses. Nonoperating revenues and expenses are defined as (1) subsidies received and provided, (2) contributions to permanent and term endowments, (3) revenues and expenses related to financing, (4) resources from the disposal of capital assets and inventory, and (5) investment income and expenses.

In addition to the subtotals currently required in a proprietary fund statement of revenues, expenses, and changes in fund net position, this Statement requires that a subtotal for operating income (loss) and noncapital subsidies be presented before reporting other nonoperating revenues and expenses. Subsidies are defined as (1) resources received from another party or fund (a) for which the proprietary fund does not provide goods and services to the other party or fund and (b) that directly or indirectly keep the proprietary fund's current or future fees and charges lower than they would be otherwise, (2) resources provided to another party or fund (a) for which the other party or fund does not provide goods and services to the proprietary fund and (b) that are recoverable through the proprietary fund's current or future pricing policies, and (3) all other transfers.

This Statement requires governments to present each major component unit separately in the reporting entity's statement of net position and statement of activities if it does not reduce the readability of the statements. If the readability of those statements would be reduced, combining statements of major component units should be presented after the fund financial statements.

This Statement requires governments to present budgetary comparison information using a single method of communication—RSI. Governments also are required to present (1) variances between original and final budget amounts and (2) variances between final budget and actual amounts. An explanation of significant variances is required to be presented in notes to RSI. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. Earlier application is encouraged. The Authority is currently reviewing this statement to determine the effect on the financial statements.

GASB Statement No. 104. Disclosure of Certain Capital Assets

In September 2024, the GASB issued GASB Statement No. 104, Disclosure of Certain Capital Assets. This Statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement 34. Lease assets recognized in accordance with Statement No. 87, Leases, and intangible right-to-use assets recognized in accordance with Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements, should be disclosed separately by major class of underlying asset in the capital assets note disclosures. Subscription assets recognized in accordance with Statement No. 96, Subscription-Based Information Technology Arrangements, also should be separately disclosed. In addition, this Statement requires intangible assets other than those three types to be disclosed separately by major class.

Notes to the Financial Statements

This Statement also requires additional disclosures for capital assets held for sale. A capital asset is a capital asset held for sale if (a) the government has decided to pursue the sale of the capital asset and (b) it is probable that the sale will be finalized within one year of the financial statement date. Governments should consider relevant factors to evaluate the likelihood of the capital asset being sold within the established time frame. This Statement requires that capital assets held for sale be evaluated each reporting period. Governments should disclose (1) the ending balance of capital assets held for sale, with separate disclosure for historical cost and accumulated depreciation by major class of asset, and (2) the carrying amount of debt for which the capital assets held for sale are pledged as collateral for each major class of asset. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. Earlier application is encouraged.

II. Stewardship, Compliance, and Accountability**A. Significant Violations of Finance-Related Legal and Contractual Provisions****1. Noncompliance with North Carolina General Statutes**

None.

2. Contractual Violations

None.

3. Deficit in Fund Balance or Net Position of Individual Funds

None.

4. Excess of Expenditures over Appropriations

None.

III. Detail Notes on All Funds**A. Assets****1. Deposits**

All the deposits of the Authority are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Authority's agents in these units' names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Authority, these deposits are considered to be held by the Authority's agents in entity's name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Authority or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Authority under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Authority has no formal policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Authority complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2025, the Authority's deposits had a carrying value of \$11,266,088 and a bank balance of \$14,216,667. Of the bank balance \$500,000 as covered by federal depository insurance. The remaining balance was covered by the collateral held under the Pooling Method.

2. Receivables - Allowances for Doubtful Accounts

All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. Uncollectible accounts are deemed to be immaterial for the Authority, in light of historic collectability.

Notes to the Financial Statements

3. Capital Assets

Capital asset activity for the Authority for the year ended June 30, 2025, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land	\$ 882,053	\$ 151,937	\$ -	\$ 1,033,990
Construction in progress	1,947,834	18,811,153	-	20,758,987
Total capital assets not being depreciated	2,829,887	18,963,090	-	21,792,977
Capital assets being depreciated:				
Buildings	666,981	15,912	-	682,893
Vehicles	1,052,544	-	-	1,052,544
Equipment	1,666,572	298,248	-	1,964,820
Plant and distribution system	69,999,316	364,432	-	70,363,748
Infrastructure	-	10,000	-	10,000
Total capital assets being depreciated	73,385,413	688,592	-	74,074,005
Less accumulated depreciation for:				
Buildings	196,520	16,939	-	213,459
Vehicles	279,013	40,777	-	319,790
Equipment	474,378	158,207	-	632,585
Plant and distribution system	34,623,068	1,623,574	-	36,246,642
Infrastructure	-	833	-	833
Total accumulated depreciation	35,572,979	\$ 1,840,330	\$ -	37,413,309
Total capital assets being depreciated, net	37,812,434			36,660,696
Business-type activity capital assets, net	\$ 40,642,321			\$ 58,453,673

B. Liabilities**1. Payables**

Accounts payable and accrued liabilities reported on the Statement of Net Position at June 30, 2025 were as follows:

	Business-Type Activities
Accounts and vouchers	\$ 3,364,355
Total accounts payable and accrued liabilities	\$ 3,364,355

2. Pension Plan Obligations**a. Local Government Employees' Retirement System**

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

Notes to the Financial Statements

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. The Authority employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Authority's contractually required contribution rate for the year ended June 30, 2025, was 13.67% 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 \$28,300 for the year ended June 30, 2025.

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

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

At June 30, 2025, the Authority reported an liability of \$94,313 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2023. The total pension liability was then rolled forward to the measurement date of June 30, 2024 utilizing 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, 2025, the Authority's proportion was 0.00140%, which was a increase of 0.00002% from its proportion measured as of June 30, 2024.

For the year ended June 30, 2025, the Authority recognized pension expense of \$43,227. At June 30, 2025, 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	\$ 16,527	\$ 111
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	12,822	-
Changes in proportion and differences between Authority's contributions and proportionate share of contributions	15,468	-
Authority's contributions subsequent to the measurement date	28,300	-
Total	<u>\$ 73,117</u>	<u>\$ 111</u>

Notes to the Financial Statements

\$28,300 reported as deferred outflows of resources related to pensions resulting from Authority contributions subsequent to the measurement date will be recognized as an increase of the net pension liability in the year ended June 30, 2025. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30</u>	
2026	\$ 17,913
2027	23,114
2028	5,129
2029	(1,450)
2030	-
Thereafter	-
	<u>\$ 44,706</u>

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

Inflation	3.0 percent
Salary Increases	3.5 percent
Investment rate of return	7.0 percent, net of position plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2023 valuation were based on the results of an actuarial experience study as of December 31, 2019.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2025 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	33.0%	2.4%
Global Equity	38.0%	6.9%
Real Estate	8.0%	6.0%
Alternatives	8.0%	8.6%
Credit	7.0%	5.3%
Inflation Protection	6.0%	4.3%
Total	<u>100%</u>	

Notes to the Financial Statements

The information above is based on 30 year expectations developed with the consulting actuary for the 2025 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

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

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

	1 % Decrease (5.50%)	Discount Rate (6.50%)	1% Increase (7.50%)
Authority's proportionate share of the net pension liability	\$167,125	\$94,313	\$34,415

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.

b. Supplemental Retirement Income Plan

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

Funding Policy. Article 12E of G.S. Chapter 143 requires the Authority to contribute each month an amount equal to three percent of each participant's salary, and all amounts contributed are vested immediately. Also, the participants may make voluntary contributions to the Plan. Contributions for the year ended June 30, 2025 were \$20,086.

c. Other Employment Benefit

The Authority has also 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. The Authority considers these contributions to be immaterial.

Notes to the Financial Statements

3. Deferred Outflows and Inflows of Resources

Deferred outflows of resources at year-end is comprised of the following:

	Amount
Pension deferrals	\$ 73,117
Total	<u>\$ 73,117</u>

Deferred inflows of resources at year-end is comprised of the following:

Pension deferrals	\$ 111
Total	<u>\$ 111</u>

4. Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority carries commercial coverage for all risks of loss, to include business auto (\$3,000,000 limit), real and personal property (\$26,397,125 limit), general liability (\$3,000,000 per occurrence), and worker's compensation (statutory). There have been no subsequent reductions in insurance coverage in the prior year, and settled claims have not exceeded coverage in any of the past three fiscal years. The Authority does not carry flood insurance. In accordance with G.S. 159-29 the Authority's employees that have access to more than \$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 \$1,000,000. The remaining employees that have access to funds are bonded under a blanket bond for \$50,000. In addition, the Authority carries Government Crime coverage for the loss of or damage to money, securities, and other property resulting directly from theft, forgery, or alteration committed by an employee inside and outside the premises (\$100,000 per occurrence).

5. Claims, Judgments and Contingent Liabilities

At June 30, 2025, the Authority was defendant to various lawsuits. In the opinion of the Authority's management and the Authority's attorney, the ultimate effect of these legal matters will not have a material adverse effect on the Authority's financial position.

6. Long Term Obligations

The Authority has no authority to issue general obligation debt under its enabling legislation. The Authority is able to issue revenue bonds in such amounts as may be financially feasible without statutory limits. The following is the composition of long-term debt as of June 30, 2025.

a. Revenue Bonds

\$24,665,000 Special Facility Revenue Bonds, Series 2010, issued for the construction of a surface water treatment plant; due in annual installments ranging from \$455,000 to \$2,050,000 through December 1, 2024; interest payable monthly at a variable rate. All payments are made directly by Smithfield Farmland Corporation, although the liability is held in the name of The Authority.

