

HARKERS ISLAND SANITARY DISTRICT  
HARKERS ISLAND, NORTH CAROLINA

ANNUAL FINANCIAL REPORT  
For the Year Ended June 30, 2021

**HARKERS ISLAND SANITARY DISTRICT**

**June 30, 2021**

**Board**

Clifford Rice  
Chairman

Arnold Asdenti

Myron "Doug" Johnson

Fred Schramm

Wayne Willis

**Harkers Island Sanitary District  
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June 30, 2021**

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### Independent Auditor's Report

To the Chairman of the Board  
and Members of the Board of Directors  
Harkers Island Sanitary District  
Newport, North Carolina

#### **Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities, each major fund, and the aggregate remaining fund information of the Harkers Island 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 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 opinions 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

## ***Opinions***

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 business-type activities, each major fund, and the aggregate remaining fund information of the Harkers Island Sanitary District as of June 30, 2021, and the respective changes in financial position and cash flows for the year then ended in conformity 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 and the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability and Contributions 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 response to our inquiries, the basis financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Harkers Island Sanitary District. The individual fund statements and budgetary schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

*Wilmington, North Carolina*

*November 2, 2021*

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## Management's Discussion and Analysis

As management of the Harkers Island Sanitary District, "District", we offer readers of the Harkers Island Sanitary District audited financial statements this narrative overview and analysis of the financial activities of the Harkers Island Sanitary 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

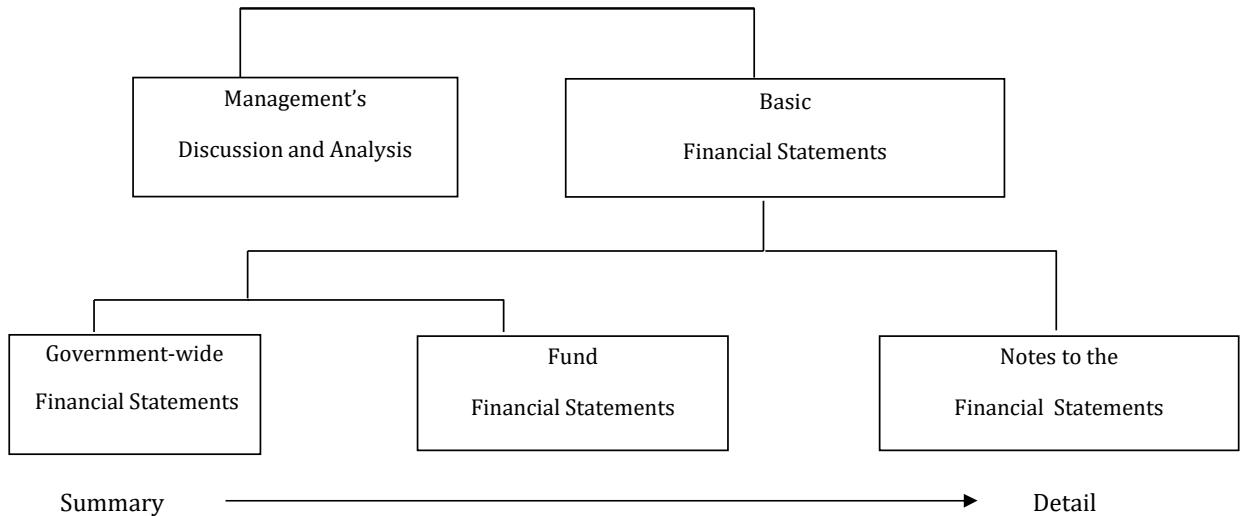
- The assets of the Harkers Island Sanitary District exceeded its liabilities at the close of the fiscal year by \$2,284,351 (net position).
- The District's total net position increased by \$169,776.
- The District's general operations resulted in operating income of \$567,079 for the year, and total net assets increased by \$8,547. The District strives to provide quality water and service while maintaining fees as low as possible.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Harkers Island Sanitary District's basic financial statements. The District's basic financial statements consist of two components: financial statements, and notes to the financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the District.

