



Financial Statements

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



**Nunn, Brashear
& Uzzell, P.A.**

Accountants and Consultants
919-778-1000

REVIEWED

By SLGFD at 9:33 am, Oct 28, 2021

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Fork Township Sanitary District
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June 30, 2021

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Independent Auditors' Report

To the Board Members
Fork Township Sanitary District
Goldsboro, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Fork Township Sanitary District, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District'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 controls 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 audits to obtain reasonable assurance about whether the financial statements are free from 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 auditors' 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 auditors consider 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, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Fork Township Sanitary District, as of June 30, 2021, and the respective changes in financial position and cash flows 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 7 and the Local Government Employee's Retirement System's Schedules of Proportionate Share of the Net Pension Asset and Contributions, on pages 28 through 30, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information of 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 Fork Township Sanitary District's basic financial statements. The budgetary statements and Schedule of Expenditures of Federal Awards are presented for the purpose of additional analysis and are not a required part of the basic financial statements.

The budgetary statements and the Schedule of Expenditures of Federal Awards are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 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 budgetary statements and Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2021 on our consideration of Fork Township Sanitary District'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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standard* in considering Fork Township Sanitary District's internal control over financial reporting and compliance.

Nunn, Brashear, & Uzzell, P.A.

Goldsboro, North Carolina
October 15, 2021

Management's Discussion and Analysis

As management of Fork Township Sanitary District, we offer readers of Fork Township Sanitary District's financial statements this narrative overview and analysis of the financial activities of the District 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 the District's financial statements, which follow this narrative.

Financial Highlights

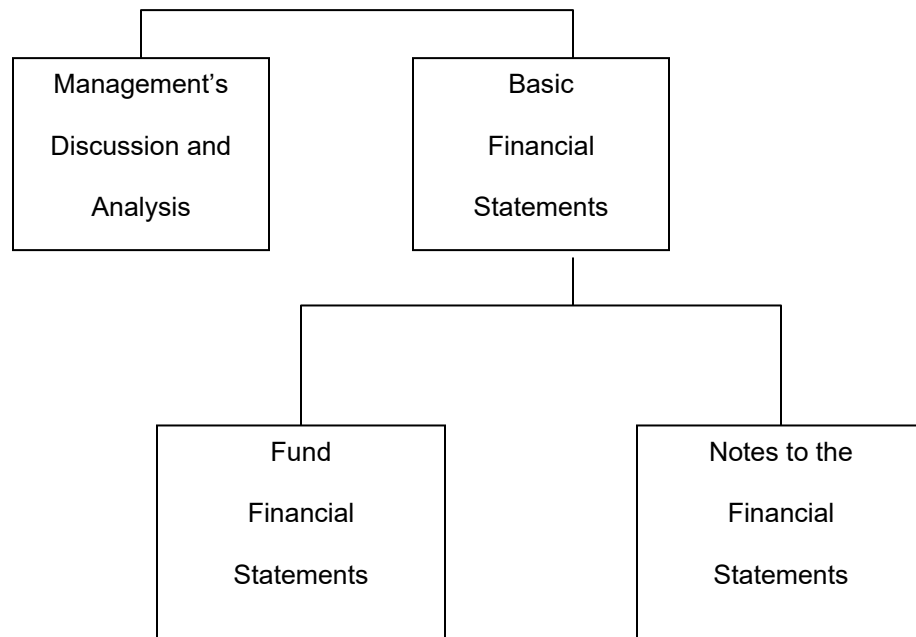
- The assets of the District exceeded its liabilities at the close of the fiscal year by \$23,977,191 (*net position*).
- The District's net position, for operations, increased by \$1,038,568 primarily due to increase in customer capital contributions.
- At the end of the current fiscal year the unrestricted net position was \$6,851,998.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to Fork Township Sanitary District's basic financial statements. The District's financial statements consist of two components: 1) fund financial statements, and 2) notes to the financial statements (see Figure 1). In addition to the basic financial statements, this report contains other supplemental information that will enhance the readers' understanding of the financial condition of Fork Township Sanitary District.

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

The Exhibits 1 through 3 are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the District's government. There is one part to the Fund Financial Statements: the proprietary fund statements.

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, supplemental information is provided to show details about the District's departments, all of which are added together in one column on the basic financial statements. Budgetary information required by the General Statutes also can be found in this part of the statements.

Fund Financial Statements

The fund financial statements (Exhibits 1 through 3) provide a more detailed look at the District's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fork Township Sanitary District, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the District's budget ordinance. Fork Township Sanitary District has one proprietary fund.

Proprietary Fund – Fork Township Sanitary District has one kind of proprietary fund. Enterprise Funds are used to report the same functions presented as business-type activities in the basic financial statements. Fork Township Sanitary District uses an enterprise fund to account for its primary mission of providing water and sewer services to a portion of southern Wayne County. The District does not provide other general government type services or programs. The District's operations, capital expansion program and debt service are funded almost entirely through rates, fees, and other service charges for water and sewer services. As such, the District is considered to be, and therefore, presents its financial report as a stand-alone enterprise fund.

Notes to the Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided in the fund financial statements. The notes to the financial statements start on page 14 of this report.

