



ORANGE WATER AND SEWER AUTHORITY

*A public, non-profit agency providing water, sewer and reclaimed water services
to the Carrboro-Chapel Hill community.*

Agenda

Annual Meeting of the OWASA Board of Directors

Thursday, September 27, 2018, 7:00 P.M.

Chapel Hill Town Hall

In compliance with the "Americans with Disabilities Act," interpreter services are available with five days prior notice. If you need this assistance, please contact the Clerk to the Board at 919-537-4217 or aorbich@owasa.org.

The Board of Directors appreciates and invites the public to attend and observe its meetings. Public comment is invited either by petition upon topics not on the Board's agenda, or by comments upon items appearing on the Board's agenda. Speakers are invited to submit more detailed comments via written materials, ideally submitted at least three days in advance of the meeting to the Clerk to the Board via email or US Postal Service (aorbich@owasa.org/400 Jones Ferry Road, Carrboro, NC 27510).

Public speakers are encouraged to organize their remarks for delivery within a four-minute time frame allowed each speaker, unless otherwise determined by the Board of Directors.

Announcements

1. Announcements by the Chair
 - A. Any Board Member who knows of a conflict of interest or potential conflict of interest with respect to any item on the agenda tonight is asked to disclose the same at this time.
2. Announcements by Board Members
 - A. Chatham-Orange Joint Planning Task Force Meeting on Thursday, October 4, 2018 (John Young)
 - B. Natural Resources and Technical Services Committee Meeting on Wednesday, November 14, 2018 at 5:00 p.m. (Topic To Be Determined) (John Young)
3. Announcements by Staff
 - A. Carrboro Citizen's Academy – OWASA Session on Wednesday, October 10, 2018 (Ed Kerwin)
4. Additional Comments, Suggestions, and Information Items by Board Members (Yinka Ayankoya)

Presentation of Annual Report

1.
 - A. Staff Comments
 - B. Martin Starnes & Associates, CPAs, P.A.'s Comments

Petitions and Requests

2.
 - A. Public
 - B. Board
 - C. Staff

Consent Agenda

Information and Reports

3. 12 Month Board Meeting Schedule (Yinka Ayankoya/Ed Kerwin)
4. Annual Report on Disposal of Surplus Personal Property (Kelly Satterfield)

Action

5. Minutes of the August 23, 2018 Meeting of the Board of Directors (Andrea Orbich)
6. Minutes of the August 23, 2018 Closed Session of the Board of Directors for the Purpose of Discussing Potential Litigation and a Personnel Matter (Robert Morgan)

Regular Agenda

Information and Reports

7. Update on Hurricane Florence Impact on OWASA (Staff)

Discussion and Action

8. Resolution Awarding a Construction Contract for the Jones Ferry Road Water Treatment Plant Sedimentation Basin Rehabilitation Project (Simon Lobdell)
9. Resolution Reappointing the Firm of Epting and Hackney as General Counsel to the Orange Water and Sewer Authority (Robert Morgan)

Discussion

10. Diversity and Inclusion Program Progress Report and Equal Employment Opportunity/Affirmative Action Report for Fiscal Year 2018 (Stephanie Glasgow)

Summary of Board Meeting Action Items

11. Executive Director will summarize the key action items from the Board meeting and note significant items for discussion and/or action expected at the next meeting

Closed Session

12. The Board of Directors will convene in a Closed Session for the Purpose of Discussing a Personnel Matter (Robert Morgan)

PRESENTATION OF ANNUAL REPORT

Staff Comments Stephen Winters, CPA

Martin, Starnes & Associates Meg Blue

September 27, 2018




ORANGE WATER AND SEWER AUTHORITY

A public, non-profit agency providing water, sewer and reclaimed water services to the Carrboro-Chapel Hill community.

MEMORANDUM

TO: Board of Directors

THROUGH: Ed Kerwin 

FROM: Stephen Winters, CPA

DATE: September 21, 2018

SUBJECT: Draft of Orange Water and Sewer Authority Comprehensive Annual Financial Report for the year ended June 30, 2018.

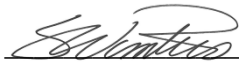
A draft of the Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2018 will be provided at the September 27, 2018 Board Meeting. Martin, Starnes & Associates has completed its audit and has issued an unmodified opinion.

Unmodified Opinion Explained

An unmodified audit opinion means that in the independent auditor's judgment, a company's financial records and statements are fairly and appropriately presented, and in accordance with Generally Accepted Accounting Principles (GAAP). It is issued when the independent auditor believes that the company's financial statements are sound; that is, the statements are free from material misstatements. This is different from a qualified opinion which is issued when the independent auditor discovers something in the financial statements that is subject to major concern.

Draft Version of CAFR

The report presented at the meeting will be in draft form. In addition to correcting any typographical errors, we will insert additional supplemental information in the report. As a component unit of the Town of Chapel Hill for reporting purposes, we are required to include information from the Town's CAFR that is not yet available. We will provide the final version to the Board of Directors in October after a mandatory review by the North Carolina Local Government Commission.



Stephen Winters, CPA
Director of Finance and Customer Service

ORANGE WATER AND SEWER AUTHORITY
(A COMPONENT UNIT OF THE TOWN OF CHAPEL HILL, NORTH CAROLINA)

AUDITED FINANCIAL REPORT

FOR THE FISCAL YEARS ENDED JUNE 30, 2018 AND 2017

Prepared by:

Orange Water and Sewer Authority

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Draft

ORANGE WATER AND SEWER AUTHORITY
AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2018 AND 2017

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ORANGE WATER AND SEWER AUTHORITY
AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2018 AND 2017

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ORANGE WATER AND SEWER AUTHORITY

A public, non-profit agency providing water, sewer and reclaimed water services to the Carrboro-Chapel Hill community.

September 24, 2018

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

We are pleased to present our Comprehensive Annual Financial Report for the Fiscal Year beginning July 1, 2017 and ending June 30, 2018 (FY 2018). This report conforms to the reporting and accounting standards of the Governmental Accounting Standards Board (GASB), the Financial Accounting Standards Board (FASB), and the Government Finance Officers Association's (GFOA's) *Governmental Accounting, Auditing and Financial Reporting* document. Orange Water and Sewer Authority (OWASA) is responsible for the accuracy, completeness and fairness of the information presented including all disclosures.

Highlights

In FY 2018, OWASA served the Carrboro-Chapel Hill community in full compliance with federal and state standards for drinking water, treated wastewater, and reclaimed water quality.

OWASA's financial position improved during the year. OWASA ended the year with a modified accrual based net income less debt service of about \$10.7 million which was 26.7% percent over budget. The resulting increase in financial reserves will be used for future capital improvement needs.

Please refer to the management's discussion and analysis and the audited general purpose financial statements for additional information on OWASA's financial performance during FY 2018.

Scope and Organization of this Report

- **The Introductory Section** (unaudited) contains this letter of transmittal and information about OWASA's organizational structure, principal officers, major initiatives, accomplishments, and future projects.
- **The Financial Section** includes the independent auditor's report; OWASA management's discussion and analysis of the year; the general purpose financial statements; and supplementary schedules. The general purpose financial statements can be issued separately for securities offerings or other purposes.
- **The Statistical Section** (unaudited) presents fiscal and other data to provide a more complete understanding of OWASA, the community we serve and the local economy.
- **The Compliance Section** presents the independent auditor's report on compliance with various internal control and other requirements related to certain forms of financial assistance.

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

Annual Financial Report (CAFR) of the Town of Chapel Hill therefore includes OWASA’s financial data and OWASA’s CAFR includes statistical data about the Town.

Background

A special purpose local governmental entity organized under state law, OWASA is a public non-profit agency providing water, wastewater and reclaimed water services to the Carrboro-Chapel Hill community. We serve about 83,000 people.



Carrboro Businesses

Creation of OWASA

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



The Old Well on UNC’s Campus

Following recommendations of a Utilities Study Commission created in 1971, on August 9, 1976, the state approved conveyance of the University's water and wastewater utilities to OWASA in accord with *Agreements of Sale and Purchase* among the University, the Towns and OWASA. The Town of Carrboro, the Town of Chapel Hill and Orange County governing boards incorporated OWASA under Chapter 162A of state law. OWASA began serving the community on February 16, 1977 upon transfer of the municipal and University systems to OWASA.

Governance

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

Water System

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



University Lake

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

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

Wastewater System

We operate and maintain about 340 miles of sanitary sewer and force main lines, and 21 pump stations to carry wastewater to the Mason Farm Wastewater Treatment Plant (WWTP), which has a peak treatment capacity of 14.5 MGD (daily average for a calendar month).



Bypass Piping During Construction on OWASA's Most Critical Pump Station

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

Reclaimed Water System

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

The RCW system is financially self-supporting. OWASA recovers all operating, maintenance, management, and overhead costs through rates and fees. Financial responsibilities, including rate decisions by OWASA and other technical matters are specified in a contract between OWASA and UNC. The University uses RCW for make-up water in cooling towers at chiller plants, toilet flushing, and irrigation. UNC's RCW use averaged about 617,000 gallons per day during FY 2018. By decreasing the amount of drinking water used for non-drinking purposes, the RCW system helps reduce the community's risks in future droughts and other water shortages. The system also enables OWASA to defer the need for expansion of water supply and treatment capacity.

Economic Conditions

In June 2018, the unemployment rate in Orange County was 3.7 percent compared to the North Carolina average of 4.2 percent and US average of 4.0 percent (Source: US Bureau of Labor Statistics). The estimated population of Orange County increased by 13 percent from 2000 to 2010.

The relative stability of the Carrboro-Chapel Hill economy is supported by the size and strength of UNC and UNC Healthcare which continue to actively plan and develop new facilities and infrastructure.



Elevated Water Storage Tank on the UNC Campus

Initiatives and Accomplishments

Advanced Metering Infrastructure – In FY 2017, OWASA's Board of Directors approved awarding a contract to implement an advanced metering infrastructure (AMI) system. A feasibility study completed in FY 2016 showed that installing AMI would provide significant benefits to OWASA and its customers and cost less than alternative meter replacement strategies.

We read our system's approximately 21,000 meters each month. Prior to implementing AMI, about one-third of the meters in our service area were read using equipment that collects meter readings as staff members drove in close proximity to the meters. The other two-thirds of our meters were read manually by staff members walking throughout our service area. In contrast, through the AMI system, meters are being read remotely over a computer network. This reduces costs associated with purchasing and maintaining vehicles, vehicle fuel, and staff time. AMI also significantly enhances our customer service

capability allowing OWASA staff and customers to view and analyze hourly water consumption and detect leaks.

The project will cost about \$5 million and is expected to take about two years to complete. As of June 2018, over 50% of our meters had been converted to AMI meters.

Increase in Monthly Water and Sewer Rates – After six consecutive years without a rate increase, OWASA’s Board of Directors approved a new Schedule of Rates and Fees that includes a two-percent increase in monthly water and sewer rates.

System Development Fees – System development fees are one-time amounts charged for new connections (development) to OWASA’s system. They are calculated to recover a portion of the capital costs of providing water and sewer system capacity. System development fees are calculated separately for water and sewer connections.

In July 2017, the North Carolina General Assembly passed a law (NC House Bill 436/Session Law 2017-138) that required a change to the way water and sewer utilities calculate system development fees. The statute required that the new fees be effective as of July 1, 2018.

On June 14, 2018, the Board approved system development fees in compliance with the new law. The new system development fee calculation method resulted in a decrease in the amount of the fees of between 10% and 40%.

Financial Information

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

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

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

Independent Audit

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

Certificate of Achievement for Excellence in Financial Reporting

OWASA has received the GFOA Certificate of Achievement for Excellence in Financial Reporting each year since 2000. To receive a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and legal requirements.

The Certificate of Achievement is valid for a period of one year. We believe that our comprehensive annual financial report for FY 2018 continues to meet the Certificate of Achievement Program requirements and we will submit it to the GFOA to determine its eligibility for another award.

Distinguished Budget Presentation Award

OWASA received its 18th Distinguished Budget Presentation Award from the GFOA for our FY 2018 budget. This award program recognizes governments that prepare high quality budget documents to meet the needs of decision-makers and citizens. We believe that our budget report for FY 2019 continues to meet the Distinguished Budget Presentation Program requirements and we have submitted it to the GFOA to determine its eligibility for another certificate.

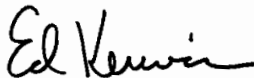
Acknowledgements

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

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

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

Respectfully submitted,



Ed Kerwin
Executive Director



Stephen Winters, CPA
Director of Finance and Customer Service



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Orange Water and Sewer Authority
North Carolina**

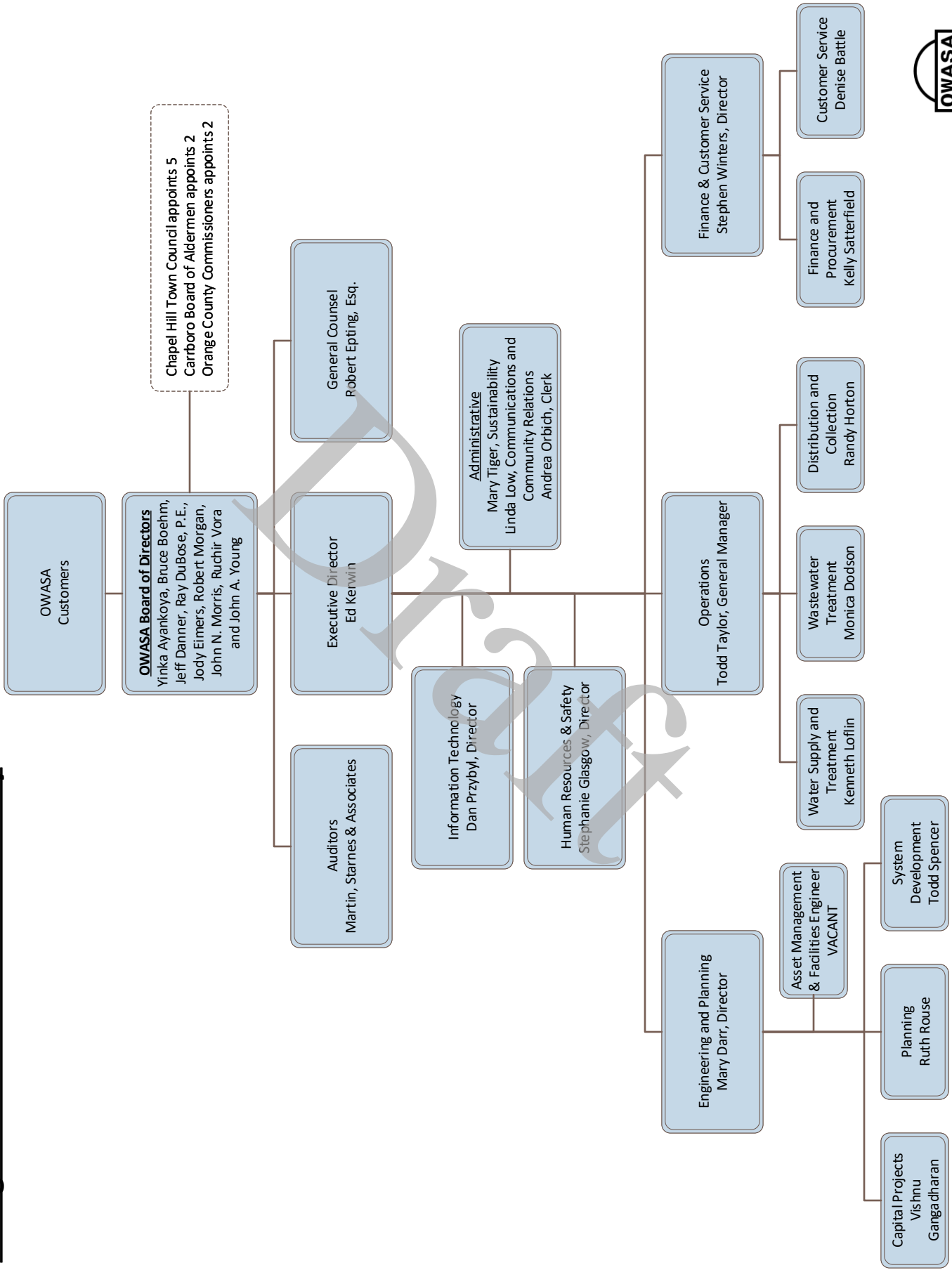
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2017

Christopher P. Morill

Executive Director/CEO

Orange Water and Sewer Authority



ORANGE WATER AND SEWER AUTHORITY
BOARD OF DIRECTORS

CHAIR

Yinka Ayankoya
200 Gary Road
Carrboro, NC 27510
Appointed by Carrboro; Term Expires 6/30/19

VICE CHAIR

Jeff Danner
423 New Parkside Drive
Chapel Hill, NC 27516
Appointed by Chapel Hill; Term Expires 6/30/21

SECRETARY

Ray DuBose
103 Easy Street
Chapel Hill, NC 27516
Appointed by Orange County; Term Expires 6/30/20

MEMBERS

Bruce Boehm
1921 South Lakeshore Drive
Chapel Hill, NC 27514
Appointed by Chapel Hill: Term Expires 6/30/19

Jody Eimers
3120 Landeau Drive
Hillsborough, NC 27278
Appointed by Orange County: Term Expires 6/30/21

Robert Morgan
2019 Hunt Drive
Carrboro, NC 27510
Appointed by Carrboro: Term Expires 6/30/21

John N. Morris
614 Beechtree Court
Chapel Hill, NC 27514
Appointed by Chapel Hill; Term Expires 6/30/20

Ruchir Vora
522 Dogwood Drive
Chapel Hill, NC 27516
Appointed by Chapel Hill; Term Expires 6/30/20

John Young
124 Meadowmont Village Circle
Chapel Hill, NC 27517
Appointed by Chapel Hill; Term Expires 6/30/19

ORANGE WATER AND SEWER AUTHORITY
MANAGEMENT TEAM

Denise Battle, Customer Service Manager
Mary Darr, P.E., Director of Engineering and Planning
Monica Dodson, Wastewater Treatment and Biosolids Recycling Manager
Vishnu Gangadharan, P.E., Engineering Manager (Capital Projects)
Stephanie Glasgow, M.E.S.H., P.H.R., Director of Human Resources and Safety
Randy Horton, Water Distribution and Wastewater Collection Systems Manager
Ed Kerwin, Executive Director
Kenneth Loflin, Water Supply and Treatment Manager
Linda Low, Communications and Community Relations Officer
Andrea Orbich, Executive Assistant
Dan Przybyl, Director of Information Technology
Ruth Rouse, A.I.C.P., Planning and Development Manager
Kelly Satterfield, CPA, Finance and Procurement Manager
Todd Spencer, P.E., Engineering Manager (System Development)
Todd Taylor, P.E., General Manager of Operations
Mary Tiger, Sustainability Manager
Stephen Winters, CPA, Director of Finance and Customer Service

GENERAL COUNSEL

Robert Epting, Esquire
Epting and Hackney, Attorneys at Law

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MARTIN STARNES & ASSOCIATES, CPAs, P.A.

"A Professional Association of Certified Public Accountants and Management Consultants"

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Orange Water and Sewer Authority (the "Authority") (a component unit of the Town of Chapel Hill, North Carolina), as of and for the years ended June 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Orange Water and Sewer Authority as of June 30, 2018 and 2017, and the respective changes in financial position and cash flows, thereof, for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 9 to the financial statements for the fiscal year ending June 30, 2018, the Orange Water and Sewer Authority adopted new accounting guidance, Governmental Accounting Standards Board (GASB) No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Other Post-Employment Benefits Schedules of Changes in the Total OPEB Liability and Related Ratios, and the Local Governmental Employees' Retirement System Schedules of the Proportionate Share of Net Pension Asset/Liability and Contributions be presented to supplement the basic financial statements. Such information, 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 consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Orange Water and Sewer Authority's basic financial statements. The introductory information, budgetary schedules, the statistical section, as well as the Schedule of Expenditures of Federal and State Awards, as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the State Single Audit Implementation Act, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The budgetary schedules and the Schedule of Expenditures of Federal and State Awards are the responsibility of management and were derived from, and relate directly to, the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary schedules and the Schedule of Expenditures of Federal and State Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory information and the statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 24, 2018 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Orange Water and Sewer Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Martin Starnes & Associates, CPAs, P.A.
Hickory, North Carolina
September 24, 2018

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Management's Discussion and Analysis

The management of the Orange Water and Sewer Authority (OWASA) offers the following discussion and analysis as a supplement to the organization's financial position and activities for the fiscal years ended June 30, 2018 and 2017. This presentation is intended to enhance the readers' understanding of the financial statements which follow and should be read in conjunction with those statements and the introductory letter of transmittal found on pages i–vii.

Financial Highlights

- At June 30, 2018, OWASA's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$264.8 million.
- OWASA's total net position increased by \$1.2 million, primarily resulting from income realized from operating activities.
- Due to the condition and capacity of OWASA's system, about 69% of the organization's \$19.2 million capital expenditures for Fiscal Year (FY) 2018 were invested in replacing and rehabilitating existing infrastructure.
- Non-current liabilities decreased by about \$0.6 million due to principal payments on long-term debt.
- OWASA's credit ratings from Fitch of AA+ and Aa1 from Moody's, remain unchanged. Standard & Poor's increased OWASA's rating to AAA during the year.

Overview of the Financial Statements

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

As a stand-alone enterprise fund, OWASA's basic financial statements consist of a *Statements of Net Position*, a *Statements of Revenues, Expenses and Changes in Net Position* and a *Statements of Cash Flows*. These statements, together with the *Management's Discussion and Analysis*, provide both short- and long-term financial information about OWASA's financial position. Presentations of two-year and three-year comparative data in these schedules are intended to enhance the reader's ability to gauge OWASA's fiscal strength and provide useful trend information. *Notes to the Financial Statements* and a *Schedule of Revenues and Expenditures – Budget and Actual* appear immediately following the basic financial statements. In addition, other required supplementary information, generally statistical and demographic in nature, is presented.

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

The *Statements of Revenues, Expenses and Changes in Net Position* provides information regarding OWASA's total economic resource inflow and outflow (accrual method of accounting). The difference between these inflows and outflows represents the change in net position, which links this statement to the *Statements of Net Position*.

The *Statements of Cash Flows* deals specifically with the flow of cash and cash equivalents arising from operating, capital and related financing and investing activities. Because OWASA's *Statements of Revenues, Expenses and Changes in Net Position* measures the flow of total economic resources, operating income usually differs from net cash flow from operations. To supplement the reader's understanding of this difference, the *Statements of Cash Flows* includes reconciliation between these two amounts. In accordance with accounting principles generally accepted in the United States, a reconciliation of cash and cash equivalents is also presented in this statement.