	\$ 15,385,000
Current portion	<u>1,115,000</u>
	<u>\$ 14,270,000</u>

b. Changes in General Long-Term Liabilities

The changes in the long-term debt for the year ending June 30, 2025 are as follows:

	Balance 7/1/2024	Additions	Retirements	Balance 6/30/2025	Current Portion
Revenue bonds	\$ 16,420,000	\$ -	\$ 1,035,000	\$ 15,385,000	\$ 1,115,000
Net pension liability	91,200	3,113	-	94,313	-
Compensated absences					
Vacation leave	13,111	14,332	10,064	17,379	1,737
Sick leave	164,167	29,658	-	193,825	19,383
Total	<u>\$ 16,688,478</u>	<u>\$ 47,103</u>	<u>\$ 1,045,064</u>	<u>\$ 15,690,517</u>	<u>\$ 1,136,120</u>

Notes to the Financial Statements

The future payments of the revenue bonds for the years ending after June 30, 2025 are as follows:

Business-Type Activities			
Year Ending June 30	Principal		Interest
2026	\$ 1,115,000	\$	923,100
2027	1,190,000		856,200
2028	1,275,000		784,800
2029	1,360,000		708,300
2030	1,460,000		626,700
2031-2034	6,935,000		1,567,800
2035-2036	2,050,000		123,518
Total	<u>\$ 15,385,000</u>	<u>\$</u>	<u>5,590,417</u>

c. Special Facility Revenue Bonds

In March 2010, the Authority issued \$24,665,000 in special facility revenue bonds, per the Treated Water Supply Agreement with the Smithfield Farmland Corporation (the Agreement) dated December 18, 2009, for the construction of a water intake at Bladen Bluff on the Cape Fear River, a four million gallons per day treatment plant and necessary pipelines and appurtenant facilities. Per the Agreement, Smithfield Farmland Corporation will make payments directly to the bond agent in the amount of any principal, interest, or additional bond expenses, when due and payable. Smithfield Farmland Corporation will continue to make such payments so long as Smithfield Farmland Corporation is the sole user of the Bladen Bluffs Project. As per the Agreement, Smithfield Farmland Corporation has provided a letter of credit through Robo Bank sufficient for issuance of the Bonds. The Authority has recognize the value of these principal and interest payment as a nonoperating revenue called Treated Water Supply Agreement (Smithfield Farmland). This revenue is offset by interest expense and principal payments decreasing the balance of the outstanding bonds.

d. Revenue Bond Covenants

The Authority has been in compliance with the covenants as to rates, fees, rentals, and charges in Section 5 of the Bond Orders, authorizing the issuance of the 2012 Enterprise System Revenue Refunding bonds, the 2010 Combined Enterprise Revenue Bonds, and the 2010 Special Facility Revenue Bonds, since the adoption of each bond order. Section 5.01 Bond Orders of the 2012 Enterprise System Revenue Refunding bonds, and 2010 Combined Enterprise Revenue Bonds, require the debt service coverage to be no less than 110%. Section 5.01 of the Bond Order of the 2010 Special Facility Revenue Bonds, requires the debt service coverage to be no less than 100%. The debt service coverage ratio calculation for the year ended June 30, 2025, is as follows:

Operating revenues	\$ 9,363,015
Operating expenses *	<u>4,596,563</u>
Operating income	4,766,452
Non-operating revenues (expenses)**	<u>18,660,602</u>
Income available for debt service	<u>\$ 23,427,054</u>

Debt service, principal and interest paid (Revenue bonds only)	<u>\$ 1,645,946</u>
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Debt service coverage ratio	1423%
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*Per rate covenants, this does not include the depreciation and amortization expenses of \$1,840,330.

**Per rate covenants, this does not include revenue bond interest of \$610,946.

Notes to the Financial Statements

IV. Transactions with Related Parties and Major Customers

Brunswick County is related to the Authority as one of its members (See Note 1: Reporting Entity). The Authority currently sells water to Brunswick County under a Fourth Amended and Restated Water Supply Agreement dated December 10, 2012, which continues until December 31, 2030, with provisions for ten-year extensions thereafter. Water charges of \$2,418,355 for the year ended June 30, 2025 (26% of total water charges) and a customer receivable of \$258,548 at June 30, 2025 are attributable to Brunswick County.

The Authority currently sells water to the Cape Fear Public Utility Authority. Water charges of \$1,853,011 for the year ended June 30, 2025 (20%) and a customer receivable of \$180,039 are attributable to the Cape Fear Public Utility Authority.

V. Summary Disclosure of Significant Deficiencies

The Authority has received proceeds from several federal 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 moneys to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant moneys.

VI. Significant Effects of Subsequent Events

There are no subsequent events that would have a material affect on the financial statements. Subsequent events have been analyzed through the date that the financial statements were available to be issued.

VII. Change in Accounting Principle

The Authority implemented Government Accounting Standards Board (GASB) Statement No. 101, Compensated Absences, July 1, 2024. The objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. As a result, the Authority recognized an additional \$164,167 in compensated absences for sick leave as of June 30, 2024, resulting in a decrease in beginning net position of the same amount.

REQUIRED
SUPPLEMENTAL FINANCIAL DATA

This section contains additional information required by generally accepted
accounting principals.

Schedule of the Proportionate Share of the Net Pension
Liability – Local Government Employees’ Retirement
System

Schedule of Contributions – Local Government
Employees’ Retirement System

Lower Cape Fear Water and Sewer Authority
Lower Cape Fear WSA's Proportionate Share of Net Pension Liability (Asset)
Required Supplementary Information
Last Ten Fiscal Years*

Local Government Employees' Retirement System

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Authority's proportion of the net pension liability (asset) (%)	0.00140%	0.00138%	0.00128%	0.00083%	0.00024%	0.00059%	0.00074%	0.00086%	0.00098%	0.00100%
Authority's proportion of the net pension liability (asset) (\$)	\$ 94,313	\$ 91,200	\$ 72,210	\$ 12,729	\$ 8,576	\$ 16,112	\$ 17,555	\$ 13,138	\$ 20,799	\$ 4,623
Authority's covered-employee payroll	\$ 190,439	\$ 177,024	\$ 159,964	\$ 165,309	\$ 133,855	\$ 160,576	\$ 156,534	\$ 153,122	\$ 149,387	\$ 145,429
Authority's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	49.52%	51.52%	45.14%	7.70%	6.41%	10.03%	11.21%	8.58%	13.92%	3.18%
Plan fiduciary net position as a percentage of the total pension liability**	83.30%	82.49%	84.14%	95.51%	88.61%	90.86%	91.63%	94.18%	91.47%	98.09%

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

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

Lower Cape Fear Water and Sewer Authority
Lower Cape Fear WSA's Contributions
Required Supplementary Information
Last Ten Fiscal Years

Local Government Employees' Retirement System

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Contractually required contribution	\$ 28,300	\$ 24,604	\$ 21,597	\$ 18,668	\$ 17,820	\$ 12,770	\$ 13,344	\$ 12,554	\$ 11,744	\$ 10,547
Contributions in relation to the contractually required contribution	28,300	24,604	21,597	18,668	17,820	12,770	13,344	12,554	11,744	10,547
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Authority's covered-employee payroll	\$ 207,026	\$ 190,439	\$ 177,024	\$ 159,964	\$ 165,309	\$ 133,855	\$ 160,576	\$ 156,534	\$ 153,122	\$ 149,387
Contributions as a percentage of covered-employee payroll	13.67%	12.92%	12.20%	11.67%	10.78%	9.54%	8.31%	8.02%	7.67%	7.06%

INDIVIDUAL FUND SCHEDULES

- Enterprise Operating Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual (Non-GAAP)
- Renewal and Replacement Fund - Schedule of Revenues and Expenditures -
Budget and Actual (Non-GAAP)
- Right of Way Fund - Schedule of Revenues and Expenditures -
Budget and Actual (Non-GAAP)
- System Development Charge Fund - Schedule of Revenues and Expenditures -
Budget and Actual (Non-GAAP)
- Enterprise Capital Project Fund - Schedule of Revenues and Expenditures -
Budget and Actual (Non-GAAP)
- Mile Line Project Fund - Schedule of Revenues and Expenditures -
Budget and Actual (Non-GAAP)

Schedule 1

Lower Cape Fear Water and Sewer Authority, North Carolina
Enterprise Operating Fund
Schedule of Revenues, Expenditures, and Changes Fund Balance
Budget and Actual (Non - GAAP)
For the Fiscal Year Ended June 30, 2025

	2025		Variance
	Budget	Actual	Positive (Negative)
Revenues:			
Operating revenue:			
Brunswick County		\$ 2,418,355	
Invista		179,482	
Cape Fear Public Utility Authority		1,853,011	
Praxair, Inc.		24,066	
Pender County		246,669	
Bladen Bluffs income		2,987,043	
Treated water supply agreement (Smithfield)		1,538,265	
Other operating revenues		116,124	
Total operating revenues	\$ 10,631,607	9,363,015	\$ (1,268,592)
Nonoperating revenues:			
Interest earnings		162,827	
Total non-operating revenues	154,188	162,827	8,639
Total revenues:	10,785,795	9,525,842	(1,259,953)
Expenditures:			
Administration:			
Salaries and benefits		390,271	
Insurance		127,200	
Office expense		152,608	
Professional services		100,414	
Other		313,267	
Total administration	4,014,170	1,083,760	2,930,410
Other operating expenditures:			
Kings Bluff O&M expenses		721,862	
Bladen Bluffs expenses		1,983,978	
Utilities-Energy Pump Station		758,312	
Capital outlay		688,592	
Debt service - principal		1,035,000	
Debt service - interest		610,946	
Total other operating expenditures	6,715,559	5,798,690	916,869
Total expenditures	10,729,729	6,882,450	3,847,279

Schedule 1

	2025		Variance Positive (Negative)
	Budget	Actual	
Revenue over expenditures	56,066	2,643,392	2,587,326
Other financing sources (uses):			
Insurance claim proceeds	104,534	-	(104,534)
Transfer to other funds	(910,600)	(750,000)	160,600
Fund balance appropriated	750,000	-	(750,000)
Total other financing sources (uses):	(56,066)	(750,000)	(693,934)
Revenues and other sources over expenditures and other uses	<u>\$ -</u>	1,893,392	<u>\$ 1,893,392</u>

**Reconciliation from budgetary basis
(modified accrual) to full accrual:**

Revenues over expenditures	<u>1,893,392</u>
Reconciling items:	
Depreciation	(1,840,330)
Capital outlay	688,592
Principal payments on long-term debt	1,035,000
Capital contributions	18,431,180
(Increase) decrease in net pension liability	(3,113)
(Increase) decrease in compensated absences	(33,725)
Increase (decrease) in deferred outflows of resources for pensions	(11,921)
(Increase) decrease in deferred inflows of resources for pensions	108
Items from Schedules 2 through 5	
Interest revenue	66,595
Transfers	750,000
Total reconciling items	<u>19,082,386</u>
Change in net position	<u><u>\$ 20,975,778</u></u>

Schedule 2

Lower Cape Fear Water and Sewer Authority, North Carolina
Renewal and Replacement Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Fiscal Year Ended June 30, 2025

	2025		Variance
	Budget	Actual	Positive (Negative)
Revenues:			
Interest earnings		\$ 50,290	
Total non-operating revenues	\$ -	50,290	\$ 50,290
Expenditures:			
Total expenditures	-	-	-
Other financing sources (uses):			
Transfers from other funds	750,000	750,000	-
Appropriated fund balance	(750,000)	-	750,000
Total other financing sources (uses):	-	750,000	750,000
Revenues and other sources over (under) expenditures and other financing uses	\$ -	800,290	\$ 800,290
Fund balance			
Fund balance - beginning		1,248,213	
Fund balance - ending		<u>\$ 2,048,503</u>	

