

**REVIEWED**

*By SLGFD at 1:57 pm, Nov 03, 2021*

**CONTENTNEA METROPOLITAN SEWERAGE DISTRICT**  
Grifton, North Carolina

**FINANCIAL STATEMENTS**

**For the Year Ended June 30, 2021**

**CONTENTNEA METROPOLITAN SEWERAGE DISTRICT**  
Grifton, North Carolina

**FINANCIAL STATEMENTS**

**For the Year Ended June 30, 2021**

Prepared By  
**BARROW, PARRIS & DAVENPORT, P.A.**  
Certified Public Accountants  
Kinston, North Carolina

**CONTENTNEA METROPOLITAN SEWERAGE DISTRICT**

**Mark Smith**  
Chairman

**Mark Warren**  
**Billy Ray Jackson**  
**Terri L. Parker**

**Matthew Livingston**  
**Ivory Mewborn**  
**Johnny Davis**

**Charles M. Smithwick, Jr.**  
District Manager

FINANCIAL STATEMENTS

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MEMBERS  
NORTH CAROLINA ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS  
AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR'S REPORT**

To the Board Members of  
Contentnea Metropolitan Sewerage District  
PO Box 477  
Grifton, North Carolina 28530

**Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities of Contentnea Metropolitan Sewerage District (CMSD) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise CMSD'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 audit. We conducted our audit 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 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 financial statement 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 CMSD as of June 30, 2021, and the respective changes in financial position and cash flows, where appropriate, thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, on pages 3 through 5 and the Other Postemployment Benefits' Schedules of Schedule of Changes in Total OPEB Liability and Related Ratios on page 27, and the Local Government Employees' Retirement System's Schedule of the Proportionate Share of the Net Pension Liability and Contributions, on pages 25 and 26, respectively, be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements of CMSD. The individual fund financial statements, budgetary schedules, and other schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2021, on our consideration of CMSD'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 the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 CMSD's internal control over financial reporting and compliance.

*Barrow, Parris & Davenport, P.A.*

BARROW, PARRIS & DAVENPORT, P.A.  
KINSTON, NC

October 18, 2021

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Contentnea Metropolitan Sewerage District (CMSD), we offer readers of CMSD's financial statements this narrative overview and analysis of the financial activities of CMSD for the fiscal year ended June 30, 2021. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in CMSD's financial statements, which follow this narrative.

### **Financial Highlights**

- The assets of CMSD exceeded its liabilities at the close of the fiscal year by \$15,767,056 (*net position*).
- The total net position of CMSD decreased by \$95,000 in the current fiscal year primarily due to debt service from recent capital projects and force main repairs funded by CMSD.

### **Overview of the Financial Statements**

This discussion and analysis are intended to serve as an introduction to CMSD's basic financial statements. The audited financial statements of CMSD's consist of 3 components. They are as follows:

- *Management's Discussion and Analysis*
- *Basic Financial Statements*
- *Supplementary Information*

The *Basic Financial Statements* are prepared using the full accrual basis of accounting. They consist of 3 statements. The first statement is the **Statement of Net Position**. Assets and liabilities are classified between current and long-term. This statement provides a summary of the District's investment in assets and obligations to creditors. Liquidity and financial flexibility can be evaluated using the information contained in this statement.

The next statement is the **Statement of Revenues, Expenses, and Changes in Net Position**. This statement is used in evaluating whether CMSD has recovered all of its costs through charges for services.

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

The notes to the financial statements provide more detailed information and should be read in conjunction with the statements. The notes to the financial statements start on page 9.

In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning CMSD's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 25 of this report.

### **Financial Highlights and Analysis**

At the end of the current fiscal year, unrestricted net position for CMSD was \$1,699,270 or 10.78% percent of total net position. However, the largest portion \$13,176,429 or 83.57% reflects the CMSD's investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt still outstanding that was issued to acquire those items. CMSD uses these capital assets to provide services to customers; consequently, these assets are not available for future spending. Although CMSD's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of CMSD's net position \$891,357 or 5.65% represents resources that are subject to external restrictions on how they may be used.

**Management's Discussion and Analysis (Continued)**  
**Contentnea Metropolitan Sewerage District**

For the fiscal year, total net position decreased by .60% and unrestricted net position decreased by 25.90%. The following table depicts these changes:

<b>Contentnea Metropolitan Sewerage District's Statement of Net Position</b>				
	<b>6/30/2021</b>	<b>6/30/2020</b>	<b>Change</b>	<b>% Change</b>
Current Assets	\$4,594,999	\$4,901,838	(\$306,839)	(6.26%)
Capital Assets	27,011,429	26,954,943	56,486	0.21%
<b>Total Assets</b>	<b>\$31,606,428</b>	<b>\$31,856,781</b>	<b>(\$250,353)</b>	<b>(0.79%)</b>
Deferred Outflows of Resources	<b>\$280,707</b>	<b>\$122,350</b>	<b>\$158,357</b>	<b>129.43%</b>
Current Liabilities	\$1,440,609	\$1,153,711	\$286,898	24.87%
Long-term Liabilities	14,647,295	14,871,406	(224,111)	(1.51%)
<b>Total Liabilities</b>	<b>\$16,087,904</b>	<b>\$16,025,117</b>	<b>\$62,787</b>	<b>0.39%</b>
Deferred Inflows of Resources	<b>\$32,175</b>	<b>\$91,958</b>	<b>(\$59,783)</b>	<b>(65.01%)</b>
Net Investment in Capital Assets	\$13,176,429	\$12,677,943	\$498,486	3.93%
Restricted Net Position	891,357	890,759	598	0.07%
Unrestricted Net Position	1,699,270	2,293,354	(594,084)	(25.90%)
<b>Total Net Position</b>	<b>\$15,767,056</b>	<b>\$15,862,056</b>	<b>(\$95,000)</b>	<b>(0.60%)</b>

For the fiscal year, CMSD realized a 3.64% increase in operating revenues and a 14.11% increase in operating expenses. The main factors leading to the increase in operating expenses were increased expenses related to the force main repair.

<b>Contentnea Metropolitan Sewerage District's Statement of Revenues, Expenses and Changes in Net Position</b>				
	<b>6/30/2021</b>	<b>6/30/2020</b>	<b>Change</b>	<b>% Change</b>
Operating Revenues	\$2,529,505	\$2,440,679	\$88,826	3.64%
Operating Expenses	2,854,827	2,501,794	353,033	14.11%
<b>Operating Income (Loss)</b>	<b>(\$325,322)</b>	<b>(\$61,115)</b>	<b>(\$264,207)</b>	<b>(432.31%)</b>
Non-Operating:				
Revenues (Expenses) and Capital Contributions	<b>\$230,322</b>	<b>(\$367,811)</b>	<b>(\$598,133)</b>	<b>(162.62%)</b>
<b>Increase (Decrease) in Net Position</b>	<b>(\$95,000)</b>	<b>(\$428,926)</b>	<b>\$333,926</b>	<b>(77.85%)</b>
Beginning Net Position	15,862,056	16,290,982	(428,926)	(2.63%)
<b>Net Position, Ending</b>	<b>\$15,767,056</b>	<b>\$15,862,056</b>	<b>(\$95,000)</b>	<b>(0.60%)</b>



**Management's Discussion and Analysis (Continued)**  
**Contentnea Metropolitan Sewerage District**

**Capital Assets**

CMSD's investment in capital assets for its business-type activities as of June 30, 2021, totals \$27,011,429 (net of accumulated depreciation). These assets include buildings, land, machinery and equipment, lift stations, collection lines, vehicles and construction in progress.