Basic Financial Analysis

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. Fork Township Sanitary District's assets exceeded liabilities by \$23,977,191 and \$22,938,619 as of June 30, 2021 and 2020, respectively. The District's net position increased by \$1,038,568 and by \$271,644 for the fiscal years ended June 30, 2021 and 2020, respectively. At June 30, 2021, this increase is reflected in the District's Statement of Revenues and Expenditures on pages 32-33 of the financial statements. One of the largest portions of net position, \$17,125,193 (71.4%) and \$15,748,055 (68.7%) reflects the District's net investment in capital assets (e.g. water/sewer system) as of June 30, 2021 and 2020, respectively. The remaining balance of \$6,851,998 (28.6%) and \$7,190,564 (31.3%) as of June 30, 2021 and 2020 respectively is unrestricted.

**Fork Township Sanitary District
Net Position
Figure 2**

	Business- Type Activity 2021	Business- Type Activity 2020
Current assets	\$ 7,597,663	\$ 7,802,983
Capital assets	20,679,720	27,207,420
Deferred outflow of resources	86,608	98,384
Total assets and deferred outflow of resources	28,363,991	35,108,787
Current liabilities	990,216	784,153
Long-term liabilities	3,390,058	3,578,954
Deferred inflow of resources	6,526	4,078
Total liabilities and deferred inflow of resources	4,386,800	4,367,185
Net position:		
Net investment in capital assets	17,125,193	15,748,059
Unrestricted	6,851,998	7,190,564
Total net position	\$ 23,977,191	\$ 22,938,623

One particular aspect of the District's financial operations positively influenced the total unrestricted net position:

- Continued management of District expenses for efficiency of operations.

**Fork Township Sanitary District
Changes in Net Position
Figure 3**

	Business- Type Activity 2021	Business- Type Activity 2020
Revenues:		
Program revenues		
Charges for services	\$ 2,558,739	\$ 2,386,008
Operating grants and contributions	811,400	140,601
Other	1,473	15,504
Total revenues	3,371,612	2,542,113
Expenses:		
Business-type activity	2,333,044	2,270,469
Sewer and water expenses	2,333,044	2,270,469
Increase (decrease) in net position	1,038,568	271,644
Net position, July 1	22,938,623	22,666,979
Net position, June 30	\$ 23,977,191	\$ 22,938,623

Business-type Activity: The business-type activity increased the District's net position by \$1,038,568, thereby accounting for part of the change in the net position of Fork Township Sanitary District. The key elements of the increase is as follows:

- Higher revenues than expected from services.
- Capital contributions from customers.

The District is empowered to levy and collect taxes, but has never exercised its power to do so since it began operations in February of 1984. The District does not receive funding from any taxing authorities within its service area. The operations and capital outlay are funded almost entirely from fees charged to customers for water, sewer, and other related services. Other related type charges include service charges, tap-on fees, refunds, and impact fees. As such, the District's revenue stream is impacted by fluctuations in demand for water and sewer services and other economic factors.

Financial Analysis of the District's Fund

As noted earlier, Fork Township Sanitary District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Proprietary Fund: Fork Township Sanitary District's proprietary fund provides the same type of information found in the basic financial statements but in more detail. Unrestricted net position was \$6,851,998 at the end of the fiscal year. Other factors concerning the finances of this fund have already been addressed in the discussion of Fork Township Sanitary District's business-type activity.

Capital Asset Administration

Capital assets: Fork Township Sanitary District's capital assets for its business-type activity as of June 30, 2021, totals \$20,679,720 (net of accumulated depreciation). These assets include sewer system, buildings, machinery and equipment, and vehicles.

Major capital asset transactions during the year include:

- Update to the water systems, including a chlorination project for a cost of \$1,648,065.
- Emergency generators – construction in progress – for a cost through June 30, 2021 of \$408,502.
- Truck replacement of \$24,487

Fork Township Sanitary District's Capital Assets
(net of depreciation)
Figure 4

	Business- Type Activity 2021	Business- Type Activity 2020
Land	\$ 637,999	\$ 637,999
Construction in progress	408,502	126,741
Capital assets	31,427,863	29,653,058
Vehicles	136,936	140,564
Less: Accumulated Depreciation	<u>(11,931,580)</u>	<u>(11,153,925)</u>
	<u>\$ 20,679,720</u>	<u>\$ 19,404,437</u>

Additional information on the District's capital assets can be found in Note I, E, 5 and II, A, 4 of the Basic Financial Statements.

Outlook for the Next Year

The 2021-2022 budgets approved for the District are operating revenues of \$2,584,958 and non-operating revenues of \$629,403 for a total of \$3,214,361, which is a decrease of \$1,019,639, (24.0%), from the prior year final budget. Expenses are budgeted at \$3,214,361, which is a decrease of \$1,737,139, (35.10%), from the prior year budget. Capital outlay is budgeted at \$341,308, which is a decrease of \$2,415,192, (87.6%), from prior year budget. The District did not use any appropriations to balance the budget.

The decrease in budgeted revenues is due to a specific grant received during the 2020-2021 fiscal year. The decrease in budgeted capital outlay, directly related to the decrease in budgeted expenses, is due to several significant capital construction projects coming to completion.