Lower Cape Fear Water and Sewer Authority, North Carolina
Right of Way Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Fiscal Year Ended June 30, 2025

	2025		Variance
	Budget	Actual	Positive (Negative)
Revenues:			
Interest earnings		\$ 28	
Total revenues	\$ -	28	\$ 28
Expenditures:			
Total expenditures	-	-	-
Revenues over (under) expenditures	\$ -	28	\$ 28
Fund balance			
Fund balance - beginning		281,483	
Fund balance - ending		\$ 281,511	

Lower Cape Fear Water and Sewer Authority, North Carolina
System Development Charge Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Fiscal Year Ended June 30, 2025

	2025		Variance
	Budget	Actual	Positive (Negative)
Revenues:			
Interest earnings		\$ -	
Total revenues	\$ -	-	\$ -
Expenditures:			
Administration expenses		-	
Total expenditures	-	-	-
Revenues over (under) expenditures	\$ -	-	\$ -
Fund balance			
Fund balance - beginning		14	
Fund balance - ending		\$ 14	

Schedule 5

Lower Cape Fear Water and Sewer Authority, North Carolina
Enterprise Capital Special Revenue Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Fiscal Year Ended June 30, 2025

	2025		Variance
	Budget	Actual	Positive (Negative)
Revenues:			
Interest earnings		\$ 16,277	
Total revenues	\$ -	16,277	\$ 16,277
Expenditures:			
Total expenditures	-	-	-
Revenues over (under) expenditures	\$ -	16,277	\$ 16,277
Fund balance			
Fund balance - beginning		498,442	
Fund balance - ending		\$ 514,719	

Schedule 6

Lower Cape Fear Water and Sewer Authority, North Carolina
Mile Line Special Revenue Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Fiscal Year Ended June 30, 2025

	2025		Variance
	Budget	Actual	Positive (Negative)
Revenues:			
Grant revenue		\$ 13,999,028	
Partner revenue		4,432,152	
Total revenues	<u>\$ 20,000,000</u>	<u>18,431,180</u>	<u>\$ (1,568,820)</u>
Expenditures:			
Maintenance and construction		18,963,090	
Total expenditures	<u>20,000,000</u>	<u>18,963,090</u>	<u>1,036,910</u>
Revenues over (under) expenditures	<u>-</u>	<u>(531,910)</u>	<u>(531,910)</u>
Fund balance			
Fund balance - beginning		1,392,581	
Fund balance - ending		<u>\$ 860,671</u>	

COMPLIANCE SECTION



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**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 Auditors' Report

To the Chairman of the Board
 and Members of the Board of Directors
 Lower Cape Fear Water and Sewer Authority
 Leland, 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, each major fund, and the aggregate remaining fund information of Lower Cape Fear Water and Sewer Authority, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprises the Lower Cape Fear Water and Sewer Authority's basic financial statements, and have issued our report thereon dated December 5, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Lower Cape Fear Water and Sewer Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Lower Cape Fear Water and Sewer 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.

Members

American Institute of CPAs – N.C. Association of CPAs – AICPA's Private Companies Practice Section

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

Report on Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Thompson, Price, Scott, Adams & Co., PA
 Wilmington, North Carolina
 December 5, 2025



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

Independent Auditor's Report

To the Chairman of the Board
 and Members of the Board of Directors
 Lower Cape Fear Water and Sewer Authority
 Leland, North Carolina

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Lower Cape Fear Water and Sewer Authority, North Carolina, 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 Lower Cape Fear Water and Sewer Authority's major federal programs for the year ended June 30, 2025. The Lower Cape Fear Water and Sewer Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Lower Cape Fear 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, 2025.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) 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 Lower Cape Fear 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 provides a reasonable basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Lower Cape Fear Water and Sewer Authority's compliance with the compliance requirements referred to above.

Members

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Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Lower Cape Fear 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 noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Lower Cape Fear 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*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Lower Cape Fear 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*, and the Uniform Guidance, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Lower Cape Fear 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 Lower Cape Fear 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, but not for the purpose of expressing an opinion on the effectiveness of Lower Cape Fear 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, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or 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 or material weaknesses in internal control over compliance. Given these limitations, during our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. 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.

Thompson, Price, Scott, Adams & Co., PA

Wilmington, North Carolina

December 5, 2025

Lower Cape Fear Water and Sewer Authority
Leland, North Carolina
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2025

Section I. Summary of Auditor's Results

Financial Statements

Type of report auditor 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(s) identified? yes X none reported

Noncompliance 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(s) 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:

Assistance No(s).	Names of Federal Program or Cluster
21.027	Coronavirus State Local Fiscal Recovery Funds

Dollar threshold used to distinguish
between Type A and Type B Programs \$ 750,000

Auditee qualified as low-risk auditee? yes X no

Lower Cape Fear Water and Sewer Authority
Leland, North Carolina
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2025

Section II. – Financial Statement Findings

None.

Lower Cape Fear Water and Sewer Authority
Leland, North Carolina
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2025

Section III. – Federal Award Findings and Questioned Costs

None.

Lower Cape Fear Water and Sewer Authority
Leland, North Carolina
Summary Schedule of Prior Year Audit Findings
For the Fiscal Year Ended June 30, 2025

2024-001 Corrected.

Lower Cape Fear Water and Sewer Authority
Schedule of Federal and State Awards
For the Fiscal Year Ended June 30, 2025

Grantor/Pass-Through Grant/Program Title	Federal Assistance Listing No.	State/Federal Pass-Through Grantor's Number	Federal (Direct and Pass-Through) Expenditures	State Expenditures	Provided to Subrecipients
Federal Grants					
Cash Programs					
<u>U.S. Department of Treasury</u>					
Passed-through the N.C. Department of Environmental Quality					
Division of Water Infrastructure					
State Fiscal Recovery Funds - American Recovery Plan Act	21.027	SRP-D_ARP-0170	\$ 13,999,028	\$ -	\$ -
Total Federal Cash Assistance			<u>13,999,028</u>	<u>-</u>	<u>-</u>
Total Assistance - Federal Programs			<u>13,999,028</u>	<u>-</u>	<u>-</u>
Total Assistance			<u>\$ 13,999,028</u>	<u>\$ -</u>	<u>\$ -</u>

Notes to the Schedule of Expenditures of Federal and State Financial 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 Lower Cape Fear Water and Sewer Authority under the programs of the federal government and the State of North Carolina for the year ended June 30, 2025. The information in this 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 the Federal Awards and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of the Lower Cape Fear 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 Lower Cape Fear 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.

3. Indirect Cost Rate

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

AGENDA ITEM

To: CHAIRMAN PHILLIPS AND BOARD MEMBERS

From: TIM HOLLOMAN, EXECUTIVE DIRECTOR

Date: January 12, 2026

Re: Appointment of Calendar Year 2026 Finance Committee by
Chairman

Background: The Chairman historically appoints a Finance Committee to work with staff in preparing the recommended budget for consideration by the full board.

Please find attached Chairman Phillips' appointments to the Finance Committee.

Action Requested: Discussion and direct staff.

FINANCE COMMITTEE
January 1, 2026 - December 31, 2026

CHAIRMAN:**SCOTT PHILLIPS**

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AGENDA ITEM

To: CHAIRMAN PHILLIPS AND BOARD MEMBERS

From: TIM HOLLOMAN, EXECUTIVE DIRECTOR

Date: January 12, 2026

Re: Appointment of Calendar Year 2026 Personnel Committee by
Chairman

Background: The Chairman historically appoints a Personnel Committee to work with staff in preparing the recommended budget for consideration by the full board.

Please find attached Chairman Phillips' appointments to the Personnel Committee.

Action Requested: Discussion and direct staff.

PERSONNEL COMMITTEE
January 1, 2026- December 31, 2026

CHAIRMAN:**SCOTT PHILLIPS**

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AGENDA ITEM

To: CHAIRMAN PHILLIPS AND BOARD MEMBERS

From: TIM HOLLOMAN, EXECUTIVE DIRECTOR

Date: January 12, 2026

Re: Appointment of Calendar Year 2026 Long-Range Planning
Committee by Chairman

Background: The Chairman historically appoints a Long-Range Planning Committee to work with staff in preparing the recommended budget for consideration by the full board.

Please find attached Chairman Phillips' appointments to the Long-Range Planning Committee.

Action Requested: Discussion and direct staff.

LONG RANGE PLANNING COMMITTEE
January 1, 2026 - December 31, 2026

CHAIRMAN:**SCOTT PHILLIPS**

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Brunswick County Utilities

JOHN NICHOLS

Brunswick County Utilities Director

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 Email John.Nichols@brunswickcountync.gov

Cape Fear Public Utility Authority

KEN WALDROUP

Executive Director

Cell 919-369-3240
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 Email kenneth.Waldroup@cfpu.org

Pender County Utilities

ANTHONY COLON

Pender County Utilities Director

Work 910-389-3329
 Email acolon@pendercountync.gov

AGENDA ITEM

To: CHAIRMAN PHILLIPS AND BOARD MEMBERS

From: TIM HOLLOMAN, EXECUTIVE DIRECTOR

Date: January 12, 2026

Re: Resolution to Proceed with Purchase of Steel Coil for Project 2
(Phase 3) of the 10 Mile Phased Parallel Raw Water Line Project

Background: On October 10, 2022, the LCFWASA Board authorized a phased 10-mile Parallel Raw Water Line Project, subject to funding. On December 12, 2022, the Board approved the use of the Design-Build delivery method for the project.

Due to funding and planning considerations, the project was divided into Project #1 (approximately 7 miles) and Project #2 (approximately 3 miles), with phasing for each project. Project #2 includes Phase 3, which involves procurement of steel coil material.

Owner-Advisor HDR Engineering, Inc. of the Carolinas, in coordination with participating entities, negotiated Lump Sum (LS) Proposal No. 1 dated December 18, 2025, with Garney Companies, Inc. for the purchase of steel coil only for Project #2 (Phase 3).

Action Requested: Discussion and direct staff.