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

Financial Analysis

Orange Water and Sewer Authority				
Schedule of Net Position				
(\$ millions)				
	Fiscal Year Ended			Percentage of Change (2017 to 2018)
	2018	2017	2016	
Current assets	\$31.2	\$39.4	\$40.9	(20.8%)
Capital and other long-term assets	<u>319.0</u>	<u>306.0</u>	<u>301.2</u>	4.2
Total assets	350.2	345.4	342.1	1.4
Total deferred outflows of resources	3.3	4.1	2.5	(19.5)
Current liabilities	13.4	11.2	11.5	19.6
Non-current liabilities	<u>74.0</u>	<u>74.6</u>	<u>78.2</u>	(0.8)
Total liabilities	87.4	85.8	89.7	1.9
Total deferred inflows of resources	1.2	0.1	0.3	1100.0
Net position				
Invested in capital assets, net of related debt	255.1	236.8	224.9	7.8
Restricted	0.2	0.2	0.3	0.0
Unrestricted	<u>9.5</u>	<u>26.6</u>	<u>29.3</u>	(64.3)
Total net position	<u>\$264.8</u>	<u>\$263.6</u>	<u>\$254.5</u>	0.5

OWASA's assets exceeded liabilities by \$264.8 million at June 30, 2018, compared to \$263.6 million and \$254.5 million at June 30, 2017 and 2016, respectively. OWASA's overall financial position strengthened between FY 2016 and 2018 as net position increased by \$10.3 million. Total assets increased during the same period by \$8.1 million. These trends indicate that a significant portion of recent infrastructure improvements has been funded through cash rather than debt.

Net capital assets comprised about 89% of total assets for the comparative years of 2016 through 2018. These capital assets are essential in providing water and sewer services to customers and are not available for future spending. The resources needed to repay the related debt must be provided by other sources. At June 30, 2018, these other unrestricted resources totaled \$9.5 million and may be used for any lawful purpose.

Non-current liabilities decreased by approximately 5.4% or \$4.2 million during the same period reflecting decreases from principal payments on long-term debt.

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

Orange Water and Sewer Authority				
Revenues, Expenses and Change in Net Position				
(\$ Millions)				
	Fiscal Year Ended			Percentage of Change (2017 to 2018)
	2018	2017	2016	
Operating revenues				
Water, wastewater, reclaimed water	\$36.0	\$34.5	\$34.9	4.3%
Other	<u>1.5</u>	<u>1.2</u>	<u>1.5</u>	25.0
Total operating revenues	37.5	35.7	36.4	5.0
Operating expenses	<u>31.5</u>	<u>30.5</u>	<u>29.0</u>	3.3
Operating income	6.0	5.2	7.4	15.4
Non-operating revenues (expenses)	<u>0.1</u>	<u>1.5</u>	<u>(0.2)</u>	
Income before contributions	5.9	6.7	7.2	(106.7)
Capital contributions	<u>1.5</u>	<u>2.4</u>	<u>1.8</u>	(11.9)
Increase (decrease) in net position	7.4	9.1	9.0	(18.7)
Net position, July 1	263.6	254.5	245.5	3.6
Change in accounting principles / restatement (see Note 9)	<u>(6.2)</u>	<u>0.0</u>	<u>0.0</u>	
Net position, June 30	<u>\$264.8</u>	<u>\$263.6</u>	<u>\$254.5</u>	0.4

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

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

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

In FY 2018, drinking water volume sales was an average of 6.2 million gallons per day (mgd). In FY 2017 and 2016, drinking water volume sales were 6.0 mgd. Drinking water demand remains much lower than long-term historical trends and reflects OWASA's and its customers' continued commitment to water conservation, the conservation signal delivered through the increasing block rate and seasonal pricing structures for single-family residential and nonresidential customers, respectively, and the use of reclaimed water by the University of North Carolina. With higher water volume sales, Operating revenues for FY 2018 were about 5% higher than the previous year or \$37.5 million.

- **Operating Expenses:** Operating expenses were \$31.5 million or about 3.3% more than FY 2017 and approximately 8.6% greater than FY 2016. OWASA's department managers expended about 1.4% less than the amount budgeted for FY 2018. Operating expenses includes an \$9.2 million charge for depreciation and a \$766,000 charge for post-employment benefits. OWASA's ability to meet operating expenses and adequately cover debt service remained positive.
- **Non-Operating Revenues (Expenses):** Non-operating revenues are comprised primarily of system development fees, interest earnings, and gains (or losses) from the sale of surplus property. System development fees are calculated to recover from new customers a share of the cost of system capacity when a new connection is made to the system. Non-operating expenditures are made up primarily of interest expense on debt and amortization of bond expenses.

System development fee revenue was approximately \$1.6 million in FY 2018: a decrease of about 27% or \$600,000 from FY 2017. For FY 2017 and 2016, system development fee revenue was about \$2.2 million and \$1.4 million, respectively. Interest earned in FY 2018 totaled about \$57,000. Investments remained in safe and liquid secured deposits.

- **Capital Contributions:** Capital contributions totaled approximately \$1.5 million for the year and were comprised of construction costs of developer dedicated facilities. Contributions in aid of construction in the form of dedicated service lines are classified as contributions after net income. Although OWASA receives such contributions annually, these transactions are not cash or cash equivalents and are not included in the budget under the modified accrual method.

Capital Assets

Each year, OWASA expands or places into service new and renewed capital assets. Capital assets net of depreciation as of the end of FY 2018 was about \$318.8 million, an increase of approximately \$13.1 million from FY 2017. The net increase consisted of additions totaling \$22.3 million and a reduction due to deprecation of \$9.2 million. The asset additions included the rehabilitation or replacement of various water and sewer mains and improvements to the Jones Ferry Road Water Treatment Plant and the Mason Farm Wastewater Treatment Plant.

The majority of OWASA's capital expenditures over the next 15 years is expected to be invested in replacing and rehabilitating existing assets. System capacity is expected to be sufficient to meet the community's needs well into the future. Please refer to page 23 for additional information on capital assets.

Orange Water and Sewer Authority				
Capital Assets				
(\$ Millions)				
	<u>Fiscal Year Ended</u>			Percentage of Change (2017 to 2018)
	<u>2018</u>	<u>2017</u>	<u>2016</u>	
Land	\$17.6	\$17.6	\$17.6	0.0%
Construction in progress	40.7	28.1	32.5	44.8
Water treatment and distribution	99.4	99.3	101.4	0.1
Sewer collection and treatment	148.1	148.0	138.0	0.1
Fixtures and equipment	<u>13.0</u>	<u>12.8</u>	<u>11.4</u>	1.6
Total	<u>\$318.8</u>	<u>\$305.8</u>	<u>\$300.9</u>	4.3

Debt Administration

OWASA policy stipulates that at least 30% of capital improvements projects be funded with cash from operations. At June 30, 2018, 2017 and 2016, OWASA’s outstanding bond and loan debt totaled \$60.4 million, \$67.4 million, and \$73.6 million respectively, net of applicable premiums, discounts and deferred refunding costs. These amounts consist of an interest-free loan from the state of North Carolina, and water and sewer system revenue refunding bonds issued in fiscal years 2010, 2014, 2015 and 2018. At year end, OWASA owed an accrued debt service liability of approximately \$5.7 million. This amount was credited in full to the trustee restricted bond service account as of June 30, 2018.

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

Please refer to page 25 in the Notes to Financial Statements section for greater detail on OWASA’s outstanding debt obligations.

Economic Factors

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

- The University of North Carolina at Chapel Hill (UNC) is OWASA’s largest customer and accounts for approximately 22% of total drinking water sales.
- The Carrboro-Chapel Hill economy benefits from the size and strength of UNC and UNC Healthcare: public entities that serve the entire state. The University continues to actively plan and develop new facilities and infrastructure.
- There are no major industries in the service area that are subject to significant changes in economic conditions.
- Orange County’s unemployment rate has historically been better than the State and National average.

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

FY 2019 Budget Highlights

After six consecutive years without a rate increase, OWASA's Board of Directors approved a budget that includes a two-percent increase in the monthly rates charged for water, sewer and reclaimed water services. The FY 2019 budget for Operating expenses is about 2.8% greater than the FY 2018 budget. Capital improvement expenditures are budgeted to be approximately \$21.0 million.

Requests for Information

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

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ORANGE WATER AND SEWER AUTHORITY

**STATEMENTS OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
Assets:		
Current assets:		
Cash and cash equivalents	\$ 15,961,713	\$ 25,953,678
Receivables:		
Trade accounts (net of allowances for uncollectible accounts of approximately \$85,000 for 2018 and 2017)	5,090,491	4,133,233
Other	1,938,335	1,050,244
Inventory, materials, and supplies	1,191,251	1,046,669
Prepaid expenses	38,880	249,466
Restricted cash and cash equivalents:		
Cash and cash equivalents	1,057,140	1,333,998
Cash and cash equivalents, trustee	<u>5,892,557</u>	<u>5,671,864</u>
Total current assets	<u>31,170,367</u>	<u>39,439,152</u>
Non-current assets:		
Restricted cash and cash equivalents	<u>206,053</u>	<u>171,013</u>
Capital assets:		
Non-depreciable	58,290,237	45,668,275
Depreciable	<u>260,508,128</u>	<u>260,126,247</u>
Total capital assets, net of accumulated depreciation	<u>318,798,365</u>	<u>305,794,522</u>
Total non-current assets, net	<u>319,004,418</u>	<u>305,965,535</u>
Total assets	<u>350,174,785</u>	<u>345,404,687</u>
Deferred Outflows of Resources:		
Contributions to pension plan in current fiscal year	617,219	598,984
Pension deferrals	903,222	1,817,261
Contributions to OPEB plan in current fiscal year	196,582	-
OPEB deferrals	20,671	-
Deferred charge on refunding	<u>1,518,829</u>	<u>1,710,448</u>
Total deferred outflows of resources	<u>3,256,523</u>	<u>4,126,693</u>

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

ORANGE WATER AND SEWER AUTHORITY

**STATEMENTS OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
Liabilities:		
Current liabilities:		
Payable from current assets:		
Trade and construction contracts payable	4,553,451	2,480,222
Accrued expenses	270,463	261,691
Payable from restricted cash and cash equivalents:		
Accrued interest	904,907	873,738
Customer deposits and advances	1,263,193	1,505,011
Current maturity of note payable	328,000	328,000
Current maturities of bonds payable	5,676,526	5,289,894
Current portion of compensated absences	428,362	495,019
Total current liabilities	<u>13,424,902</u>	<u>11,233,575</u>
Non-current liabilities:		
Note payable	4,920,000	5,248,000
Bonds payable	54,255,989	59,710,364
Compensated absences	142,787	60,640
Net pension liability	1,941,888	2,733,991
Total OPEB liability	<u>12,738,543</u>	<u>6,788,961</u>
Total non-current liabilities	<u>73,999,207</u>	<u>74,541,956</u>
Total liabilities	<u>87,424,109</u>	<u>85,775,531</u>
Deferred Inflows of Resources:		
Pension deferrals	58,668	95,802
OPEB deferrals	<u>1,110,457</u>	<u>-</u>
Total deferred inflows of resources	<u>1,169,125</u>	<u>95,802</u>
Net Position:		
Net investment in capital assets	255,136,679	236,928,712
Restricted for capital reserve	206,053	171,013
Unrestricted	<u>9,495,342</u>	<u>26,560,322</u>
Total net position	<u>\$ 264,838,074</u>	<u>\$ 263,660,047</u>

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

ORANGE WATER AND SEWER AUTHORITY

**STATEMENTS OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION - PROPRIETARY FUND
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
Operating Revenues:		
Water	\$ 19,013,363	\$ 17,540,247
Sewer	16,868,447	16,561,076
Service initiation fees	156,225	169,965
Reclaimed water	441,303	431,185
Other	<u>1,063,905</u>	<u>1,037,921</u>
Total operating revenues	<u>37,543,243</u>	<u>35,740,394</u>
Operating Expenses:		
Water supply and treatment	5,601,957	5,145,181
Water distribution	2,659,501	3,554,221
Sewer treatment	4,607,301	4,813,684
Sewer collections	1,264,196	1,329,131
General and administrative	7,352,499	6,331,018
Depreciation and amortization	9,226,257	8,909,129
Other post-employment benefits	<u>765,944</u>	<u>493,193</u>
Total operating expenses	<u>31,477,655</u>	<u>30,575,557</u>
Operating income (loss)	<u>6,065,588</u>	<u>5,164,837</u>
Non-Operating Revenues (Expenses):		
Customer fees	1,599,382	2,219,227
Investment income, net of fair value of investments adjustment	56,524	32,802
Interest expense	(1,863,061)	(1,668,138)
Amortization of bond and lease expense	102,842	914,691
Gain (Loss) on disposal of capital assets	-	75,348
Costs of issuance	<u>(19,340)</u>	<u>-</u>
Total non-operating revenues (expenses)	<u>(123,653)</u>	<u>1,573,930</u>

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

ORANGE WATER AND SEWER AUTHORITY

**STATEMENTS OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION - PROPRIETARY FUND
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

	2018	2017
Income (loss) before capital contributions	5,941,935	6,738,767
Capital Contributions:		
Contributions in aid of construction	1,509,516	2,363,076
Total capital contributions	1,509,516	2,363,076
Change in net position	7,451,451	9,101,843
Net Position:		
Beginning of year - July 1	263,660,047	254,558,204
Restatement	(6,273,424)	-
Beginning of year, restated	257,386,623	254,558,204
End of year - June 30	\$ 264,838,074	\$ 263,660,047

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

ORANGE WATER AND SEWER AUTHORITY

**STATEMENTS OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
Cash Flows from Operating Activities:		
Receipts from customers	\$ 34,633,989	\$ 34,377,152
Payments to suppliers	(8,573,470)	(10,246,305)
Payments to employees	(11,237,096)	(11,163,539)
Other receipts	822,087	1,248,299
Net cash provided (used) by operating activities	<u>15,645,510</u>	<u>14,215,607</u>
Cash Flows from Capital and Related Financing Activities:		
Acquisition and construction of capital assets	(20,720,584)	(11,394,323)
Proceeds from sale of property, plant, and equipment	-	92,182
Costs of issuance	(19,340)	-
Principal paid on bond maturities and other long-term debt	(25,113,000)	(6,213,000)
Interest paid on bond maturities and other long-term debt	(1,831,892)	(1,802,375)
Customer fees received	1,702,224	3,133,918
Proceeds from issuance of debt	20,267,468	-
Net cash provided (used) by capital and related financing activities	<u>(25,715,124)</u>	<u>(16,183,598)</u>
Cash Flows from Investing Activities:		
Interest and dividends on investments	<u>56,524</u>	<u>32,802</u>
Net increase (decrease) in cash and cash equivalents	(10,013,090)	(1,935,189)
Cash and Cash Equivalents:		
Beginning of year - July 1	<u>33,130,553</u>	<u>35,065,742</u>
End of year - June 30	<u>\$ 23,117,463</u>	<u>\$ 33,130,553</u>

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

ORANGE WATER AND SEWER AUTHORITY

**STATEMENTS OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Operating income (loss)	\$ 6,065,588	\$ 5,164,837
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	9,226,257	8,909,129
Pension (benefit) expense	(18,235)	-
Changes in assets and liabilities:		
(Increase) decrease in trade accounts receivable	(957,258)	(573,132)
(Increase) decrease in other receivables	(888,091)	247,811
(Increase) decrease in deferred outflows	-	(1,761,424)
(Increase) decrease in inventory	(144,582)	(154,524)
(Increase) decrease in prepaid expenses	210,586	49,218
(Increase) decrease in deferred outflows of resources for OPEB	(217,253)	-
(Increase) decrease in deferred outflows of resources for pensions	914,039	(183,996)
(Increase) decrease in deferred outflows of resources for deferred refunding costs	(358,592)	(914,692)
Increase (decrease) in trade and construction contracts payable	2,073,229	727,954
Increase (decrease) in customer deposits	(241,818)	210,378
Increase (decrease) accrued expenses	8,772	(117,060)
Increase (decrease) compensated absences	15,490	10,976
Increase (decrease) in net pension liability	(792,103)	2,195,661
Increase (decrease) in deferred inflows of resources for pensions	(37,134)	(88,722)
Increase (decrease) in deferred inflows of resources for OPEB	1,110,457	-
Increase (decrease) in other post-employment benefits	(323,842)	493,193
Net cash provided (used) by operating activities	<u>\$ 15,645,510</u>	<u>\$ 14,215,607</u>
Non-Cash Capital and Related Financing Activities:		
Property, plant, and equipment contributed by private developers	<u>\$ 1,509,516</u>	<u>\$ 2,363,076</u>

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

ORANGE WATER AND SEWER AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

1. Summary of Significant Accounting Policies

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

A. Reporting Entity

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

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

B. Basis of Presentation

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

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

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

Enterprise Fund

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

The Enterprise Fund is considered a major fund for the year ended June 30, 2018.

ORANGE WATER AND SEWER AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

C. Measurement Focus and Basis of Accounting

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

Proprietary Fund Financial Statements. The proprietary fund financial statements are reported using the economic resources measurement focus. The proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Authority's Enterprise Fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Budgetary Data

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

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

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

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

Deposits and Investments

All deposits of the Authority are made in board-designated official depositories and are secured as required by G.S. 159-31.

The Authority may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the Authority may establish time deposit accounts such as money market accounts and certificates of deposits.

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").

ORANGE WATER AND SEWER AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

The Authority's investments with a maturity of more than one year at acquisition and non-money market investments are reported at cost or amortized cost, which approximates their fair value as determined by quoted market prices. The NCCMT Government Portfolio's securities, a SEC-registered 2a-7 external investment pool, is measured at amortized cost, which is the NCCMT's share price. Money market investments that have a remaining maturity at the time of purchase of one year or less are reported at amortized cost.

Cash and Cash Equivalents

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

Restricted Assets

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

Orange Water and Sewer Authority Restricted Cash		
Business-Type Activities:	2018	2017
Bond service	\$ 5,892,557	\$ 5,671,864
Capital reserve	206,053	171,013
Customer deposits	1,057,140	1,333,998
Total business-type activities	\$ 7,155,750	\$ 7,176,875

Receivables

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

Allowance for Doubtful Accounts

The Authority historically experiences uncollectible accounts, and accounts receivable is shown net of an allowance for doubtful accounts. This amount is estimated by analyzing the percentage of receivables that were written off in prior years. The allowance was \$85,000 at June 30, 2018 and June 30, 2017.

ORANGE WATER AND SEWER AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

Inventory and Prepaid Items

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

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

Capital Assets

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

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

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

	<u>Years</u>
Water treatment and distribution	20-60
Sewer collection and treatment	40-60
Fixtures and equipment	5-20

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

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Authority has several items that meet this criterion, an unamortized loss on bond defeasance for Water and Sewer Refunding bonds, pension related deferrals, contributions made to the pension plan in the current fiscal year, contributions made to the OPEB plan in the current fiscal year, and OPEB related deferrals. In

ORANGE WATER AND SEWER AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

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

Compensated Absences

It is the Authority's policy to permit employees to accumulate earned, but unused, vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the Authority does not have a policy to pay any amounts when employees separate from service with the Authority. All vacation pay is accrued when incurred in the financial statements. At June 30, 2018 and 2017, the Authority had recorded a liability for accrued vacation and the salary-related payments of \$571,149 and \$555,659, respectively.

Long-Term Debt

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

Net Position

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

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

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

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

F. Operating Revenues and Expenses

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

ORANGE WATER AND SEWER AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

G. Accounting Estimates

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

H. Defined Benefit Cost-Sharing Pension Plans

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

2. Detail Notes On All Funds

Assets

Deposits

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

ORANGE WATER AND SEWER AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

At June 30, 2018, the Authority's deposits had a carrying amount of \$17,161,360 and a bank balance of \$17,088,000. Of the bank balance, \$250,000 was covered by federal depository insurance, and \$16,838,000 in deposits was covered by collateral held under the Pooling Method. The Authority had cash on hand of \$2,700 at June 30, 2018.

At June 30, 2017, the Authority's deposits had a carrying amount of \$27,399,465 and a bank balance of \$27,569,629. Of the bank balance, \$2,293,200 was covered by federal depository insurance, and \$25,276,429 in interest-bearing deposits was covered by collateral held under the Pooling Method. The Authority had cash on hand of \$2,700 at June 30, 2017.

Cash Equivalents

At June 30, 2018 and 2017, the Authority's cash equivalents balances were as follows:

	<u>2018</u>	<u>2017</u>
The North Carolina Capital Management Trust, government portfolio	<u>\$ 5,953,403</u>	<u>\$ 5,728,388</u>

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

Credit Risk. The Authority has no policy regarding credit risk. State law limits investments in commercial paper to the top rating issued by nationally recognized statistical rating organizations ("NRSROs"). The Authority's investment in the NCCMT Government Portfolio carried a credit rating of AAAM by Standard & Poor's as of June 30, 2018 and 2017.