Requests for Information

This report is designed to provide an overview of the District'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 Fork Township Sanitary District, Attn: Karen Byrdsong, Finance Officer, P.O. Box 1515, Goldsboro, NC 27533, (919) 731-2551, www.forktownship.com.

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Fork Township Sanitary District

District Board Members and Key Staff

June 30, 2021

District Board Members

Henry Braswell, Chairman

Danny Hope, Vice-Chairman

Beverly Keen, Secretary

Tony McCabe, Assistant Secretary

Tim Gardner

Operations/Administrative Management

Glenn Kennedy, Jr., District Manager

Karen Byrdsong, Finance Officer

Paige Hartley, Office Manager

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Basic Financial Statements

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Fork Township Sanitary District
Statement of Net Position
Proprietary Fund
June 30, 2021

	2021
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 6,753,914
Investment	11,877
Accounts receivable - trade	410,382
Sales tax receivable	35,816
Inventories	17,058
Restricted cash	368,616
Total current assets	<u>7,597,663</u>
Noncurrent assets:	
Capital assets:	
Land and non-depreciable improvements	996,001
Other capital assets	31,615,299
	<u>32,611,300</u>
Less accumulated depreciation	<u>(11,931,580)</u>
Total capital assets	<u>20,679,720</u>
Total assets	<u>28,277,383</u>
Deferred Outflows of Resources	
Pension deferrals	<u>86,608</u>
LIABILITIES	
Current liabilities:	
Current maturities of long-term debt	245,380
Accounts payable	320,510
Accrued vacation pay	36,385
Payroll liabilities	19,325
Payable from restricted assets:	
Customer meter deposits	327,995
Customer advances for construction	40,621
Total current liabilities	<u>990,216</u>
Long-term liabilities:	
Net pension liability	218,694
Due in more than one year, less current maturities	<u>3,171,364</u>
Total long-term liabilities	<u>3,390,058</u>
Total liabilities	<u>4,380,274</u>
Deferred Inflows of Resources	
Pension deferrals	<u>6,526</u>
NET POSITION	
Net investment in capital assets	17,262,977
Unrestricted	<u>6,714,214</u>
Total net position	<u><u>\$ 23,977,191</u></u>

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

Fork Township Sanitary District
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Fund
For the Year Ended June 30, 2021

	<u>2021</u>
OPERATING REVENUES	
Charges for services:	
Customer water and sewer charges	\$ 2,276,227
Service charges	50,785
Tap fees	68,507
Penalty income	24,429
Impact fees	132,840
Miscellaneous revenues	5,951
Total operating revenues	<u>2,558,739</u>
OPERATING EXPENSES	
Salaries and benefits	622,397
Insurance and bonds	21,801
Engineering services	12,250
Telephone and postage	34,303
Miscellaneous	5,937
Tap installation	32,400
Professional services	16,120
Travel, education and training	855
Building, equipment and line maintenance	286,245
Vehicle maintenance	18,522
Office supplies	27,688
Supplies and chemicals	223,150
Water testing supplies	13,647
Utilities	128,008
Sewage treatment and waste hauling	52,379
Advertising	1,968
Bank service charges	22,881
Dues and subscriptions	3,108
Permits and fees	3,615
Depreciation and amortization	805,770
Total operating expenses	<u>2,333,044</u>
Operating income (loss)	<u>\$ 225,695</u>

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

Fork Township Sanitary District
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Fund
For the Year Ended June 30, 2021

	<u>2021</u>
NONOPERATING REVENUES (EXPENSES)	
Investment earnings	\$ 6,190
Bad debt expense	(13,600)
Returned checks	(2,639)
Gain (loss) on disposal of assets	11,522
Total Nonoperating revenues (expenses)	<u>\$ 1,473</u>
CAPITAL CONTRIBUTIONS:	
Customers	\$ 811,400
Total Nonoperating revenues (expenses)	<u>\$ 811,400</u>
Change in net position	1,038,568
Total net position - beginning	<u>22,938,623</u>
Total net position - ending	<u>\$ 23,977,191</u>

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

Fork Township Sanitary District
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2021

	2021
Cash flows from (used for) operating activities:	
Charges for services	\$ 2,445,265
Cash paid for goods and services	(734,955)
Cash paid for employees for services	(533,736)
Customer meter deposits	2,006
Net cash used for operating activities	<u>1,178,580</u>
Cash flows from (used for) capital and related financing activities:	
Principal payments on long-term debt	(239,638)
Proceeds from customer construction	811,400
Acquisition of capital assets	(2,081,054)
Sales of assets	11,522
Customer advances for private construction	14,804
Due from developers	37,996
Government grant receivable	309,941
Net cash provided by noncapital financing activities	<u>(1,135,029)</u>
Cash flows from investing activities:	
Interest on investments	6,190
Returned checks/bad debt	(16,239)
Net cash used for capital and related financing activities	<u>(10,049)</u>
Net increase (decrease) in cash and cash equivalents	33,502
Cash and cash equivalents, July 1	<u>7,100,905</u>
Cash and cash equivalents, June 30	<u><u>\$ 7,134,407</u></u>

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

Fork Township Sanitary District
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2021

Reconciliation of operating loss to net cash used for operation activities:

Operating income (loss)	\$ 225,695
Adjustments to reconcile operating loss to net cash used for operating activities:	
Depreciation	805,770
(Increase) decrease in operating assets	
Accounts receivable - trade	(113,474)
Sales tax receivable	6,454
Inventories	(2,095)
Deferred outflows of resources for pensions	11,776
Increase (decrease) in operating liabilities	
Accounts payable	165,565
Accrued vacation	4,371
Payroll liabilities	19,325
Customer meter deposits	2,003
Net pension liability	50,742
Deferred inflows of resources for pensions	2,448
Net cash used for operating activities	<u>\$ 1,178,580</u>
Reconciliation of cash - ending	
Cash	\$ 6,753,914
Investment	11,877
Restricted cash	368,616
Cash and cash equivalents, June 30	<u>\$ 7,134,407</u>

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

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Fork Township Sanitary District

Notes to the Financial Statements

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Fork Township Sanitary District (the “District”) conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies.

A. Reporting Entity

Fork Township Sanitary District exists to provide and maintain a water and sewer system for the residents within the District. The District is organized under Article 2, Part 2 of the General Statutes of North Carolina, Section 130A-47 to 130A-87. Fork Township Sanitary District is governed by a five member board. These financial statements are comprised solely of the District.

B. Basis of Presentation

The Statements of Net Position and the Statements of Revenues, Expenses and Changes in Net Position display information about the District. These statements include the financial activities of the District. 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 or ancillary activities.

The District reports the following major proprietary fund:

Enterprise Fund – This fund is used to account for the District's water and sewer operations.

C. Measurement Focus and Basis of Accounting

In accordance with North Carolina General Statutes, the District's fund is maintained during the year using the modified accrual basis of accounting.

The proprietary funds are accounted for on 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. Non-exchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants, entitlements, and donations. Revenue from grants, entitlements and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund are charges to customers for water sales and sewer service. The District also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water and sewer system.

Operating expenses for the Enterprise Fund include the cost of sales and services, administrative expenses, and depreciating on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Fork Township Sanitary District

Notes to the Financial Statements

D. Budgetary Data

The District'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.

The budget is prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for the Enterprise Fund and at the project level for the multi-year funds. Amendments are required for any revisions that alter the total expenditures of any fund or change functional appropriations by more than \$5,000. During the year several immaterial amendments to the original budget were necessary. The budget must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

1. Deposits and Investments

All of the District's deposits are made in Board-designated official depositories and are secured as required by State law (G.S. 159-31). The District may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the District 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 the District 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). The NCCMT Government Portfolio, a SEC-registered (2a-7) external investment pool, is measured at amortized cost, which is the NCCMT's share price. The District's investment in the NCCMT is presented as an investment on the Statement of Net Position.

2. Cash and Cash Equivalents

The District pools certain monies from several sources to facilitate disbursement and maximize investment income. Investment earnings are allocated to all funds based on the cash balance outstanding at the end of each month. Therefore, all cash and investments are essentially demand deposits and considered cash and cash equivalents. The District considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash and cash equivalents, and records them at cost.

Under GASB Codification 150: *Investments*, if a participant has an investment in a qualifying external investment pool that measures for financial reporting purposes all of its investments at amortized costs, it should disclose the presence of any limitations or restrictions on withdrawals (such as redemption notice periods, maximum transaction amounts, and the qualifying external investment pool's authority to impose liquidity fees or redemption gates) in the notes to the financial statements. As of June 30, 2021, there were no redemption fees, maximum transaction amounts, or any other requirements that serve to limit the District's access to 100 percent of their account value in the external investment pool.

Fork Township Sanitary District

Notes to the Financial Statements

3. Accounts Receivable

The District believes all future uncollectible amounts will be immaterial as all previous uncollectible amounts have been immaterial in nature. Therefore, no allowance for doubtful accounts is presented.

4. Inventory

The inventories of the District are valued at cost (first-in, first-out), which approximates market. The inventories of the District's enterprise fund consist of materials and supplies held for consumption. The costs of these inventories are expensed when consumed rather than when purchased.

5. Capital Assets

Property, plant and equipment of the District are recorded at original cost at the time of the acquisition or construction. Donated property, plant and equipment received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated property, plant and equipment received after June 15, 2015 are recorded at acquisition value. The District capitalizes expenditures for property and equipment in excess of \$2,500, except meters, which are expensed as purchased. 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. Any interest incurred during the construction phase of proprietary fund type capital assets is reflected in the capitalized value of the asset constructed.

Plants assets of the District are depreciated on a straight-line basis for water and sewer lines, at an estimated useful life of 50 years. Other assets of the District are depreciated using the straight-line basis. Estimated useful lives, in years, for depreciable assets are as follows:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	40 years
Machinery and equipment	5-10 years
Wells, tanks, water and sewer lines	40 years
Furniture and office equipment	5-10 years
Automobiles and light trucks	5 years

6. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The District has one item that meets this criterion – contributions made to the pension plan and pension related deferrals during the year ended June 30, 2021. In addition to liabilities, the statement of financial position will sometimes report a separate section to 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 District has one item that meets the criterion for this category – pension deferrals.