Major capital asset transactions during the year include the following additions: (Additional information on CMSD's capital assets can be found in note 3.A.3 on page 14 of this report.)

- Purchase of F-150
- Purchase of Caterpillar Backhoe
- Purchase of mowers
- Telemetry system improvements
- Construction related to HWY 11 Lift Station and Berm projects

**Long-Term Debt**

CMSD's total debt decreased by \$442,000 (3.10%) during the past fiscal year. As of June 30, 2021, CMSD had total debt outstanding of \$13,835,000 all of which is backed by the full faith and credit of CMSD.

Additional information regarding CMSD's long-term debt can be found in Note 3.B.4 beginning on page 22 of this audited financial report.

**Economic Factors and Next Year's Budgets and Rates**

The economic indicator that reflects the growth and prosperity of the CMSD mainly consists of an increase in housing in the towns of Ayden and Winterville. Both towns are experiencing a significant population spill-over from the City of Greenville. Some of Greenville's larger employers are East Carolina University and Vidant Medical Center.

**Budget Highlights for the Fiscal Year Ending June 30, 2022**

The overall budget for FY 2021-2022 has increased approximately 3.1% primarily due to an increase in the Capital Outlay Improvement line.

**Requests for Information**

This report is designed to provide an overview of the CMSD's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the District Manager, CMSD, P.O. Box 477, Grifton, NC 28530. You can also call (252) 524-5584 or send an email to [cmsd100@embarqmail.com](mailto:cmsd100@embarqmail.com) for more information.

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**FINANCIAL STATEMENTS**

**CONTENTNEA METROPOLITAN SEWERAGE DISTRICT**  
**STATEMENT OF NET POSITION**  
June 30, 2021

<b>ASSETS</b>	<b>2021</b>
<i>Current Assets:</i>	
Cash and Cash Equivalents	\$2,588,197
Accounts Receivable	608,078
Due From Other Governments	154,463
Restricted Cash	1,244,261
<b>Total Current Assets</b>	<b>\$4,594,999</b>
<i>Capital Assets:</i>	
Land and Construction in Progress	\$2,495,967
Capital Assets, Net of Depreciation	24,515,462
<b>Total Capital Assets</b>	<b>\$27,011,429</b>
<b>TOTAL ASSETS</b>	<b>\$31,606,428</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pension Deferrals	\$101,900
OPEB Deferrals	178,807
<b>Total Deferred Outflows of Resources</b>	<b>\$280,707</b>
<b>LIABILITIES</b>	
<i>Current Liabilities:</i>	
Accounts Payable	\$774,491
Payroll Taxes & Other Accrued Liabilities	42,749
Compensated Absences- Current	25,000
Notes Payable - Current Portion	200,000
Bonds Payable - Current Portion	249,000
Net Pension Liability	149,369
<b>Total Current Liabilities</b>	<b>\$1,440,609</b>
<i>Noncurrent Liabilities:</i>	
Other Postemployment Benefits	\$1,186,683
Compensated Absences	74,612
Notes Payable - Long Term Portion	600,000
Bonds Payable - Long Term Portion	12,786,000
<b>Total Noncurrent Liabilities</b>	<b>\$14,647,295</b>
<b>TOTAL LIABILITIES</b>	<b>\$16,087,904</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
OPEB Deferrals	\$32,175
<b>Total Deferred Inflows of Resources</b>	<b>\$32,175</b>
<b>NET POSITION</b>	
Net Investment in Capital Assets	\$13,176,429
Restricted - Debt Service Fund	891,357
Unrestricted	1,699,270
<b>TOTAL NET POSITION</b>	<b>\$15,767,056</b>

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

**CONTENTNEA METROPOLITAN SEWERAGE DISTRICT**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
For the Year Ended June 30, 2021

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<b>Operating Revenues:</b>	<b>2021</b>
Charges for Services	\$2,456,702
Other Operating Revenues	72,803
<b>Total Operating Revenues</b>	<b>\$2,529,505</b>
<b>Operating Expenses:</b>	
Operations	\$1,987,468
Depreciation	867,359
<b>Total Operating Expenses</b>	<b>\$2,854,827</b>
<b>Operating Income (Loss)</b>	<b>(\$325,322)</b>
<b>Nonoperating Revenues (Expenses):</b>	
Investment Income	\$3,121
Bond and Note Interest	(417,159)
Gain on Sale of Asset	10,430
<b>Total Nonoperating Revenues (Expenses)</b>	<b>(\$403,608)</b>
<b>Income (Loss) Before Capital Contributions</b>	<b>(\$728,930)</b>
<b>Capital Contributions:</b>	
Rate Stabilization	\$36,000
Golden Leaf Grant	597,930
<b>Total Capital Contributions</b>	<b>\$633,930</b>
<b>CHANGE IN NET POSITION</b>	<b>(\$95,000)</b>
Net Position - Beginning of Year	15,862,056
<b>Net Position - End of Year</b>	<b>\$15,767,056</b>

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

**CONTENTNEA METROPOLITAN SEWERAGE DISTRICT**  
**STATEMENT OF CASH FLOWS**  
For the Year Ended June 30, 2021

<b>Cash Flows from Operating Activities:</b>	<b>2021</b>
Cash Received from Customers	\$1,738,782
Cash Paid for Goods and Services	(712,991)
Cash Paid to Employees for Services	(611,730)
Other Operating Revenues	43,691
<b>Net Cash Provided by Operating Activities</b>	<b>\$457,752</b>
<b>Cash Flows from Capital and Related Financing Activities:</b>	
Acquisition and Construction of Capital Assets	(\$698,867)
Proceeds on Sale of Fixed Assets	11,215
Principal Paid on Bonds and Notes	(442,000)
Interest Paid on Bonds and Notes	(417,762)
Capital Contributions	36,000
<b>Net Cash Provided by (Used for) Capital and Related Financing Activities</b>	<b>(\$1,511,414)</b>
<b>Cash Flows from Investing Activities:</b>	
Interest on Investments	<b>\$3,121</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>(\$1,050,541)</b>
Cash and Cash Equivalents, July 1, 2020	4,882,999
<b>Cash and Cash Equivalents, June 30, 2021</b>	<b>\$3,832,458</b>
<b>Reconciliation of Operating Income to Net Cash</b>	
<b>Provided by Operating Activities:</b>	
<b>Operating Income (Loss)</b>	<b>(\$325,322)</b>
<i>Adjustments to Reconcile Operating Income to Net Cash</i>	
<i>Provided by Operating Activities:</i>	
Depreciation	\$867,359
Change in Assets and Liabilities:	
(Increase) Decrease in Accounts Receivable	(5,457)
(Increase) Decrease in Due From Other Governments	(140,315)
(Increase) Decrease in Deferred Outflows of Resources for Pensions	(24,443)
(Increase) Decrease in Deferred Outflows of Resources for OPEB	(133,914)
Increase (Decrease) in Accounts Payable and Accrued Liabilities	11,875
Increase (Decrease) in Compensated Absences Payable	11,754
Increase (Decrease) in OPEB Liability	213,135
Increase (Decrease) in Net Pension Liability	42,863
Increase (Decrease) in Deferred Inflows of Resources for OPEB	(59,783)
<b>Total Adjustments</b>	<b>\$783,074</b>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>\$457,752</b>
<b>Supplemental Disclosure of Cash Flows Information:</b>	
<b>Cash consists of the following:</b>	
Unrestricted Cash and Cash Equivalents	\$2,588,197
Restricted Cash and Cash Equivalents	1,244,261
<b>Cash and Cash Equivalents, June 30</b>	<b>\$3,832,458</b>

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

**NOTES TO THE FINANCIAL STATEMENTS**

**CONTENTNEA METROPOLITAN SEWERAGE DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Fiscal Year Ended June 30, 2021

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Contentnea Metropolitan Sewerage District (CMSD) conform to generally accepted accounting principles as applicable to enterprise funds of governmental units. The following is a summary of the significant accounting policies:

**A. REPORTING ENTITY**

CMSD was formed by representatives from the towns of Ayden, Grifton and Winterville, North Carolina, to construct and operate a sewerage treatment facility to serve all three municipalities. Town commissioners from each town appoint two members to the CMSD Board. Towns then choose an at-large member to serve a three-year term. This at-large, seventh board member does not have to be a town commissioner and the selection of this position rotates from town to town. Because CMSD was formed by the three towns to operate at their benefit; the towns will provide financial support to CMSD as needed.