Receivables

Receivables, net of allowances for uncollectible accounts, at June 30, 2018 and 2017 were as follows:

	<u>2018</u>	<u>2017</u>
Utility accounts receivable	\$ 5,090,491	\$ 4,133,233
Other receivable	<u>1,938,335</u>	<u>1,050,244</u>
Total receivables, net	<u>\$ 7,028,826</u>	<u>\$ 5,183,477</u>

ORANGE WATER AND SEWER AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

Capital Assets

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

	<u>Balance</u> <u>July 1, 2017</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Balance</u> <u>June 30, 2018</u>
Non-Depreciable Assets:					
Land	\$ 17,605,354	\$ -	\$ -	\$ -	\$ 17,605,354
Construction in progress	<u>28,062,921</u>	<u>19,685,332</u>	<u>-</u>	<u>(7,063,370)</u>	<u>40,684,883</u>
Total non-depreciable assets	<u>45,668,275</u>	<u>19,685,332</u>	<u>-</u>	<u>(7,063,370)</u>	<u>58,290,237</u>
Depreciable Assets:					
Water treatment and distribution	163,709,114	460,015	-	3,264,358	167,433,487
Sewer collection and treatment	215,699,542	906,578	-	3,581,102	220,187,222
Fixtures and equipment	<u>46,004,205</u>	<u>1,178,175</u>	<u>-</u>	<u>217,910</u>	<u>47,400,290</u>
Total depreciable assets	<u>425,412,861</u>	<u>2,544,768</u>	<u>-</u>	<u>7,063,370</u>	<u>435,020,999</u>
Less Accumulated Depreciation:					
Water treatment and distribution	64,426,461	3,599,691	-	-	68,026,152
Sewer collection and treatment	67,702,086	4,344,494	-	-	72,046,580
Fixtures and equipment	<u>33,158,067</u>	<u>1,282,072</u>	<u>-</u>	<u>-</u>	<u>34,440,139</u>
Total accumulated depreciation	<u>165,286,614</u>	<u>\$ 9,226,257</u>	<u>\$ -</u>	<u>\$ -</u>	<u>174,512,871</u>
Total depreciable assets	<u>260,126,247</u>				<u>260,508,128</u>
Capital assets, net	<u>\$ 305,794,522</u>				<u>\$ 318,798,365</u>

ORANGE WATER AND SEWER AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	Balance July 1, 2016	Increases	Decreases	Transfers	Balance June 30, 2017
Non-Depreciable Assets:					
Land	\$ 17,605,354	\$ -	\$ -	\$ -	\$ 17,605,354
Construction in progress	32,601,526	9,857,418	-	(14,396,023)	28,062,921
Total non-depreciable assets	50,206,880	9,857,418	-	(14,396,023)	45,668,275
Depreciable Assets:					
Water treatment and distribution	162,205,005	1,035,406	-	468,703	163,709,114
Sewer collection and treatment	201,626,364	1,160,914	-	12,912,264	215,699,542
Fixtures and equipment	43,558,605	1,703,661	(273,117)	1,015,056	46,004,205
Total depreciable assets	407,389,974	3,899,981	(273,117)	14,396,023	425,412,861
Less Accumulated Depreciation:					
Water treatment and distribution	60,774,202	3,652,259	-	-	64,426,461
Sewer collection and treatment	63,631,954	4,070,132	-	-	67,702,086
Fixtures and equipment	32,227,612	1,186,738	(256,283)	-	33,158,067
Total accumulated depreciation	156,633,768	\$ 8,909,129	\$ (256,283)	\$ -	165,286,614
Total depreciable assets	250,756,206				260,126,247
Capital assets, net	\$ 300,963,086				\$ 305,794,522

Net Investment in Capital Assets

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

	2018	2017
Capital assets	\$ 318,798,365	\$ 305,794,522
Total debt, gross	(65,180,515)	(70,576,258)
Deferred charge related to debt	1,518,829	1,710,448
Net investment in capital assets	\$ 255,136,679	\$ 236,928,712

ORANGE WATER AND SEWER AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

Long-Term Debt

Long-term debt as of June 30, 2018 and 2017 consists of the following:

	2018	2017
Revenue Bonds:		
Revenue bonds payable, Series 2018 Refunding Revenue Serial Bonds, in the amount of \$18,075,000, issued April 10, 2018, with a coupon rate of 2.3%, final maturity July 2029, net of unamortized premium of \$2,147,151 at June 30, 2018	\$ 18,075,000	\$ -
Revenue bonds payable, Series 2015 Refunding Revenue Serial Bonds, in the amount of \$8,995,000, issued July 1, 2015, with a coupon rate of 4.5%, final maturity July 2031, net of deferred refunding loss of \$27,519 at June 30, 2018	6,470,000	8,915,000
Revenue bonds payable, Series 2014 Refunding Revenue Serial Bonds, in the amount of \$15,695,000, issued December 18, 2014, with coupon rates of 3.0% and 5.0%, final maturity July 2031, net of unamortized premium of \$911,828 at June 30, 2018	14,955,000	15,695,000
Revenue bonds payable, Series 2010 Refunding Revenue Serial Bonds, in the amount of \$21,645,000, issued September 30, 2010, with coupon rates of 3.0% and 5.0%, final maturity July 2026, net of unamortized premium of \$257,227 at June 30, 2018	15,625,000	17,225,000
Revenue bonds payable, Series 2004A Revenue Bonds, in the amount of \$21,265,000, issued June 1, 2004, with coupon rates of 3.0% and 5.25%, final maturity July 2021; revenue bonds payable, Series 2004B Revenue Bonds, in the amount of \$20,000,000, issued June 1, 2004, bearing a weekly interest rate determined by a remarketing agent (0.90% at June 30, 2017), final maturity July 1, 2029. Refunded in fiscal year 2018.	-	20,000,000
	<u>\$ 55,125,000</u>	<u>\$ 61,835,000</u>
	2018	2017
Note Payable:		
Note payable to NCDEQ in the amount of \$6,560,000 issued October 4, 2014, interest at 0%, Federal Revolving Loan, beginning May 2015, payable in annual installments of \$328,000, with a final payment due in May 2034	<u>\$ 5,248,000</u>	<u>\$ 5,576,000</u>

ORANGE WATER AND SEWER AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

A Drinking Water State Revolving Fund Loan note payable to NCDEQ in the amount of \$1,056,000 was issued April 23, 2018 at an interest rate of 1.53%, payable in annual installments beginning upon completion of the Brandywine Road Water Main Replacement project. As of June 30, 2018, no drawdowns have been made on this loan.

Bond payable maturities are as follows:

Year Ending June 30	Amortization of Premiums and Deferred Refunding			
	Maturities	Losses	Total	Interest
2019	\$ 4,940,000	\$ 544,907	\$ 5,484,907	\$ 1,422,502
2020	5,130,000	523,529	5,653,529	1,307,003
2021	4,105,000	495,166	4,600,166	1,162,082
2022	3,875,000	452,858	4,327,858	997,125
2023	4,150,000	368,514	4,518,514	865,500
2024-2028	22,810,000	851,446	23,661,446	2,361,163
2029-2033	10,115,000	52,265	10,167,265	423,175
Total	\$ 55,125,000	\$ 3,288,685	\$ 58,413,685	\$ 8,538,550

Note payable maturities are as follows:

Year Ending June 30	Maturities	Interest	Total
2019	\$ 328,000	\$ -	\$ 328,000
2020	328,000	-	328,000
2021	328,000	-	328,000
2022	328,000	-	328,000
2023	328,000	-	328,000
2024-2028	1,640,000	-	1,640,000
2029-2033	1,640,000	-	1,640,000
2034	328,000	-	328,000
Total	\$5,248,000	\$ -	\$ 5,248,000

ORANGE WATER AND SEWER AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

Current Refunding

On April 10, 2018, the Authority issued \$18,075,000 of Series 2018 revenue bonds to provide resources to current refund \$20,000,000 of Series 2004A revenue bonds. This refunding was undertaken to reduce the total debt service payments over the next 12 years by \$427,280 and resulted in an economic gain of \$291,522.

Advance Refunding

On December 18, 2014, the Authority issued \$15,695,000 of Series 2014 revenue bonds to provide resources that were placed in an irrevocable trust to be used for all future debt service payments of \$16,430,000 of Series 2006 revenue bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the Statement of Net Position. The reacquisition price exceeded the net carrying amount of the old debt by \$561,010. This amount is being amortized over the life of the refunded debt, which is shorter than the life of the new debt issued. This advanced refunding was undertaken to reduce total debt service payments over the next 17 years by \$1,984,121 and resulted in an economic gain of \$1,596,310. On June 30, 2018, \$16,430,000 of bonds outstanding are considered defeased.

Direct Purchase Forward Refunding

On July 1, 2015, the Authority issued \$8,995,000 of Series 2015 revenue bonds to provide resources that were placed in an irrevocable trust to be used for all future debt service payments of \$8,930,000 of Series 2005 revenue bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the Statement of Net Position. The reacquisition price exceeded the net carrying amount of the old debt by \$65,000. This amount is being amortized over the life of the new debt issued, which is shorter than the life of the refunded debt. This direct purchase forward refunding was undertaken to reduce total debt service payments over the next 5 years by \$613,660 and resulted in an economic gain of \$584,285. On June 30, 2018, \$8,930,000 of bonds outstanding is considered defeased.

Long-term liability activity for the years ended June 30, 2018 and 2017 is as follows:

	<u>Balance</u> <u>July 1, 2017</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2018</u>	<u>Due Within</u> <u>One Year</u>
Notes Payable	\$ 5,576,000	\$ -	\$ 328,000	\$ 5,248,000	\$ 328,000
Bonds Payable:					
Revenue bonds	61,835,000	18,075,000	24,785,000	55,125,000	4,940,000
For issuance premiums	3,165,258	2,192,468	550,211	4,807,515	736,526
Compensated absences	555,659	823,042	807,552	571,149	428,362
Net pension liability (LGERS)	2,733,991	-	792,103	1,941,888	-
Total OPEB liability	13,303,313	-	564,770	12,738,543	-
Total	<u>\$ 87,169,221</u>	<u>\$ 21,090,510</u>	<u>\$ 27,827,636</u>	<u>\$ 80,432,095</u>	<u>\$ 6,432,888</u>

ORANGE WATER AND SEWER AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	<u>Balance</u> <u>July 1, 2016</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2017</u>	<u>Due Within</u> <u>One Year</u>
Notes Payable	\$ 5,904,000	\$ -	\$ 328,000	\$ 5,576,000	\$ 328,000
Bonds Payable:					
Revenue bonds	67,720,000	-	5,885,000	61,835,000	4,785,000
For issuance premiums	4,271,568	-	1,106,310	3,165,258	504,894
Compensated absences	544,683	505,995	495,019	555,659	495,019
Net pension liability (LGERS)	538,330	2,195,661	-	2,733,991	-
Total OPEB liability	<u>6,295,768</u>	<u>762,025</u>	<u>268,832</u>	<u>6,788,961</u>	<u>-</u>
Total	<u>\$ 85,274,349</u>	<u>\$ 3,463,681</u>	<u>\$ 8,083,161</u>	<u>\$ 80,654,869</u>	<u>\$ 6,112,913</u>

The Authority has pledged future water and sewer customer revenues, net of specified operating expenses, to repay \$55,125,000 in revenue bonds issued in 2004A, 2010, 2014, 2015 and 2018. Proceeds from the bonds were used for rehabilitation or expansion of the Authority's water and sewer systems. Annual principal and interest payments are expected to require less than 23% of net revenues. Principal and interest on the bonds are payable through 2033, solely from the water and sewer customer net revenues. The total principal and interest remaining to be paid on the bonds is \$63,663,550. Principal and interest paid in the years ended June 30, 2018 and 2017 were \$7,007,230 and \$7,930,519, respectively, and total customer net revenues for the years ended June 30, 2018 and 2017 were \$39,199,149 and \$35,740,394, respectively.

The Authority is in compliance with the covenants to rates, fees, rentals, and charges in the Bond Order, authorizing the issuance of the Water and Sewer Revenue Bonds, Series 2004A, 2010, 2014, 2015, and 2018. The Bond Order requires the debt service coverage ratio to be no less than 120% of the debt service requirements for parity indebtedness.

The debt service coverage ratio calculation for the year ended June 30, 2018, is as follows:

Operating revenues and charges for services	\$ 39,199,149
Operating expenses*	<u>21,485,454</u>
Income available for debt service	<u>\$ 17,713,695</u>
Debt service, principal and interest paid	<u>\$ 7,007,230</u>
Debt service coverage ratio for parity debt	<u>252.79%</u>

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

ORANGE WATER AND SEWER AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

3. Pension Plan Obligations

Local Governmental Employees' Retirement System

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

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

LGERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15 years of service as a LEO and have reached age 50, or have completed five years of creditable service as a LEO and have reached age 55, or have completed 15 years of creditable service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

ORANGE WATER AND SEWER AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Authority employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Authority's contractually required contribution rate for the year ended June 30, 2018, was 7.55% of compensation for general employees, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Authority were \$617,219, for the year ended June 30, 2018.

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, 2018, the Authority reported a liability of \$1,941,888 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016. The total pension liability was then rolled forward to the measurement date of June 30, 2017 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, 2017, the Authority's proportion was 0.12711%, which was a decrease of 0.00171% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the Authority recognized pension expense of \$683,786. At June 30, 2018, 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	\$ 111,871	\$ 54,969
Changes of assumptions	277,329	-
Net difference between projected and actual earnings on pension plan investments	471,493	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	42,529	3,699
Employer contributions subsequent to the measurement date	617,219	-
Total	\$ 1,520,441	\$ 58,668

ORANGE WATER AND SEWER AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

\$617,219 reported as deferred outflows of resources related to pensions resulting from Authority contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred inflows and outflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending	
June 30	Amount
2019	\$ 126,823
2020	574,159
2021	289,210
2022	<u>(145,638)</u>
Total	<u>\$ 844,554</u>

Actuarial Assumptions. The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.50 to 7.75 percent, including inflation and productivity factor
Investment rate of return	7.20 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2016 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

Future ad hoc Cost of Living Adjustment amounts are not considered to be substantively automatic and are therefore not included in the measurement.

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

ORANGE WATER AND SEWER AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

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, 2017 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	29.0%	1.4%
Global equity	42.0%	5.3%
Real estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation protection	<u>6.0%</u>	4.0%
Total	<u>100%</u>	

The information above is based on 30-year expectations developed with the consulting actuary for the 2017 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 7.20%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Authority's Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate. The following presents the Authority's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.20 percent, as well as what the Authority's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.20 percent) or 1-percentage-point higher (8.20 percent) than the current rate:

	<u>1% Decrease (6.20%)</u>	<u>Current Discount Rate (7.20%)</u>	<u>1% Increase (8.20%)</u>
Authority's proportionate share of the net pension liability (asset)	\$ 5,829,594	\$ 1,941,888	\$ (1,303,118)

ORANGE WATER AND SEWER AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

Pension Plan Fiduciary Net Position. Detailed information about the pension plan's fiduciary net position is available in the separately issued Comprehensive Annual Financial Report (CAFR) for the State of North Carolina.

Other Post-Employment Benefits (OPEB)

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

Benefits Provided. An employee who retires with 30 or more years of service, or is at least age 60 with at least 10 years of service may continue in the Authority's group health plan until death. Eligible retirees are also provided life insurance coverage of \$5,000. Retiree cost sharing is as follows: For retirees age 60 with 10 to 15 years of service, the retiree pays 50% of the retiree premium. For retirees age 60 with 15 to 20 years of service, the retiree pays 25% of the retiree premium. For retirees age 60 with 20 or more years of service, the retiree pays 0% of the retiree premium. There is no spousal coverage provided. The Authority may amend the benefit provisions at any time. Coverage for all retirees who are eligible for Medicare will be transferred to a Medicare Supplemental plan after qualifying for Medicare. A separate stand-alone report is not issued.

All active full-time employees are eligible for membership. At June 30, 2017, the plan membership consisted of:

<u>Members</u>	
Retirees and dependents receiving benefits	35
Active members	128
Total	<u>163</u>

Total OPEB Liability

The Authority's total OPEB Liability of \$12,738,543 was measured as of June 30, 2017 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs. The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	3.0 percent
Salary increases	3.50 - 7.75 percent, average, including inflation
Discount rate	3.56 percent
Healthcare cost trend rates	Pre-Medicare - 7.50% for 2017 decreasing to an ultimate rate of 5.00% by 2023 Medicare - 5.50% for 2017 decreasing to an ultimate rate of 5.00% by 2020

ORANGE WATER AND SEWER AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

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

Changes in the Total OPEB Liability

Total OPEB Liability:

Balance at July 1, 2017	<u>\$ 13,303,313</u>
Changes for the year:	
Service cost at end of year	537,550
Interest	396,831
Difference between expected and actual experience	23,866
Changes of assumptions or other inputs	(1,282,089)
Benefit payments and implicit subsidy credit	<u>(240,928)</u>
Net change in total OPEB liability	<u>(564,770)</u>
Balance at June 30, 2018	<u><u>\$ 12,738,543</u></u>

Changes in assumptions and other inputs reflect a change in the discount rate from 3.01% to 3.56%.

Mortality rates were based on the RP-2014 mortality tables, with adjustments for LGERS experience and generational mortality improvements using Scale MP-2015.

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, and salary increases used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2010 – December 31, 2014, adopted by the LGERS.

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2017 valuation were based on a review of recent plan experience done concurrently with the June 30, 2017 valuation.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate. The following presents the total OPEB liability of the Authority, as well as what the Authority's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.56 percent) or 1-percentage-point higher (4.56 percent) than the current discount rate:

	1% Decrease (2.56%)	Current Discount Rate (3.56%)	1% Increase (4.56%)
Total OPEB Liability	\$ 15,208,207	\$ 12,738,543	\$ 10,800,837

ORANGE WATER AND SEWER AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

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

	<u>(Pre-Medicare - 6.50% Medicare - 4.50%)</u>	<u>(Pre-Medicare - 7.50% Medicare - 5.50%)</u>	<u>(Pre-Medicare - 8.50% Medicare - 6.50%)</u>
Total OPEB Liability	\$ 10,649,333	\$ 12,738,543	\$ 15,463,494

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

For the year ended June 30, 2018, the Authority recognized OPEB expense of \$765,944. At June 30, 2018, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 20,671	\$ -
Changes of assumptions or other inputs	-	1,110,457
Contributions made to the OPEB plan in the current year	196,582	-
Total	<u>\$ 217,253</u>	<u>\$ 1,110,457</u>

\$196,582 reported at deferred outflows of resources related to OPEB resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2019	\$ (168,437)
2020	(168,437)
2021	(168,437)
2022	(168,437)
2023	(168,437)
Thereafter	<u>(247,601)</u>
Total	<u>\$ (1,089,786)</u>

ORANGE WATER AND SEWER AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

Other Employment Benefits

The Authority has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Government Employees' Retirement System (Death Benefit Plan), a multiple-employer, state-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months' salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000 or be less than \$25,000. Because all death benefit payments are made from the Death Benefit Plan and not by the Authority, the Authority does not determine the number of eligible participants. The Authority has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. Contributions are determined as a percentage of monthly payroll based upon rates established annually by the state. Separate rates are set for employees not engaged in law enforcement and law enforcement officers. The Authority considers these contributions to be immaterial.

4. Deferred Outflows and Inflows of Resources

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

	<u>2018</u>	<u>2017</u>
Deferred Outflows:		
Contributions to pension plan in current fiscal year	\$ 617,219	\$ 598,984
Pension deferrals	903,222	1,817,261
Contributions to OPEB plan in current fiscal year	196,582	-
OPEB deferrals	20,671	-
Deferred charge on refunding	<u>1,518,829</u>	<u>1,710,448</u>
Total	<u>\$ 3,256,523</u>	<u>\$ 4,126,693</u>
Deferred Inflows:		
Pension deferrals	\$ 58,668	\$ 95,802
OPEB deferrals	<u>1,110,457</u>	<u>-</u>
Total	<u>\$ 1,169,125</u>	<u>\$ 95,802</u>

ORANGE WATER AND SEWER AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

5. Risk Management and Commitments

Risk Management. The Authority is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The Authority has property, general liability, workers' compensation, and employee health coverage. Claims have not exceeded coverage in any of the past three fiscal years. The Authority currently does not carry flood insurance.

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

Commitments. The Authority is committed under various contracts for the completion of water and wastewater treatment facilities and other water and sewer projects. Management estimates the cost to complete these contracts to be approximately \$9,911,496 at June 30, 2018.

6. Net Position

At June 30, 2018 and 2017, the Board of Directors had approved the use of the unrestricted net position for the following purposes:

	<u>2018</u>	<u>2017</u>
Operating reserve	\$ 9,495,342	\$ 8,303,415
Other reserves	-	4,550,000
Capital projects	-	13,706,907
Total	<u>\$ 9,495,342</u>	<u>\$ 26,560,322</u>

7. Summary Disclosure of Significant Contingencies

Federal and State-Assisted Programs

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

8. Reclassifications

Certain reclassifications have been made to the prior year's financial statements to conform to the current year's presentation. These reclassifications had no effect on previously reported results of operations or net position.

ORANGE WATER AND SEWER AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

9. Restatement

Change in Accounting Principle

The Authority implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, in the fiscal year ending June 30, 2018. The implementation of the statement required the Authority to record beginning total OPEB liability and the effects on net position of benefit payments and administrative expenses paid by the Authority related to OPEB during the measurement period (fiscal year ending June 30, 2017). Beginning deferred outflows and inflows of resources associated with the implementation were excluded from the restatement. As a result, net position for the business-type activities decreased by \$6,273,424.

10. Significant Effects of Subsequent Events

Subsequent to year end, a Drinking Water State Revolving Fund Loan note payable to NCDEQ in the amount of \$5,131,656 was issued July 24, 2018 at an interest rate of 1.53%, payable in annual installments on May 1st beginning upon completion of the Advanced Metering Infrastructure Project. As of June 30, 2018, no drawdowns have been made on this loan.

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ORANGE WATER AND SEWER AUTHORITY

**OTHER POST-EMPLOYMENT BENEFITS
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2018**

Schedule of Changes in the Total OPEB Liability and Related Ratios

	<u>2018</u>
Total OPEB Liability	
Service cost at end of year	\$ 537,550
Interest	396,831
Difference between expected and actual experience	23,866
Changes of assumptions or other inputs	(1,282,089)
Benefit payments and implicit subsidy credit	<u>(240,928)</u>
Net change in total OPEB liability	(564,770)
Total OPEB liability - beginning	<u>13,303,313</u>
Total OPEB liability - ending	<u>\$ 12,738,543</u>
Covered payroll	\$ 7,751,275
Total OPEB liability as a percentage of covered payroll	164.34%

Notes to Schedule:

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

<u>Fiscal Year</u>	<u>Rate</u>
2018	3.56%

ORANGE WATER AND SEWER AUTHORITY**PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET)
REQUIRED SUPPLEMENTARY INFORMATION
LAST FIVE FISCAL YEARS ***

Local Government Employees' Retirement System					
	2018	2017	2016	2015	2014
Authority's proportion of the net pension liability (asset) (%)	0.12711%	0.12882%	0.11995%	0.12040%	11.89000%
Authority's proportion of the net pension liability (asset) (\$)	\$ 1,941,888	\$ 2,733,991	\$ 538,330	\$ (709,819)	\$ 1,433,202
Authority's covered-employee payroll	\$ 8,194,045	\$ 6,980,328	\$ 7,352,374	\$ 7,297,821	\$ 6,909,854
Authority's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	23.70%	39.17%	7.32%	(9.73%)	20.74%
Plan fiduciary net position as a percentage of the total pension liability	94.18%	91.47%	98.09%	102.64%	94.35%

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

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

ORANGE WATER AND SEWER AUTHORITY

CONTRIBUTIONS
REQUIRED SUPPLEMENTARY INFORMATION
LAST FIVE FISCAL YEARSLocal Government Employees' Retirement System

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 617,219	\$ 598,984	\$ 510,262	\$ 519,888	\$ 516,608
Contributions in relation to the contractually required contribution	<u>617,219</u>	<u>598,984</u>	<u>510,262</u>	<u>519,888</u>	<u>516,608</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 8,171,152	\$ 8,194,045	\$ 6,980,328	\$ 7,352,374	\$ 7,297,821
Contributions as a percentage of covered-employee payroll	7.55%	7.31%	7.31%	7.07%	7.08%

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

ORANGE WATER AND SEWER AUTHORITY

**ENTERPRISE FUND - WATER
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Operating revenues:			
Water	\$ 17,824,170	\$ 19,013,363	\$ 1,189,193
Sewer	16,734,274	16,868,447	134,173
Reclaimed water	450,060	441,303	(8,757)
Service initiation fees	165,650	156,225	(9,425)
Other	717,138	1,063,905	346,767
Total operating revenues	<u>35,891,292</u>	<u>37,543,243</u>	<u>1,651,951</u>
Non-operating revenues:			
Interest income	38,441	56,524	18,083
Customer fees	1,416,657	1,599,382	182,725
Total non-operating revenues	<u>1,455,098</u>	<u>1,655,906</u>	<u>200,808</u>
Total revenues	<u>37,346,390</u>	<u>39,199,149</u>	<u>1,852,759</u>
Expenditures:			
Water supply and treatment:			
Salaries and wages	1,422,170	1,510,042	(87,872)
Fringe benefits	686,471	568,436	118,035
Materials and supplies	198,394	210,714	(12,320)
Chemicals	1,249,647	1,613,128	(363,481)
Utilities	363,020	448,265	(85,245)
Maintenance	1,072,495	1,002,399	70,096
Professional services	120,886	600	120,286
Insurance	-	77,780	(77,780)
Communication	4,000	1,535	2,465
Education and development	16,050	9,439	6,611
Miscellaneous	73,609	74,817	(1,208)
Total water supply and treatment	<u>5,206,742</u>	<u>5,517,155</u>	<u>(310,413)</u>
Water distribution:			
Salaries and wages	1,583,841	527,258	1,056,583
Fringe benefits	843,706	1,417,102	(573,396)
Materials and supplies	79,227	88,900	(9,673)
Utilities	194,245	196,933	(2,688)