Fork Township Sanitary District

Notes to the Financial Statements

7. Restricted Cash and Receivables

Customer deposits held by the District before any services are provided are restricted to the service for which the deposit was collected. Restricted assets consist of cash deposited from the receipt of meter deposits of \$327,995 as of June 30, 2021. Upon termination of service meter deposits are applied to any unpaid balance and the remainder is refunded to the customer. Restricted cash also consists of cash received in advance from developers for construction of water-lines in the amount of \$40,621 as of June 30, 2021. Advances for construction can only be used to pay for the cost of the project for which it was received.

8. Compensated Absences

The vacation policy of the District provides for the accumulation of up to 240 hours earned vacation leave with such being fully vested when earned. Vacation is earned on the employee's anniversary year basis. The liability was \$36,385 for the District as of June 30, 2021.

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

9. Net position

Net position is classified as net investment in capital assets, restricted, and unrestricted. Restricted net position represents constraints on resources that are either a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or b) imposed by law through State statute. The District does not have any restricted net position as of the year ended June 30, 2021.

10. Defined Benefit Pension

The District participates in a cost-sharing, multiple-employer, defined benefit pension plan that is administered by the State – the Local Governmental Employees' Retirement System (LGERS). 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 reported by LGERS. For this purpose plan member contributions are recognized in the period in which the contributions are due. The District's employer contributions are recognized when due and the District has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERS. Investments are reported at fair value.

11. Estimates

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

Fork Township Sanitary District

Notes to the Financial Statements

12. Stewardship, Compliance, Accountability

Excess of Expenditures over Appropriations

The District spent \$16,239 in returned checks/bad debt expenses over the final budgeted amount of \$7,080, overspending the budget by \$9,159. This was caused by failing to budget for bad debt write offs. Management and the Board will more closely review the budget reports to ensure compliance in future years.

Note II – DETAIL NOTES ON ALL FUNDS

A. Assets

1. Deposits

All the deposits of the District are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the District'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 District, these deposits are considered to be held by the District's agents in their names. 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 District or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the District 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.

The District 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 provision of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2021, the District's deposits had a carrying amount of \$7,122,530 and a bank balance of \$7,539,625. Of the bank balances, up to \$250,000 was covered by federal depository insurance. \$7,289,625 in interest bearing deposits were covered by collateral held under the Pooling Method. The District maintained \$350 in cash on hand at June 30, 2021.

Fork Township Sanitary District

Notes to the Financial Statements

2. Investments

As of June 30, 2021, the District had the following investment and maturity:

Investment Type	Valuation Measurement Method	Level 1 Fair Value	Less Than 6 Months	6-12 Months
NC Capital Management Trust-Government Portfolio	Fair Value-Level 1	\$ 11,877	\$ 11,877	N/A
Total		<u>\$ 11,877</u>		

All investments are measured using the market approach: using prices and other relevant information generated by market transactions involving identical or comparable assets or a group of assets.

Level of fair value hierarchy: Level 1: Debt securities valued using directly observable, quoted prices (unadjusted) in active markets for identical assets.

Interest Rate Risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the District's investment policy limits at least half of the District's investment portfolio to maturities of less than 12 months. Also, the District's investment policy requires purchases of securities to be tiered with staggered maturity dates and limits all securities to a final maturity of no more than three years.

Credit Risk. The District limits investments to the provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. State law limits investments in commercial paper to the top rating issued by nationally recognized statistical rating organizations (NRSROs); however, the District has no formal policy of managing credit risk. As of June 30, 2020, the District's investments in the NC Capital Management Trust Government Portfolio carried a credit rating of AAA by Standard & Poor's.

3. Receivables

Receivables at the government-wide level at June 30, 2021, were as follows:

	Accounts	Due From Customers	Other	Total
Business-type Activity:				
Water and sewer	<u>\$ 287,186</u>	<u>\$ 123,196</u>	<u>\$ 35,816</u>	<u>\$ 446,198</u>

Fork Township Sanitary District Notes to the Financial Statements

4. Capital Assets

Capital assets activity for the fiscal year ended June 30, 2021 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 587,499	\$ -	\$ -	\$ 587,499
Construction in Progress	126,741	408,502	126,741	408,502
Total capital assets not being depreciated	714,240	408,502	126,741	996,001
Capital assets being depreciated:				
Water and sewer facilities	29,027,781	1,774,806	-	30,802,587
Buildings	561,920	-	-	561,920
Furniture and equipment	113,856	-	-	113,856
Vehicles	140,565	24,487	28,116	136,936
Total capital assets being depreciated	\$ 29,844,122	\$ 1,799,293	\$ 28,116	\$ 31,615,299
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Accumulated depreciation:				
Water and sewer facilities	\$ 10,856,892	\$ 765,189	\$ -	\$ 11,622,081
Buildings	129,955	16,956	-	146,911
Furniture and equipment	67,713	6,441	-	74,154
Vehicles	99,365	17,184	28,115	88,434
Total accumulated depreciation	11,153,925	805,770	28,115	11,931,580
Total capital assets being depreciated, net	18,690,197			19,683,719
Total capital assets, net	<u>\$ 19,404,437</u>			<u>\$ 20,679,720</u>

Construction Commitments

The District has active construction projects as of June 30, 2021. At year-end, the District's commitments with contractors are as follows:

	Spent-to-date	Remaining Commitment
CN 270-Standby Power	\$ 173,303	\$ 370,197
CN 279-Coburn Drive	-	12,580
Total	<u>\$ 173,303</u>	<u>\$ 382,777</u>

Fork Township Sanitary District

Notes to the Financial Statements

B. Liabilities

1. Payables

Payables at the government-wide level at June 30, 2021, were as follows:

	Vendors	Payroll Tax Liabilities	Other	Total
Business-type activity				
Water and sewer	\$ 320,513	\$ 19,325	\$ 36,385	\$ 376,223

The District has two credit cards with a financial institution for use by the General Manager and office staff when needed for approved expenses. The outstanding balances are paid in full each month. Credit lines at the end of the year total \$1,500.