**B. BASIS OF PRESENTATION**

The accompanying financial statements are presented in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB), which consist of GASB Statements and Interpretations, as well as American Institute of Certified Public Accountants (AICPA) and Financial Accounting Standards Board (FASB) pronouncements specifically made applicable to state and local government entities by GASB Statements and Interpretations. The full scope of CMSD's activities is considered to be a single business-type activity and accordingly, is reported within a single column in the basic financial statements.

**C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

CMSD is accounted for as a proprietary fund type (enterprise fund) in conformity with the accounting and reporting requirements of the Governmental Accounting Standards Board (GASB). The financial statements were prepared on the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of CMSD are charges to customers (three towns) for sewer services. Operating expenses include the costs associated with operating the sewer plant, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**D. BUDGETARY DATA**

CMSD's budget is adopted as required by the North Carolina General Statutes. An annual budget is adopted for the Enterprise Fund. All annual appropriations lapse at the fiscal-year end. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the object level for the multi-year funds.

A budget calendar is included in the North Carolina General Statutes that prescribes the last day on which certain steps of that budget procedure are to be performed. The following schedule lists the tasks to be performed and the date by which each is required to be completed.

- April 30 - Each department head will transmit to the budget officer the budget requests and the revenue estimates for their department for the budget year.
- June 1 - The budget and the budget message shall be submitted to the governing board. The public hearing on the budget shall be scheduled at this time.
- July 1 - The budget ordinance shall be adopted by the governing board.

**CONTENTNEA METROPOLITAN SEWERAGE DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Fiscal Year Ended June 30, 2021

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**E. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS AND FUND EQUITY**

**Deposits and Investments**

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

State Law (G.S. 159-30(c)) authorizes CMSD 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 nonguaranteed federal agencies; certain high-quality issues of commercial paper and bankers' acceptances; and the North Carolina Capital Management Trust (NCCMT). At June 30, 2021, CMSD had no investments.

**Cash and Cash Equivalents**

All cash and investments are essentially demand deposits and are considered cash and cash equivalents. CMSD considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash and cash equivalents.

**Restricted Assets**

In accordance with the Sewer Revenue Bond Note Agreements, CMSD has established a Debt Service Reserve Fund, restricted for making payments on CMSD's revenue obligations. The agreements state that CMSD has been given 10 years to accumulate the required 10% amounts of \$409,500 and \$478,000, respectively, for the debt service reserve. CMSD has met these requirements as of June 30, 2021 and has accumulated \$891,357 of the \$887,500 required total. These funds are classified as restricted cash.

Unexpended grant/debt proceeds of \$352,904 relating to the District's prior Capital Projects are classified as restricted assets because their use is completely restricted to the purpose for which the grant/debt proceeds were originally issued.

Cash Restricted for Debt Service Fund	\$891,357
Cash Restricted for Capital Project	352,904
<b>Total Restricted Cash</b>	<b><u>\$1,244,261</u></b>

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**CONTENTNEA METROPOLITAN SEWERAGE DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Fiscal Year Ended June 30, 2021

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**Capital Assets**

Capital assets are defined by CMSD as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. CMSD capitalizes all assets that have a value or cost greater than or equal to \$1,000 at date of acquisition. Donated capital assets received prior to June 30, 2015, are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 30, 2015, are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. All administrative expense and net interest expense during the construction period were capitalized to the cost of the treatment facilities. Net interest expense is the interest paid less interest earned from the investment of bond proceeds during the construction period. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Capital Assets of CMSD are depreciated over their useful lives on a straight-line basis as follows:

Buildings	40 Years
Furniture	7-10 Years
Vehicles	5-7 Years
Leasehold Improvements	10-20 Years
Computers and Equipment	5-7 Years
Lines and Distribution System	40-50 Years
Plant and Distribution System	40-50 Years

**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. CMSD has two items that meet this criterion, contributions made to the pension plan in the current fiscal year, and contributions made to the OPEB Plan in the current fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. CMSD has two items that meet the criterion for this category – deferrals of pension expense that result from the implementation of GASB Statement 68 and deferrals of OPEB expense that result from the implementation of GASB 75.

**Long-term Obligations**

In the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable proprietary fund type statement of net position.

**Compensated Absences**

The vacation policy for the District provides for the accumulation of up to forty-five (45) days of earned vacation leave with such leave being fully vested when earned. The balances recorded in the financial statements for compensated absences payable are based on compensation rates in effect on the financial statement date.

The District's sick leave policy provides for an unlimited accumulation of sick leave but does not allow an employee to be compensated for unused time at separation of employment. Therefore, no provision for sick leave has been made in the accompanying financial statements.

**CONTENTNEA METROPOLITAN SEWERAGE DISTRICT**  
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**Net Position**

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

CMSD operates only one proprietary fund, therefore, has no fund balance classifications: only net position.

CMSD's net position is classified as follows:

*Net Investment in Capital Assets*

This represents CMSD's total investment in capital assets, net of outstanding debt obligations related to those capital assets.

*Restricted – Debt Service Fund*

This classification includes amounts that are restricted to meet the debt reserve requirements imposed by the United States of America, acting by and through Rural Utilities Service, an agency of the United States Department of Agriculture.

*Unrestricted Net Position*

Unrestricted net position includes resources that are uncommitted and available for appropriation at year end.

**Pensions and OPEB Plans**

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

For purposes of measuring the net OPEB liability, deferred outflows and deferred inflows of resources related to OPEB and OPEB expense, information about the fiduciary net position of the HCB and additions to/deductions from the HCB's fiduciary net position have been determined on the same basis as they are reported by the HCB. For this purpose, the HCB recognizes benefit payments when due and payables in accordance with benefit terms. Investments are reported at fair value.

**F. SUBSEQUENT EVENTS**

Management has evaluated subsequent events through October 18, 2021, the date the financial statements were available to be issued. As a result of the continued spread of the COVID-19 coronavirus, economic uncertainties have arisen. The extent of the impact of COVID-19 on the District's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on the customers, employees and vendors all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact the District's financial condition is uncertain.

**CONTENTNEA METROPOLITAN SEWERAGE DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

For the fiscal year ended June 30, 2021, expenditures exceeded authorized appropriations made by the governing board for the following:

	<u>Budget</u>	<u>Actual</u>	<u>Over</u>
Professional Services	\$30,000	\$31,320	\$1,320

This over-expenditure occurred due to oversight. Management plans to monitor the budget more closely in the future, paying particular attention to year-end accruals.