ORANGE WATER AND SEWER AUTHORITY

**ENTERPRISE FUND - WATER
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Maintenance	594,699	498,866	95,833
Insurance	5,247	8,837	(3,590)
Communication	1,500	2,764	(1,264)
Printing and reproduction	3,000	448	2,552
Education and development	17,595	15,937	1,658
Miscellaneous	1,900	2,947	(1,047)
Total water distribution	<u>3,324,960</u>	<u>2,759,992</u>	<u>564,968</u>
Construction credits	<u>(90,000)</u>	<u>(100,491)</u>	<u>10,491</u>
Wastewater treatment:			
Salaries and wages	1,396,772	1,432,562	(35,790)
Fringe benefits	649,595	543,951	105,644
Materials and supplies	906,103	209,906	696,197
Chemicals	-	788,779	(788,779)
Utilities	799,680	608,995	190,685
Maintenance	941,800	842,992	98,808
Professional services	98,652	9,875	88,777
Insurance	-	93,804	(93,804)
Communication	11,400	8,242	3,158
Education and development	20,000	10,374	9,626
Miscellaneous	67,625	57,821	9,804
Total wastewater treatment	<u>4,891,627</u>	<u>4,607,301</u>	<u>284,326</u>
Sewer collections:			
Salaries and wages	523,607	500,522	23,085
Fringe benefits	280,841	244,667	36,174
Materials and supplies	247,415	28,134	219,281
Chemicals	-	186,161	(186,161)
Utilities	140,230	110,638	29,592
Maintenance	190,000	214,229	(24,229)
Insurance	6,184	8,461	(2,277)
Communication	500	73	427
Printing and distribution	4,000	-	4,000
Education and development	14,510	4,537	9,973
Miscellaneous	2,000	5,752	(3,752)
Total sewer collections	<u>1,409,287</u>	<u>1,303,174</u>	<u>106,113</u>

ORANGE WATER AND SEWER AUTHORITY

**ENTERPRISE FUND - WATER
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Construction credits	-	(38,978)	38,978
General and administrative:			
Salaries and wages	3,327,127	3,333,652	(6,525)
Fringe benefits	1,539,968	1,053,151	486,817
Materials and supplies	144,890	114,689	30,201
Utilities	191,300	193,191	(1,891)
Maintenance	312,205	326,861	(14,656)
Professional services	1,303,480	1,080,732	222,748
Insurance	-	37,613	(37,613)
Communication	153,687	177,641	(23,954)
Printing and reproduction	29,960	4,037	25,923
Education and development	63,360	61,650	1,710
Miscellaneous	181,885	184,010	(2,125)
Total general and administrative	<u>7,247,862</u>	<u>6,567,227</u>	<u>680,635</u>
Construction credits	<u>(70,000)</u>	<u>(123,422)</u>	<u>53,422</u>
Debt Service:			
Principal		5,113,000	
Interest		1,894,230	
Total debt service	<u>6,949,537</u>	<u>7,007,230</u>	<u>(57,693)</u>
Capital outlay	<u>21,521,276</u>	<u>20,720,584</u>	<u>800,692</u>
Total expenditures	<u>50,391,291</u>	<u>48,219,772</u>	<u>2,171,519</u>
Revenues over (under) expenditures	<u>(13,044,901)</u>	<u>(9,020,623)</u>	<u>4,024,278</u>
Other Financing Sources (Uses):			
Refunding bonds issued	18,075,000	18,075,000	-
Bond refunding premium	2,192,468	2,192,468	-
Payment to bondholders-retired debt	(20,000,000)	(20,000,000)	-
Appropriated fund balance	12,777,433	-	12,777,433
Total other financing sources (uses)	<u>13,044,901</u>	<u>267,468</u>	<u>12,777,433</u>

ORANGE WATER AND SEWER AUTHORITY

**ENTERPRISE FUND - WATER
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Net change in fund balance	\$ -	(8,753,155)	\$ (8,753,155)

**Reconciliation from Budgetary Basis
(Modified Accrual) to Full Accrual Basis:**

Principal payments debt	5,113,000
Refunding bonds issued	(18,075,000)
Bond refunding premium	(2,192,468)
Payment to bondholders - retired debt	20,000,000
Change in interest accrual for bonded debt	31,169
Depreciation	(9,226,257)
Change in deferred outflows of resources - pensions	(914,039)
Change in deferred outflows of resources - OPEB	217,253
Change in net pension liability	792,103
Change in deferred inflows of resources - pensions	37,134
Change in deferred inflows of resources - OPEB	(1,110,457)
Change in compensated absences	(15,490)
Change in OPEB liability	(765,944)
Amortization of bond expense and patent	102,842
Capital outlay	20,720,584
Costs of issuance	(19,340)
Capital contributions	1,509,516
Change in net position	<u>\$ 7,451,451</u>

ORANGE WATER AND SEWER AUTHORITY

**SCHEDULE OF REVENUE AND EXPENDITURES -
PROJECT FUNDS
FROM INCEPTION THROUGH JUNE 30, 2018**

	<u>Project Budget</u>	<u>Cumulative Total to June 30, 2018</u>	<u>Unexpended Balance as of June 30, 2018</u>
Raw Water Supply Sources:			
Revenues:			
General Fund	\$ 1,734,103	\$ 1,584,265	\$ 149,839
Expenditures:			
Jordan Lake raw water supply intake and pumping facility	\$ 332,558	\$ 339,356	\$ (6,798)
Stone quarry development	366,545	147,872	218,673
University Lake pump station improvements	115,000	208,518	(93,518)
University Lake permanganate facility	-	46,200	(46,200)
Cane Creek permanganate facility	920,000	842,318	77,682
Total expenditures	<u>\$ 1,734,103</u>	<u>\$ 1,584,264</u>	<u>\$ 149,839</u>
Water Treatment:			
Revenues:			
General Fund	\$ 3,481,500	\$ 3,591,956	\$ (110,455)
Expenditures:			
Water treatment plant rehabilitation projects	\$ 710,500	\$ 968,518	\$ (258,018)
Water treatment and Mason Farm waste water treatment plant risk assessment	150,000	237,512	(87,512)
Water facility security upgrades	310,000	490,855	(180,855)
Water treatment plant switchgear upgrade	145,000	86,815	58,185
Water treatment plant and adjacent facilities paving	114,000	89,583	24,417
Water treatment plant chemical containment	127,000	136,273	(9,273)
Water treatment plant generator building louver replacement	128,000	55,193	72,807
Water treatment plant lighting improvements	50,000	41,786	8,214
Water treatment plant power monitoring	-	36,983	(36,983)
Water treatment plant sedimentation basin rehabilitation	202,000	109,076	92,924
Concrete condition assessment	175,000	88,331	86,669
Water treatment plant filter media and backwash improvements	1,130,000	1,019,078	110,922
Water treatment plant flash mix basins isolation valve replacement	25,000	21,840	3,160
Water treatment plant belt filter press rehabilitation	65,000	31,239	33,761
Water treatment plant fluoride system improvements	150,000	178,873	(28,873)
Total expenditures	<u>\$ 3,481,500</u>	<u>\$ 3,591,955</u>	<u>\$ (110,455)</u>
Water Transmission and Distribution:			
Revenues:			
General Fund	\$ 16,802,547	\$ 14,876,616	\$ 2,163,416
Expenditures:			
Water main - road improvement projects	\$ 360,000	\$ 167,263	\$ 192,737
Water main rehabilitation/replacement projects	5,416,547	5,227,555	188,992
High priority water main replacement	107,000	258,214	(151,214)
Dobbins Drive water main replacement	134,000	93,484	40,516
Dobbins Drive water main condition assessment	50,000	-	50,000
Cameron Avenue water main replacement	984,000	723,600	-
Cameron Avenue water main design alternatives assessment	25,000	-	-
Water distribution system hydraulic model	70,000	65,339	4,661
Rosemary, Henderson, Hillsborough Streets water mains	2,110,000	1,938,790	171,210
Advanced meter infrastructure	3,930,000	3,766,533	163,467
Galvanized water main replacement	783,000	212,851	570,149
Kensington water line replacement	-	85	-
Hillsborough Street water main replacement	1,900,000	2,422,801	-

ORANGE WATER AND SEWER AUTHORITY

SCHEDULE OF REVENUE AND EXPENDITURES -
PROJECT FUNDS
FROM INCEPTION THROUGH JUNE 30, 2018

	Project Budget	Cumulative Total to June 30, 2018	Unexpended Balance as of June 30, 2018
Distribution system prioritization model	-	102	(102)
Lake Ellen water main replacement	160,000	-	160,000
Brandywine Road water main replacement	739,000	-	739,000
Barnes Street valve evaluation	34,000	-	34,000
Total expenditures	<u>\$ 16,802,547</u>	<u>\$ 14,876,617</u>	<u>\$ 2,163,416</u>
Wastewater Collection Lines:			
Revenues:			
General Fund	<u>\$ 16,495,000</u>	<u>\$ 11,818,295</u>	<u>\$ 4,676,705</u>
Expenditures:			
Gravity sewer condition evaluation	\$ 3,135,000	\$ 2,369,181	\$ 765,819
Gravity sewer rehabilitation	7,416,000	5,718,155	1,697,845
Bolinwood Drive interceptor replacement	904,000	89,881	814,119
Little Creek interceptor replacement	3,059,000	2,568,238	490,762
Dobbins Drive interceptor replacement	255,000	-	255,000
Kenan Stadium interceptor replacement	575,000	568,810	6,190
Creek crossing access improvement	621,000	136,643	484,357
Rogers Road sanitary sewer extension	1,803,000	958,228	844,772
Credit (Orange County reimbursement) Rogers Road sewer	(1,673,000)	(834,669)	(838,331)
Easement acquisition program	99,000	32,348	66,652
Gravity sewer hydraulic modeling	301,000	211,480	89,520
Total expenditures	<u>\$ 16,495,000</u>	<u>\$ 11,818,295</u>	<u>\$ 4,676,705</u>
Wastewater Pumping Stations and Force Mains:			
Revenues:			
General Fund	<u>\$ 4,358,000</u>	<u>\$ 4,156,358</u>	<u>\$ 201,642</u>
Expenditures:			
Pump station improvements	\$ 312,000	\$ 251,945	\$ 60,055
Eastowne, Eubanks and Meadowmont I pump station rehabilitation	947,000	1,011,735	(64,735)
Rogerson Drive force main redundancy evaluation	95,000	50,000	45,000
Rogerson Drive pump station rehabilitation	1,619,000	1,136,910	482,090
Knolls pump station rehabilitation/replacement	135,000	53,118	81,882
Rogerson Drive force main rehabilitation	1,250,000	1,652,650	(402,650)
Total expenditures	<u>\$ 4,358,000</u>	<u>\$ 4,156,358</u>	<u>\$ 201,642</u>
Wastewater Treatment and Disposal:			
Revenues:			
General Fund	<u>\$ 9,932,000</u>	<u>\$ 8,876,214</u>	<u>\$ 1,055,784</u>
Expenditures:			
Mason Farm waste water treatment plant rehabilitation and improvement project	\$ 1,597,000	\$ 1,940,745	\$ (343,745)
Mason Farm waste water treatment plant comprehensive coatings program	1,229,000	1,616,187	(387,187)
Mason Farm waste water treatment plant digesters #1 and #2	2,944,000	2,815,425	128,575
Mason Farm waste water treatment plant IPS rehabilitation	703,000	167,462	535,538
Mason Farm waste water treatment plant solids thickening system improvements	710,000	654,980	55,020
Mason Farm waste water treatment plant non-potable water pump replacement	504,000	70,333	433,667
Mason Farm waste water treatment plant and pump station LED upgrades	74,000	124,962	(50,962)
Mason Farm waste water treatment plant and pump station rehabilitation/replacement	90,000	11,286	78,714
Mason Farm waste water treatment plant pavement improvements	133,000	65,668	67,332

ORANGE WATER AND SEWER AUTHORITY

**SCHEDULE OF REVENUE AND EXPENDITURES -
PROJECT FUNDS
FROM INCEPTION THROUGH JUNE 30, 2018**

	<u>Project Budget</u>	<u>Cumulative Total to June 30, 2018</u>	<u>Unexpended Balance as of June 30, 2018</u>
Mason Farm waste water treatment plant hyper-pitch mixer blades	58,000	-	58,000
Mason Farm waste water treatment plant piping heat tracing and insulation	35,000	-	35,000
Plants facilities building envelope rehabilitation	600,000	401,409	198,591
Mason Farm waste water treatment plant biosolids conveyance and loading	91,000	-	91,000
Mason Farm waste water treatment plant filtrate side stream treatment	194,000	-	194,000
Mason Farm waste water treatment plant backflow prevention	105,000	138,981	(33,981)
Mason Farm waste water treatment plant secondary clarifier rehabilitation and pumping improvements	200,000	162,558	37,442
Mason Farm waste water treatment plant warehouse improvements	25,000	112	24,888
Mason Farm waste water treatment plant supervisory control and data acquisition system (SCADA) upgrade	300,000	395,697	(95,697)
Mason Farm waste water treatment plant digester complex rehabilitation and improvements	40,000	55,143	(15,143)
Mason Farm waste water treatment plant critical spare pumps	125,000	87,807	37,193
Mason Farm waste water treatment plant primary sludge pump station rehabilitation and old lab building demo	50,000	-	50,000
Mason Farm waste water treatment plant rehabilitation and replacement of chemical building and piping	125,000	76,710	48,290
Mason Farm waste water treatment plant headworks rehabilitation	-	18,846	(18,846)
Mason Farm waste water treatment plant remote storage facility electrical upgrade	-	71,905	(71,905)
	<u>\$ 9,932,000</u>	<u>\$ 8,876,216</u>	<u>\$ 1,055,784</u>
Facility Improvements:			
Revenues:			
General Fund	<u>\$ 2,044,000</u>	<u>\$ 2,069,785</u>	<u>\$ (25,785)</u>
Expenditures:			
Administration building LED lighting retrofit	\$ 95,000	\$ 58,420	\$ 36,580
Administration building HVAC system upgrade	<u>1,949,000</u>	<u>2,011,365</u>	<u>(62,365)</u>
Total expenditures	<u>\$ 2,044,000</u>	<u>\$ 2,069,785</u>	<u>\$ (25,785)</u>

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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 Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Orange Water and Sewer Authority (the "Authority"), a component unit of the Town of Chapel Hill, North Carolina, as of and for the years ended June 30, 2018 and 2017 and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated September 24, 2018.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the 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 non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Martin Starnes & Associates, CPAs, P.A.
Hickory, North Carolina
September 24, 2018

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Report On Compliance For Each Major Federal Program; Report On Internal Control Over Compliance; In Accordance With Uniform Guidance; And The State Single Audit Implementation Act

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

We have audited the Orange Water and Sewer Authority's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the Orange Water and Sewer Authority's major federal programs for the year ended June 30, 2018. The Orange Water and Sewer Authority's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Responses.

Management's Responsibility

Management is responsible for compliance federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Orange Water and Sewer Authority's major federal programs based on our audit of the types of compliance requirements referred to above. 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. Those standards, the Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Orange Water and Sewer Authority's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Orange Water and Sewer Authority's compliance.

Opinion on Each Major Federal Program

In our opinion, the Orange Water and Sewer Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2018.

Report on Internal Control Over Compliance

Management of the Orange Water and Sewer Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Orange Water and Sewer Authority's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Martin Starnes & Associates, CPAs, P.A.
Hickory, North Carolina
September 24, 2018

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Report On Compliance For Each Major State Program; Report On Internal Control Over Compliance; In Accordance With Uniform Guidance; And The State Single Audit Implementation Act

Independent Auditor's Report

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

Report on Compliance for Each Major State Program

We have audited the Orange Water and Sewer Authority's, compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the Orange Water and Sewer Authority's major state programs for the year ended June 30, 2018. The Orange Water and Sewer Authority's major state program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Responses.

Management's Responsibility

Management is responsible for compliance with state statutes, regulations, and the terms and conditions of its state awards applicable to its state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Orange Water and Sewer Authority's major state programs based on our audit of the types of compliance requirements referred to above. 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 applicable sections of *Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the Orange Water and Sewer Authority's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However, our audit does not provide a legal determination of the Orange Water and Sewer Authority's compliance.

Opinion on Each Major State Program

In our opinion, the Orange Water and Sewer Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major state program for the year ended June 30, 2018.

Report on Internal Control Over Compliance

Management of the Orange Water and Sewer Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Orange Water and Sewer Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the types of auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Orange Water and Sewer Authority's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, non-compliance with a type of compliance requirement of a state program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material non-compliance with a type of compliance requirement of a state 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 state 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 the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Martin Starnes & Associates, CPAs, P.A.
Hickory, North Carolina
September 24, 2018

ORANGE WATER AND SEWER AUTHORITY

SCHEDULE OF FINDINGS AND RESPONSES FOR THE YEAR ENDED JUNE 30, 2018

1. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued on whether the financial statements audited were prepared in accordance to GAAP:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified? _____ Yes X None reported

Non-compliance material to financial statements noted?

_____ Yes X No

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified? _____ Yes X None reported

Type of auditor's report issued on compliance for major federal programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

_____ Yes X No

Identification of major federal programs:

<u>CFDA No(s).</u>	<u>Names of Federal Program or Cluster</u>
66.468	Drinking Water State Revolving Fund Cluster

Dollar threshold used to distinguish between Type A and Type B Programs

\$750,000

Auditee qualified as low-risk auditee?

_____ Yes X No

ORANGE WATER AND SEWER AUTHORITY

**SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2018**

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

None

3. Findings Related to the Audit of Federal Awards

None

4. Findings Related to the Audit of State Awards

None

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ORANGE WATER AND SEWER AUTHORITY

**SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018**

None reported

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ORANGE WATER AND SEWER AUTHORITY

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2018**

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Federal (Direct & Passed-through) Expenditures	State Expenditures	Passed Through To Subrecipients
Federal Grants:					
<u>U.S. Environmental Protection Agency</u>					
Passed-through the N.C. Department of Environmental Quality:					
Division of Water Infrastructure:					
Drinking Water State Revolving Fund Cluster:					
Capitalization Grants for Drinking Water State Revolving Funds	66.468	WIF-1930	\$ 3,766,533	\$ -	\$ -
Capitalization Grants for Drinking Water State Revolving Funds	66.468	WIF-1928	109,076	-	-
Total Drinking Water State Revolving Fund Cluster			<u>3,875,609</u>	<u>-</u>	<u>-</u>
Total U.S. Environmental Protection Agency			<u>3,875,609</u>	<u>-</u>	<u>-</u>
Total Federal Assistance			<u>\$ 3,875,609</u>	<u>\$ -</u>	<u>\$ -</u>
<u>N.C. Department of Environmental Quality</u>					
Division of Water Infrastructure:					
Drinking Water State Revolving Fund		H-SRP-D-17-0012	\$ -	\$ 653,055	\$ -
State Reserve Loan		E-SRP-W-17-0049	-	167,462	-
State Reserve Loan		H-SRP-D-17-0021	-	93,484	-
Total N.C. Department of Environmental Quality			<u>-</u>	<u>914,001</u>	<u>-</u>
Total State Assistance			<u>\$ -</u>	<u>\$ 914,001</u>	<u>\$ -</u>
Total Federal and State Assistance			<u>\$ 3,875,609</u>	<u>\$ 914,001</u>	<u>\$ -</u>

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

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal and State Awards (SEFSA) includes the federal and State grant activity of the Orange Water and Sewer Authority under the programs of the federal government and the State of North Carolina for the year ended June 30, 2018. The information in this SEFSA is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of the Orange Water and Sewer Authority, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Orange Water and Sewer Authority.

2. Summary of Significant Accounting Policies

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

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REPORT OF INDEPENDENT AUDITORS ON REVENUE BOND COVENANT COMPLIANCE

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

We have audited, in accordance with auditing standards generally accepted in the United States of America, the Statements of Net Position of the Orange Water and Sewer Authority (the "Authority"), a component unit of the Town of Chapel Hill, North Carolina, as of June 30, 2018 and 2017, and the related statements of revenues, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated September 24, 2018.

In connection with our audit, nothing came to our attention that caused us to believe that the Authority failed to comply with the terms, covenants, provisions, or conditions of Section 7.04 contained in the amended and restated bond order, dated September 13, 2001 with the Bank of New York and the North Carolina Local Government Commission, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such non-compliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the Authority's non-compliance with the above referenced terms, covenants, provisions, or conditions of the bond order, in so far as they relate to accounting matters.

This report is intended solely for the information and use of the Board of Directors and management of the Authority, the Bank of New York, and the North Carolina Local Government Commission and is not intended to be, and should not be, used by anyone other than these specified parties.