2. Pension Plan Obligations

a. Local Governmental Employees' Retirement System

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

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

Fork Township Sanitary District

Notes to the Financial Statements

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. District employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The District's contractually required contribution rate for the year ended June 30, 2021, was 9.70%, 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. An additional .070% was also contributed for the death benefit associated with the LGERS pension. Contributions to the pension plan from the District were \$34,401 for the year ended June 30, 2021.

Refunds of Contributions. District 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 income, and Deferred Outflows of Resources and Deferred inflows of Resources Related to Pensions

At June 30, 2021, the District reported a liability of \$218,694, 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 asset 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. The District's proportion of the net pension liability was based on a projection of the District'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, the District's proportion was .00612% (measurement date), which was a decrease of .00003% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the District recognized pension expense of \$105,934 which has been reported on the statement of revenues, expenses and changes in net position within fringe benefits. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources to pensions from the following sources:

Fork Township Sanitary District

Notes to the Financial Statements

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 27,617	\$ -
Changes in assumption	16,275	-
Net difference between projected and actual earnings on pension plan investments	30,775	-
Changes in proportion and differences between District contributions and proportionate share of contributions	1,658	6,526
District contributions subsequent to measurement date	10,283	-
Total	<u>\$ 86,608</u>	<u>\$ 6,526</u>

For fiscal year ended June 30, 2021, \$10,283 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ended June 30,	
2022	\$ 20,515
2023	25,822
2024	14,356
2025	9,108
2026	-
Thereafter	-
	<u>\$ 69,801</u>

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

Inflation	3.0 percent
Salary increases	3.5 percent to 8.10 percent, including inflation and productivity factor
Investment rate of return	7.00 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 passed 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.

Fork Township Sanitary District

Notes to the Financial Statements

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

The target allocation and best estimates of arithmetic real rates of return for each major asset class as June 30, 2020 are summarized in the follow tables:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternative	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	6.0%	4.0%
Total	100.0%	

The information above is based on 30 years expectations developed with the consulting actuary for the 2018 asset, liability, and investment policy study of the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.05%. All rates of return and inflation are annualized.

Discount rate. The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits 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 District's proportionate share of the net pension asset to changes in the discount rate. The following presents the District's proportionate share of the net pension asset calculated using the discount rate of 7.00 percent, as well as what the District'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 percent) or percentage point higher (8.0 percent) than the current rate:

Fork Township Sanitary District

Notes to the Financial Statements

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
District's proportionate share of net pension liability (asset)	\$ 443,706	\$ 218,694	\$ 31,693

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

3. Other Employment Benefit

The District has elected to provide death benefits to employees through the Death benefit Plan for members of the Local Governmental 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 District, the District does not determine the number of eligible participants. The District 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. The District considers these contributions to be immaterial.

4. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to contract laborers; and natural disasters.

The District maintains commercial insurance coverage for all risks of loss. There have been no significant reductions in insurance coverage in the prior year and settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The District is not 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 and does not carry flood insurance.

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

Fork Township Sanitary District Notes to the Financial Statements

5. Long-term Debt

Long-term debt consists of the following at June 30, 2021:

	<u>2021</u>
NC Department of Environmental Quality (NCDEQ), \$480,5000 with \$231,674 principal forgiveness by the NCDEQ, due in annual principal installments of \$11,007 through 2030, interest at 0%.	\$ 99,059
NCDEQ, \$1,698,722, due in annual principal installments of \$94,373 through 2030, interest at 0%.	849,361
NCDEQ, \$3,171,860 with \$500,000 principal forgiveness by the NCDEQ, due in annual principal installments of \$140,000 through 2039, interest at 0%, with first payment in 2020.	<u>2,468,324</u>
Total Long-Term Debt	3,416,744
Less current maturities of long-term debt	<u>(245,380)</u>
Due in more than one year, less current maturities	<u><u>\$ 3,171,364</u></u>

Estimated maturities of long-term debt for next five years and thereafter are as follows:

Year Ending June 30,	<u>Payment</u>
2022	\$ 245,380
2023	245,380
2024	245,380
2025	245,380
2026	245,380
Thereafter	<u><u>\$ 2,189,844</u></u>

The projects associated with the NCDEQ (DWI Water Improvement Project) long-term debt listed above were completed in the fiscal year ending June 30, 2020.