**LOWER CAPE FEAR WATER AND SEWER AUTHORITY RESOLUTION TO PROCEED
WITH PURCHASE OF STEEL COIL FOR PROJECT 2 (PHASE 3) OF THE
10 MILE PHASED PARALLEL RAW WATER LINE PROJECT**

WHEREAS, on October 10, 2022, the Lower Cape Fear Water and Sewer Authority (“LCFWASA”) Board of Directors (“Board”) passed a *Resolution Authorizing a Phased 10 Mile Parallel Raw Water Line Project for Lower Cape Fear Water and Sewer Authority*, subject to appropriate funding;

WHEREAS, on December 12, 2022, the Board passed a *Resolution Establishing Criteria for a Design-Build Delivery Method and Authorizing Use of the Design-Build Delivery Method for a Phased 10-Mile Parallel Raw Water Line Project for the Lower Cape Fear Water and Sewer Authority*, in which the Board determined that the design-build delivery method is appropriate for the project and authorized LCFWASA’s Executive Director to move forward with the use of the design-build delivery method for the phased 10-mile parallel raw water line project;

WHEREAS, due to project funding and planning requirements, upon consultation with LCFWASA’s Owner-Advisor HDR Engineering, Inc. of the Carolinas (“HDR”) and participating entities, LCFWASA has divided the phased 10-mile parallel raw water line project into Project #1, which consists of the first approximately 7 miles of the project, and Project #2, which consists of the remaining approximately 3 miles of the project, including phasing for both Project #1 and Project #2;

WHEREAS, LCFWASA’s Owner-Advisor HDR, with the assistance of participating entities, has negotiated with design-builder Garney Companies, Inc. (“Garney”) Lump Sum (LS) Proposal No. 1 dated December 18, 2025, in the total amount of \$1,578,720 for the purchase of the steel coil for Project #2 (Phase 3);

WHEREAS, Lump Sum (LS) Proposal No. 1 dated December 18, 2025, is for the procurement of material only (Steel Coil) and it is anticipated that there will be an additional lump sum proposal provided in the future to cover the balance of the work associated with Project 2 (Phase 3);

WHEREAS, based upon Owner-Advisor HDR’s evaluation and consultation with participating entities, HDR advises that LS Proposal No. 1 is reasonable for the scope of work being provided; and,

WHEREAS, Owner-Advisor HDR and LCFWASA’s Executive Director recommend that LCFWASA proceed with approval of LS Proposal No. 1 dated December 18, 2025, for the purchase of the steel coil for Project 2 (Phase 3) for the total lump sum contract price of \$1,578,720.

NOW, THEREFORE, BE IT RESOLVED, by the Chairman and the Lower Cape Fear Water and Sewer Authority Board of Directors, that the Board hereby authorizes and approves proceeding with the above-referenced Lump Sum Proposal No. 1 dated December 18, 2025, from Garney Companies, Inc. for the purchase of the steel coil for Project #2 (Phase 3) of the phased parallel raw water line project in the total amount \$1,578,720.

The Chairman is hereby authorized to execute on behalf of LCFWASA Design Build Institute of America (“DBIA”) Standard Form of Agreement contract documents with design-builder Garney Companies, Inc.

for the purchase of the steel coil for Project #2 (Phase 3) consistent with this Resolution, subject to the review and approval of the contract documents by LCFWASA's attorney as to form.

BE IT FURTHER RESOLVED, that the approval and award of the contract for the purchase of steel coil for Project #2 (Phase 3) as provided for in this Resolution is contingent upon the approval of the North Carolina Department of Environmental Quality and subject to compliance with all State and Federal funding requirements and receipt of payment from participating entities.

This Resolution shall be effective upon passage.

A copy of this Resolution shall be recorded in the permanent minutes of this Board.

This Resolution was adopted on the 12th day of January 2026.

Scott Phillips, Chairman

ATTEST:

Charlie Rivenbark, Secretary



December 19, 2025

Tim Holloman
Executive Director
Lower Cape Fear Water and Sewer Authority
1107 New Pointe Blvd. Suite 17
Leland, NC 28451

Re: Kings Bluff Parallel Raw Water Line Project 2 (Phase 3)
Lump Sum Proposal No. 1 (Steel Coil) Letter of Recommendation

Dear Mr. Holloman,

HDR Engineering, Inc. of the Carolinas (HDR) has evaluated Garney's Lump Sum (LS) Proposal No. 1 (December 18, 2025) for the above referenced project and in the amount of \$1,578,720. This Proposal is for the procurement of material only (Steel Coil). It is anticipated that there will be one more LS proposal provided in the future to cover the balance of the work associated with Project 2 (Phase 3). Based upon our evaluation and coordination with Garney, LS Proposal No. 1 is reasonable for the scope of work being provided. Therefore, we recommend proceeding with LS Proposal No. 1.

If you should have any questions or require any additional information, please do not hesitate to contact us.

Sincerely,
HDR Engineering, Inc. of the Carolinas

A handwritten signature in blue ink, appearing to read 'Will Shull', is placed below the typed name.

Will Shull, PE
Associate Vice President
Owner's Advisor Service Lead, NC
Water Business Group



1700 Swift Street, Kansas City, MO 64116

Phone: 816.741.4600

www.garney.com

HDR

Will Shull, PE

440 S. Church Street, Suite 1200

Charlotte, NC 28202

RE: Kings Bluff RWM – Project 2 Steel Pipe pricing

Included is the Steel pipe package for the above-mentioned project. Based on pricing procured from Northwest Pipe Company and American SpiralWeld Pipe Company it is our recommendation to move forward with American SpiralWeld Pipe.

This package includes quotes from both vendors as well as the GMP for the purchase of Steel Coil based on Garney's recommendation.

If you have any questions, please let me know.

Sincerely,

A handwritten signature in black ink, appearing to read 'Alex Littleton', with a long horizontal flourish extending to the right.

Alex Littleton

Assistant Project Manager

1700 Swift Street, Suite 200, North Kansas City, MO 64116



Pricing Project 2				NWP		ASWP	
Description	QTY	Unit	Unit Cost	Extended Cost	Unit Cost	Extended Cost	
54" steel pipe (50')	15338 LF		\$1,855.898		\$120.00	\$1,840,560.00	Phase 2 Coil/Steel - \$220 / LF - Fittings/Shorts/etc. not included.
54" steel pipe (25') -adder per LF	1200 LF		\$55.00	\$66,000.00	\$ 20.00	\$ 24,000.00	Project 2 Coil/Steel - \$210 / LF - Fittings/Shorts/etc. not included.
2 segment fitting	14 EA		\$6,350.00	\$88,900.00	\$ 5,000.00	\$ 70,000.00	
3 segment fitting	21 EA		\$9,800.00	\$205,800.00	\$ 9,430.00	\$ 198,030.00	
4 segment fitting	31 EA		\$12,000.00	\$372,000.00	\$ 14,420.00	\$ 447,020.00	
5 segment fitting	11 EA		\$16,750.00	\$184,250.00	\$ 18,860.00	\$ 207,460.00	Phase 2 All in Cost - \$282/ LF
2" weld outlet	10 EA		\$900.00	\$9,000.00	\$ 400.00	\$ 4,000.00	Project 2 All in cost - \$302/ LF
3" weld outlet	10 EA		\$1,000.00	\$10,000.00	\$ 590.00	\$ 5,900.00	
24" manway (solid flange)	2 EA		\$7,775.00	\$15,550.00	\$ 8,285.00	\$ 16,570.00	
Tangential flange tee for Blow-off (54x12)	1 EA		\$5,200.00	\$5,200.00	\$ 4,545.00	\$ 4,545.00	
24" manway for ARV -flange with 8" FLG	8 EA		\$8,800.00	\$70,400.00	\$ 10,850.00	\$ 86,800.00	
additional pipe wraps	70 EA		\$150.00	\$10,500.00	\$ 160.00	\$ 11,200.00	
54" MJIC	12 EA		\$13,500.00	\$162,000.00	\$ 6,345.00	\$ 76,140.00	
54" flange end	1 EA		\$5,200.00	\$5,200.00	\$ 5,600.00	\$ 5,600.00	
48" butt strap	2 EA		\$800.00	\$1,600.00	\$ 625.00	\$ 1,250.00	
54" butt strap	2 EA		\$900.00	\$1,800.00	\$ 650.00	\$ 1,300.00	
54" x 24" FLG Tee	1 EA		\$6,000.00	\$6,000.00	\$ 7,625.00	\$ 7,625.00	
48" x 12" FLG Tee	1 EA		\$2,500.00	\$2,500.00	\$ 4,241.00	\$ 4,241.00	
Pig Retrieval system	1 EA		\$137,900.00	\$137,900.00	\$ 87,100.00	\$ 87,100.00	
54" cap	1 EA		\$12,000.00	\$12,000.00	\$ 5,280.00	\$ 5,280.00	
Price of Steel coil	1 LS		\$1,350,000.00	\$1,350,000.00	\$1,380,000.00	\$1,380,000.00	
Yard Storage fees per load	1 Week		\$0.00	\$0.00	\$0.00	\$0.00	
54" x 48" Reducer, 54" Pex 48" MJIC	3 EA		\$0.00	\$0.00	\$ 13,400.00	\$ 40,200.00	
48" MJIC End	8 EA		\$0.00	\$0.00	\$ 3,200.00	\$ 25,600.00	
48 x 54 Reducing Connection	1 EA		\$0.00	\$0.00	\$ 5,890.00	\$ 5,890.00	
48" x .25 x Plain End 90 Radial Outlet	2 EA		\$0.00	\$0.00	\$ 20,750.00	\$ 41,500.00	
48" Pipe	50 LF		\$0.00	\$0.00	\$ 281.61	\$ 14,080.50	
48" FLG	2 EA		\$0.00	\$0.00	\$ 3,175.00	\$ 6,350.00	
48" PCP>FLG Adapter	2 EA		\$0.00	\$0.00	\$ 5,610.00	\$ 11,220.00	
Steel Pipe CPFA/Stepan	1 LS		\$211,250.00	\$211,250.00	\$ 3,175.00	\$ 3,175.00	
Linde Interconnect	1 LS		\$67,200.00	\$67,200.00	\$ 5,610.00	\$ 5,610.00	
Total				\$4,850,948		\$4,629,461.50	\$ (221,486.50)

GMP - Steel Coil			
Steel Coil (ASWP)	1	LS	\$ 1,380,000.00
Garney mark up - 10%			\$ 138,000.00
Sub -total			\$ 1,518,000.00
Bonds/Insurance 2.5% & Franchise Tax 1.5%			\$ 60,720.00
Total			\$ 1,578,720.00

AMERICAN SpiralWeld Pipe Company, LLC

East Region - Henry Trice

1501 31st Avenue North
Birmingham, AL 35207

Phone: 704-247-1247

Fax: 205-325-8194

Project #: TNC00442
Project Name: CFWSA KINGS BLUFF RAW WATERMAIN PH 3
Location: Leland, NC
Bid Date: 12/17/2025
Revision: 1