Martin Starnes & Associates, CPAs, P.A.
Hickory, North Carolina
September 24, 2018

OWASA Board of Directors – 12 Month Board Meeting Schedule (September 21, 2018)

Month	Board Meetings		Committee & Other Meetings
	Work Session	Business Meeting	
September 2018	CANCELED – Preparation for Hurricane Florence 9/13/2018	Annual Report and Financial Audit (C) Annual Report on Disposal of Surplus (C) Personal Property Update on Hurricane Florence Impact on OWASA Diversity and Inclusion Program Progress Report and Equal Employment Opportunity/Affirmative Action Report for Fiscal Year 2018 (C) Award the WTP Sedimentation Basin Rehabilitation Contract Approve General Counsel Engagement (C) CS – General Counsel Review (C) 9/27/2018	<i>NRTS Committee Meeting to continue discussion of source water protection (Canceled)</i>
October 2018	Discuss Communications and Community Engagement <i>Discuss LRWSP – Demands & Yield</i> CS – Prepare for ED Review (C) 10/11/2018	Q1 Financial Report (C) Position Reclassification for Distribution and Collection Department Approve AMI Policies Discuss Recreational Fees for Out-of-County Visitors Discuss Action Plan from WTP & WWTP Reliability and Risk Assessment Project Discuss Draft OWASA Action Items Recurring Every 3 to 5+ Years Employee Service Awards CS – ED Review (C) 10/25/2018	<i>Finance Committee Meeting to discuss longer-term approach/strategy for operating cost management (TBD)</i> <i>HR Committee Meeting to discuss retiree health and 457 deferred compensation (TBD)</i> <i>Chatham-Orange Joint Planning Task Force Meeting (10/4/2018)</i> <i>Carrboro Citizen’s Academy – OWASA Session (10/10/2018)</i> <i>Chapel Hill Peoples Academy – OWASA Session (10/20/2018)</i>
November 2018	Strategic Trends Report and Strategic Plan Update (C) Discuss Process to Update Strategic Plan Discuss KPI Deep Dive on Water Loss and Non-Revenue Water Award the WWTP Solids Thickening Improvements Construction Contract Approve ED Key Focus Areas (C) 11/8/2018	<i>Holiday - no meeting</i>	<i>NRTS Committee Meeting to discuss overall approach for managing forested watershed lands or to continue discussion of source water protection (11/14/2018)</i>
December 2018	Award the Gravity Sewer Rehabilitation Package #3 Contract	<i>Holiday - no meeting</i>	<i>NRTS Committee Meeting to continue discussion of source water protection or to discuss overall approach for managing forested</i>

OWASA Board of Directors – 12 Month Board Meeting Schedule (September 21, 2018)

Month	Board Meetings		Committee & Other Meetings
	Work Session	Business Meeting	
	12/13/2018		<i>watershed lands (12/4/2018)</i>
January 2019	Employee Health and Dental Insurance Update (C) Appoint Audit Firm (C) Affordability Outreach Program Plan Update (Tentative) Authorize Applying for SRF Loans (C) 1/10/2019	Annual Lakes Recreation Report (C) CIP Semiannual Report (C) Q2 Financial Report (C) FY 20 Budget Calendar and Assumptions (C) 1/24/2019	
February 2019	CS – Prepare for General Counsel Interim Review (C) 2/14/2019	CS – General Counsel Interim Review (C) 2/28/2019	
March 2019	FY 20 Draft Budget & Rates (C) Review AMI Manual Read (C) CS – Prepare for ED Interim Review (C) 3/14/2019	Annual Update of the Energy Management Plan (C) FY 20 Draft Budget & Rates and Proposed Staff Rate Adjustment Recommendation (C) Set date for Public Hearings – FY 20 Budget & Rates (C) CS – ED Interim Review (C) 3/28/2019	
April 2019	Review Employee Health and Dental Insurance Renewals (C) FY 20 Draft Budget and Rate Adjustment Information (C) Appointment of the Nominating Committee (C) 4/11/2019	Q3 Financial Report (C) FY 20 Budget and Rates Discussion and Authorize Staff to Publish Proposed Rates (C) 4/25/2019	
May 2019	Approve Employee Health and Dental Insurance Renewals (C) Discuss Employee Merit Pay for FY 2020 (C) 5/10/2019	Public Hearings – FY 20 Budget and Rates (C) (Tentative) Approve New Banking Services Provider (C) 5/23/2019	
June 2019	Approve FY 20 Budget and Rates, including merit pay decision (C) Election of Officers (C) 6/13/2019	TBD 6/27/2019	
July 2019	TBD 7/11/2019	TBD 7/25/2019	
August 2018	TBD 8/8/2019	Preliminary 12 Month Financial Report (C) CIP Semiannual Report (C) CS – Prepare for General Counsel Review (C) 8/22/2019	

The 12 Month Board Meeting Schedule shows Strategic Plan initiatives and other priority efforts that the Board and staff plan to give greatest consideration to during the next twelve months. The schedule also shows major recurring agenda items that require Board action, or items that have been scheduled in response to the Board's prior standing request. This schedule does not show all the items the Board may consider in a work session or business meeting. It also does not reflect meetings at which the Board will discuss and act on the update of the Strategic Plan.

The 12 Month Board Meeting Schedule will be reviewed and updated at each monthly work session and may also be discussed and updated at the Board’s business meetings.

In addition to the initiatives shown in this schedule, staff will be working on other Strategic Plan and organizational priorities that are not expected to require major additional discussion with the Board except as part of budget deliberations.

OWASA Board of Directors – 12 Month Board Meeting Schedule (September 21, 2018)

The schedule implies that the following Strategic Plan initiatives would be addressed beyond the 12-month period. The Board may conclude that one or more of the following initiatives are higher priority. The schedule will be revised as needed to reflect the Board's priorities, and any additional initiatives that the Board may decide to address.

- Development of a plan and policy framework for OWASA lands is considered a longer-term priority. The NRTS Committee discussed this issue in September 2017 and determined it was lower priority than Forestry Management. Staff presented an overall approach for Forestry Management to the Board in May 2018, and this was referred to the NRTS Committee for further discussion; NRTS is scheduled to discuss later this year.
- Improve effectiveness as a learning organization is considered a longer-term priority.
- Water Conservation Plan will be prepared concurrent with update of the Long-Range Water Supply Plan.

The OWASA Board determines which topics it wants to explore as a full Board (potentially in a work session format) and which topics it wants to assign to Board committees or committee chairs for further analysis and development of recommendations. Board also determines priorities and desired timeframes for addressing topics. Committee meetings will be updated on the schedule routinely.

Abbreviations Used in Draft Schedule:

☞	Recurring agenda item (generally these are “required” items)	KPI	Key Performance Indicator
AMI	Advanced Metering Infrastructure	LRWSP	Long-Range Water Supply Plan
CE	Community Engagement	MOA	Memorandum of Agreement
CEP	Community Engagement Plan	MST	Mountains-to-Sea Trail
CIP	Capital Improvements Program	MFMM	Multi-Family Master Meter
COLA	Cost of Labor Adjustment	NCDOT	North Carolina Department of Transportation
CS	Closed Session of the Board	NRTS	Natural Resources and Technical Services
CY	Calendar Year	Q	Quarter
D&I	Diversity and Inclusion	RFP	Request for Proposals
ED	Executive Director	SRF	State Revolving Fund
EEO	Equal Employment Opportunity	SOW	Scope of Work
FY	Fiscal Year	TBD	To Be Determined
HR	Human Resources	WTP	Water Treatment Plant
JLP	Jordan Lake Partnership	WWTP	Wastewater Treatment Plant



ORANGE WATER AND SEWER AUTHORITY

A public, non-profit agency providing water, sewer and reclaimed water services to the Carrboro-Chapel Hill community.

MEMORANDUM

TO: Board of Directors
 THROUGH: Ed Kerwin *EK*
 FROM: Kelly Satterfield
 DATE: September 21, 2018
 SUBJECT: **Annual Report on Disposal of Surplus Personal Property**

The OWASA Purchasing and Contracting Policy authorizes the Executive Director to declare as surplus and to sell personal property that is no longer needed or useful in the operation of OWASA's water and sewer systems. Personal property is broadly defined as fixtures and equipment and excludes land.

The policy authorizes five methods of personal property disposal: trade-in, public auction, advertisement for bid, direct negotiation and sale, and scrap. Items having no residual value that remain unsold after an auction or other sale procedure, or that pose a potential threat to the public health or safety, may be treated as scrap or trash regardless of their original acquisition cost. Items having no apparent market value after being advertised for sale may be donated to charitable organizations.

The policy requires the Executive Director to report to the Board of Directors annually on the disposal of personal property.

The following surplus personal property was sold or otherwise disposed of during Fiscal Year 2018:

Disposal Method	Items Sold	Proceeds
Web-based public auction	Computer & communication equipment	\$827
Scrap	Metal	7,210
	Total proceeds	\$8,037

This report is provided for information purposes only and no action is necessary.

Kelly Satterfield
 Finance and Procurement Manager

Orange Water and Sewer Authority
Meeting of the Board of Directors
August 23, 2018

The Board of Directors of the Orange Water and Sewer Authority (OWASA) held a regular meeting on Thursday, August 23, 2018, at 7:00 p.m. in Chapel Hill Town Hall Council Chamber.

Board Members present: Yinka Ayankoya (Chair), Jeff Danner (Vice Chair), Bruce Boehm, Jody Eimers, John N. Morris, Robert Morgan, Ruchir Vora and John A. Young. Board Members absent: Ray DuBose (Secretary).

OWASA staff present: Mary Darr, Robert Epting Esq. (Epting and Hackney), Vishnu Gangadharan, Robin Jacobs (Epting and Hackney), Ed Kerwin, Linda Low, Andrea Orbich, Ruth Rouse, Kelly Satterfield, Todd Taylor and Stephen Winters.

Others present: Don Greeley (City of Durham Director of Water Management), Margaret Holton (University of North Carolina Water Resources Manager) and Ben Poulson (UNC Associate Director of Energy Services).

Motions

1. BE IT RESOLVED THAT the Board of Directors adopts the Resolution Authorizing the Memorandum of Agreement Creating and Defining Operations of the Triangle Water Supply Partnership. (Motion by Robert Morgan, second by Jeff Danner and unanimously approved.)
2. Robert Morgan made a motion to approve the Minutes July 12, 2018 Meeting of the Board of Directors; second by Jeff Danner and unanimously approved.

* * * * *

Announcements

Chair Yinka Ayankoya asked if any Board Member knows of a conflict of interest or potential conflict of interest with respect to any item on the agenda tonight to please disclose the same at this time; none were disclosed.

Ms. Ayankoya announced the new Standing Committees of the Board (*Committee Chair): Community Engagement – Ruchir Vora*, Bruce Boehm, Jody Eimers and John Morris; Finance – Ray DuBose*, Jeff Danner, Robert Morgan and John Young; Human Resources – Robert Morgan*, Jeff Danner, Ray DuBose and Ruchir Vora; and Natural Resources and Technical Services – John Young*, Bruce Boehm, Jody Eimers and John Morris.

John Young announced the following Natural Resources and Technical Services (NRTS) Committee meetings: Tuesday, September 11, 2018 at 5:00 p.m. in OWASA's Boardroom to

discuss source water protection; and Wednesday, November 14, 2018 at 5:00 p.m. to discuss overall approach for managing forested watershed lands.

Todd Taylor said that staff distributed an annual report to accountholders on the operation of the wastewater collection and treatment systems and on the treatment and recycling of biosolids. This report was also distributed to local officials and media and posted on OWASA's website. Mr. Taylor said the key takeaway from the report was that OWASA continued to surpass the treated wastewater quality standards for the Mason Farm Wastewater Treatment Plant (WWTP). Mr. Taylor expressed appreciation to staff for their hard work to exceed goals at the WWTP.

Petitions and Requests

On behalf of the City of Durham, Don Greeley, P.E., Director of Water Management, expressed appreciation to the Carrboro-Chapel Hill Community, the Board and staff for OWASA's drinking water transfer during construction at their water treatment plants over the last several months. Mr. Greeley also stated that the City supports the establishment of the Triangle Water Supply Partnership. Ed Kerwin expressed appreciation to the Mr. Greeley and the City of Durham for their leadership work on water resources in the region.

Yinka Ayankoya asked for petitions and requests from the Board and staff; there were none.

Item One: 12 Month Board Meeting Schedule

The Board received the 12 Month Board Meeting Schedule as an information item.

Item Two: Memorandum of Agreement creating and Defining Operations of the Triangle Water Supply Partnership

Robert Morgan made a motion to approve the Resolution Authorizing the Memorandum of Agreement Creating and Defining Operations of the Triangle Water Supply Partnership; second by Jeff Danner and unanimously approved. Please see Motion 1 above.

Item Three: Minutes

Robert Morgan made a motion to approve the Minutes July 12, 2018 Meeting of the Board of Directors; second by Jeff Danner and unanimously approved. Please see Motion 2 above.

Item Four: Discuss Agua Vista (Advanced Metering Infrastructure) Policies

The Board and staff discussed Agua Vista/Advanced Metering Infrastructure (AMI) related policies and practices. Board approval of the draft policies is tentatively scheduled for October 25, 2018.

Board comments and feedback on the initial policies included: whether to charge a fee for visiting a customer location/on-site customer consultation; new rules regarding emergency water loss adjustments given the new leak detection and notification capabilities; tampering with a

meter or AMI device as well as reinforcing the current data privacy policy to specifically include and address AMI.

Item Five: Capital Improvements Program Semiannual Report

The Board received the semi-annual report on capital projects as an information item. Staff will continue efforts to encourage more participation with Minority and Women Business Enterprise contractors.

Item Six: Preliminary Financial Report for the Twelve-Month Period Ended June 30, 2018

The Board received the preliminary financial report for the twelve-month period ended June 30, 2018 as an information item. A draft of the audited Comprehensive Annual Financial Report is scheduled to be presented at the Board's September 27, 2018 annual meeting.

Item Seven: Summary of Board Meeting Action Items

Ed Kerwin noted the following items for staff follow-up:

- Staff will address the Board's feedback on the draft Agua Vista policies, Capital Improvements Program Semiannual Report and Financial Report.
- September 13, 2018 Board Work Session agenda will include:
 - Updated Implementation Plan for Diversity and Inclusion Program
 - Action Plan from Water Treatment Plant and Wastewater Treatment Plant Reliability and Risk Assessment Project
 - Discuss Long-Range Water Supply Plan – Demand and Yields

Item Eight: Closed Session

Without objection, the Board convened in a Closed Session to discuss two items: potential litigation and a personnel matter.

The Board came out of closed session and the meeting was adjourned at 9:50 p.m.

Respectfully submitted by:

Andrea Orbich
Executive Assistant/Clerk to the Board

Attachments

Orange Water and Sewer Authority

Closed Session of the Board of Directors

August 23, 2018

The Board of Directors of Orange Water and Sewer Authority met in Closed Session on Thursday, August 23, 2018, following the Board meeting.

Board Members present: Yinka Ayankoya (Chair), Jeff Danner (Vice Chair), Bruce Boehm, Jody Eimers, Robert Morgan, John Morris, Ruchir Vora and John A. Young.
Board Member absent: Ray DuBose (Secretary).

Other present: Ed Kerwin (Executive Director), Robert Epting (General Counsel) and Robin Jacobs.

ITEM ONE

The Board of Directors met in Closed Session with staff to discuss potential litigation.

ITEM TWO

The Board of Directors met in Closed Session without staff to evaluate the General Counsel's annual performance review.

No official action was taken at the meeting.

The meeting was adjourned at 9:50 p.m.

Robert Morgan, Chair
Human Resources Committee

Agenda Item

- Update on Hurricane Florence Impact on OWASA

Purpose

- Provide the Board of Directors and public summary information about OWASA's preparation, impact and response to Hurricane Florence.

Background

- On Friday, September 14, 2018, Hurricane Florence made landfall in North Carolina. Over the weekend and particularly on Monday, September 17, 2018, our region suffered the impacts of the storm.
- A staff presentation will be provided.

Action Needed

- Receive and discuss the report.



ORANGE WATER AND SEWER AUTHORITY

A public, non-profit agency providing water, sewer and reclaimed water services to the Carrboro-Chapel Hill community.

MEMORANDUM

TO: Board of Directors
FROM: Ed Kerwin, Executive Director
DATE: September 21, 2018
SUBJECT: Update on Hurricane Florence Impact on OWASA

Purpose: Provide the Board of Directors and public summary information about OWASA's preparation, impact and response to Hurricane Florence. Staff will provide a presentation at the Board's September 27, 2018 meeting.

Background: On Friday, September 14, 2018, Hurricane Florence made landfall in North Carolina as a slow-moving Category 1 Storm. Over the weekend and particularly on Monday, September 17, our region suffered the impacts of the storm, most notably heavy rainfall over a short amount of time. From Saturday through Monday, we received 5.7 inches of rainfall at the Cane Creek Reservoir and 9.3 inches of rainfall at the Jones Ferry Road Water Treatment Plant in Carrboro.

Preparation: Our Team mobilized and focused intently on preparing our system for the worst, to include:

- Reviewed our preparation, response, recovery and safety plans.
- Secured back-up fuel, fuel tanks, and chemicals to keep our operations running in the absence of utility power and deliveries.
- Emptied the onsite liquid biosolids storage tanks, so that we could safely store about 2-3 weeks of biosolids at the Mason Farm Wastewater Treatment Plant if marooned by flood waters.
- Prepared plans to staff both treatment plants, the reservoirs, and our distribution and collection system around the clock to respond to threats as they arose during the storm.
- Lined up several utility contractors with the ability to quickly assist with repairs during or after the storm, if needed.
- Documented the pre-storm conditions of our facilities with photos and videos to facilitate post-storm damage assessments.
- Coordinated with our community partners to establish lines of communication and issue notices regarding community preparedness.
- Assigned Incident Command responsibilities in accordance with National Incident Management System protocol.

Storm Impact and Response

Reservoirs: University Lake does not have flood control gates. When the lake is full, whatever flow that enters the lake leaves the lake over the spillway. On Monday, September 17 at 9:15 am, University Lake peaked at a historically high level of 54.5 inches above the spillway. This level exceeded a 500-year storm event¹ and triggered activation of the first stage in our Dam Emergency Action Plan, which requires us to notify Orange County Emergency Management, the dam's engineer, and the state. Subsequently, the North Carolina Department of Environmental Quality's Dam Safety Division inspected the dam and noted no issues.

The Cane Creek Reservoir's water levels peaked at 27.5 inches above the spillway at 12:45 pm on Monday, September 17. This level exceeded the 100-year storm levels, but did not trigger activation of the Dam Emergency Action Plan. Six of seven flood gates were opened in accordance with operating protocol (four gates opened at one foot; two gates opened at six inches).

Both raw water pump stations operated on utility power throughout the event.

Jones Ferry Road Water Treatment Plant (WTP): Operations at the WTP remained normal and operated on utility power throughout the event.

Water Mains: Throughout the event, we responded to two water main breaks: both on Monday morning, September 17. One was on a private main for which we shut off the meter. The other main break occurred on Bolinwood Drive when a vehicle washed into Bolin Creek and under a bridge breaking our 8-inch water main. Our Team isolated the main break and restored water service to the 88 households within the day.

Wastewater Collection System: OWASA's wastewater (sewage) collection system is not designed to collect stormwater. However, stormwater and ground water does inadvertently enter the collection system through cracks in pipes, especially during flood conditions. We observed and reported one wastewater overflow estimated at 8,300 gallons from a manhole upstream of the Rogerson Drive Pump Station, near the soccer fields at Fordham Boulevard and Cleland Drive. Out of our 21 pump stations, six issued on-site high water level alarms on Monday, indicating that an overflow could occur. All pump stations operated on utility power throughout the event, except for two pump stations that ran on generators for one hour each Saturday night.

Mason Farm Wastewater Treatment Plant (WWTP): On Monday, the WWTP treated a record-setting 29.3 million gallons, with a peak flow that, if sustained, would have resulted in treating 39.8 million gallons for the day. On average, we treat 7.8 million gallons per day; the WWTP is designed to treat a peak day flow of 43.5 million gallons per day. Despite the high flows, the WWTP performed well and reclaimed water service to the University remained normal throughout the event. During the event, the WWTP remained fully staffed with two shifts sufficient to cover 24-hours of operations and response. As anticipated, high water blocked access to the plant early Monday morning; pedestrian access was established by the afternoon, and vehicle access was restored by Tuesday morning when it was determined that the access bridge over Morgan Creek was safe. Utility

¹ 500-year flood event means that in a given year there is a 1-in-500 (0.2 percent) chance a flood of this level will occur in an area.

power was available to the WWTP throughout the event. However, for safety and reliability reasons, staff ran the plant on generator power much of the day Monday.

Public Communication: Leading up to and during the event, we remained in close communication with our community partners. They amplified our messaging through their communications channels, which allowed us to consistently and comprehensively communicate about the availability and safety of drinking water and other potential impacts on the water and wastewater system. This coordinated approach also allowed us to be responsive to the evolving concerns of the community. At the onset of the emergency, we issued a press release and FAQ document. Following this, we used our website and Twitter as the primary methods of communicating with the public and were responsive to media questions leading up to and during the event. We were interviewed by NPR/WUNC, WCHL, The News & Observer, and Daily Tar Heel.

Community Coordination: Throughout the event, we remained in communication with the Orange County Emergency Operations Center. We were alerted to current conditions across the community and were able to provide information to responders. For example, our Team alerted the Town of Chapel Hill about flooding on Old Mason Farm Road so that the road could be closed to traffic. Additionally, our Team responded on Saturday morning to support the connection of temporary shower stations at a shelter set up at the UNC Friday Center established by the state to house 500 evacuees from eastern North Carolina.

Damage Assessment: Damage assessment is underway; staff is inspecting all facilities and aerals (lines that cross streams above ground). As of now, the only noted damage of significance was to the 8-inch water main on Bolinwood Drive and fencing around the WWTP. Otherwise, all operations are normal. The Board will be provided with a summary of the damages when available.

Utility Assistance: Although we experienced high levels of rain and associated flooding, ultimately, our region and system was spared the brunt of the storm that was originally predicted. Unfortunately, others in the state were not. As a member of NCWaterWARN, a utility-to-utility disaster response network, OWASA is actively monitoring opportunities to assist neighboring communities. In fact, two OWASA staff members were ready to mobilize one of our two sewer vacuum trucks to a nearby community when we received word that our assistance was no longer needed.

Associated Costs: It is too early to summarize our costs to prepare for, respond to, and recover from Hurricane Florence. We are accounting for these costs separately for management purposes and for federal reimbursement if Orange County is declared eligible for public assistance. Regardless, we will leverage these expenses into investments for our preparedness for the next event.

I'm proud of the OWASA Team's work regarding the storm and we appreciate the assistance of our local partners and the community.



Ed Kerwin
Executive Director

Agenda Item

- Resolution Awarding a Construction Contract for the Jones Ferry Road Water Treatment Plant Sedimentation Basin Rehabilitation Project

Purpose

- To request the Board's approval to award a construction contract for the Jones Ferry Road Water Treatment Plant Sedimentation Basin Rehabilitation Project.

Background

- The project consists of rehabilitation of the sedimentation basin walls and walkways; replacement of valves and other components in the basins; and rehabilitation of the influent and effluent channels
- The basins were built in 1948 and 1974 and have experienced significant concrete degradation. The project is necessary to maintain reliable service of the Water Treatment Plant and will substantially extend the useful life of the basins.
- Plans and specifications for the construction of this project were prepared by Hazen and Sawyer ("Engineer").
- Prospective bidders for the construction contract were screened through a prequalification process. Minority outreach was performed for the prequalification process in accordance with standard practice. Five bidders were prequalified.
- An insufficient number of bids was received by the initial bid deadline. The contract was re-advertised for bid, and on September 11, 2018, two bids were received and opened publicly. The apparent low bidder was Dellinger, Inc. (Dellinger) with a bid of \$2,478,000. The Engineer's estimate was \$2,300,000.
- The Engineer evaluated bids and recommended award of the construction contract to Dellinger.
- The project has been approved for a Drinking Water State Revolving Fund low-interest loan.

Staff Recommendation

- Staff recommends that the Board of Directors adopt the attached resolution awarding the construction contract for the Jones Ferry Road Water Treatment Plant Sedimentation Basin Rehabilitation Project to Dellinger.

September 27, 2018




ORANGE WATER AND SEWER AUTHORITY

*A public, non-profit agency providing water, sewer and reclaimed water services
to the Carrboro-Chapel Hill community.*

MEMORANDUM

TO: Board of Directors

THROUGH: Ed Kerwin 

FROM: Simon Lobdell, P. E.

DATE: September 20, 2018

SUBJECT: **Award of Construction Contract for the Jones Ferry Road Water Treatment Plant Sedimentation Basin Rehabilitation Project**

Purpose

This memorandum recommends that OWASA award a construction contract to Dellinger Incorporated (“Dellinger”) for the construction of the Jones Ferry Road Water Treatment Plant Sedimentation Basin Rehabilitation Project.

Background

The Jones Ferry Water Treatment Plant (WTP) uses two independent processes to remove turbidity, total organic carbon, and other constituent matter from incoming water: 1) a conventional sedimentation process using large concrete basins to settle out particles and 2) upflow clarifiers (“Superpulsators”) which use pulses of flow through a series of plates to accomplish the same result. Each of these processes have a total flow capacity of 10 million gallons per day (MGD) for a total plant capacity of 20 MGD. The sedimentation basins consist of five separate rectangular basins, influent and effluent channels, and a single mixing and flocculation basin. The concrete basins were built in 1948 and 1974 and have been in service since this time without major rehabilitation. They have experienced significant corrosion of the concrete walls and metallic components.