Changes in long-term debt for the fiscal year ending June 30, 2021 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Note payable - NCDEQ	\$ 110,062	\$ -	\$ 11,007	\$ 99,055	\$ 11,007
Note payable - NCDEQ	943,738	-	94,373	849,365	94,373
Note payable - NCDEQ	2,602,582	-	134,258	2,468,324	140,000
Net pension liability (LGERS)	167,952	50,742	-	218,694	-
Total	<u><u>\$ 3,824,334</u></u>	<u><u>\$ 50,742</u></u>	<u><u>\$ 239,638</u></u>	<u><u>\$ 3,635,438</u></u>	<u><u>\$ 245,380</u></u>

6. Contingent Liabilities

At June 30, 2021, the District was not a defendant in any lawsuits.

Fork Township Sanitary District

Notes to the Financial Statements

NOTE III – SERVICE COMMITMENTS

At June 30, 2021, the District had two active service commitments. The first is with Sensus USA, Inc. for Hosted Hardware Support and Sensus Analytics Support. The second commitment is for the leased copier at the District office. These agreements require payments as outlined in the following table:

Year Ending June 30,	Sensus	Leased Copier	Total
2022	\$ 17,700	\$ 4,041	\$ 21,741
2023	18,150	-	18,150
2024	18,600	-	18,600
2025	19,050	-	19,050
2026	16,800	-	16,800
Thereafter	-	-	-
Total	<u>\$ 90,300</u>	<u>\$ 4,041</u>	<u>\$ 94,341</u>

NOTE IV – SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 15, 2021, the date on which the financial statements were available to be issued.

COVID-19

The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of various businesses. During the 2020/2021 fiscal year, the Governor of North Carolina issued executive order 124/142. The order prohibited utility providers from disconnecting customers unable to pay during the COVID-19 pandemic and from collecting fees, penalties, or interest for late payments. Because the District had a rate increase this order did not affect the revenues of the District. Recent increase in COVID-19 cases in North Carolina could compel the Governor of North Carolina to issue a similar order. The uncertainty and disruption is expected to be temporary; however, the related financial impact and duration cannot be reasonably estimated at this time.

GRANT FUNDING

In August, 2020, the District received notification from the Golden LEAF Foundation that the Golden LEAF Board of Directors approved an award of \$725,000 for the cost and installation of backup generators. The District completed the project in the 2021-2022 fiscal year and expects to receive the funding during the June 30, 2022 fiscal year.

Required Supplementary Information

Schedule of District Proportionate Share of the Net Pension Liability (Asset)
Local Government Employees' Retirement System

Schedule of District Contributions
Local Government Employees' Retirement System

Fork Township Sanitary District
Schedule of the District's Proportionate Share of the Net Pension Liability (Asset)
 Local Governmental Employees' Retirement System
 Last Eight Fiscal Years *

	<u>2021</u>	<u>2020</u>	<u>2019</u>
District's proportion of the net pension liability (asset) %	0.00612%	0.00615%	0.00608%
District's proportionate share of the net pension liability	\$ 218,694	\$ 167,952	\$ 144,238
District's covered employee payroll	\$ 387,826	\$ 383,094	\$ 389,408
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	56.390%	43.841%	37.040%
Plan fiduciary net position as a percentage of the total pension liability	86.610%	90.860%	91.630%

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

Note: Southern Wayne Sanitary District implemented GASB Statement No. 68 for the fiscal year ended June 30, 2015; therefore, ten years of data is not yet available.

2018	2017	2016	2015	2014
0.00619%	0.00517%	0.00513%	-0.00477%	0.00580%
\$ 94,565	\$ 109,724	\$ 23,023	\$ (28,131)	\$ 69,912
\$ 388,826	\$ 352,045	\$ 339,169	\$ 309,636	\$ 303,234
24.321%	31.168%	6.790%	-9.090%	23.060%
94.180%	91.470%	98.090%	102.640%	94.350%

Fork Township Sanitary District
Schedule of District Contributions
Local Governmental Employees' Retirement System
Last Eight Years *

	2021	2020	2019
Contractually required contribution	\$ 37,548	\$ 34,401	\$ 27,293
Contributions in relation to the contractually required contribution	<u>37,531</u>	<u>34,401</u>	<u>27,293</u>
Contribution deficiency (excess)	<u>\$ 17</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 387,826	\$ 383,094	\$ 389,408
Contributions as a percentage of covered-employee payroll	9.677%	8.980%	7.009%

Note: Southern Wayne Sanitary District implemented GASB Statement No. 68 for the fiscal year ended June 30, 2015; therefore, ten years of data is not yet available.