### Required Components of Annual Financial Report

Figure 1



## **Basic Financial Statements**

The first two statements (Exhibits 1 and 2) in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the District's financial status.

The next statement (Exhibit 3) is a **Fund Financial Statement**. This statement focus's on the activities of the individual parts of the District's government. This statement provides more detail than the government-wide 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 additional details about the District's individual fund. Budgetary information required by the North Carolina General Statutes can also be found in this part of the statements.

## **Government-Wide Financials Statements**

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

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

The government-wide statements show business-type activities, the only type of activities the District has. Business-type activities are those that the District charges customers to provide. These include providing water service to citizens and businesses in the district. The District does not have any governmental type activities or any component units.

## **Fund Financial Statements**

The fund financial statements 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. The Harkers Island 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. The District only has one proprietary fund.

Harkers Island Sanitary District adopts an annual budget as required by the General Statues. The budget is a legally adopted document that incorporates input from the citizens of the District, the management of the District, and the decisions of the board about which services to provide and how to pay for them. It also authorizes the District to obtain funds from identified sources to finance these current period activities. The budgetary schedule demonstrates how well the District complied with the budget ordinance and whether or not the District succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document.

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



**Government-Wide Financial Analysis**

**Harkers Island Sanitary District's Net Position  
Figure 2**

	2021	2020
<b>Assets:</b>		
Current and other assets	\$ 876,493	\$ 715,097
Capital assets	1,432,403	1,423,856
Total assets	<u>2,308,896</u>	<u>2,138,953</u>
<b>Liabilities:</b>		
Current liabilities	24,545	24,378
Total liabilities	<u>24,545</u>	<u>24,378</u>
<b>Net position:</b>		
Net investment in capital assets	1,432,403	1,423,856
Restricted	199,854	173,914
Unrestricted	652,094	516,805
Total net position	<u>\$ 2,284,351</u>	<u>\$ 2,114,575</u>

As noted earlier, net position may serve over time as one useful indicator of the District's financial condition. The assets of the District exceeded liabilities by \$2,284,351 as of June 30, 2021. The District's net position increased by \$169,776 for the fiscal year ended June 30, 2021. The Board of Directors has always tried to maintain water rates at the lowest possible level, which as a result of operating efficiencies remained unchanged. The capital assets net of accumulated depreciation, are \$1,432,403 or 63% of total assets and reflect the District's net investment in capital assets (e.g. land, distribution system and structures, machinery and equipment). The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

The Board of Directors continually monitors operating expenses and the cost of debt service to try to maintain sufficient revenues to operate the water system as efficiently as possible.

**Harkers Island Sanitary District's Changes in Net Position  
Figure 3**

	2021	2020
Operating revenue	\$ 567,079	\$ 487,844
Operating expenses	397,878	378,125
Operating income	169,201	109,719
Non-operating revenues/(expenses)	575	(7,652)
Increase (decrease) in net position	<u>169,776</u>	<u>102,067</u>
Net position, July 1	2,114,575	2,012,508
Net position, June 30	<u>\$ 2,284,351</u>	<u>\$ 2,114,575</u>

**Capital Asset and Debt Administration**

**Capital Assets.** The Harkers Island Sanitary District's investment in capital assets as of June 30, 2021 totals \$1,432,403 (net of accumulated depreciation). These assets included primarily wells, treatment facilities, and water distribution facilities.

**Harkers Island Sanitary District's Capital Assets  
(net of depreciation)  
Figure 4**

	2021	2020
Land	\$ 265,154	\$ 265,154
Capital assets being depreciated	1,167,249	1,158,702
<b>Total</b>	<b>\$ 1,432,403</b>	<b>\$ 1,423,856</b>

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

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

- FY 2020-2021 water consumption and operating expenses remained stable as compared to the prior year which kept water rates from increasing. NC Public Water Supply continues to promote water conservation which also keeps consumption down. The tap fees and system development fees continue to generate cash, although growth predictions continue to be conservative.
- Expenditures are projected to increase slightly for the year ending June 30, 2022. The increases are contributed to maintenance projects scheduled every five to ten years including performance tests of the wells along with upgrades and replacements of distribution water lines.
- The District continues the wireless communication management agreement with Utility Service Communications, Inc., out of Perry, Georgia. This agreement provides that the communication company will monitor the district sites and manage communication equipment installations, structures and enclosures as required with the site fee to increase 3% annually. In FY 2020-2021, the district received \$76,926 for tower rental space from carriers Verizon and AT&T.