Hazen and Sawyer completed an initial condition assessment of the basins in 2015 and 2016 which determined that near-term repair of the concrete surfaces was necessary. The primary concrete degradation occurred at the influent chamber and walkway surfaces and would compromise the structural integrity of the basins if left untreated. A study completed in May 2017 defined the scope and budget for a subsequent Capital Improvements Program (CIP) project to address these structural issues. The study reviewed rehabilitation options for the basin rehabilitation and a plan for the maintenance of operations of the plant during construction. The only viable alternative to structural rehabilitation was the demolition of the sedimentation basins and construction of a new treatment train. The rehabilitation of the existing basins was anticipated to have a project cost of \$3.3 million whereas the cost of new superpulsators was

estimated at \$9.8 million. The options were estimated to have equivalent Operation and Maintenance costs. The study recommended the rehabilitation option to extend the useful life of the sedimentation Basins, and refined the project's primary scope of work to include:

- rehabilitation of the sedimentation basin walls and walkways;
- replacement of the valves and other non-stainless steel components in the basins; and
- rehabilitation of the influent and effluent channels (this work will be done in the winter months of either 2018 or 2019 in order to avoid peak demand periods).

During the winter work the plant will be at half capacity (10 MGD) for up to 3 months. During this period, the plant's average daily flow is typically between 6 and 7 MGD. The WTP will rely exclusively on the Superpulsators throughout this period with emergency water needs met through our interconnects with neighboring utilities.

The project qualified for a State Revolving Fund low interest loan and the State approved the bid documents on July 10, 2018. The contract award is required to receive the funds for the project.

Advertising and Bidding

Hazen and Sawyer completed the design drawings and specifications for the improvements. Prospective bidders were screened through a prequalification process, which involved having interested contractors submit a package outlining their qualifications including past performance on similar projects, credentials of their management team, safety record, etc. Only those firms that clearly demonstrated the capability to adequately perform the project work were invited to submit bids.

The Request for Qualifications (RFQ) was posted in June 2018. The prequalification process was open to general contractors with broad utility experience and concrete coating specialty contractors. After review, five contractors were prequalified to bid on the projects including three general contractors and two specialty coatings contractors.

The invitation for bids was issued to the prequalified contractors and the project was publicly advertised on July 26, 2018. Two bids were received by the initial August 30, 2018 deadline, and, being fewer than the minimum of three required for bid opening on a formal contract, were returned unopened to the bidders. Per North Carolina General Statute 143-132, the contract was re-advertised, and on September 11, 2018, two bids were received and opened publicly. Dellinger Inc. was the low, responsive and responsible bidder for the project with a bid of \$2,478,000.00. A copy of the certified bid tabulation is attached with the Engineer's recommendation to award (Attachment 1), and the results are summarized below:

Dellinger, Inc.	\$2,478,000.00
Turner Murphy Company, Inc.	\$2,561,208.98
<i>Engineer's Estimate</i>	<i>\$2,300,000.00</i>

Minority and Women Business Enterprise (MWBE) Participation

OWASA's Minority Business Participation Outreach Plan and Guidelines include all of the statutory requirements from the State of North Carolina and specify a 10% goal for participation by minority businesses. In keeping with standard practice, OWASA staff took several actions to solicit minority participation in this contract, including advertising the Request for Qualifications in the Greater Diversity News, the North Carolina Institute of Minority Economic Development, OWASA's website, and plan rooms, and requiring bidders to follow "good faith" efforts to solicit participation by minority subcontractors. The apparent low bidder (Dellinger) identified MWBE participation for its coating subcontractor (CMT) and electrical subcontractor (Via Electric) totaling \$1,331,580 (53.7% of the total bid amount).

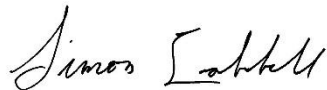
Bid Analysis and Recommendation

Although only two bids were received for the project, staff is satisfied that the proposed contract amount represents a competitive price for this work. Based on feedback received from contractors and consultants, the low number of bids for this project appears to reflect the general bidding climate at this time, with an increasing number of private and public projects competing for a limited set of qualified utility contractors. Several addenda that were issued during the bid time also increased the scope slightly which accounts for the variance from the engineer's estimate.

Dellinger's ability to complete this project successfully was evaluated thoroughly during the prequalification process, and they have demonstrated sufficient qualifications in past project performance (including the ongoing Jones Ferry Road Water Treatment Plant Filter Media Replacement and Backwash Improvements Project), personnel qualifications/experience, reference checks, and all other rated categories.

Hazen's recommendation that the construction contract for this project be awarded to Dellinger is attached along with the certified bid tabulation (Attachment 1). OWASA staff concurs with this recommendation and requests the Board's adoption of the attached resolution (Attachment 2) awarding the construction contract to Dellinger.

Please let me know if you have any questions or need additional information. I can be reached at 537-4247 or smlobdell@owasa.org. Thank you.



Simon Lobdell, P.E.
Utilities Engineer

Attachment 1 – Engineer's Recommendation for Award and Certified Bid Tabulation
Attachment 2 – Resolution



Hazen and Sawyer
4011 Westchase Boulevard, Suite 500
Raleigh, NC 27607 • 919.833.7152

September 17, 2018

Mr. Simon Lobdell, P.E.
Utilities Engineer
Orange Water and Sewer Authority
400 Jones Ferry Road
Carrboro, NC 27510

**Re: Recommendation for Award
Jones Ferry Road WTP – Sedimentation Basin Rehabilitation
SRF Project No. WIF-1928
OWASA CIP No. 272-38
Hazen # 31016-021**

Dear Mr. Lobdell:

We have evaluated the bids received for the Jones Ferry Road Water Treatment Plant Sedimentation Basin Rehabilitation. This project initially advertised on July 31, 2018 and two sealed bids were received on August 30, 2018. These bids were returned to the contractors, the project was re-advertised via addendum on August 30, 2018, and a second mandatory prebid meeting was held on September 5, 2018. Two sealed bids were again received on September 11, 2018. These sealed bids were opened and are summarized below. A copy of the certified bid tabulation is also attached.

Contractor	Total Bid Price
Dellinger, Inc.	\$2,478,000.00
Turner-Murphy Company, Inc	\$2,561,208.98

We recommend awarding the contract to the low bidder, Dellinger, Inc. We will process formal notification of award documentation at your direction. Should you have any questions or require additional information do not hesitate to contact me.

Very truly yours,

Lisa G. Giroux, P.E., S.E.C.B.
Senior Vice President

Enclosure

cc: Tom Tant

**Orange Water and Sewer Authority
Jones Ferry Road Water Treatment Plant
Sedimentation Basins Rehabilitation
Contract No. 1
CIP No. 272-38
SRF Project No: WIF-1928**

CERTIFIED BID TABULATION

**Bid Date: September 11, 2018
Bid Opening Time: 10:00 a.m.**

General Contractor	Dellinger, Inc.	Turner Murphy Company, Inc.
N.C. License No.	5992	9072
Addenda Acknowledgement	1, 2, 3, 4, 5	1, 2, 3, 4, 5
Bid Security	5%	5%
Bid Item 1: Lump Sum Base Bid	\$1,045,615.00	\$940,564.98
Bid Item 2: Concrete Slab Repair	\$314,600.00	\$358,050.00
Bid Item 3: Existing Concrete Slab Coating Repair	\$61,050.00	\$73,771.50
Bid Item 4: Slip Resistant Concrete Slab Coating	\$157,450.00	\$178,036.00
Bid Item 5: Concrete Spall Repair	\$21,000.00	\$23,940.00
Bid Item 6: Concrete Wall Resurfacing Repair	\$467,360.00	\$532,611.00
Bid Item 7: Concrete Wall Coatings	\$172,120.00	\$196,283.00
Bid Item 8: Type III Crack Repair - Waterproof Injection Grout	\$31,500.00	\$35,910.00
Bid Item 9: Rebar Surface Preparation and Corrosion Protection	\$49,555.00	\$56,312.50
Bid Item 10: Clean, Prepare and Repaint Corroded Piping	\$57,750.00	\$65,730.00
Bid Item 11: Contingency Allowance	\$100,000	\$100,000
TOTAL BASE BID	\$2,478,000.00	\$2,561,208.98

CERTIFICATION

The Bids tabulated herein were opened and read aloud at 10:00 a.m. on the 11th day of September 2018 in the Board Conference Room of the Orange Water and Sewer Authority Administration Building, 400 Jones Ferry Road, Carrboro, North Carolina 27510. The tabulation is correct in that it contains the bid prices as presented in the original Bid Form for each Bidder.



Hazen

Hazen and Sawyer
4011 WestChase Blvd.
Raleigh, North Carolina 27607
(919) 833-7152

Attachment 2

RESOLUTION AWARDING A CONSTRUCTION CONTRACT FOR THE JONES FERRY ROAD WATER TREATMENT PLANT SEDIMENTATION BASIN REHABILITATION PROJECT

WHEREAS there is a need to rehabilitate the sedimentation basins at the Jones Ferry Road Water Treatment Plant; and

WHEREAS plans and specifications for the construction of this project have been prepared by Hazen and Sawyer; and

WHEREAS advertisement for contractor qualifications was published on the websites of the North Carolina Institute of Minority Economic Development, North Carolina Department of Administration, and OWASA on June 13, 2018, and five contractors were qualified to bid at the time of the bid; and

WHEREAS on July 26, 2018, the prequalified contractors were formally invited to submit construction bids for the project, and after receiving only two bids on the first bid opening date of August 30, 2018 the project was re-bid; and

WHEREAS two bids were subsequently received on September 11, 2018; and Dellinger, Inc. of Monroe, North Carolina was determined to be the low responsive, responsible bidder for the project; and

WHEREAS on February 22, 2018 the Board approved a resolution accepting funds for this project through a Drinking Water State Revolving Fund loan;

NOW, THEREFORE, BE IT RESOLVED:

1. That the Orange Water and Sewer Authority Board of Directors awards the construction contract to Dellinger, Inc., the low responsive, responsible bidder for the Jones Ferry Road Water Treatment Plant Sedimentation Basin Rehabilitation Project, in accordance with the approved plans and specifications, in the amount of \$2,478,000.00, subject to such change orders as may apply.

2. That the Executive Director be, and hereby is, authorized to execute said contract, subject to prior approval of legal counsel, and to approve and execute change orders and such documents as may be required in connection with the construction contract.

3. That the tentative award is contingent upon the approval of the North Carolina Department of Environmental Quality.

Adopted this 27th day of September, 2018.

Yinka Ayankoya, Chair

ATTEST:

Ray DuBose, Secretary

Agenda Item

- Resolution Reappointing the Firm of Epting and Hackney as General Counsel to the Orange Water and Sewer Authority

Purpose

- General Counsel is appointed annually by the Board of Directors to provide legal services to the Board of Directors and staff, to observe the general operation and management of OWASA from a legal perspective, to assist in the establishment of policy and the administration and operations of the business and affairs of OWASA, to initiate legal comment and advice on matters before OWASA or relating to OWASA, so that due regard may be given to pertinent laws, regulations, and statutes.

Background

- The firm of Epting and Hackney has capably served as General Counsel to OWASA since October 1, 1984.
- The hourly rate for services of General Counsel remains unchanged.
- Maintain monthly retainer at \$10,000.

Recommendation

- Reappoint Epting and Hackney as General Counsel to the Orange Water and Sewer Authority in accordance with the terms and conditions set out in his letter dated September 13, 2018 to the Executive Director (attached).

September 27, 2018

**Resolution Reappointing the Firm of Epting and Hackney as
General Counsel to the Orange Water and Sewer Authority**

Whereas, the Orange Water and Sewer Authority is a public, corporate entity organized and operated under the laws and statutes of the State of North Carolina and is engaged in the provision of public water, sewer and reclaimed water services within its service area; and

Whereas, the Board of Directors of Orange Water and Sewer Authority finds that it is necessary and appropriate to provide for and obtain general legal counsel and services to assist in the establishment of policy and the administration and operations of the business and affairs of OWASA so that due regard may be given to the pertinent laws, regulations, and statutes; and

Whereas, Robert Epting, General Partner of the firm Epting and Hackney, has served as General Counsel to OWASA since October 1, 1984, and has rendered competent and appropriate legal services in that regard, and the Board of Directors wishes to continue their services as General Counsel;

**Now, Therefore, Be It Resolved by the Orange Water and Sewer Authority
Board of Directors:**

1. That the firm of Epting and Hackney, Chapel Hill, N.C., is hereby reappointed General Counsel of Orange Water and Sewer Authority in accordance with the terms and conditions set out in Robert Epting's letter dated September 13, 2018 to the Executive Director.
2. That as General Counsel, he and his firm will serve under the general direction of the Executive Director, subject to the ultimate authority of the Board of Directors.
3. That this reappointment will be effective October 1, 2018 and shall continue until terminated as provided in Mr. Epting's said letter dated September 13, 2018.

Adopted this 27th day of September 2018.

Yinka Ayankoya, Chair

ATTEST:

Raymond DuBose, P.E.
Secretary

EPTING AND HACKNEY
ATTORNEYS AND COUNSELLORS AT LAW
410 MARTIN LUTHER KING, JR. BOULEVARD
P. O. DRAWER 1329
CHAPEL HILL, NORTH CAROLINA 27514

ROBERT EPTING
JOE HACKNEY
ELIZABETH LACKEY JACOBS
STEVE LACKEY
HATHAWAY S. PENDERGRASS

TELEPHONE 919-929-0323
FACSIMILE 919-929-3960

OF COUNSEL:
ELLEN B. SCOUTEN

September 13, 2018

Mr. Ed Kerwin
Executive Director
Orange Water and Sewer Authority
Carrboro, NC 27510

General Counsel Engagement Letter

Dear Mr. Kerwin:

I appreciate the privilege of having been appointed to serve as General Counsel to the Orange Water and Sewer Authority since 1984. As General Counsel is appointed to serve on an annual basis from October 1 through September 30, I write to suggest the terms upon which I propose to continue in this capacity, should the Board of Directors choose to continue my appointment at its annual meeting.

First though, I want to thank you and the staff, and each of the members of the Board of Directors, for the support given my work as General Counsel. Surely few public agency lawyers have the advantage of working with so qualified and cooperative an administrative and support staff, or to report to as dedicated a governing Board, as I enjoy at OWASA.

Today most of the matters I handle directly as OWASA's General Counsel are things I believe benefit from the scope of my training and experience as an environmental lawyer for more than thirty years, and as one who has that many years of experience serving on and working with our local governments, and with state and federal agencies. In that work, for other clients, my hourly rate is now \$325.00 per hour, and up, depending upon the complexity of the matter.

I am willing and would be pleased to continue to serve with my firm as General Counsel upon the terms and conditions of our present understanding, under which I am paid \$150.00 per hour, and under which it is understood and agreed that I will devote most of my forty hour work week to OWASA matters, as a priority. When I do work for other clients, I will subtract the time involved in those services from the remainder of my work week, and the balance will be billed to OWASA for our representation and services.

The amount of my work for OWASA has increased over the years to more than eighty percent of all my work, and the total bill has gone up accordingly. But we are constantly looking for ways to educate staff to be able to minimize legal costs, and I am satisfied that OWASA obtains a fair bargain for our services. I am proud of our efforts on OWASA's behalf, and I continue to enjoy the work and appreciate OWASA's very prompt payment for this representation.

Again, we propose to continue to serve in the coming year upon the same terms and conditions as last year, which are set out below.

1. Appointment and Service as General Counsel.

As General Counsel, we would undertake and agree to exercise our best professional judgment and to provide our best efforts in that service, including, as necessary the services of my partners, associates, and firm employees and contractors under our direction and supervision, to the Authority, its Board and staff, as to the legal affairs, rights, and responsibilities of the Authority.

Appointment of General Counsel would be made and accepted anticipating and engaging our legal services on an operating year basis, that is, from October 1, 2018 through September 30, 2019, subject to such reviews, renewal, or termination as the Board of Directors may deem appropriate; provided, that such appointment will be deemed to continue in full effect until terminated as provided herein by either of the parties.

The Authority Board of Directors shall have the right to terminate, or not to renew, this appointment upon not less than ninety days written notice to me as General Counsel, or with the payment of the monthly retainer for at least three months past the effective termination date, along with such other fees and charges as may be due at the date of termination.

I will also retain the right to end my service as General Counsel should that necessity arise. Unless that termination or retirement is caused by health or other circumstances beyond my control, I would endeavor to give the Board not less than one year's notice in advance of any termination on my part. And, for so long as my health allowed after my retirement, I would always remain available to confer and consult with OWASA representatives as you or the Board might find useful, upon such terms and conditions as may be agreed in that event.

While serving as General Counsel, I will be permitted to continue in the general practice

of law, as a partner in the firm of EPTING & HACKNEY, or otherwise, as I might choose. And, I would avoid in that practice the representation of any clients whose interests might be in conflict with those of OWASA.

2. Specific Services.

As General Counsel, I will be available generally for consultations and assignments as noted above. I will attend regular Board meetings and such other meetings and work sessions as requested. Whenever I may be unable to attend such meetings, one of my partners, Elizabeth Lackey Jacobs or Joe Hackney, will attend in my place. I will be available regularly in my firm office, or in OWASA's offices as requested, and at any other time by telephone and electronic messaging means, for regular consultations by Board and staff.

3. Compensation by Monthly Retainer; Other Compensation.

For my primary professional availability and the services provided as General Counsel, the Authority will pay to me as a retainer the sum of Ten Thousand Dollars (\$10,000.00) per month, on or before the first business day of each month.

The monthly retainer will be applied against the fees charged for our time in the month for which the retainer is paid. An invoice for the net due for time and services beyond those paid by the retainer will be provided on a monthly basis, and the net due will be paid promptly to me.

For such time and services as may be devoted hereunder to my representation of the Authority, where such time exceeds the hours devoted per month multiplied by the hourly rate provided for under the monthly retainer, the Authority will compensate the firm at the rate of \$150.00 per hour for my services and those of my partners Joe Hackney and Elizabeth Lackey Jacobs.

4. Expenses.

The Authority will also reimburse me for the reasonable and necessary expenses incurred in the performance of my duties as General Counsel. These would include, among others:

- a) The costs of supplies and copies, when incurred for copies made, or for supplies necessary for our services to the Authority and devoted solely to its use;
- b) The costs of our Clerks' time and related expenses, insofar as expended or incurred solely

Engagement of Counsel
September 13, 2018
Page Four

on behalf of the Authority, at a rate not to exceed \$25.00 per hour;

c) The costs of non-local travel (distance exceeding 25 miles), meals and lodging when incurred in the service of the Authority; automobile expenses for personal vehicles to be reimbursed at the IRS-allowed rate, currently 61 cents per mile; and the expenses and fees for continuing education authorized and approved by the Executive Director of the Authority;

d) Such other costs as may be authorized by the Authority and incurred by reason of my appointment and service as General Counsel.

5. Other Services.

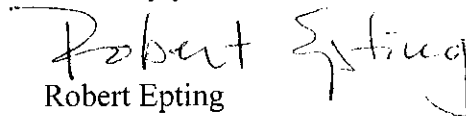
Matters involving opinions upon title and closing in the acquisition or disposal of real property by the Authority will be charged for and compensated on a parcel-by-parcel basis, in accordance with factors including the time expended and the consideration involved. Unless unusual effort and time are required in our closing of such matters for the Authority, our fees for title examination and the transactional closing would not normally exceed one percent of the purchase price, subject to a minimum of five hundred dollars per parcel.

I will be happy to provide such further information or response as you or the Board may wish with regard to this proposal.

I remain grateful and proud to have served the Authority as its General Counsel, and I hope that the Board of Directors will find this proposal acceptable to the end that we might continue in this capacity.

With kindest regards, I remain

Sincerely yours,


Robert Epting

Agenda Item

Diversity and Inclusion (D&I) Program Progress Report and Equal Employment Opportunity/Affirmative Action Report for Fiscal Year 2018

Purpose

To provide 1) Progress Report on the D&I Program; and 2) Annual EEO Report for Fiscal Year 2018; and to receive feedback from the Board of Directors.

Background

On March 9, 2017 the Board approved the Initial Implementation Plan (Plan) for our D&I Program and included a directive that a consultant be hired to assist with the work.

The Plan's goals are:

- 1) The diversity of OWASA's workforce reflects the communities we serve.
- 2) Inclusive work environment for everyone that encourages and supports each Team member to contribute to their full ability towards OWASA's mission.

Progress reports were provided to the Board on June 8 and September 14, 2017, February 8 and April 12, 2018.

Three groups were formed and received 16 hours of training each to help guide the D&I work. The ***Diversity Resource Group*** with employee volunteers from throughout the organization helped shape Focus Groups for the Organizational Assessment and continue to help guide and promote the D&I work. The ***Diversity Recruitment Group*** is made up of hiring managers and Human Resource staff. This group is working on improvements to the recruitment, selection and retention processes. The ***Diversity Leadership Group*** includes the five Department Directors and Executive Director to provide the leadership and support to make sure the OWASA Team delivers excellent service to our customers while providing a diverse workforce and an inclusive work environment for all.

While there are many tasks from the Plan, there are two (combined) which are specific to the Organizational Assessment:

- Task 2.1e and 2.3d – “Develop, administer and evaluate Focus Group Assessment and recommend options for improvement”.

Focus Group meetings took place with employees and the Board in late 2017. There were fifteen (15) work group meetings attended by seventy-four (74) employees and nine (9) demographic and cultural group meetings attended by forty-seven (47) employees.

September 27, 2018

As a result of the Assessment, employees provided forty (40) general recommendations in seven (7) categories. VISIONS (consultant) provided additional recommendations in four (4) categories. Employees also provided twenty-six (26) recommendations in four (4) categories for recruitment and retention.

At the progress report to the Board on April 12, 2018 the Board reviewed a Draft Action Plan for Improvements Identified by the Organizational Assessment. The Board agreed with Staff moving forward with the two step Action Plan.

Progress Report

Diversity and Inclusion Plan

With considerable guidance from VISIONS, and the participation of our staff, we have made important progress on the Plan as summarized in Attachment #1.

Key activities include:

- Staff continues to engage with agencies and organizations to seek assistance in recruitment.
- We continue to solicit OWASA employees for employment referrals.
- NeoGov software has been implemented to include the job interest feature.
- Recruitment Plans are prepared for each recruitment to include using local census data to develop applicant targets for under-represented groups.
- Additional employees have been trained on the newly developed standard processes for interview panels and making employment decisions.
- A Welcome Team has been developed and trained to improve the onboarding process.
- The Diversity Resource, Recruitment and Leadership groups were formed to help guide the initiative. Each group has been provided 16 hours of training by VISIONS.
- Mandatory training for Supervisors took place in August and September 2018.
- Voluntary Employee training took place in August and September 2018.
- Various core trainings have been offered to all employees.
- The Board reviewed the compensation of employees and adopted a resolution in December 2017 where they provided 3 of the 4 rating categories a pay increase. Merit Increases for "Successful" ratings are to be no less than 2.9% above the Cost of Labor Adjustment (COLA).
- The Board of Directors has had four training sessions with VISIONS. Additional training is forthcoming.