<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
\$ 30,493	\$ 28,226	\$ 23,720	\$ 23,658	\$ 20,828
<u>30,493</u>	<u>28,226</u>	<u>23,720</u>	<u>23,658</u>	<u>20,828</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 403,344	\$ 388,826	\$ 352,045	\$ 339,169	\$ 309,636
7.560%	7.259%	6.740%	6.980%	6.730%

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Supplementary Information

Fork Township Sanitary District
Statement of Revenues and Expenditures-Budget and Actual-(Non-GAAP)
For the Year Ended June 30, 2021

	2021			Variance
	Original Budget	Final Budget	Actual	Positive (Negative)
Operating Revenues:				
Operating revenues	\$ 2,258,050	\$ 2,395,050	\$ 2,558,740	\$ 163,690
Total operating revenues	<u>2,258,050</u>	<u>2,395,050</u>	<u>2,558,740</u>	<u>163,690</u>
Other Revenues (Expenditures):				
Investment earnings	18,450	18,450	6,190	(12,260)
Returned checks/bad debt	(7,080)	(7,080)	(16,239)	(9,159)
Capital contributions - customers	190,000	1,815,000	811,400	(1,003,600)
Total other revenues (expenditures)	<u>201,370</u>	<u>1,826,370</u>	<u>801,351</u>	<u>(1,025,019)</u>
Expenditures:				
Salaries and benefits	525,800	555,800	553,061	2,739
Insurance and bonds	18,000	24,000	21,801	2,199
Engineering services	30,000	100,000	12,250	87,750
Telephone	30,500	40,500	34,303	6,197
Miscellaneous	6,500	7,500	5,937	1,563
Tap installation	25,300	40,300	32,400	7,900
Professional services	16,500	17,000	16,120	880
Travel, education and training	1,500	1,500	855	645
Building, equipment, line maintenance	204,320	324,320	286,245	38,075
Vehicle maintenance	23,600	23,600	18,522	5,078
Office supplies and postage	24,500	31,500	27,688	3,812
Water purchase and chemicals	293,800	293,800	223,150	70,650
Water testing supplies	15,400	15,400	13,647	1,753
Utilities	115,200	140,200	128,008	12,192
Sewage treatment and waste hauling	51,850	96,850	52,379	44,471
Advertising	3,200	3,200	1,968	1,232
Bank service charges	22,200	27,200	22,881	4,319
Dues and subscriptions	1,400	4,400	3,108	1,292
Permits and fees	5,350	5,350	3,615	1,735
GIS mapping	25,000	25,000	-	25,000
Radiation control	3,500	3,500	-	3,500
Contingencies	25,000	100,000	-	100,000
Debt principal	245,380	245,380	239,638	5,742
Total operating expenditures	<u>\$ 1,713,800</u>	<u>\$ 2,126,300</u>	<u>\$ 1,697,576</u>	<u>\$ 428,724</u>

Fork Township Sanitary District
Statement of Revenues and Expenditures-Budget and Actual-(Non-GAAP)
For the Year Ended June 30, 2021

	2021			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Budgetary Appropriations:				
Capital outlay	\$ 814,000	\$ 2,756,500	\$ 2,081,054	\$ 675,446
Capital reserve	50,000	61,620	-	61,620
Sales of assets	(5,500)	(5,500)	(11,522)	6,022
Fund balance appropriated	(112,880)	(717,500)	-	(717,500)
Total budgetary appropriations	<u>745,620</u>	<u>2,095,120</u>	<u>2,069,532</u>	<u>25,588</u>
Total expenditures and appropriations	<u>2,459,420</u>	<u>4,221,420</u>	<u>3,767,108</u>	<u>454,312</u>
Excess of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (407,017)</u>	<u>\$ (407,017)</u>

	2021 Total
Reconciliation of modified accrual basis to full accrual basis:	
Total revenues	\$ 3,360,091
Total expenditures	<u>3,767,108</u>
Excess of revenues over (under) expenditures	<u>(407,017)</u>
Capital outlay	2,081,054
Depreciation	(805,770)
(Increase) decrease in accrued vacation pay	(4,371)
Increase (decrease) in deferred outflows of resources - pensions	(11,776)
(Increase) decrease in net pension liability	(50,742)
(Increase) decrease in deferred inflows of resources - pensions	(2,448)
Debt principal payment	239,638
Change in net position	<u>\$ 1,038,568</u>

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Compliance Section

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**Report On Internal Control Over Financial Reporting And On Compliance and Other Matters Based On
An Audit Of Financial Statements Performed In Accordance With *Government Auditing Standards*
Independent Auditors' Report**

To the Members of the Board of Directors
Fork Township Sanitary District
Goldsboro, North Carolina

We have audited, in accordance with the 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, the accompanying financial statements of the business-type activities of the Fork Township Sanitary District (District), as of and for the year ended June 30, 2021, and the related notes to the financial statement, which collectively comprises the Fork Township Sanitary District's basic financial statements, and have issued our report thereon dated October 15, 2021.

Internal Control Over Financial Reporting

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

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.

Nunn, Brashear, & Uzzell, P.A.

Goldsboro, North Carolina

October 15, 2021

Fork Township Sanitary District Schedule of Findings and Responses For the Fiscal Year Ended June 30, 2021

I. Summary of Auditors' Results

Financial Statement

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

Internal control over financial reporting:

Material weakness identified? Yes **X** No

Significant deficiency identified that is not considered to be a material weakness?	Yes	X	None reported
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Noncompliance material to financial statements noted Yes X No

Federal Awards

None

State Awards

None

Fork Township Sanitary District
Schedule of Findings and Responses
For the Fiscal Year Ended June 30, 2021

II. Financial Statement Findings

None Reported

III. Federal Awards Findings and Responses

None Reported

IV. State Awards Findings and Responses

None Reported

Fork Township Sanitary District
Summary Schedule of Prior Audit Findings
For the Fiscal Year Ended June 30, 2021

Finding 2017-001

Status: Corrected

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