**3. DETAIL NOTES ON ALL FUNDS**

**A. ASSETS**

**1. Deposits**

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

At June 30, 2021, CMSD's deposits had a carrying amount of \$3,832,458 and a bank balance of \$3,845,343. Of the bank balance, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the Pooling Method. At June 30, 2021, the District's petty cash fund totaled \$200. The June 30, 2021 cash carrying amount consists of the following:

General - Checking Account	\$500
Capital Project - Checking	352,904
Rate Stabilization - Checking	454
General - Money Market Checking	1,812,050
Facility Expansion - Custodial Account	774,993
Debt Service Fund	891,357
	<b>\$3,832,258</b>

In accordance with a Board resolution adopted December 11, 1996, the Facility Expansion Account was created to be used solely for the future expansion of any part of the system. The funding of this account comes from \$1,000 per unit impact and access fees charged to new dwellings constructed within the jurisdictions of the towns of Ayden, Grifton, and Winterville, and shall be charged from January 1, 1997, indefinitely.

**CONTENTNEA METROPOLITAN SEWERAGE DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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2. **Receivables**

Receivables at June 30, 2021 were as follows:

Golden Leaf	\$601,260
Miscellaneous	5,460
Sewer Related	1,358
<b>Totals</b>	<b><u><u>\$608,078</u></u></b>

Due from other governments that is owed to CMSD consists of the following:

Town of Ayden	\$63,289
Town of Winterville	75,788
Sales Tax	15,386
<b>Total</b>	<b><u><u>\$154,463</u></u></b>

3. **Capital Assets**

A summary of changes in capital assets is presented as follows:

	<b><u>Balance</u></b> <b><u>06/30/2020</u></b>	<b><u>Increases</u></b>	<b><u>Decreases</u></b>	<b><u>Balance</u></b> <b><u>06/30/2021</u></b>
<b>Capital assets not being depreciated:</b>				
Nitrogen Poundage	\$1,400,000			\$1,400,000
Construction in Process	107,238	\$834,036		941,274
Land	154,693			154,693
Total capital assets not being depreciated	<b><u>\$1,661,931</u></b>	<b><u>\$834,036</u></b>	<b><u>\$0</u></b>	<b><u>\$2,495,967</u></b>
<b>Capital assets being depreciated:</b>				
Plant and distribution systems	\$38,690,248	\$15,200		\$38,705,448
Equipment and furniture	230,310		\$23,271	207,039
Vehicles and motorized equipment	135,446	75,394	35,827	175,013
Total capital assets being depreciated	<b><u>\$39,056,004</u></b>	<b><u>\$90,594</u></b>	<b><u>\$59,098</u></b>	<b><u>\$39,087,500</u></b>
<b>Less accumulated depreciation for:</b>				
Plant and distribution systems	\$13,514,480	\$846,550		\$14,361,030
Equipment and furniture	156,289	11,867	\$22,486	145,670
Vehicles and motorized equipment	92,223	8,942	35,827	65,338
Total accumulated depreciated	<b><u>\$13,762,992</u></b>	<b><u>\$867,359</u></b>	<b><u>\$58,313</u></b>	<b><u>\$14,572,038</u></b>
Total capital assets being depreciated, net	<b><u>\$25,293,012</u></b>			<b><u>\$24,515,462</u></b>
<b>Total capital assets, net</b>	<b><u><u>\$26,954,943</u></u></b>			<b><u><u>\$27,011,429</u></u></b>

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**CONTENTNEA METROPOLITAN SEWERAGE DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Fiscal Year Ended June 30, 2021

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**B. LIABILITIES**

**1. Pension Plan and Postemployment Obligations**

**a. Local Governmental Employees' Retirement System**

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

*Benefits Provided.* LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full 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.

*Contributions.* Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. CMSD employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. CMSD's contractually required contribution rate for the year ended June 30, 2021, was 10.15% of covered payroll, 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 CMSD were \$38,762 for the year ended June 30, 2021.

*Refunds of Contributions.* CMSD 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.

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**CONTENTNEA METROPOLITAN SEWERAGE DISTRICT**  
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***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

At June 30, 2021, CMSD reported a liability of \$149,369 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019. The total pension liability was then rolled forward to the measurement date of June 30, 2020 utilizing update procedures incorporating the actuarial assumptions. CMSD's proportion of the net pension liability was based on a projection of CMSD'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, 2020 (measurement date), CMSD's proportion was 0.00418%, which was an increase of .00028% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, CMSD recognized pension expense of \$57,563. At June 30, 2021, CMSD reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$18,863	
Change of assumptions	11,116	
Net difference between projected and actual earnings on pension plan investments	21,019	
Changes in proportion and differences between CMSD contributions and proportionate share of contributions	12,140	
CMSD contributions subsequent to the measurement date	38,762	
Totals	<b>\$101,900</b>	<b>\$0</b>

\$38,762 reported as deferred outflows of resources related to pensions resulting from CMSD contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ended June 30:</b>	
2022	\$19,024
2023	23,174
2024	14,719
2025	6,221
2026	-
Thereafter	-
	<b>\$63,138</b>

*Actuarial Assumptions.* The total pension liability in the December 31, 2019, actuarial valuation was determined using the following actuarial assumptions, applied to periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.5 to 8.10 percent, including inflation and productivity factor
Investment rate of return	7.00 percent, net of pension plan investment expense, including inflation

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

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

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

The projected long-term investment returns, and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2020, are summarized in the following table:

<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	6.0%	4.0%
	<u><b>100.0%</b></u>	

The information above is based on 30-year expectations developed with the consulting actuary for the 2018 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 7.00%. The projection of cash flows used to determine the discount rate assumed the 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.

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*Sensitivity of CMSD's proportionate share of the net pension liability to changes in the discount rate.* The following presents CMSD's proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what CMSD's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	<b>1% Decrease (6.00%)</b>	<b>Discount Rate (7.00%)</b>	<b>1% Increase (8.00%)</b>
CMSD's proportionate share of the net pension liability (asset)	\$303,054	\$149,369	\$21,646

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

b. **Other Postemployment Benefits**

**Healthcare Benefits**

*Plan Description.* Under the terms of a Board of Directors resolution, Contentnea Metropolitan Sewerage District administers a single-employer defined Healthcare Benefits Plan (the HCB plan). The District has the authority to establish and amend the benefit terms and financing requirement. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

*Benefits Provided.* As of June 27, 2001, this plan provides postemployment healthcare benefits for each retired employee at age 62 and twenty (20) years of service or after thirty (30) years of service and eligible for full retirement with twenty (20) years of continuous service with CMSD. CMSD pays the full cost of coverage for these benefits through Municipal Insurance Trust of NC. CMSD retirees can purchase coverage for their dependents at group rates at no cost to CMSD.

Membership of the Health Care Plan consisted of the following at June 30, 2020, the date of the latest actuarial valuation:

	<b>General Employees:</b>
Inactive Members or Beneficiaries Currently Receiving Benefits	3
Inactive Members Entitled to But Not Yet Receiving Benefits	0
Active plan members	4
<b>Total</b>	<b>7</b>

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**Total OPEB Liability**

The District's total OPEB liability of \$1,186,683 was measured as of June 30, 2020 and was determined by an actuarial valuation as of that date.