Action Plan for Improvements

Staff along with VISIONS has been working diligently on the Action Plan for Improvements Identified by the Organizational Assessment included as Attachment #2.

Key activities include:

- The Diversity Leadership, Resource and Recruitment Groups along with VISIONS prioritized and delegated the general recommendations from the Organizational Assessment.
- Employee information and feedback sessions were held in June 2018 regarding the general recommendations from the Organizational Assessment.
- The Diversity Leadership, Resource and Recruitment Groups along with VISIONS prioritized and delegated the recruitment/selection recommendations from the Organizational Assessment.
- Employee information and feedback sessions were held in July 2018 for the recruitment/selection recommendations from the Organizational Assessment.
- In July 2018, VISIONS along with the Diversity Recruitment and Leadership Groups completed a comprehensive review of recruitment processes, career development programs, the mentoring program and promotional opportunities.
- On July 23, 2018 all three diversity Groups met to place a timeline and assignment to all the recommendations. See Attachment #2, Exhibit A: the Organizational Assessment General and Recruitment/Selection Recommendations by Year and Responsible Group.

EEO Report

Each year OWASA provides the Board the recruiting practices along with the race and gender make-up of our workforce. This report is a summary of our findings for Fiscal Year (FY) 2018.

Recruiting Efforts

When a vacancy becomes available within OWASA, the position is posted internally as well as externally using the following methods:

- NC Department of Commerce, Division of Employment Security – NC Works
- OWASA Website and Twitter
- Newspapers and other Print Publications
- Online Advertising
- Minority Organizations and Groups
- Colleges and Universities
- Churches
- Other Organizations

Diversity in our Workforce

Ending FY2018, OWASA was made up of 23.2% Women and 76.8% Men. Our workforce was 74.4% White, 12.8% Black, 6.4% Two or More Races, 3.2% Hispanic, 2.4% Asian and 0.8% American Indian or Alaska Native.

Details of the race and gender distribution of the OWASA workforce by EEO job classification as of June 30, 2018 is provided in Attachment #3. Attachment #3, Exhibit A details the EEO job classification for each position within our team. Race and gender data is captured each year on

June 30th to provide the Board with the EEO report and Attachment 3, Exhibit B provides a look at the last ten (10) years of race and gender data on that date.

Applicant Diversity

Filling vacancies with the best candidates, based on the skills and qualifications needed for the position remains the focus of our hiring practices. In fulfilling this goal, we seek to encourage and promote diversity within the organization. We will continue to advertise in a wide variety of venues to attract a diverse candidate base. We will pursue opportunities to recruit employees at all levels by participating in outreach efforts to make more potential applicants aware that OWASA is a good place to work.

The race and gender distribution of OWASA's applicants for the period of July 1, 2017 through June 30, 2018 is detailed in Attachment #4. OWASA recruited for 15 positions during FY2018 and received a total of 727 applications.

Board of Directors

The nine-member Board of Directors govern OWASA. The Chapel Hill Town Council appoints five, the Carrboro Board of Alderman appoints two and the Orange County Board of Commissioners appoints two Board members. Attachment #5 details the race and gender distribution of the OWASA Board of Directors as of June 30, 2018.

Key Take-Aways

Key takeaways include:

- We have the opportunity to improve diversity at all levels of the organization.
- It is critical that leadership take a focused review of the EEO report.
- Workforce gender distribution has increased from last year.
- Workforce race distribution is similar to last year.
- The number of applications received is comparable to 2017.
- The number of Hispanic applicants increased.
- More applicants voluntarily provided race and gender information.
- We starting reporting separate categories for Hispanic, Asian or Pacific Islander, American Indian or Alaska Native, and Two or more races in 2017.

Staff Comments

We are optimistic about tackling key areas of disparity and focusing on the need for more diverse applicants and employees. By increasing the applicant pool, training the Staff on standard processes and reducing and eliminating bias we are confident this initiative will be a success.

Information

- Attachment 1 - OWASA's D&I Plan, September 13, 2018 Progress Report
- Attachment 2 - Action Plan for Improvements Identified by the Organizational Assessment
 - Exhibit A - Organizational Assessment General and Recruitment/Selection Recommendations by Year and Responsible Group
- Attachment 3 - Workforce Race and Gender Distribution
 - Exhibit A - EEO Job Classification for each Position
 - Exhibit B - OWASA Workforce Race and Gender Distribution 10-year History
- Attachment 4 - Applicant Race and Gender Distribution
- Attachment 5 - Board of Directors Race and Gender Distribution

September 13, 2018 Progress Report

OWASA's Diversity and Inclusion Program

Initial Implementation Plan – adopted March 9, 2017

Goal 1. The diversity of OWASA's workforce reflects the communities we serve.

Objective 1.1 Attract diverse pool of applicants for open positions.						
Strategies	Task #	Tasks	Resources to Complete Task	Target Completion Date	Outcomes & Measures of Success	Status as of September 13, 2018
Increase the diversity of applicants for employment and establish OWASA as an employer that values diversity and inclusion.	1.1a	Develop a list of agencies/ organizations that can assist OWASA with ways to attract a more diverse group of applicants for employment.	Human Resources and Safety Director (HR Director)	March 2017 Ongoing to keep current	Comprehensive list developed	Complete and ongoing. <i>The Recruitment Efforts and Strategies form is maintained and routinely updated. Individuals and agencies on this list are provided recruitment notifications.</i>
	1.1b	Engage with agencies/ organizations to seek assistance in recruitment and to communicate OWASA's commitment as an employer that values diversity and inclusion.	HR Director (May be a collaborative effort with local governments)	August 2017 Ongoing to keep current	Number of agencies/ organizations participating Diversity of applicants increases	Since March 2017 OWASA staff attended <i>thirteen (13)</i> career fairs. <i>Approximately 96 outreach letters went to area agencies describing our interest and commitment to strengthening our diversity. As a result, we met with three agencies to discuss possible employment programs. With one additional group, we advertised in their brochure that</i>

						<i>OWASA seeks a diverse workforce.</i>
	1.1c	<p>Solicit assistance from OWASA employees for employment referrals and suggestions to improve diversity recruitment.</p> <p>Consider adding this scope to existing Employee Human Resources Team or creating new Employee Diversity and Inclusion Team.</p>	Department Directors	Ongoing	<p>Number of employee referrals</p> <p>Diversity of applicants reflects the diversity of the labor market for that position</p>	<p><i>Since July 1, 2016 there have been seven (7) candidate referrals submitted by employees. Two (2) of the referred candidates were offered a position and accepted, one was offered a position and declined.</i></p> <p><i>When recruitments open, an e-mail is sent to all employees reminding them of the program.</i></p> <p><i>The Diversity Resource Group has been established.</i></p>
	1.1d	Evaluate the job application process for implicit and explicit biases.	Consultant	December 2018	<p>Use industry best practices</p> <p>Increase yield of a diverse applicant pool at each stage of the application/ selection process</p>	<i>The Diversity Recruitment, Resource and Leadership groups met in July 2018 to review, prioritize and assign tasks related to the recommendations.</i>

	1.1e	Implement NeoGov (on-demand HR software for the public sector) for applicant tracking and management reporting to provide greater functionality for applicants and provide statistical data for Team evaluation.	HR Director	May 2017	Software implemented Staff trained	<i>Software implemented, and training has taken place with hiring supervisors and managers.</i> <i>An overview/ training session was provided at the June 8, 2017 Managers meeting.</i>
Prepare a recruitment plan for each job vacancy to ensure continuing efforts to build a diverse workforce.	1.1f	Develop process for preparing recruitment plans for each job vacancy.	Consultant	December 2017	Standard process for preparing recruitment plans completed Staff trained Applicant pools are diverse	<i>A recruitment plan is created with each vacancy. Visions has reviewed the process.</i>
	1.1g	Using local census data, develop applicant targets for under-represented groups for each job category.	HR Director	August 2017	Targets for each job category established and incorporated into recruitment plans	<i>Orange County census data is compared with departmental data to assist in determining under-represented groups to be targeted during advertising.</i>
Objective 1.2 Employment decisions are made based on merit and job-related ability.						

Strategies	Task #	Tasks	Resources to Complete Task	Target Completion Date	Outcomes & Measures of Success	Status as of September 13, 2018
Conduct training for supervisors on recognizing and understanding explicit and implicit bias and how to effectively conduct screening and selection interviews.	1.2a	Provide mandatory training program for all supervisors. (Offer voluntary training to non-supervisors.)	Consultant	September 2018	Training program developed All supervisors successfully complete training and demonstrate competency Employment decisions based on an established and creditable merit system	<i>All supervisors attended fourteen (14) hours of training in August and September 2018.</i>
	1.2b	Evaluate “train-the-trainer” to sustain the training program moving forward.	Consultant Department Directors	TBD	TBD	<i>We expect to learn more about this task after the supervisory training has been completed.</i>
Use an inclusive process to objectively evaluate candidates for vacant positions to inform employment decisions.	1.2c	Develop standard process for use by an employee interview panel for vacant positions.	Executive Director	March 2017	Standardized process for use of employee evaluation panel completed Staff trained	<i>Complete.</i> <i>One hundred and twenty-four (124) employees have been trained.</i>
	1.2d	Develop standard process for making employment decisions.	Executive Director	March 2017	Standard process completed Staff trained Workforce diversity	<i>Complete.</i> <i>One hundred and twenty-four (124) employees have been trained.</i>

Goal 2. Inclusive work environment for everyone that encourages and supports each Team member to contribute to their full ability towards OWASA's mission

Objective 2.1 Employees are aware of the importance and value of diversity and inclusion

Strategies	Task #	Tasks	Resources to Complete Task	Target Completion Date	Outcomes & Measures of Success	Status as of September 13, 2018
Provide training for all employees on the importance and value of diversity and inclusion and how they contribute to a successful, diverse and dynamic work environment.	2.1a	Provide voluntary training program for all employees.	Consultant	September 2018	Training program developed Number of employees trained Employee feedback	Three groups have been formed and provided 16 hours of training. 1) Diversity Resource Group 2) Diversity Recruitment Group 3) Leadership Group <i>Employee training was offered in August and September 2018 with thirty-two (32) attendees.</i>
	2.1b	Evaluate “train-the-trainer” to sustain the training moving forward.	Consultant Department Directors	TBD	TBD	We expect to learn more about this task after the supervisory training has been completed.
Provide training and coaching for all supervisors on how to lead and manage their area of	2.1c	Provide mandatory training for supervisors.	Consultant	September 2018	Training program developed All supervisors successfully complete training and	All supervisors attended 14 hours of training in August and September 2018.

Revision made edits reflect changes from the September 14, 2017 Progress Report

Strategies	Task #	Tasks	Resources to Complete Task	Target Completion Date	Outcomes & Measures of Success	Status as of September 13, 2018
responsibility in a manner that promotes and values the positive aspects of a more diverse workplace.		(Offer voluntary training to non-supervisors.)			demonstrate competency Employee feedback	
	2.1d	Evaluate “train-the-trainer” to sustain the training moving forward.	Consultant Department Directors	TBD	TBD	<i>We expect to learn more about this task after the supervisory training has been completed.</i>
Assess the work culture to determine level of success for diversity and inclusion.	2.1e	Develop, administer and evaluate Focus Group Assessment employee survey and recommend options for improvement (combined with 2.3d).	Consultant Executive Director	August October November 2017	Assessment Survey participation rate Recommendations for continuous improvement	<i>Organizational Assessment complete.</i> <i>In June and July 2018 all employees were invited to attend meetings with VISIONS to review the findings and recommendations and to provide their feedback.</i> <i>All Diversity groups met in July 2018 to review, prioritize and assign tasks related to the recommendations.</i>

<i>Strategies</i>	<i>Task #</i>	<i>Tasks</i>	<i>Resources to Complete Task</i>	<i>Target Completion Date</i>	<i>Outcomes & Measures of Success</i>	<i>Status as of September 13, 2018</i>
Establish a “welcome team” to help acclimate new employees	2.1f	Develop and train “welcome team.”	HR Director	April 2017	Onboarding process improved	<i>There are fifteen (15) employees currently on the Welcome Team assisting with new employee onboarding.</i>

Objective 2.2 Provide employees with opportunities to enhance their knowledge and skills to improve their performance and advance their career.

<i>Strategies</i>	<i>Task #</i>	<i>Tasks</i>	<i>Resources to Complete Task</i>	<i>Target Completion Date</i>	<i>Outcomes & Measures of Success</i>	<i>Status as of September 13, 2018</i>
Provide job skills training.	2.2a	Develop training program(s) for core job skills that benefit all employees and the organization (teamwork, communication, problem-solving, dispute resolution, multi-cultural appreciation, etc.).	Department Directors	TBD (longer-term task)	Training program developed	<i>Ongoing. See 2.2b for training provided.</i>
	2.2b	Make core job skills training available for all employees.	Consultant Staff Intergovernmental cooperation (?)	TBD	Employee feedback Employees demonstrate core job competency	<i>On July 13, 2017 training on How to Reduce Stress and Diffuse Controversy was provided by BHS. The voluntary session was attended by seventeen (17) individuals.</i>

<i>Strategies</i>	<i>Task #</i>	<i>Tasks</i>	<i>Resources to Complete Task</i>	<i>Target Completion Date</i>	<i>Outcomes & Measures of Success</i>	<i>Status as of September 13, 2018</i>
						<p><i>Communicating with Impact training was offered to all employees on December 7, 2017. There were eighteen (18) staff members in attendance.</i></p> <p><i>Reaching for Stellar Service training was offered to all employees on January 22, 2018. There were eleven (11) attendees.</i></p>
	2.2c	Provide interested employees a coaching and mentoring program.	Department Directors	Ongoing	<p>Number of mentors and mentees participating</p> <p>Number of employees advancing career</p>	<p><i>Complete and ongoing. There are currently five (5) formal mentor/mentee relationships through the program.</i></p>

Objective 2.3 Retain successful employees.						
Strategies	Task #	Tasks	Resources to Complete Task	Target Completion Date	Outcomes & Measures of Success	Status as of September 13, 2018
Provide competitive total compensation (pay and benefits) and reward employees for high performance.	2.3a	Evaluate options to allow employees to advance more quickly through their pay range based on performance.	Board of Directors Executive Director Department Directors	April 2017	TBD	Complete. The Board adopted a resolution on December 14, 2017.
	2.3b	Routine evaluation of total compensation.	Board of Directors Executive Director	Ongoing	Voluntary turnover rate	Complete. The Board adopted a resolution on December 14, 2017.
Routinely assess the diversity and inclusive work culture to identify opportunities to improve.	2.3c	Evaluate process to timely and effectively address employee concerns.	HR Director	May 2017	Number of employee concerns successfully resolved	The Grievance Procedures and Performance Review Appeal process were reviewed. Since July 1, 2016 there have been <i>five (5)</i> grievances successfully resolved. There were no Performance Review appeals.
	2.3d	Develop, administer and evaluate Organizational	Consultant	TBD	Assessment participation rate	In June and July 2018 all employees were invited to attend meetings with

Revision mode edits reflect changes from the September 14, 2017 Progress Report

<i>Strategies</i>	<i>Task #</i>	<i>Tasks</i>	<i>Resources to Complete Task</i>	<i>Target Completion Date</i>	<i>Outcomes & Measures of Success</i>	<i>Status as of September 13, 2018</i>
		Assessment and recommend options for improvement (combined with 2.1e).			Recommendations for continuous improvement	<p><i>VISIONS to review the findings and recommendations.</i></p> <p><i>All Diversity groups met in July 2018 to review, prioritize and assign tasks related to the recommendations.</i></p>

Action Plan for Improvements Identified by the Organizational Assessment

Goals/Objectives: Service Excellence; Diverse Workforce; Inclusive Environment

Item 1: Prioritize and Delegate Organizational Recommendations

Action Steps	Ref #	Recommendations	Assignment	Target Date	Outcome/Measure
Prioritize and delegate recommended actions using the Diversity Leadership, Diversity Resource and Diversity Recruitment Groups.	1a	Prioritize the OWASA and VISIONS recommendations from the organizational assessment as low, medium and high priority. There were forty (40) OWASA recommendations from employees in seven (7) categories and thirteen (13) additional VISIONS recommendations in four (4) categories.	Diversity Leadership; Diversity Resource; Diversity Recruitment Groups; VISIONS (inviting all employees to participate)	September 2018	Prioritized action plan with assignments and timetable; ensure tie in to OWASA's Diversity and Inclusion Plan <i>Complete and ongoing. See Exhibit A, Organizational Assessment General and Recruitment/Selection Recommendations by Year and Responsible Group</i>

Item 2: Conduct the Recruitment/Hiring Process Assessment and Implement Recommendations

Action Steps	Ref. #	Recommendations	Assignment	Target Date	Outcome/Measure
Conduct work sessions with Human Resources and the Diversity Recruitment Group to thoroughly review every step of the recruitment process and internal career development while incorporating recommendations from organizational assessment.	2a	Guided by tasks identified in OWASA's Diversity and Inclusion Plan	Human Resources; VISIONS; Diversity Leadership; Diversity Recruitment Group	September 2018	Report with recommended changes and timetable <i>Complete and ongoing. See Exhibit A, Organizational Assessment General and Recruitment/Selection Recommendations by Year and Responsible Group</i>
	2b	Review and prioritize the recruitment/retention recommendations from the organizational assessment. There were twenty-six (26) recommendations from employees in four (4) categories.	Human Resources; Diversity Recruitment Group; VISIONS	September 2018	Prioritized action plan document with assignments and timetable <i>Complete and ongoing. See Exhibit A, Organizational Assessment General and</i>

					<i>Recruitment/Selection Recommendations by Year and Responsible Group</i>
	2c	Diversity Recruitment Group to review hiring, mentoring, career development and promotion opportunities for fairness and accessibility	Human Resources; Diversity Recruitment Group; VISIONS	September 2018	Report with recommended changes and timetable <i>Complete and ongoing. See Exhibit A, Organizational Assessment General and Recruitment/Selection Recommendations by Year and Responsible Group</i>

**Organizational Assessment
General and Recruitment/Selection Recommendations
by Year and Responsible Group
August 2018**

Priorities for 2018

Recommendation	Responsible Group
1. Maintain the Diversity and Inclusion Plan	Diversity Leadership Group; Diversity Recruitment Group and Diversity Resource Group; support from Human Resources
2. Look for opportunities to acknowledge the unique Diversity and Inclusion role and contributions of all demographic groups at OWASA including those groups that dominate as well as those groups that are less present	Diversity Leadership Group; Diversity Recruitment Group; Diversity Resource Group
3. Review recommendations and propose priorities and timetables	Diversity Leadership Group; Diversity Recruitment Group; Diversity Resource Group
4. Close organizational divides via joint activities	Diversity Leadership Group; Diversity Recruitment Group; Diversity Resource Group
5. Monitor hiring and promotion for fairness	Diversity Leadership Group; Human Resources; Diversity Recruitment Group
6. Review performance review system for fairness	Diversity Leadership Group; Human Resources; with feedback from all employees
7. Leadership training for managers/supervisors	Diversity Leadership Group; Human Resources; Managers/Supervisors
8. Diversity and Inclusion training for managers, supervisors and employees	Diversity Leadership Group; Human Resources; Managers/Supervisors
9. Review OWASA's bullying policy and increase accountability	Diversity Leadership Group; Human Resources; Managers/Supervisors
10. Instill priority for managers and supervisors to role model Diversity and Inclusion	Diversity Leadership Group; Human Resources
11. Support board development to implement the Diversity and Inclusion plan	Diversity Leadership Group; Board of Directors
12. Routinely review and discuss Diversity and Inclusion indicators with the board	Executive Director; Human Resources
13. (1) Replace the two existing administrative guides, "Guidelines for Use of an Interview Panel" and "Process for Hiring Decisions" with a single comprehensive administrative guide possibly titled: " <i>Guidelines to Fairly and Objectively Evaluate and Select Candidates to Fill Vacant Positions</i> ". This new administrative guide will provide guidance on all	Executive Director

aspects of our evaluation and selection process for new hires (and promotions) to ensure it is fair, objective, job related, and without bias. The new guide will include specific checks and balances for the hiring process, with oversight by the Human Resources Department and Executive Director. (2) The Director of Human Resources and Safety and the Executive Director will seek feedback from the Diversity Recruitment Group and the Diversity Resources Group before finalizing the new administrative guide. (3) Training will be routinely provided.	
14. Share and solicit feedback; routinely affirm employees	Managers/Supervisors; support from Diversity Leadership Group
15. Open and inclusive communication and transparency from upper levels	Managers/Supervisors; support from Diversity Leadership Group
16. Create supervisory development and support group	Managers/Supervisors
17. (1) Discussions - Ensure that the supervisor discusses with each employee the need for employee initiative and self-assessment in order to create the potential for filling a vacancy or moving up. Ensure the recommended agenda and/or checklist for the performance review includes a discussion of the employee self-assessment and opportunities for mentoring and career development and that these discussions happen. (2) Self-Assessment Form - Add Employee "Additional Skills and Experience" Question to Self-Assessment Form to help managers and supervisors know about additional skills and experience that employees have that could help with career advancement. (This item has been completed.)	Hiring Supervisors; support from Diversity Recruitment Group
18. (1) Ensure that all employees know about the opportunity to volunteer to participate in the interview process. The Human Resources Department will periodically encourage employees throughout the organization to volunteer and will maintain a list of OWASA employees who are willing to participate. (2) When assembling an Initial Screening Team and Interview Panel, the Hiring Supervisor will recruit as diverse a group of participants as possible across the organization, considering both cultural and work groups.	Hiring Supervisors; support from Diversity Leadership Group, Diversity Recruitment Group and Human Resources
19. (1) Review rules/regulations/legal requirements; (2) Review job position and posting information; (3) Review the standard interview process and decide on interview questions that are related to the job description and qualifications in the job posting; (4) Discuss the diversity implications, challenges, opportunities and any legal and other factors.; (5) Include interview questions on diversity and inclusion for all interviews: e.g. <ul style="list-style-type: none"> • OWASA places great importance on having a diverse workforce and providing an inclusive environment. What does diversity mean to you? What does inclusion mean to you? • Describe one challenge or difficult situation you experienced with diversity and inclusion at work. What would have made the situation better? 	Hiring Supervisors; support from Human Resources
20. (1) Discuss agenda and protocol for interview; (2) Review rating scale; (3) Discuss potential for bias, best practices for fairness, any diversity concerns and the importance, agreement and willingness of each member to speak up on issues of fairness. (4) Interview Panel Meetings #1 and #2 can be combined if the hiring supervisor and Human Resources agree that the goals can be accomplished in one meeting.	Hiring Supervisors; support from Human Resources