QUOTATION

<u>Quantity</u>	<u>UOM</u>	<u>Description</u>	<u>Unit Price</u>	<u>Total Price \$</u>
General Notes:				
1. For Segment C we have received 24 pages of plans dated 11/21/2025				
2. Domestic requirements per message from Henry.				
ASWP General Notes:				
1				
Bid Item 1 - 54" Steel Pipe (50')				
15,338	LF	54" Steel Pipe (50')	\$ 120.00	\$ 1,840,560.00
Pricing Includes:				
15,338	LF	54" I.D. X 0.225" Steel Pipe, CML x Polyurethane OD, Lap Weld (Standard) Joints, 50' nom. Lengths		
20	EA	54" X 0.225" Miter Joint		
307 EA Estimated Field Welded Joints (By Others) (±5%)				
Bid Item 2 - 54" Steel Pipe (25') Adder				
1,200	LF	54" Steel Pipe (25') Adder	\$ 20.00	\$ 24,000.00
Pricing Includes:				
1,200	LF	54" I.D. X 0.225" Steel Pipe, CML x Polyurethane OD, Lap Weld (Standard) Joints, 50' nom. Lengths		
48 EA Estimated Field Welded Joints (By Others) (±5%)				
Note:				
Pipe Adder Representative of Additional Price/LF for 25' Pairs				
Bid Item 3 - 54" 2 Segment Fitting				
14	EA	54" 2 Segment Fitting	\$ 5,000.00	\$ 70,000.00
Pricing Includes:				
14	EA	54" X 5 ° - 22.5 ° 2 Piece Bend		
Notes:				
1. Bends are fabricated from pipe listed above.				
Bid Item 4 - 54" 3 Segment Fitting				
21	EA	54" 3 Segment Fitting	\$ 9,430.00	\$ 198,030.00
Pricing Includes:				
21	EA	54" X 22.5 ° - 45 ° 3 Piece Bend		
Notes:				
1. Bends are fabricated from pipe listed above.				

Bid Item 5 - 54" 4 Segment Fitting

31	EA	54" 4 Segment Fitting	\$	14,420.00	\$	447,020.00
Pricing Includes:						
31	EA	54" X 45 ° - 67.5 ° 4 Piece Bend				
Notes:						
1. Bends are fabricated from pipe listed above.						

Bid Item 6 - 54" 5 Segment Fitting

11	EA	54" 5 Segment Fitting	\$	18,860.00	\$	207,460.00
Pricing Includes:						
11	EA	54" X 67.5 ° - 90 ° 5 Piece Bend				
Notes:						
1. Bends are fabricated from pipe listed above.						

Bid Item 7 - 2" Weld Outlet

10	EA	2" Weld Outlet	\$	400.00	\$	4,000.00
Pricing Includes:						
10	EA	2" NPT Threaded Outlet with Plug				

Bid Item 8 - 3" Weld Outlet

10	EA	3" Weld Outlet	\$	590.00	\$	5,900.00
Pricing Includes:						
10	EA	3" NPT Threaded Outlet with Plug				

Bid Item 9 - 24" Manway w/Blind Flange

2	EA	24" Manway w/Blind Flange	\$	8,285.00	\$	16,570.00
Pricing Includes:						
2	EA	24" X 0.25" X Flange (Class D) 90° Radial Outlet on 54" Pipe				
2	EA	24" Class D Blind Flange				

Bid Item 10 - 12" BOV

1	EA	12" BOV	\$	4,545.00	\$	4,545.00
Pricing Includes:						
1	EA	12" X 0.25" X Flange (Class D) 90° Tangential Outlet on 54" Pipe				

Bid Item 11 - Manway for ARV

8	EA	Manway for ARV	\$	10,850.00	\$	86,800.00
Pricing Includes:						
8	EA	24" X 0.25" X Flange (Class D) 90° Radial Outlet on 54" Pipe				
8	EA	24" Class D Blind Flange				
8	EA	8" X 0.25" X Flange (Class D) 90° Radial Outlet on 24" Blind Flange				

Bid Item 12 - Additional Pipe Wraps

70	EA	Additional Pipe Wraps	\$	160.00	\$	11,200.00
Pricing Includes:						
70	EA	54" WAB Shrink Sleeve (Covalence)				

Bid Item 13 - 54" MJCJ

12	EA	54" MJCJ	\$	6,345.00	\$	76,140.00
Pricing Includes:						
12	EA	54" X 48" X 0.5" X 2' X Lap Weld (Standard) X Plain End Concentric Reducer				
12	EA	48" Retaining Ring				
12	EA	48" Retaining Ring Install				
12	EA	48" Retaining Ring Gland				
12	EA	54" X 0.25" X 12" Buttstrap				

Notes:

1. Includes buttstraps to weld onto other pipe.
2. Includes 48" retaining gland and ring only.
3. All other materials by others

Bid Item 14 - 54" Flange End

1	EA	54" Flange End	\$	5,600.00	\$	5,600.00
Pricing Includes:						
1	EA	54" Class D Flange				

Bid Item 15 - 48" Buttstrap

2	EA	48" Buttstrap	\$	625.00	\$	1,250.00
Pricing Includes:						
2	EA	48" X 0.25" X 12" Buttstrap				
2 EA Estimated Field Welded Buttstrap Joints (By Others) (±5%)						

Bid Item 16 - 54" Buttstrap

2	EA	54" Buttstrap	\$	650.00	\$	1,300.00
Pricing Includes:						
2	EA	54" X 0.25" X 12" Buttstrap				
2 EA Estimated Field Welded Buttstrap Joints (By Others) (±5%)						

Bid Item 17 - 54" x 24" Tee

1	EA	54" x 24" Tee	\$	7,625.00	\$	7,625.00
Pricing Includes:						
1	EA	24" X 0.25" X Flange (Class D) 90° Radial Outlet on 54" Pipe				

Bid Item 18 - 48" x 12" Tee

1	EA	48" x 12" Tee	\$	4,241.00	\$	4,241.00
Pricing Includes:						
1	EA	12" X 0.25" X Flange (Class D) 90° Radial Outlet on 48" Pipe				
2	EA	48" X 0.25" X 12" Buttstrap				
Notes:						
1. Flange accessories are by others.						
2. All other materials are by others.						
2 EA Estimated Field Welded Buttstrap Joints (By Others) (±5%)						

Bid Item 19 - Pig Retrieval System

1	EA	Pig Retrieval System	\$	87,100.00	\$	87,100.00
Pricing Includes:						
1	EA	48" X 0.25" X 50' X Lap Weld (Standard) X Plain End Rolled Short				
1	EA	48" X 0.25" X Flange (Class D) 45° Lateral Outlet on 48" Pipe				
1	EA	48" Class D Blind Flange				
2	EA	48" X 0.225" Flange (Class D) X Flange (Class D) Short Pipe				
		54" X 48" X 0.25" X 2' X Flange (Class D) X Flange (Class D)				
2	EA	Concentric Reducer				
1	EA	48" Flanged Cap (External Ellipsoidal Head)				
1	EA	48" Welded Cap (Internal Ellipsoidal Head)				

Bid Item 20 - 54" Cap

1	EA	54" Cap	\$	5,280.00	\$	5,280.00
Pricing Includes:						
1	EA	54" Head Internal Ellipsoidal Head (shop installed)				

Bid Item 21 - Price of Steel Coil

1		1 LS Steel Coil	\$	1,380,000.00	\$	1,380,000.00
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Extra Each:**Bid Item 22 - 48" x 54" Reducer Connection**

1	EA	48" x 54" Reducer Connection	\$	5,890.00	\$	5,890.00
Pricing Includes:						
1	EA	54" X 48" X 0.25" X 2' X Plain End X Lap Weld (Standard) Concentric Reducer				

Bid Item 27 - 54" x 48" Reducer, 54" PE x 48" MJCJ end

1	EA	54" x 48" x 0.5" x 2' x Lap Weld (Standard) x Plain End Concentric Reducer	\$	13,400.00	\$	13,400.00
		48" Retaining Ring				
		48" Retaining Ring Install				
		48" Retaining Ring Gland				

Bid Item 28 - MJCJ End

1	EA	48" MJCJ End	\$	3,200.00	\$	3,200.00
		48" Retaining Ring				
		48" Retaining Ring Install				
		48" Retaining Ring Gland				

Bid Item 29 - Radial Outlet

2	EA	48" X 0.25" X Plain End 90° Radial Outlet on 48" Pipe	\$	20,750.00	\$	41,500.00
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Bid Item 30 - 48" Pipe

50	LF	48" X 0.25" X 50' X Lap Weld (Standard) X Plain End Rolled Pipe CML x Poly	\$	281.61	\$	14,080.50
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Bid Item 31 - 48" Flange

2	EA	48" Flange	\$	3,175.00	\$	6,350.00
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Bid Item 32 - 48" PCCPxFLG Adapter

2	EA	48" PCCPxFLG Adapter	\$	5,610.00	\$	11,220.00
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**Pricing Project 2**

Description	QTY	Unit	Unit Cost	Extended Cost
1 54" steel pipe (50')	15,338	LF	\$ 120.00	\$ 1,840,560.00
2 54" steel pipe (25') --adder per LF	1,200	LF	\$ 20.00	\$ 24,000.00
3 2 segment fitting	14	Ea	\$ 5,000.00	\$ 70,000.00
4 3 segment fitting	21	Ea	\$ 9,430.00	\$ 198,030.00
5 4 segment fitting	31	Ea	\$ 14,420.00	\$ 447,020.00
6 5 segment fitting	11	Ea	\$ 18,860.00	\$ 207,460.00
7 2" weld outlet	10	Ea	\$ 400.00	\$ 4,000.00
8 3" weld outlet	10	ea	\$ 590.00	\$ 5,900.00
9 24" manway (solid flange)	2	ea	\$ 8,285.00	\$ 16,570.00
10 Tangential flange tee for blow-off (54x12)	1	ea	\$ 4,545.00	\$ 4,545.00
11 24" manway for ARV -flange with 8" FLG	8	ea	\$ 10,850.00	\$ 86,800.00
12 additional pipe wraps	70	ea	\$ 160.00	\$ 11,200.00
13 54" MJCJ	12	EA	\$ 6,345.00	\$ 76,140.00
14 54" flange end	1	EA	\$ 5,600.00	\$ 5,600.00
15 48" butt strap	2	ea	\$ 625.00	\$ 1,250.00
16 54" butt strap	2	ea	\$ 650.00	\$ 1,300.00
17 54" x 24" FLG Tee	1	ea	\$ 7,625.00	\$ 7,625.00
18 48" x 12" FLG Tee	1	ea	\$ 4,241.00	\$ 4,241.00
19 Pig Retrieval system	1	ea	\$ 87,100.00	\$ 87,100.00
20 54" cap	1	ea	\$ 5,280.00	\$ 5,280.00
21 Price of Steel coil	1	LS	\$ 1,380,000.00	\$ 1,380,000.00
22 Yard Storage fees per load	1	Week		0

All unit prices to be less cost of the steel coil pricing as this is separate bid item.

all short joints for vendor needs to be included in 50' pipe price

All miter pipe included in 54" steel pipe price.