*Actuarial assumptions and other inputs.* The total OPEB liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.50%
Real Wage Growth	1.00%
Wage Inflation	3.50%
Salary Increase	3.50% - 7.75%
Municipal Bond Index Rate	
Prior Measurement Date	3.50%
Measurement Date	2.21%
Healthcare Cost Trend Rates:	
Pre-Medicare Medical and Prescription Drug	7.00% for 2019 decreasing to an ultimate rate of 4.50% by 2026
Medicare Medical and Prescription Drug	5.00% for 2019 decreasing to an ultimate rate of 4.50% by 2021
Dental	4.00%
Vision	2.50%

The District selected a Municipal Bond Index Rate equal to the Bond Buyer 20-year General Obligation Bond Index published at the last Thursday of June by The Bond Buyer, and the Municipal Bond Index Rate as of the measurement date as the discount rate used to measure the TOL.

**Changes in the Total OPEB Liability**

	<b>Total OPEB Liability</b>
<b>Balance at July 1, 2020</b>	\$973,548
<b>Changes for the year</b>	
Service Cost	6,610
Interest	33,624
Changes of benefit terms	
Differences between expected and actual experience	3,356
Changes in assumptions or other inputs	208,856
Net Benefit payments	(39,311)
<b>Net changes</b>	<u>\$213,135</u>
<b>Balance at June 30, 2021</b>	<u>\$1,186,683</u>

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Changes in assumptions and other inputs reflect a change in the discount rate from 3.50% to 2.21%.

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, 2020 valuation were based on the results of an actuarial experience study for the period January 2010 through December 2014, adopted by the LGERS Board.

*Sensitivity of the total OPEB liability to changes in the discount rate.* The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.21 percent) or 1-percentage-point higher (3.21 percent) than the current discount rate:

	<b>1% Decrease (1.21%)</b>	<b>Discount Rate (2.21%)</b>	<b>1% Increase (3.21%)</b>
Total OPEB Liability	\$1,402,888	\$1,186,683	\$1,019,233

*Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates.* The following presents the total OPEB liability of the District, as well as what the District'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:

	<b>1% Decrease</b>	<b>Discount Rate</b>	<b>1% Increase</b>
Total OPEB Liability	\$1,010,931	\$1,186,683	\$1,411,545

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

For the year ended June 30, 2021, the District recognized OPEB expense of \$60,638. At June 30, 2021 the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$2,140	\$32,175
Changes of assumptions	135,467	
Benefit payments and administrative costs made subsequent to the measurement date	41,200	
Total	\$178,807	\$32,175

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\$41,200 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2022. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Measurement Period Ended June 30:	
2022	\$47,219
2023	58,213
2024	-
2025	-
2026	-
Thereafter	-
	\$105,432

2. **Risk Management**

CMSD is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. CMSD participates in three self-funded risk financing pools administered by the North Carolina League of Municipalities. Through these pools, CMSD obtains general liability and auto liability coverage of \$1 million per occurrence, property coverage up to the total insurance values of the property policy, workers' compensation coverage up to statutory limits, and employee health coverage up to a \$2 million lifetime limit. The liability and property exposures are reinsured through commercial carriers for claims in excess of retentions as selected by the Board of Trustees each year. The pools are reinsured for annual employee health claims in excess of \$150,000. The property liability pool has an aggregate limit for the total property losses in a single year, with the reinsurance limit based upon a percentage of the total insurance values.

CMSD carries commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage in the prior year and settled claims have not exceeded coverage in any of the past three fiscal years.

CMSD carries flood insurance through National Flood Insurance Plan (NFIP). Because CMSD is in an area of the State that has been mapped and designated an "A" area (an area close to a river, lake or stream) by the Federal Emergency Management Agency, the District is eligible to purchase coverage of \$500,000 per structure through the NFIP. The District also is eligible to and has purchased commercial flood insurance for another \$5,125,000 of coverage for various structures and contents.

In accordance with G.S. 159-29, the District's employees that have access to \$100 or more at any given time of the District's funds are performance bonded through a commercial surety bond in the amount of \$50,000. The District Manager/Finance Officer is also bonded for \$50,000.

3. **Claims, Judgments and Contingent Liabilities**

At June 30, 2021, there are no claims or judgments pending that involve CMSD.

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4. **Long-Term Obligations**

The following is a summary of changes in the CMSD's long-term obligations as of June 30, 2021:

	<b>July 1, 2020</b>	<b>Additions</b>	<b>Payments</b>	<b>June 30, 2021</b>	<b>Due in Less Than One Year</b>
Notes Payable	\$1,000,000		\$200,000	\$800,000	\$200,000
Bonds Payable	13,277,000		242,000	13,035,000	249,000
Other Postemployment Benefits	973,548	\$213,135		1,186,683	
Compensated Absences	87,858	33,848	22,094	99,612	25,000
Net Pension Liability	106,506	42,863		149,369	
<b>Total</b>	<b>\$15,444,912</b>	<b>\$289,846</b>	<b>\$464,094</b>	<b>\$15,270,664</b>	<b>\$474,000</b>

a. **Notes and Bonds Payable**

\$2,850,000 Water Pollution Control Revolving Loan for the Waste Water Treatment Plant Upgrading Improvements Project. Annual payments of \$200,000 with no interest are due on May 1 until paid in full. Final payment due May 1, 2025. \$800,000

\$4,095,000 Sewer Revenue Bonds, Series 2011, issued for Waste Water Treatment Plant Upgrading Improvements. Principal installments are due annually on June 1 as well as interest payments at an annual interest rate of 3%. Final payment due June 1, 2051. 3,567,000

\$9,396,000 Sewer Revenue Bonds, Series 2014A, issued for Waste Water Treatment Plant Upgrading Improvements. Principal installments are due annually on June 1 as well as interest payments at an annual interest rate of 3.25%. Final payment due June 1, 2053. 8,558,000

\$1,009,000 Sewer Revenue Bonds, Series 2014B, issued for Waste Water Treatment Plant Upgrading Improvements. Principal installments are due annually on June 1 as well as interest payments at an annual interest rate of 2.75%. Final payment due June 1, 2053. 910,000

**Total Long-Term Obligations** **\$13,835,000**

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**CONTENTNEA METROPOLITAN SEWERAGE DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Fiscal Year Ended June 30, 2021

The following table summarizes the annual requirements (including interest) to amortize all long-term debt outstanding:

<u>Year Ended June 30</u>	<u>Bonds Payable</u>	<u>Notes Payable</u>	<u>Interest</u>	<u>Total</u>
2022	\$249,000	\$200,000	\$410,170	\$859,170
2023	257,000	200,000	402,355	859,355
2024	265,000	200,000	394,290	859,290
2025	274,000	200,000	385,973	859,973
2026	281,000		377,373	658,373
2027-2029	1,548,000		1,748,530	3,296,530
2030-2034	1,807,000		1,489,665	3,296,665
2035-2039	2,109,000		1,187,495	3,296,495
2040-2044	2,463,000		834,508	3,297,508
2045-2049	2,872,000		422,410	3,294,410
2050-2053	910,000		43,980	953,980
<b>Total</b>	<b>\$13,035,000</b>	<b>\$800,000</b>	<b>\$7,696,749</b>	<b>\$21,531,749</b>

The District is in compliance with the covenants as to rates, fees, rentals and charges in Section 3 of the Bond Order, authorizing the issuance of the Sewer Revenue Bonds, Series 2011. Section 3.04 of the Bond Order requires the debt service coverage ratio to be no less than 110%. The debt service coverage ratio calculation for the year ended June 30, 2021, is as follows:

Operating Revenues	\$2,529,505
Operating Expenses (excluding depreciation)	<u>1,987,468</u>
Operating Income	\$542,037
Nonoperating Revenues (Expenses)*	13,551
Capital Contributions	<u>633,930</u>
Income Available for Debt Service	\$1,189,518
Debt Service, Principal and Interest	
Paid (Revenue Bond Only)	\$659,763
Debt Service Coverage Ratio	180%

\* Per rate covenants, this does not include revenue bond interest of \$417,159.

b. Operating Leases

The District leases approximately 40 acres of land for application of wastewater residuals. The lease was last renewed on August 23, 2017 for five years effective August 1, 2017 and expiring on July 31, 2022.

c. Net Investment in Capital Assets

Capital Assets	\$27,011,429
Less: Long-Term Debt	<u>(13,835,000)</u>
<b>Net Investment in Capital Assets</b>	<b><u>\$13,176,429</u></b>

**CONTENTNEA METROPOLITAN SEWERAGE DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Fiscal Year Ended June 30, 2021

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**4. JOINTLY GOVERNED ORGANIZATION**

CMSD was formed by representatives from the towns of Ayden, Grifton, and Winterville, North Carolina to construct and operate a sewerage treatment facility to serve all three municipalities. Also involved was the construction of lines to join the three systems and extend them to the treatment facilities.