<p>21. (1) OWASA will implement a process that is as fair and objective as possible to evaluate and rate the candidates for the position. The expectation is that the candidates who score among the highest on all aspects of the hiring process (qualifications, screening, interviewing, assessment exercise(s), reference checks and background checks) will be considered for selection for the position. The hiring supervisor, with the approval of the Executive Director, has the authority to make a selection from among those to be considered that is informed by the cumulative scoring and ranking from all aspects of the hiring process. (2) HR will update the Recruitment Checklist, Administrative Guides on the Use of Interview Panels and the Process for Hiring Decisions and other applicable procedures. (3) Staff will be trained, supported and reviewed for compliance. It is the obligation of the interview panel and the hiring supervisor, with the support of Human Resources, to discuss and resolve any aspects of fairness that may emerge in balancing the criteria and the scoring from all aspects of the hiring process resulting in the final selection. (4) The hiring supervisor will prepare a hiring justification memorandum through the Department Director, to the Executive Director, which includes the rationale for the hiring recommendation. In addition, the hiring supervisor will hold a debriefing session with the interview and screening panels to review the hiring decision and discuss what worked well and could be improved and any concerns.</p>	<p>Diversity Recruitment Group; support from Human Resources and Hiring Supervisors</p>
<p>22. (1) Increase the diversity of employees (e.g. race, gender, level, and department) who participate in the referral fee program. (2) Continue to communicate to all employees about every vacancy and include info about the referral program in every announcement. (3) Track the diversity of the users of the referral fee program, the positions involved and the success rate. Take action to increase the effective involvement across the organization.</p>	<p>Diversity Resource Group</p>
<p>23. (1) Provide convenient access to computers, electronic devices and the relevant OWASA share drives and software for all employees to access job, training and career development information; (2) Annually review by Information Technology staff of the permissions for access to the various computer drives and software and any changes and updates that can ease access for all employees; Report by Information Technology to the Leadership Team and Human Resources on any related fairness issues including discussion and problem-solving as needed.</p>	<p>Information Technology: Identify what needs to be improved?</p>
<p>24. (1) The Executive Director, when authorizing a hire or filling of vacancy, will determine the time frame for the posting that will provide for sufficient knowledge of the vacancy to the organization and the public and sufficient time for the recruitment to be a fair and inclusive process. (2) The Job Posting Policy will set out a minimum time frame for job posting. (3) The Job Posting Policy will provide a guide for where and how positions will be posted. Graphics and photos will be included with diversity and critical outreach factors in consideration, e.g. race and gender diversity and cleanliness and safety of the jobs, outstanding benefits, etc.</p>	<p>Human Resources; support from Executive Director and Diversity Recruitment Group</p>
<p>25. (1) Job postings will list the diversity and inclusion requirement, e.g. – <i>“OWASA places great importance on having a diverse workforce and providing an inclusive environment. The position requires the willingness</i></p>	<p>Human Resources; support from Hiring Supervisors and Diversity</p>

<p><i>and ability to work in and support a diverse and inclusive environment". (2)</i> All applications will include the question. e.g. —"<i>Describe your willingness and ability to work in and support a diverse and inclusive environment."</i> (3) The teams screening and rating the applications will be provided instructions and training on how to rate and use this question for screening – e.g. Is this a minimum or preferred criteria and what types of responses meet the criteria?</p>	Leadership, Diversity Recruitment and Diversity Resource Groups
26. Improve communications between field and office	All Employees

Priorities for 2019

Recommendation	Responsible Group
1. Maintain the Diversity and Inclusion Plan	Diversity Leadership Group; Human Resources; support from the Diversity Recruitment Group and Diversity Resource Group
2. Close organizational divides via joint activities	Diversity Leadership Group; Diversity Recruitment Group; Diversity Resource Group; All employees
3. Talk openly about diversity	Diversity Leadership Group; Human Resources; Diversity Recruitment Group; Diversity Resource Group
4. Consider "skill based" opportunities for all	Diversity Leadership Group
5. Supervisors develop aptitude with Diversity and Inclusion	Diversity Leadership Group; Human Resources; Managers/Supervisors
6. Monitor performance review system for fairness	Diversity Leadership Group; Human Resources; with feedback from all employees
7. Leadership training for managers/supervisors	Diversity Leadership Group; Human Resources; Managers/Supervisors
8. Department and cross-department meetings to improve leadership and inclusion	Diversity Leadership Group; Managers/Supervisors
9. Monitor OWASA's bullying policy and increase accountability	Diversity Leadership Group; Human Resources; Managers/Supervisors
10. Supervision policy/procedures should provide support	Diversity Leadership Group
11. Instill priority for managers and supervisors to role model Diversity and Inclusion	Diversity Leadership Group; Human Resources
12. Consider flexible policies where feasible to meet the unique needs of work groups, e.g. work from home	Diversity Leadership Group; Human Resources
13. At a regular interval, the Leadership Team will review managers and supervisors for their involvement in career and leadership development with employees; Document any patterns and disparities in involvement that affect diversity and inclusion and implement any corrective actions needed; provide training for managers and supervisors on career development discussions and involvement, especially new managers/supervisors.	Diversity Leadership Group

14. More people of color at the Director Level	Executive Director
15. Routinely review and discuss Diversity and Inclusion indicators with the board	Executive Director; Human Resources
16. (1) OWASA will implement a process that is as fair and objective as possible to evaluate and rate the candidates for the position. The expectation is that the candidates who score among the highest on all aspects of the hiring process (qualifications, screening, interviewing, assessment exercise(s), reference checks and background checks) will be considered for selection for the position. The hiring supervisor, with the approval of the Executive Director, has the authority to make a selection from among those to be considered that is informed by the cumulative scoring and ranking from all aspects of the hiring process. (2) HR will update the Recruitment Checklist, Administrative Guides on the Use of Interview Panels and the Process for Hiring Decisions and other applicable procedures. (3) Staff will be trained, supported and reviewed for compliance. It is the obligation of the interview panel and the hiring supervisor, with the support of Human Resources, to discuss and resolve any aspects of fairness that may emerge in balancing the criteria and the scoring from all aspects of the hiring process resulting in the final selection. (4) The hiring supervisor will prepare a hiring justification memorandum through the Department Director, to the Executive Director, which includes the rationale for the hiring recommendation. In addition, the hiring supervisor will hold a debriefing session with the interview and screening panels to review the hiring decision and discuss what worked well and could be improved and any concerns.	Diversity Recruitment Group; support from Human Resources and Hiring Supervisors
17. Additions to Recruitment Strategies: Make the following additions to the Recruitment Strategies form: a) Identify network of community leaders/local and state government officials from the area b) Identify individual contacts and/or positions at each community college c) Identify Minority Contractors' organizations d) Identify local and regional community members who can support recruitment- e.g. former employees or board members, concerned citizens or professionals e) Increase use of formal and informal industry networks for excluded groups, e.g. American Water Works Association, young professionals groups, etc.	Diversity Recruitment Group
18. Create a standard agenda format and protocol for the interview process from opening to closing and indicate where variations needed can occur.	Diversity Recruitment Group; support from Human Resources
19. Update mentoring program and processes and monitor utilization.	Diversity Resources Group; Human Resources
20. On an annual basis, educate and inform employees on the priorities for workforce diversity and inclusion: Review with employees the workforce diversity and inclusion snapshot of the organization; Discuss any needed improvements, the good reasons to improve and sustain workforce	Diversity Resource Group and Human Resources (plan in conjunction with annual D&I report to the board); support from

diversity and inclusion and the positive impact for all employees; Discuss and acknowledge any questions, concerns or different points of view.	Diversity Leadership and Diversity Recruitment Group
21. Consider need for pay equity study	Human Resources
22. Use orientation process for cross departmental learning	Human Resources; Managers/Supervisors
23. Human Resources will (1) Align, reconcile and date the version of all forms, administrative guides, policies and program descriptions for hiring, selection, recruitment training and career development processes. (2) Ensure that the forms and guides are consistent with the current practices along with the changes adopted from this report. (3) Develop a standard format and framework for the written Recruitment, Selection and Hiring Plan for each position and for similar categories of positions that would usually include the same content.	Human Resources; support from Diversity Recruitment Group
24. (1) Evaluate for clear cut minimal requirements and preferred requirements that can be determined by specific demonstrable aspects of the applicant's education, training, experience, ability or answers to interview, reference or background check questions. (2) Include questions in the application to address all requirements listed in the description/advertisement to ensure that the initial screening is fair and based on the job description/advertisement. (3) Discuss impact of subjective criteria on bias and fair assessment and test for and discuss any bias for included and excluded groups involved in the requirements. (4) Screening and Interview team members will be trained and encouraged to speak up about any concerns of bias or unfairness. (5) The hiring supervisor will provide the standard minimum and preferred job requirements and rating scales for the position and help tailor the process for the initial screening, interview selections, interview, references and background check questions within the policies and guidelines.	Human Resources; support from Diversity Leadership Group and Hiring Supervisors
25. Clarify consistency of the posting and implementation of all licensing and certification requirements in job descriptions and career development information. Indicate if the license or certification is required prior to hiring or promotion or within a certain time frame thereafter. Add passing physical exam to this list of uniform requirements.	Hiring Supervisors; support from Human Resources
26. Clarify the reference check process, the responsible person(s), the timing in the process; Use a standard set of questions and rating scale; Consider adding a diversity question, e.g. <i>"How would you rate this candidate's ability to work effectively in, and support, a diverse and inclusive work environment?"</i>	Human Resources; support from Hiring Supervisors
27. Clarify and standardize the background check process. The timing, the responsible person(s), the forms and format and the rating scale, if any. When? Determine and clarify how background check information can be used. No credit checks are used for employee hires. Note: Currently, the background check process is initiated once the top one or two candidates are identified. The candidate would get an email from CAI requesting authorization to perform the background screenings and to provide information needed (date of birth, driver's license number, former addresses, etc.). If the candidate authorizes the screenings then CAI will then run criminal, driving and social security checks on the candidate(s). We also will request verification on education based on the position	Human Resources

requirements. If the position requires a high school diploma or bachelor's degree, then we will request confirmation of completion from the educational institution provided by the candidate. Again, the background checks are initiated by OWASA but administered by CAI.	
<p>28. Additional Recruitment and Selection Recommendations from the Organizational Assessment</p> <ul style="list-style-type: none"> a) Increase High School Networking b) Add Career Development component to H20 c) Increase Networking with women in labor fields and Latinx organizations d) Increase Networking with NCOPS and the Rural Water Organization e) Increase networking with Community Colleges and Historically Black Colleges and Universities and Women's Colleges f) Maximize use of Summer Empowerment Internship Program for hiring outreach and pipeline g) Evaluate need for additional Human Resources staff to implement these recommendations 	Human Resources; support from Diversity Recruitment Group
29. Share and solicit feedback; routinely affirm employees	Managers/Supervisors; support from Diversity Leadership Group
30. Clear, written communications, work processes	Managers/Supervisors
31. Establish "points of contact" between departments for key work processes	Managers/Supervisors
32. Improve cross-training with the input of those involved	Managers/Supervisors
33. Brainstorm and problem-solve across departments	Managers/Supervisors
34. Operations Levels input into the CIP	Managers/Supervisors
35. Create supervisory development and support group	Managers/Supervisors
36. Discuss mentoring opportunities with employees during the performance review along with skill advancement, career and leadership development.	Hiring Managers
37. Ensure that employees know about and use all opportunities for career development, advancement and referral of each other for development and advancement; Ensure that the career paths are transparent through easily available information. (2) Develop a tool using the organizational chart and job descriptions and classifications that can be used in the mentoring and performance review/self-assessment/skill advancement/career development process and to encourage and inform employee referrals.	Hiring Supervisors; support from Diversity Recruitment Group and Human Resources
38. Provide training and coaching to use the electronic devices and programs. Consider cultural and status differences that may impact computer training, e.g. comfort level, willingness, exposure, hours and convenience of access, type of device, etc.	Hiring Supervisors
39. Clarify consistency of the posting and implementation of all licensing and certification requirements in job descriptions and career development information. Indicate if the license or certification is required prior to hiring or promotion or within a certain time frame thereafter. Add passing physical exam to this list of uniform requirements.	HR and Hiring Supervisors

40. Maximize usefulness and attractiveness of website for job info and outreach for a diverse audience, including those less familiar with the water utility industry.	Communications and Community Relations Officer
41. Help build board diversity with their appointing authority	Board of Directors
42. Support board development to implement the Diversity and Inclusion plan	Board Chair; Executive Director

Priorities for 2020

Recommendation	Responsible Group
1. Maintain the Diversity and Inclusion Plan	Diversity Leadership Group; Human Resources; support from the Diversity Recruitment Group and Diversity Resource Group
2. Employees expected to pay attention to “in” group and “out” group dynamics and act to create fairness and inclusion	Diversity Leadership Group; Human Resources; support from the Diversity Recruitment Group and Diversity Resource Group; All employees
3. Consider “skill based” opportunities for all	Diversity Leadership Group
4. Talk openly about diversity	Diversity Leadership Group; Human Resources; Diversity Recruitment Group; Diversity Resource Group
5. Increase diversity in management	Diversity Leadership Group; Human Resources; Diversity Recruitment Group
6. Supervisors develop aptitude with Diversity and Inclusion	Diversity Leadership; Human Resources; Managers/Supervisors
7. Instill priority for managers and supervisors to role model Diversity and Inclusion	Diversity Leadership Group; Human Resources
8. More people of color at the Director Level	Executive Director
9. Implement annual review and assessment of board role	Executive Director
10. Clarify policy on providing relocation benefits for new hires. Discuss with selectee when the offer is made. Review for fairness across job status/levels and the impact on any training requirements.	Executive Director; support from Human Resources
11. Improve cross-training with the input of those involved	Managers/Supervisors
12. Create supervisory development and support group	Managers/Supervisors
13. Document the Process for Training and Certification <ul style="list-style-type: none"> a. Clarify the processes and time frame for training, certification and development for advancement in all departments. b. Clarify how employees get the chance to go to training – on request, rotation system, supervisor recommendation, other. c. Clarify/review Education and Training Benefits and bonuses for fairness and inclusion. 	Managers/Supervisors

<p>d. Annual Review of training and development by Human Resources and Leadership Team: Document what is working? Who is benefitting? Any exclusions? Improvements needed?</p>	
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Diversity Group Members

Diversity Leadership Group	Diversity Recruitment Group	Diversity Resource Group
Ed Kerwin Stephen Winters Stephanie Glasgow Mary Darr Todd Taylor Dan Przybyl	Kelly Belcher Monica Dodson Kenneth Loflin Randy Horton Nick Rogers Kelly Satterfield Denise Battle Vishnu Gangadharan	Sandra Bradshaw Alicia Grey Jose DuRant Glorija Gladney Johnny Riley Rosa Valdez Joshua Dury Addison McDonough Marcus Fuller Ruth Rouse Millie Zeno-Chapman Emily Currier Linda Low Greg Monschein

OWASA Workforce Race and Gender Distribution

OWASA Workforce Race and Gender Distribution									
By EEO Classification on June 30, 2018									
Classification	Gender		Race						
	Male	Female	Two or More Races	White	Black/ African American	Hispanic	Asian	American Indian or Alaska Native	Native Hawaiian or Other Pacific Islander
Officials and Administrators	9	6	2	12	0	0	1	0	0
Professionals	6	6	0	11	0	0	1	0	0
Technicians	10	3	1	12	0	0	0	0	0
Protective Service Workers	2	0	0	2	0	0	0	0	0
Paraprofessionals	3	2	1	1	2	0	1	0	0
Administrative Support	0	9	0	2	6	1	0	0	0
Skilled Craft Workers	39	2	4	30	3	3	0	1	0
Service-Maintenance	27	1	0	23	5	0	0	0	0
Total (125)	96	29	8	93	16	4	3	1	0
Percentage	76.8%	23.2%	6.4%	74.4%	12.8%	3.2%	2.4%	0.8%	0

Officials and Administrators

Assistant Distribution and Collection Systems Manager
Customer Service Manager
Director of Engineering and Planning
Director of Finance and Customer Service
Director of Human Resources and Safety
Director of Information Technology
Distribution and Collections Systems Manager
Engineering Manager (Capital Projects)
Engineering Manager (Systems Development)
Executive Director
Finance and Procurement Manager
General Manager of Operations
Planning and Development Manager
Wastewater Treatment & Biosolids Recycling Manager
Water Supply and Treatment Manager

Professionals

Asset Management and Facilities Engineer
Business Systems Analyst
Communications and Community Relations Officer
Financial Analyst
Laboratory Supervisor
Maintenance Coordinator
Maintenance Supervisor
Operations Supervisor
Safety and Risk Manager
Sustainability Manager
Utilities Engineer - Non-Registered
Utilities Engineer - Registered

Technicians

Construction Inspector
Database Administrator
Engineering Associate
Engineering Technician
GIS Coordinator
Laboratory Analyst
Network Administrator

Protective Service Workers

Lake Warden
Senior Lake Warden

Paraprofessionals

Accounting Technician I
Accounting Technician II
Billing Supervisor
Human Resources Generalist
Information Services Technical Specialist
Solids Handling Supervisor

Administrative Support

Administrative Assistant
Customer Service Representative
Clerk/Cashier
Executive Assistant
Senior Customer Service Representative

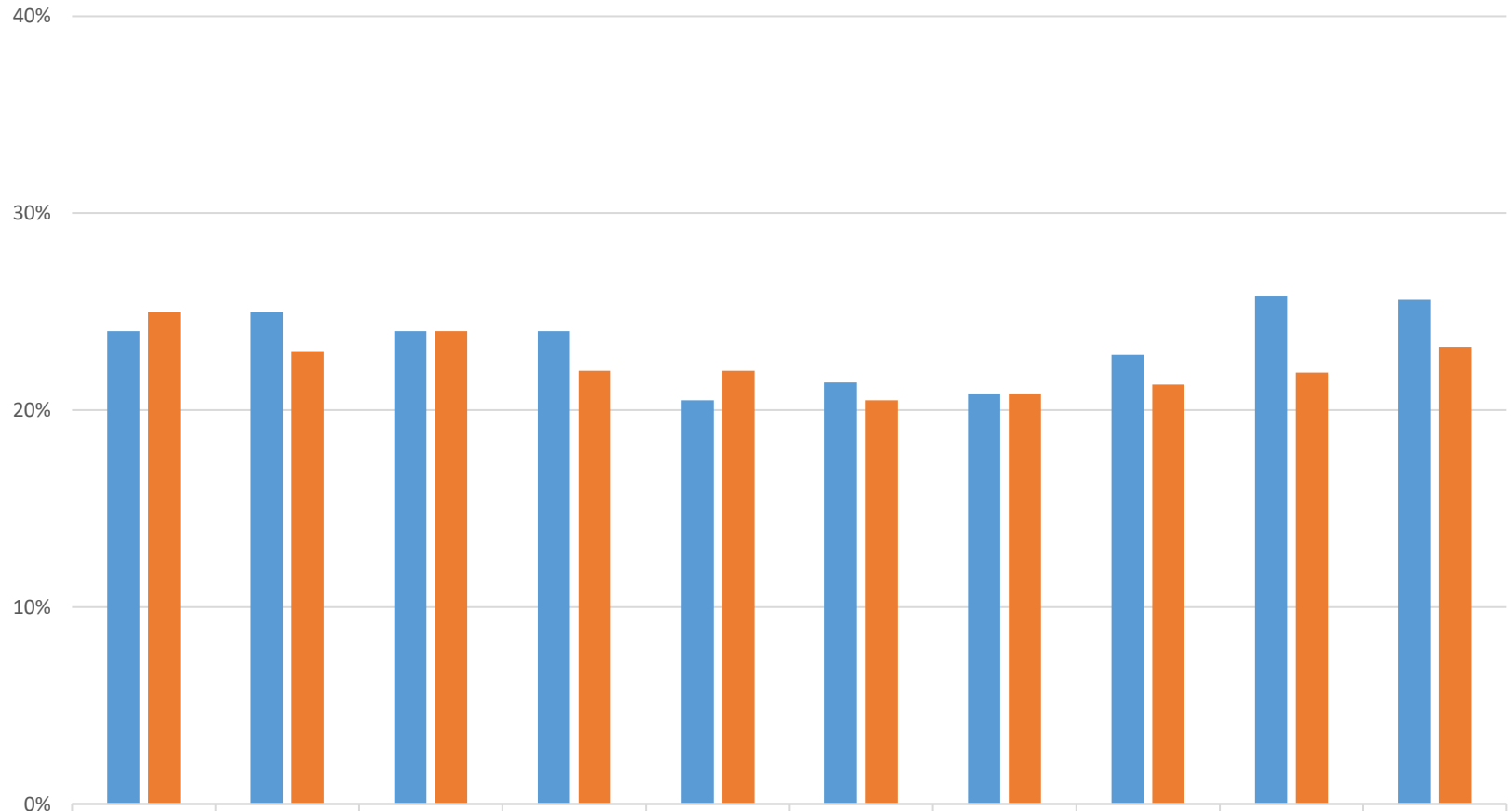
Skilled Craft Worker

Crew Leader
Senior Maintenance Mechanic
Treatment Plant Operator
Vehicle and Equipment Maintenance Mechanic
Warehouse-Cross Connection Coordinator
Utility Mechanic II
Utility Mechanic III

Service Maintenance

Assistant Lake Warden
Maintenance Mechanic
Solids Handler
Utility Mechanic I

OWASA
Workforce Race and Gender Distribution
10-year History
(data collected on June 30th each year)



■ Minority	24.0%	25.0%	24.0%	24.0%	20.5%	21.4%	20.8%	22.8%	25.8%	25.6%
■ Female	25.0%	23.0%	24.0%	22.0%	22.0%	20.5%	20.8%	21.3%	21.9%	23.2%

OWASA Applicant Race and Gender Distribution											
By EEO Classification											
July 1, 2017 through June 30, 2018											
Classification	Gender			Race							
	Male	Female	Not Provided	Two or More Races	White	Black/ African American	Hispanic	Asian	American Indian or Alaska Native	Native Hawaiian or Other Pacific Islander	Not Provided
Officials and Administrators	38	4	2	1	32	5	1	3	0	0	2
Professionals	342	179	25	23	307	119	24	38	3	0	32
Technicians	0	0	0	0	0	0	0	0	0	0	0
Protective Service Workers	28	3	0	1	23	4	1	0	1	1	0
Paraprofessionals	39	1	0	0	27	10	2	1	0	0	0
Administrative Support	0	0	0	0	0	0	0	0	0	0	0
Skilled Craft Workers	0	0	0	0	0	0	0	0	0	0	0
Service-Maintenance	61	3	2	25	21	16	2	1	0	0	1
Total (727)	508	190	29	50	410	154	30	43	4	1	35
Percentage	70%	26%	4%	6.9%	56.3%	21.3%	4.1%	6%	0.5%	0.1%	4.8%

OWASA Board of Directors Race and Gender Distribution

OWASA Board of Directors Race and Gender Distribution on June 30, 2018									
Appointment	Gender		Race						
	Male	Female	Two or More Races	White	Black/ African American	Hispanic	Asian	American Indian or Alaska Native	Native Hawaiian or Other Pacific Islander
Chapel Hill	4	1	0	4	0	0	1	0	0
Orange County	1	1	0	1	1	0	0	0	0
Carrboro	1	1	0	1	1	0	0	0	0
Total (9)	6	3	0	6	2	0	1	0	0
Percentage	66.7%	33.3%	0	66.7%	22.2%	0	11.1%	0	0