25' short joint line item only for contractor directed short joints

54" pipe to include softner if needed and adhesive wrap

24" manway to include solid 24" blind flange

ARV - 24" manway to include flange with 8" flanged outlet

Project unit price and will only be paid for units delivered.

Coil price will need receipt for payment for stored material

Pipe to arrive in manner to allow our loader forks to unload (3" clearance) on bottom pipes

Contractor will supply all bolts/gaskets

Contractor will supply following MJ ring for MJCJ

Pipe to be delivered in order.

Schedule

Pricing Due	12/12/2025
Notice of award (For Construction)	3/1/2026
Purchase order and authorize to release coil	1/12/2026
Submittal and lay drawings start	1/15/2026
pipe deliveries to site	4/15/2026

Rate of delivery
800'/week for 5 weeks 600'/week after

Notes:

allow 1 week for submittal turn around for owner.
Coil may be invoiced once arrived at plant and verified.
Price must be held per above schedule.
we are working to get letter of intent to release in Mid January but not guarantee.

Plans at 50%
qty's based on the 50% plans qty's may change with lay schedule
or final drawings.

<u>Alternates / Extras:</u>			
QTY	Description	Unit Cost	Extended Cost
1	48" x 54" Reducer Connection	\$ 5,890.00	\$ 5,890.00

<u>Alternates / Extras Rev. B:</u>			
QTY	Description	Unit Cost	Extended Cost
1	54" x 48" Reducer, 54" PE x 48" MJCJ end	\$ 13,400.00	\$ 13,400.00
	<i>Price Includes:</i>		
	<i>54" x 48" x 0.5" x 2" x Lap Weld (Standard) x Plain End Concentric Reducer</i>		
	<i>48" Retaining Ring</i>		
	<i>48" Retaining Ring Install</i>		
	<i>48" Retaining Ring Gland</i>		
1	48" MJCJ End	\$ 3,200.00	\$ 3,200.00
	<i>Price Includes:</i>		
	<i>48" Retaining Ring</i>		
	<i>48" Retaining Ring Install</i>		
	<i>48" Retaining Ring Gland</i>		
2	48" X 0.25" X Plain End 90° Radial Outlet on 48" Pipe	\$ 20,750.00	\$ 41,500.00
50	48" X 0.25" X 50' X Lap Weld (Standard) X Plain End Rolled	\$ 281.61	\$ 14,080.50
	Pipe CML x Poly		
2	48" Flange	\$ 3,175.00	\$ 6,350.00
2	48" PCCPxFLG Adapter	\$ 5,610.00	\$ 11,220.00

All unit prices to be less cost of the steel coil pricing as this is separate bid item.
All short joints for vendor needs to be included in 50' pipe price
All miter joints included in 54" steel pipe price.
25' short joint line item only for contractor directed short joints
54" pipe to include softer if needed and adhesive wrap
24" manway to include solid 24" blind flange
ARV - 24" manway to include flange with 8" flanged outlet
Project unit price and will only be paid for units delivered.
Coil price will need receipt for payment for stored material
Pipe to arrive in manner to allow our loader forks to unload (3" clearance) on both ends
Contractor will supply all bolts/gaskets
Contractor will supply following MJ ring for MJCI
Pipe to be delivered in order.



Water Transmission Group 201 NE Park Plaza Drive, Suite 100 Vancouver, WA 98684 • 360-397-6250 • www.nwpipe.com

Date:	12-18-25	Project:	King's Bluff RWTM – Phase 3- Project #2
Attn:	Alex Littleton / CJ Cahoy	Quote No.	NC-24-25524, PKS-63879
Company:	Garney	Owner:	Lower Cape Fear W & S Auth.
Sent via:	<input type="checkbox"/> e-mail <input type="checkbox"/> fax	Bid Date:	December 12, 2025
Contact Phone:		Bid Time:	5:00

Email: jgrabarits@nwpipe.com

Nominal Pipe Size	Cylinder OD	Wall Thickness	Pipe Weight
54"	55.45"	0.225"	223 lbs/ft
48"	49.50"	0.250"	212 lbs/ft

NB5 - 13



Certificate No. 33609

Water Transmission Group 201 NE Park Plaza Drive, Suite 100 Vancouver, WA 98684 • 360-397-6250 • www.nwpipe.com

SCOPE OF WORK

Item	Description	QTY	Unit	Unit Price	Extension
1	54" Buried steel pipe in 50' lengths	15,338	LF	\$121.00	\$1,855,898.00
Approx. 294 – Lap-welded Field Joints assuming 50' lengths					
2	54" 2 segment (1 welded miter) elbows – fabrication only in above pipe footage	14	EA	\$6350.00	\$ 88,900.00
3	54" 3 segment (2 welded miter) elbows – fabrication only in above pipe footage	21	EA	\$9800.00	\$ 205,800.00
4	54" 4 segment (3 welded miter) elbow – fabrication only in above pipe footage	31	EA	\$12,000.00	\$ 372,000.00
5	54" 5 segment (4 welded miter) elbow – fabrication only in above pipe footage	11	EA	\$16,750.00	\$ 184,250.00
6	2" Threaded 3,000# coupling with plug	10	EA	\$900.00	\$ 9,000.00
7	3" Threaded 3,000# coupling with plug	10	EA	\$1,000.00	\$ 10,000.00
8	24" Flanged manway outlets with blind flange	2	EA	\$7,775.00	\$ 15,550.00
9	12" Tangential Blow-off outlet with MJCJ flanged end	1	EA	\$5,200.00	\$ 5,200.00
10	24" Flanged ARV manway outlets with 8" flanged outlet in blind flange	8	EA	\$8,800.00	\$ 70,400.00
11	Heat shrink sleeves for 54" pipe	70	EA	\$150.00	\$ 10,500.00
12	54" MJCJ which includes:	12	EA	\$13,500.00	\$ 162,000.00
1 – 54" ring flange loose on pipe with retaining ring and built-up end to fit valves					
13	54" Flange attached	1	EA	\$5,200.00	\$ 5,200.00
14	48" Butt Straps	2	EA	\$800.00	\$ 1,600.00
15	54" Butt Straps	2	EA	\$900.00	\$ 1,800.00
16	24" Flanged outlet on 54" pipe	1	EA	\$6,000.00	\$ 6,000.00



Certificate No. 33609

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17	12" Flanged outlet on 48" pipe	1	EA	\$2,500.00	\$ 2,500.00
18	Pig retrieval piping including:	1	EA	\$137,900.00	\$ 137,900.00
2 – 54" x 48" reducers Approx. 32 LF of 48" steel pipe 1 – 48" 45 degree flanged lateral outlet fabricated into above pipe 2 – 48" MJCJ for gate valve (valve by others) 2 – 48" flanges attached on ends of pipe spool on outlet for pig retrieval 1 – 48" blind flange for end of pig retrieval spool					
19	54" Ellipsoidal dished head attached at the end of the pipeline	1	EA	\$12,000.00	\$ 12,000.00
20	Cost of steel coil delivered to Parkersburg and invoiced upon receipt	1	LS		\$ 1,350,000.00
21	Yard Storage per week per TL for finished Pipe Ready to ship to jobsite.	1	Week	\$0	\$ 0.00
22	54" Pipe in 25' lengths. Add to price of pipe in Item 1	1,200	LF	\$55.00	\$ 66,000.00
23	Steel pipe and fabrications for the CFP/UA/STEPAN Interconnect including:	1	LS		\$ 211,250.00
1 – 54" x 48" reducer Approx. 50 LF of 48" steel pipe 2 – 48" plain end outlets 8 – 48" MJCJ ring flanges loose on pipe with retaining ring and built-up end 2 – 48" PCCP x MJCJ pipe spools for connecting to existing PCCP 1 – 48" dished head attached at the end of Phase 3 piping 2 – 48" butt straps for outlet to pipe joints					
24	Steel pipe and fabrications for the Linde Interconnect including:	1	LS		67,200.00
2 – 54" x 48" reducers Approx. 8 LF of 48" steel pipe to connect to the gate valve 2 – 48" MJCJ to connect to the gate valve (valve by others) 2 – 6" weld-o-lets					



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1 – 12" flanged outlet	

Additional Cost Items					
Option 1	Alternate MJCJ including built-up end on pipe (Garney to supply Mega-Lug)	12	EA		
Add-1					

EXCLUSIONS: *Unless specifically stated in the scope of work above, the following items are excluded from our quotation:*

1. Flange bolts, nuts and gaskets, flange insulating kits
2. Mega-lugs, gland, retainer ring or bolts for MJ connection to BFV
3. Valves, meters, gauges or similar instrumentation; supports or appurtenances
4. Pipe supports or hangers, wall sleeves and link seals
5. Patch kits for field joint repair or touch up kits for painted surfaces
6. Cathodic protection materials or corrosion monitoring systems
7. Pipe other than carbon steel or other as described above
8. Pipe for Horizontal Directional Drilling
9. Vent piping and/or galvanized steel pipe unless described above
10. Bulkheads, blind flanges, buttstraps, test heads, caps or other items required for field hydrostatic testing unless specifically stated in the scope of work or project drawings
11. Lifting lugs, pipe handling attachments or related items
12. Off loading of pipe, installation, field welding or supervision, training or certification of installation contractor field crews
13. Harness rods for couplings where Seller is not providing the mating pipe material
14. Air valve or blow-off piping past the first flange of the outlet in the mainline pipe
15. Victaulic AGS or W257 Couplings

PROJECT TERMS & CONDITIONS:

1. **Payment Terms:** Payment terms are Net 30 days from date of invoice. Final acceptance of all orders is subject to approval by Seller's standard credit policy. A 1.5% finance charge per month will be assessed on all late payments. Seller reserves the right to stop delivery on any project which has outstanding invoices not paid within (60) sixty days of invoice date. No retention is allowed. Seller will file intent to file bond claim and/or intent to lien on all projects.
2. **Prices:** Prices quoted are firm for orders placed within 30 days of bid time. Any orders placed after this time is subject to revisions based on the price and availability of steel in effect at time of the order. Quoted prices are based on receiving an order for all items quoted and quantities shown. Unit prices govern; extensions for pricing are for information only. Invoicing will be based on the actual quantities supplied. Any revisions to the scope of work may necessitate a price revision and an approved change order prior to the revision being effective.