Each month the three towns pay a fee for the services of this organization. The fee is determined as their proportional share of the total cash expenditures to be expected for that month.

**5. ECONOMIC DEPENDENCY**

The CMSD was formed under NC General Statute 162A-64, "Metropolitan Sewerage Districts". The District operates on behalf of the towns of Ayden, Grifton, and Winterville. Substantially all revenues, with the exception of grants and permitting fees, come from the three towns on a pro rata basis.

**6. SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES**

Federal and State Assisted Programs

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

**7. RATE STABILIZATION**

Effective July 1, 2004, the CMSD approved the formation of a Rate Stabilization Fund. The purpose of this fund was to begin setting aside reserves for a nearly \$5,000,000 facility upgrade that was expected to begin within the next three to five years. Starting in the 2004-2005 fiscal year, CMSD established the fund by billing the towns of Ayden, Grifton, and Winterville a combined annual amount of approximately \$96,000. Two of the towns in turn have passed this charge on to their respective sewer customers in the form of a \$2 per month, per customer charge. Effective July 1, 2009, CMSD has temporarily discontinued collecting rate stabilization funds until such time as the board votes to reenact or modify the process.

## **REQUIRED SUPPLEMENTARY FINANCIAL DATA**

**Schedule of Proportionate Share of Net Pension Liability - Local Government Employees' Retirement System**

**Schedule of Contributions - Local Government Employees' Retirement System**

**Schedule of Changes in Net OPEB Liability**

**CONTENTNEA METROPOLITAN SEWERAGE DISTRICT**  
**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY**  
**FOR LOCAL GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FUNDING PROGRESS**  
**LAST EIGHT FISCAL YEARS**

	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
CMSD's proportion of the net pension liability (asset) (%)	0.00418%	0.00390%	0.00430%	0.00445%	0.00493%	0.00512%	(0.00564%)	(0.00615%)
CMSD's portion of the net pension liability (asset) (\$)	\$149,369	\$106,506	\$102,011	\$67,984	\$104,631	\$22,978	(\$33,262)	\$72,323
CMSD's covered-employee payroll	364,258	364,007	335,514	379,817	420,842	392,097	418,338	404,379
CMSD's proportionate share of the net pension liability (asset) as a percentage of it's covered-employee payroll	41.01%	29.26%	30.40%	17.90%	24.86%	5.86%	(7.95%)	17.88%
Plan fiduciary net position as a percentage of the total pension liability	91.63%	94.18%	91.47%	98.09%	99.07%	102.64%	94.35%	96.45%

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



**CONTENTNEA METROPOLITAN SEWERAGE DISTRICT**  
**SCHEDULE OF CONTRIBUTIONS TO LOCAL GOVERNMENT**  
**EMPLOYEES' RETIREMENT SYSTEM**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**LAST EIGHT FISCAL YEARS**

	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Contractually required contribution	\$38,762	\$32,601	\$28,211	\$25,164	\$27,537	\$28,491	\$27,721	\$29,577
Contributions in relation to the contractually required contribution	38,762	32,601	28,211	25,164	27,537	28,491	27,721	29,577
Contribution deficiency (excess)	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
CMSD's covered-employee payroll	\$381,890	\$364,258	\$364,007	\$335,514	\$379,817	\$420,842	\$392,097	\$418,338
Contributions as a percentage of covered-employee payroll	10.15%	8.95%	7.75%	7.50%	7.25%	6.77%	7.07%	7.07%

**CONTENTNEA METROPOLITAN SEWERAGE DISTRICT**  
**SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**LAST FOUR FISCAL YEARS**

<b>Total OPEB Liability</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Service Cost	\$6,610	\$7,088	\$7,583	\$8,705
Interest	33,624	40,961	39,091	35,796
Changes of benefit terms				
Differences between expected and actual experience	3,356	(116,843)	(589)	1,120
Changes in assumptions or other inputs	208,856	9,104	(52,834)	(99,649)
Net Benefit payments	(39,311)	(39,115)	(37,594)	(36,783)
<b>Net change in total OPEB liability</b>	<b>\$213,135</b>	<b>(\$98,805)</b>	<b>(\$44,343)</b>	<b>(\$90,811)</b>
<b>Total OPEB liability - beginning</b>	<b>973,548</b>	<b>1,072,353</b>	<b>1,116,696</b>	<b>1,207,507</b>
<b>Total OPEB liability - ending</b>	<b>\$1,186,683</b>	<b>\$973,548</b>	<b>\$1,072,353</b>	<b>\$1,116,696</b>
<b>Covered payroll</b>	N/A	N/A	N/A	N/A
<b>Total OPEB liability as a percentage of covered payroll</b>	N/A	N/A	N/A	N/A

**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%
2019	3.89%
2020	3.50%
2021	2.21%

**SUPPLEMENTARY INFORMATION**

**Individual Fund Statements and Schedules**

**CONTENTNEA METROPOLITAN SEWERAGE DISTRICT**  
**SEWER FUND**  
**SCHEDULE OF REVENUES AND EXPENDITURES-BUDGET AND ACTUAL (NON-GAAP)**  
**For the Fiscal Year Ended June 30, 2021**

	<b>2021</b>		<b>Variance Favorable (Unfavorable)</b>
	<b>Budget</b>	<b>Actual</b>	
<b>Revenues:</b>			
<i>Charges for Sewer Service:</i>			
Town of Ayden	\$927,474	\$927,474	
Town of Grifton	372,516	372,516	
Town of Winterville	1,068,182	1,068,182	
Miscellaneous Sewer Charges	26,694	12,530	(\$14,164)
New Dwelling - Impact and Access Fees		76,000	76,000
<b>Total Sewer Charges</b>	<b>\$2,394,866</b>	<b>\$2,456,702</b>	<b>\$61,836</b>
<i>Other Operating Revenues:</i>			
Miscellaneous Revenues	\$39,637	\$43,691	\$4,054
Permit Charges	29,100	29,112	12
<b>Total Other Operating Revenues</b>	<b>\$68,737</b>	<b>\$72,803</b>	<b>\$4,066</b>
<i>Nonoperating Revenues:</i>			
Investment Income	\$1,000	\$1,886	\$886
Gain on Sale of Asset		10,430	10,430
<b>Total Nonoperating Revenues</b>	<b>\$1,000</b>	<b>\$12,316</b>	<b>\$11,316</b>
<b>TOTAL REVENUES</b>	<b>\$2,464,603</b>	<b>\$2,541,821</b>	<b>\$77,218</b>