AGENDA ITEM

To: CHAIRMAN PHILLIPS AND BOARD MEMBERS

From: TIM H. HOLLOMAN, EXECUTIVE DIRECTOR

Date: January 12, 2026

Re: Executive Director's Report

EDR1 - Comments on Customers' Water Usage and Raw Water Revenue for Fiscal Year to Date Ending December 31, 2025

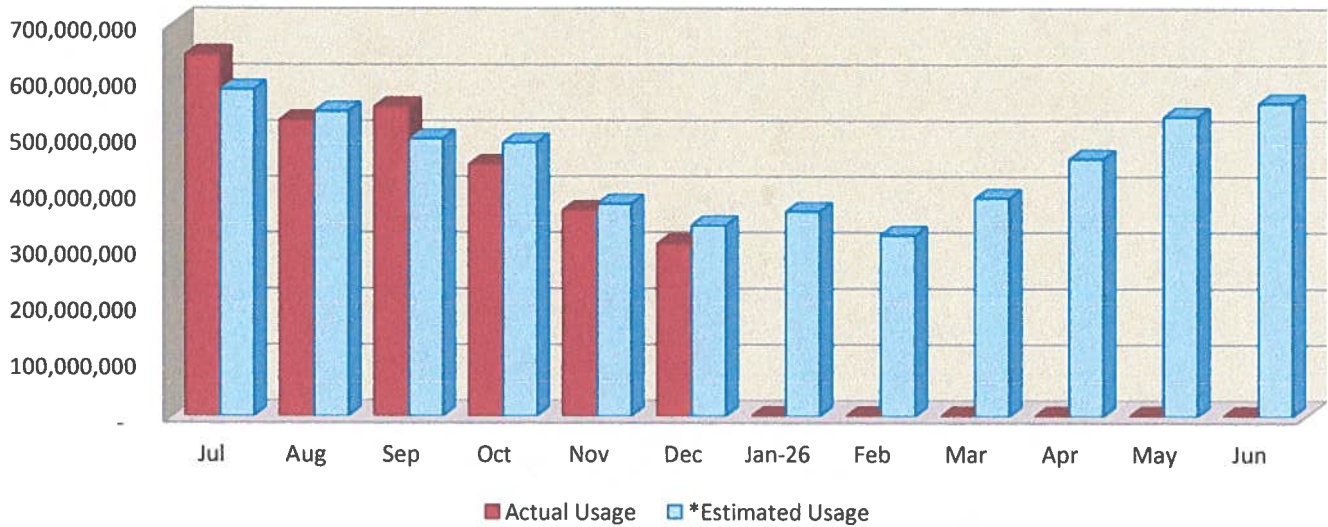
EDR2 - Operating Budget Status, Ending November 30, 2025

EDR3 - Summary of Activities.

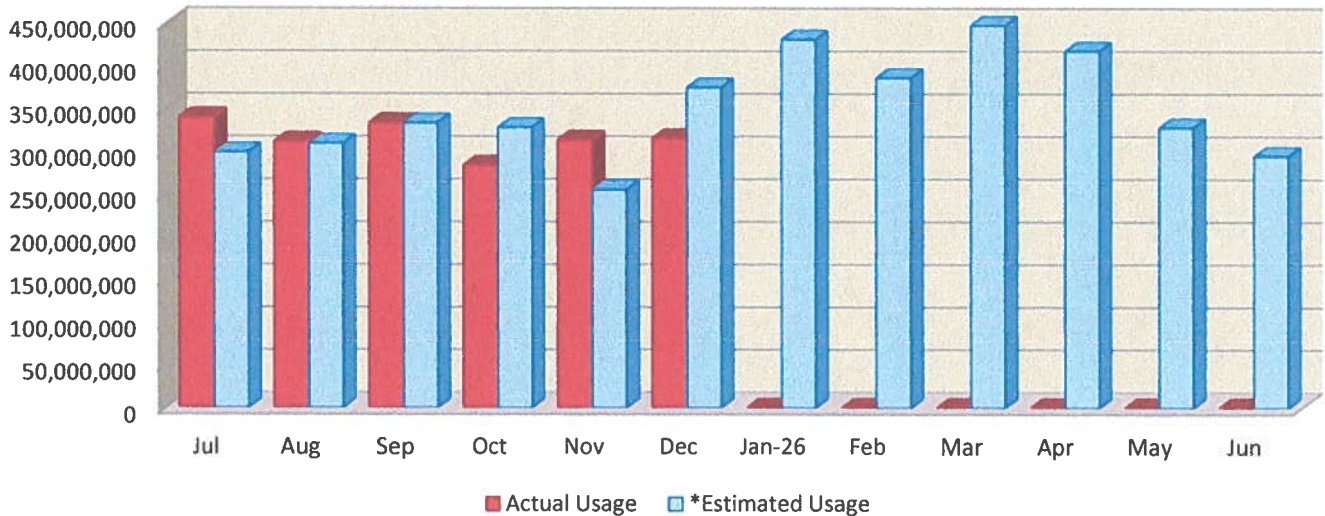
EDR4 – Proposed Budget Calendar for 2026

Action Requested: For information purposes.

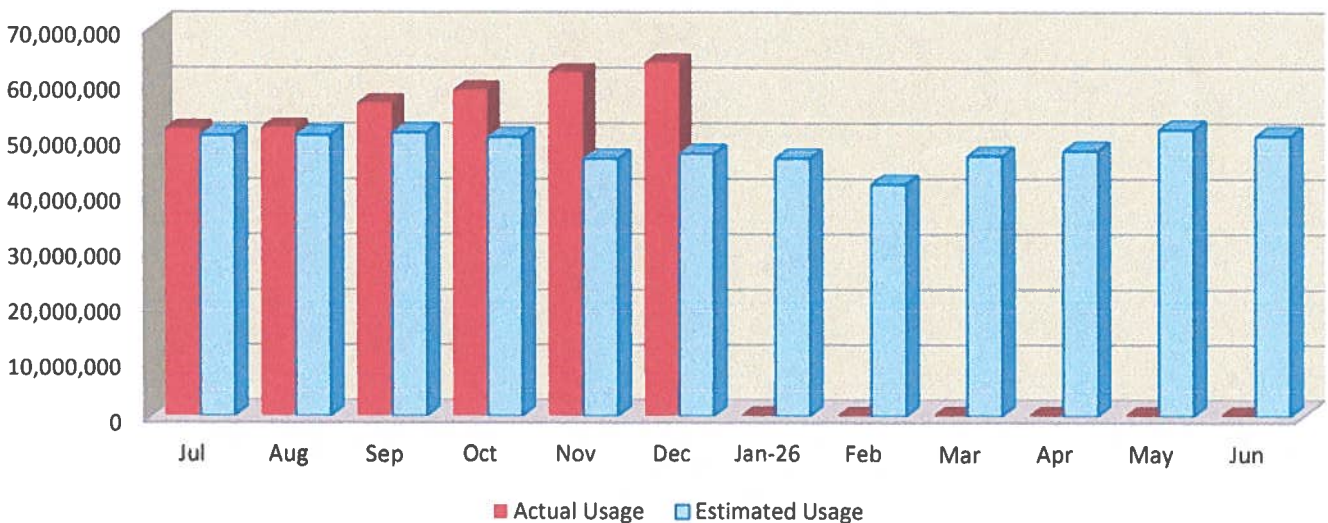
Brunswick County Water Usage FY 25-26



CFPUA Water Usage FY 25-26



Pender County Water Usage FY 25-26



LOWER CAPE FEAR WATER AND SEWER AUTHORITY
FISCAL YEAR 2025-2026 BUDGET

ACCOUNT NO.	REVENUES	FY 2025-2026 APPROVED BUDGET	FY 2025-2026 AMENDED BUDGET	July 1 - November 30, 2025 ACTUAL		FY 25-26 TOTAL COMBINED BUDGET	% of Amended Budget As of 11/30/2025
				KINGS BLUFF	BLADEN BLUFFS		
	OPERATING						
3001-01	Brunswick County	\$ 2,621,733	\$ 2,621,733	\$ 1,220,069	\$ -	\$ 1,220,069	47%
3002-01	Cape Fear Public Utility Authority	\$ 2,022,934	\$ 2,022,934	\$ 760,316	\$ -	\$ 760,316	38%
3003-03	Pender County	\$ 289,440	\$ 289,440	\$ 135,032	\$ -	\$ 135,032	47%
3004-01	Stepan/Invista	\$ 140,000	\$ 140,000	\$ 60,228	\$ -	\$ 60,228	43%
3005-01	Praxair, Inc	\$ 35,200	\$ 35,200	\$ 11,626	\$ -	\$ 11,626	33%
3006-01	Bladen Bluffs Reimbursement for Plant Operation Costs	\$ 5,670,086	\$ 5,670,086	\$ -	\$ 797,179	\$ 797,179	14%
3006-02	Bladen Bluffs Administrative Reimbursement	\$ 133,823	\$ 133,823	\$ -	\$ 80,662	\$ 80,662	60%
3007-01	Sales Tax Refund	\$ 159,988	\$ 159,988	\$ -	\$ -	\$ -	0%
	Subtotal	\$ 11,073,204	\$ 11,073,204	\$ 2,187,270	\$ 877,842	\$ 3,065,112	28%
	Non-Operating						
3105-01	Interest	\$ 200,000	\$ 200,000	\$ 114,548	\$ -	\$ 114,548	57%
3120-01	Other Revenue (Insurance Proceeds/Refunds/FEMA)	\$ -	\$ -	\$ -	\$ -	\$ -	0%
3125-01	Federal Tax Subsidy	\$ -	\$ -	\$ -	\$ -	\$ -	0%
3156-00	Rental House Income	\$ -	\$ -	\$ -	\$ -	\$ -	0%
3170-01	Transfer In	\$ -	\$ -	\$ -	\$ -	\$ -	0%
3900-01	Renewal and Replacement Fund Appropriated	\$ -	\$ -	\$ -	\$ -	\$ -	0%
3900-02	SRF/ARPA	\$ 37,762,800	\$ 37,762,800	\$ 20,382,065	\$ -	\$ 20,382,065	54%
2900-00	Fund Balance Appropriated	\$ -	\$ -	\$ -	\$ -	\$ -	0%
	Subtotal	\$ 37,962,800	\$ 37,962,800	\$ 20,496,613	\$ -	\$ 20,496,613	54%
	TOTAL REVENUES	\$ 49,036,004	\$ 49,036,004	\$ 22,683,883	\$ 877,842	\$ 23,561,725	48%

LOWER CAPE FEAR WATER AND SEWER AUTHORITY
FISCAL YEAR 2025-2026 BUDGET

ACCOUNT NO.	EXPENDITURES	FY 2025-2026 APPROVED BUDGET	FY 2025-2026 AMENDED BUDGET	July 1 - November 30, 2025 ACTUAL		FY 25-26 TOTAL COMBINED BUDGET	% of Amended Budget As of 11/30/2025
				KINGS BLUFF	BLADEN BLUFFS		
	Administration						
4001-01	Salaries	\$ 246,869	\$ 246,869	\$ 73,763	\$ 30,859	\$ 104,621	42%
4010-01	Per Diem and Mileage Board Members	\$ 64,791	\$ 64,791	\$ 15,367	\$ 8,099	\$ 23,466	36%
4012-01	Vehicle Allowance	\$ 5,200	\$ 5,200	\$ 1,550	\$ 650	\$ 2,200	42%
4019-01 & 4024-01	FICA Taxes	\$ 24,658	\$ 24,658	\$ 6,724 ⁸	\$ 3,082	\$ 9,807	40%
4029-01	Retirement	\$ 36,660	\$ 36,660	\$ 9,493	\$ 4,583	\$ 14,075	38%
4035-01	401K Plan	\$ 13,912	\$ 13,912	\$ 3,536	\$ 1,739	\$ 5,275	38%
4036-01	Miscellaneous Payroll Processing Expenses	\$ 2,900	\$ 2,900	\$ 1,189	\$ -	\$ 1,189	41%
4038-01	Group Insurance	\$ 42,586	\$ 42,586	\$ 7,629	\$ 5,324	\$ 12,953	30%
4039-01	Property and Liability Insurance	\$ 173,160	\$ 173,160	\$ 49,261	\$ 21,645	\$ 70,906	41%
4046-00	Professional Services General	\$ 55,000	\$ 130,000	\$ 104,056	\$ -	\$ 104,056	80%
4046-01	Attorney	\$ 65,000	\$ 65,000	\$ 17,350	\$ -	\$ 17,350	27%
4047-01	Auditor	\$ 9,500	\$ 9,500	\$ 3,950	\$ 2,800	\$ 6,750	71%
4048-01	Engineer	\$ 150,000	\$ 67,500	\$ 16,672	\$ -	\$ 16,672	25%
4049-01	Information Technology	\$ 15,000	\$ 15,000	\$ 9,005	\$ -	\$ 9,005	60%
4050-01	Financial Advisor	\$ 10,000	\$ 10,000	\$ -	\$ -	\$ -	0%
4055-01	Office Maintenance/Repair/Common Charge	\$ 45,000	\$ 45,000	\$ 7,467	\$ -	\$ 7,467	17%
4058-01	Office Utilities	\$ 4,000	\$ 4,000	\$ 1,650	\$ -	\$ 1,650	41%
4059-01	Office Expenses (telephone, Printing, Adv)	\$ 15,000	\$ 15,000	\$ 6,202	\$ -	\$ 6,202	41%
4062-01	Office Equipment	\$ 30,000	\$ 35,000	\$ 19,174	\$ -	\$ 19,174	55%
4064-01	Printing and Advertising	\$ 15,500	\$ 20,500	\$ 2,971	\$ -	\$ 2,971	14%
4065-01	Telephone and Internet	\$ 5,500	\$ 5,500	\$ 2,938	\$ -	\$ 2,938	53%
4070-01	Travel and Training	\$ 36,000	\$ 38,500	\$ 13,059	\$ -	\$ 13,059	34%
4070-20	Phone Allowance	\$ 520	\$ 520	\$ 181	\$ 39	\$ 220	42%
4075-01	Vehicle Expense	\$ -	\$ -	\$ -	\$ -	\$ -	0%
4080-01	Miscellaneous Expense	\$ 25,000	\$ 25,000	\$ 1,265	\$ -	\$ 1,265	5%
4081-01	Dues & Subscription	\$ 12,000	\$ 12,000	\$ 7,149	\$ -	\$ 7,149	60%
	Subtotal	\$ 1,103,756	\$ 1,108,756	\$ 381,601	\$ 78,819	\$ 460,420	42%

LOWER CAPE FEAR WATER AND SEWER AUTHORITY
FISCAL YEAR 2025-2026 BUDGET

ACCOUNT NO.	EXPENDITURES	FY 2025-2026 APPROVED BUDGET	FY 2025-2026 AMENDED BUDGET	July 1 - November 30, 2025 ACTUAL		FY 25-26 TOTAL COMBINED BUDGET	% of Amended Budget As of 11/30/2025
				KINGS BLUFF	BLADEN BLUFFS		
	Operating						
4501-01	Sales Tax Expense	\$ 150,000	\$ 550,000	\$ -	\$ 273,732	\$ 273,732	
4510-01	Bladen Bluffs O & M	\$ 3,821,385	\$ 3,416,385	\$ -	\$ 392,393	\$ 392,393	50%
4515-01	Bladen Bluffs Hurricane Florence	\$ -	\$ -	\$ -	\$ -	\$ -	11%
4520-01	Utilities/Energy Kings Bluff	\$ 778,052	\$ 778,052	\$ 266,008	\$ -	\$ 266,008	0%
4530-01	Contract O & M Kings Bluff	\$ 736,811	\$ 736,811	\$ 378,376	\$ -	\$ 378,376	34%
4537-01	O&M Kings Booster Pump Bluff Pump Station	\$ -	\$ -	\$ -	\$ -	\$ -	51%
4541-01	Combined Enterprise Funded Series 2010 Principal	\$ -	\$ -	\$ -	\$ -	\$ -	0%
4542-01	Combined Enterprise Funded Series 2010 Interest	\$ -	\$ -	\$ -	\$ -	\$ -	0%
4543-01	Combined Enterprise System Ref Series 2012 Principal	\$ -	\$ -	\$ -	\$ -	\$ -	0%
4544-01	Combined Enterprise System Ref Series 2012 Interest	\$ -	\$ -	\$ -	\$ -	\$ -	0%
4545-01	Bladen Bluffs Debt Service Principal	\$ 1,115,000	\$ 1,115,000	\$ -	\$ -	\$ -	0%
4546-01	Bladen Bluffs Debt Service Interest	\$ 480,000	\$ 480,000	\$ -	\$ 166,141	\$ 166,141	35%
	Operating Capital Expense	\$ 10,851,000	\$ 10,851,000	\$ 612,549	\$ -	\$ 612,549	6%
4998-05	Transfer to R&R - Kings Bluff R&R Expense	\$ -	\$ -	\$ -	\$ -	\$ -	0%
	Transfer to R&R - Industrial	\$ -	\$ -	\$ -	\$ -	\$ -	0%
4998-06	Transfer to Enterprise Fund	\$ -	\$ -	\$ -	\$ -	\$ -	0%
2041-01	421 Relocation New Hanover County Loan Principal	\$ -	\$ -	\$ -	\$ -	\$ -	0%
5180-00	SRF77 mile parallel line expenditures	\$ 30,000,000	\$ 30,000,000	\$ 11,211,468	\$ -	\$ 11,211,468	37%
	Subtotal	\$ 47,932,248	\$ 47,927,248	\$ 12,468,401	\$ 832,267	\$ 13,300,667	28%
	TOTAL EXPENDITURES	\$ 49,036,004	\$ 49,036,004	\$ 12,850,001	\$ 911,086	\$ 13,761,087	28%

Executive Director Highlighted Activities:

- Regular Monthly meetings with the Design Build Team and the Owner's Advisor for the parallel line project.
- Continuing work with the Legislative Delegation on the double project funding
- Met with Real estate representative, HDR, and State officials to discuss the closing of two properties.
- Work with the Lobbyist to set up a final January Legislative Delegate Event
- Danielle made the arrangements for food and local logistics for the Delegate Event
- IBT Discussion with our Lobbyist
- Completed Asbestos Inspection continuing education.
- Participated in 75% project 2 Plan review.
- Attended two of the three IBT public hearings.
- Met with CFPUA Staff and McKim and Creed about check dam status.
- Certify BB Monthly Report
- Submitted permit reports for the Parallel line project.
- Attended Cape Fear River Watch's first Saturday meeting, where the IBT request was the focus.
- Continue to review easements needed for the parallel line project with the Design Build Team and the LCFWASA attorney (weekly)
- Met with Coastal Precast about finalizing the easement.
- Extensive work with the Attorney, Computer Warriors, and Federal and State Agencies regarding a cyber incident
- Started coordination with McKim and Creed about the Master Plan update.

PROPOSED BUDGET CALENDER 2026

January 2026	Meet with Brunswick County Staff and Bladen Bluff Staff to review the next five years' Capital Improvement Needs.
February 1, 2026	Send correspondence to customers requesting estimate of FY 26 Usage
March 9, 2026	Meet with Finance Committee to review current revenues and expenditures. Present Capital Improvement needs for the next five years to the Finance Committee Review Capital Improvement Plan for the coming five years.
April 13, 2026	Meet with Finance Committee to review proposed FY 2026-27 Budget for recommendation to the Board
May 11, 2026	Present draft budget to the Board. Hold Public Hearing on Proposed Budget
June 8, 2026	Adopt proposed FY 2026-27 Annual Budget

AGENDA ITEM

To: CHAIRMAN DEVANE AND BOARD MEMBERS

From: TIM H. HOLLOMAN, EXECUTIVE DIRECTOR

Date: January 12, 2026

Re: Closed Session in Accordance with NCGS §143-318.11(a)(3) to
discuss with our attorney a matter within the attorney-client privilege

Reviewed and approved as to form: MATTHEW A. NICHOLS, AUTHORITY
ATTORNEY

A Closed Session is required in accordance with NCGS §143-318.11(a)(3) to discuss
with our attorney a matter within the attorney-client privilege

A motion is made by _____ to go into a closed
session in accordance with North Carolina General Statute Section 143-318.
11(a)(3) to discuss with our attorney a matter within the attorney-client privilege.

The motion is seconded by _____.

Closed Session

A motion is made by _____ to return to
open session.

The motion is seconded by _____.