**CONTENTNEA METROPOLITAN SEWERAGE DISTRICT**  
**SEWER FUND**  
**SCHEDULE OF REVENUES AND EXPENDITURES-BUDGET AND ACTUAL (NON-GAAP)**  
**For the Fiscal Year Ended June 30, 2021**

	<b>2021</b>		<b>Variance Favorable (Unfavorable)</b>
	<b>Budget</b>	<b>Actual</b>	
<b>Expenditures:</b>			
<i>Operations:</i>			
Salaries	\$419,020	\$418,446	\$574
Power Cost	374,275	365,937	8,338
Maintenance and Repairs	134,800	130,944	3,856
Group Insurance	125,076	125,054	22
Insurance and Bonds	101,350	101,130	220
Contracted Services	59,300	50,878	8,422
Chemicals	70,000	65,249	4,751
Sludge Handling	52,000	44,813	7,187
Departmental Supplies	27,500	25,357	2,143
Professional Services	30,000	31,320	(1,320)
Retirement	39,668	39,143	525
Payroll Taxes	30,984	30,654	330
Telephone & Telemetry	12,500	12,116	384
Fuel-Gas	25,000	11,458	13,542
Land Lease	6,300	6,300	
Travel and School	4,000	1,067	2,933
Uniforms	2,700	2,451	249
Postage	2,130	2,077	53
Advertising	500	431	69
Contingency	25,000		25,000
Unemployment Insurance	37	36	1
Fines & Penalties	5,000		5,000
<b>Total Operations</b>	<b>\$1,547,140</b>	<b>\$1,464,861</b>	<b>\$82,279</b>
<i>Debt Service:</i>			
Note Principal	\$200,000	\$200,000	
Bond Principal	242,000	242,000	
Bond Interest and Fees	417,763	417,762	\$1
<b>Total Debt Service</b>	<b>\$859,763</b>	<b>\$859,762</b>	<b>\$1</b>
<i>Capital Outlay:</i>			
Capital Outlay - Equipment	\$78,500	\$75,394	\$3,106
Capital Outlay - Line Upgrade	15,200	15,200	
<b>Total Capital Outlay</b>	<b>\$93,700</b>	<b>\$90,594</b>	<b>\$3,106</b>
<b>TOTAL EXPENDITURES</b>	<b>\$2,500,603</b>	<b>\$2,415,217</b>	<b>\$85,386</b>
<b>Revenues Over (Under) Expenditures</b>	<b>(\$36,000)</b>	<b>\$126,604</b>	<b>\$162,604</b>

**CONTENTNEA METROPOLITAN SEWERAGE DISTRICT**  
**SEWER FUND**  
**SCHEDULE OF REVENUES AND EXPENDITURES-BUDGET AND ACTUAL (NON-GAAP)**  
**For the Fiscal Year Ended June 30, 2021**

	<b>2021</b>		<b>Variance Favorable (Unfavorable)</b>
	<b>Budget</b>	<b>Actual</b>	
<b>Other Financing Sources (Uses):</b>			
<i>Transfer to/from Other Funds:</i>			
Rate Stabilization Fund	\$36,000	\$36,000	
Impact & Access Fees	(480,716)	(480,716)	
<b>Total Other Financing Sources (Uses)</b>	<b>(\$444,716)</b>	<b>(\$444,716)</b>	<b>\$0</b>
<b>Fund Balance Appropriated</b>	<b>\$480,716</b>		<b>(\$480,716)</b>
<b>Revenues Over (Under) Expenditures and Other Financing Sources (Uses)</b>	<b>\$0</b>	<b>(\$318,112)</b>	<b>(\$318,112)</b>

**Reconciliation of Modified Accrual Basis to Accrual Basis:**

Revenues Over (Under) Expenditures (\$318,112)

**Reconciling Items:**

Net Transfers to/from Rate Stabilization Fund	(\$36,000)
Transfer to Capital Projects Fund	480,716
Investment Income from Capital Projects Fund	618
Investment Income From Rate Stabilization Fund	19
Investment Income from Debt Service Fund	598
Capital Contributions - Rate Stabilization Fund	36,000
Capital Contributions - Capital Projects Fund - Golden Leaf	597,930
Force Main Repair Project Expenses	(472,995)
Note Principal	200,000
Bond Principal	242,000
(Increase) Decrease in Net OPEB Liability	(213,135)
Increase (Decrease) in Deferred Outflows of OPEB	133,914
(Increase)Decrease in Deferred Inflows of OPEB	59,783
Increase (Decrease) in Deferred Outflows - Pensions	24,443
(Increase) Decrease in Net Pension Liability	(42,863)
Depreciation Expense	(867,359)
(Increase) Decrease in Accrued Vacation	(11,754)
(Increase) Decrease in Accrued Interest	603
Capital Outlay	90,594

**Change in Net Position** **(\$95,000)**

**CONTENTNEA METROPOLITAN SEWERAGE DISTRICT**  
**SEWER RATE STABILIZATION FUND**  
**SCHEDULE OF REVENUES AND EXPENDITURES-BUDGET AND ACTUAL (NON-GAAP)**  
From Inception and for the Fiscal Year Ended June 30, 2021

	<b>Project Authorization</b>	<b>Prior Year</b>	<b>Actual Current Year</b>	<b>Total To Date</b>	<b>Variance Favorable (Unfavorable)</b>
<b>REVENUES:</b>					
Town of Ayden	\$176,345	\$176,345		\$176,345	
Town of Grifton	75,855	75,855		75,855	
Town of Winterville	211,671	211,671		211,671	
Investment Income		28,673	\$19	28,692	\$28,692
<b>TOTAL REVENUES</b>	<b>\$463,871</b>	<b>\$492,544</b>	<b>\$19</b>	<b>\$492,563</b>	<b>\$28,692</b>
<b>OTHER FINANCING (USES):</b>					
<i>Transfer To Other Funds:</i>					
Pitt County Grant	\$216,000	\$324,000	\$36,000	\$360,000	(\$144,000)
Sewer Operating Fund	(679,871)	(816,109)	(36,000)	(852,109)	172,238
<b>TOTAL OTHER FINANCING (USES)</b>	<b>(\$463,871)</b>	<b>(\$492,109)</b>	<b>\$0</b>	<b>(\$492,109)</b>	<b>\$28,238</b>
<b>Revenues Over Other Financing (Uses)</b>	<b>\$0</b>	<b>\$435</b>	<b>\$19</b>	<b>\$454</b>	<b>\$454</b>
Fund Balance, Beginning			435		
<b>Fund Balance, Ending</b>			<b>\$454</b>		

**CONTENTNEA METROPOLITAN SEWERAGE DISTRICT**  
**DEBT SERVICE FUND**  
**SCHEDULE OF REVENUES AND EXPENDITURES-BUDGET AND ACTUAL (NON-GAAP)**  
From Inception and for the Fiscal Year Ended June 30, 2021

	Project Authorization	Actual		Total To Date	Variance Favorable (Unfavorable)
		Prior Year	Current Year		
<b>REVENUES:</b>					
Investment Income		\$11,259	\$598	\$11,857	\$11,857
<b>TOTAL REVENUES</b>	<b>\$0</b>	<b>\$11,259</b>	<b>\$598</b>	<b>\$11,857</b>	<b>\$11,857</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
<i>Transfer From Other Funds:</i>					
Sewer Operating Fund	\$409,500	\$409,500		\$409,500	
Capital Projects Fund	470,000	470,000		470,000	
Debt Service	(879,500)				\$879,500
<b>TOTAL OTHER FINANCING (SOURCES)</b>	<b>\$0</b>	<b>\$879,500</b>	<b>\$0</b>	<b>\$879,500</b>	<b>\$879,500</b>
<b>Revenues Over Other Financing (Sources)</b>	<b>\$0</b>	<b>\$890,759</b>	<b>\$598</b>	<b>\$891,357</b>	<b>\$891,357</b>
Fund Balance, Beginning			890,759		
<b>Fund Balance, Ending</b>			<b>\$891,357</b>		



**CONTENTNEA METROPOLITAN SEWERAGE DISTRICT**  
**SEWER CAPITAL PROJECTS FUND – WASTEWATER TREATMENT PLANT UPGRADING IMPROVEMENTS**  
**SCHEDULE OF REVENUES AND EXPENDITURES-BUDGET AND ACTUAL (NON-GAAP)**  
From Inception and for the Fiscal Year Ended June 30, 2021

	Annual Budget	Actual		Total To Date	Variance Favorable (Unfavorable)
		Prior Year	Current Year		
<b>REVENUES:</b>					
Investment Income		\$10,483	\$618	\$11,101	\$11,101
CMSD - Bore & Jack	\$212,538				(212,538)
CMSD - HWY 11 Lift Station	106,720				(106,720)
CMSD - Berm Improvement	32,900				(32,900)
Golden Leaf Grant - HWY 11 Lift Station	2,000,000	107,238	597,930	705,168	(1,294,832)
<b>TOTAL REVENUES</b>	<b>\$2,352,158</b>	<b>\$117,721</b>	<b>\$598,548</b>	<b>\$716,269</b>	<b>(\$1,635,889)</b>
<b>EXPENDITURES:</b>					
<i>CMSD - Bore &amp; Jack Repair Project:</i>					
Surveying	\$2,904	\$2,904		\$2,904	
Bore & Jack	204,363	204,363		204,363	
Final Clean Up	5,271	5,271		5,271	
<i>Subtotal</i>	<b>\$212,538</b>	<b>\$212,538</b>	<b>\$0</b>	<b>\$212,538</b>	<b>\$0</b>
<i>Golden Leaf Grant - HWY 11 Lift Station:</i>					
Professional & Technical	\$503,400	\$107,238	\$71,734	\$178,972	\$324,428
Land Acquisition	35,000				35,000
Construction Costs	6,473,900		660,610	660,610	5,813,290
Closing Costs	106,720				106,720
Contingency	323,695				323,695
<i>Subtotal</i>	<b>\$7,442,715</b>	<b>\$107,238</b>	<b>\$732,344</b>	<b>\$839,582</b>	<b>\$6,603,133</b>
<i>20 Inch Force Main Repair:</i>					
Construction	\$436,660		\$436,660	\$436,660	
Technical Services	41,056		36,336	36,336	\$4,720
Contingency	3,000				3,000
<i>Subtotal</i>	<b>\$480,716</b>	<b>\$0</b>	<b>\$472,996</b>	<b>\$472,996</b>	<b>\$7,720</b>
<i>Berm Improvement:</i>					
Construction	\$1,246,100		\$520	\$520	\$1,245,580
Engineering Services	274,300		101,171	101,171	173,129
Closing Costs	32,900				32,900
Contingency	124,600				124,600
<i>Subtotal</i>	<b>\$1,677,900</b>	<b>\$0</b>	<b>\$101,691</b>	<b>\$101,691</b>	<b>\$1,576,209</b>
<b>TOTAL EXPENDITURES</b>	<b>\$9,813,869</b>	<b>\$319,776</b>	<b>\$1,307,031</b>	<b>\$1,626,807</b>	<b>\$8,187,062</b>
<b>Revenues Over (Under) Expenditures</b>	<b>(\$7,461,711)</b>	<b>(\$202,055)</b>	<b>(\$708,483)</b>	<b>(\$910,538)</b>	<b>\$6,551,173</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
<i>Transfer To/From Other Fund:</i>					
(To)/From Debt Reserve Fund	(\$470,000)	(\$470,000)		(\$470,000)	
Transfer from Impact & Access Fees (20 Inch Force Main)	480,716		\$480,716	480,716	
NCDEQ - DWI (HWY 11 Lift Station)	5,335,995				(\$5,335,995)
NC CWSRF (Berm Improvement)	1,645,000				(1,645,000)
From Previous Projects	470,000	1,415,685		1,415,685	945,685
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>\$7,461,711</b>	<b>\$945,685</b>	<b>\$480,716</b>	<b>\$1,426,401</b>	<b>(\$6,035,310)</b>
<b>Revenues and Other Financing Sources Over (Under) Expenditures</b>	<b>\$0</b>	<b>\$743,630</b>	<b>(\$227,767)</b>	<b>\$515,863</b>	<b>\$515,863</b>
<b>Fund Balance, Beginning</b>			743,630		
<b>Fund Balance, Ending</b>			<b>\$515,863</b>		

**COMPLIANCE SECTION**



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NORTH CAROLINA ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS  
AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

**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**

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**INDEPENDENT AUDITOR'S REPORT**

To the Board Members of Contentnea Metropolitan Sewerage District  
PO Box 477  
Grifton, North Carolina 28530

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the business-type activities of Contentnea Metropolitan Sewerage District as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Contentnea Metropolitan Sewerage District's basic financial statements, and have issued our report thereon dated October 18, 2021.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Contentnea Metropolitan Sewerage District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Contentnea Metropolitan Sewerage District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses as item 2021-1 to be a material weakness.

A *significant deficiency* is a deficiency or 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. We consider the deficiency described in the accompanying schedule of findings and responses as item 2021-2 to be a significant deficiency.

**Compliance and Other Matters**

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

**Contentnea Metropolitan Sewerage District's Response to Findings**

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on it.

**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 result 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.

*Barrow, Parris & Davenport, P.A.*

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BARROW, PARRIS & DAVENPORT, P.A.  
KINSTON, NC

October 18, 2021

**CONTENTNEA METROPOLITAN SEWERAGE DISTRICT**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
 For the Fiscal Year Ended June 30, 2021

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**MATERIAL WEAKNESS**  
**FINDING 2021-1**

*Criteria:* Duties should be segregated to provide reasonable assurance that transactions are handled appropriately, and assets are adequately safeguarded.

*Condition:* There is a lack of segregation of duties among Contentnea Metropolitan Sewerage District personnel.

*Effect:* The District's internal control process cannot ensure that errors will be detected by employees in the normal course of performing their assigned functions.

*Cause:* There are a limited number of personnel for certain functions.

*Recommendation:* The District, whenever possible, should segregate its administrative duties to the extent practical to maximize the benefit of its internal control procedures.

*Views of Responsible Officials and Planned Corrective Action:*

Contentnea Metropolitan Sewerage District agrees with this finding. The District will continue to monitor its internal controls in an effort to alleviate inherent limitations placed on small districts.

**SIGNIFICANT DEFICIENCY**  
**FINDING 2021-2**

*Criteria:* N.C. General Statute 159-8(a) states that all moneys received and expended by a local government should be included in the Budget Ordinance.

*Condition:* One Budget Over-Expenditure occurred in the Sewer Fund

*Effect:* Expenditures were incurred that had not been budgeted.

*Cause:* One department should have been amended prior to expenditures occurring.

*Recommendation:* The budget should be monitored closely to ensure that appropriations are available before expenditures are incurred.

*Views of Responsible Officials and Planned Corrective Action:*

Contentnea Metropolitan Sewerage District agrees with this finding. Management failed to notice Professional Services had been over-expended as a result of year-end payables. The budget will be monitored more closely in the future, paying particular attention to year end accruals.