**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 Accountant/Finance Officer, Harkers Island Sanitary District, P.O. Box 1490, Newport, North Carolina 28570.

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**Harkers Island Sanitary District  
Statement of Fund Net Position  
June 30, 2021**

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**ASSETS**

Current assets:

Cash and cash equivalents	\$ 625,421
Accounts receivable, customers (net)	40,339
Patronage receivable	5,096
Prepaid insurance	5,783
Restricted cash	199,854
Total current assets	<u>876,493</u>

Non-current assets:

Capital assets:

Land	265,154
Other capital assets, net of depreciation	1,167,249
Total capital assets	<u>1,432,403</u>
Total assets	<u>2,308,896</u>

**LIABILITIES**

Current liabilities:

Accounts payable	16,497
Payable from restricted assets	8,048
Total current liabilities	<u>24,545</u>
Total liabilities	<u>24,545</u>

**NET POSITION**

Net investment in capital assets	1,432,403
Restricted	199,854
Unrestricted	652,094
Total net position	<u>\$ 2,284,351</u>

**Harkers Island Sanitary District  
Statements of Revenues, Expenses, and  
Changes in Fund Net Position  
For the Fiscal Year Ended June 30, 2021**

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<b>OPERATING REVENUES</b>	
Charges for services	\$ 403,947
Operating fees	24,475
Antenna rental	76,926
Other revenue	61,731
Total operating revenues	<u>567,079</u>
 <b>OPERATING EXPENSES</b>	
Operating expenses	287,764
Depreciation	110,114
Total operating expenses	<u>397,878</u>
Operating income (loss)	<u>169,201</u>
 <b>NONOPERATING REVENUES (EXPENSES)</b>	
Interest earned on investments	575
<b>Total nonoperating revenues (expenses)</b>	<u>575</u>
<b>Income (loss) before transfers and capital contributions</b>	169,776
Change in net position	169,776
Net position, beginning	<u>2,114,575</u>
Net position, ending	<u><u>\$ 2,284,351</u></u>

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

**Harkers Island Sanitary District  
Statements of Cash Flows  
For The Fiscal Year Ended June 30, 2021**

	<b>Major Enterprise Fund</b>
<b>Cash flows from operating activities:</b>	
Cash received from customers	\$ 569,448
Cash paid for goods and services	(287,491)
Net cash provided (used) by operating activities	281,957
 <b>Cash flows from capital and related financing activities</b>	
Acquisition and construction of capital assets	(118,803)
Net cash provided (used) by capital and related financing activities	(118,803)
 <b>Cash flows from investing activities:</b>	
Interest on investments	575
Net cash provided (used) by investing activities	575
Net increase (decrease) in cash and cash equivalents	163,729
 <b>Cash and cash equivalents:</b>	
Beginning of year, July 1	661,546
End of year, June 30	\$ 825,275
 <b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>	
Operating income (loss)	\$ 169,201
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	110,114
(Increase) decrease in accounts receivable (net)	2,369
(Increase) decrease in prepaid expenses	104
Increase (decrease) in accounts payable	489
Increase (decrease) in customer deposits	(320)
	112,756
Net cash provided (used) by operating activities	\$ 281,957

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

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**Harkers Island Sanitary District  
Notes to the Financial Statements  
For the Year Ended June 30, 2021**

**I. Summary of Significant Accounting Policies**

The accounting policies of the Harkers Island Sanitary District (the "District") conform to generally accepted accounting principles as applicable to governments. The District does not have any discretely presented component units. The following is a summary of the more significant accounting policies:

**A. Reporting Entity**

Harkers Island Sanitary District is a public body created under the authority of the General Statutes of North Carolina. The District was created for the purpose of providing safe and sanitary water for the community of Harkers Island, North Carolina. It is governed by a five-member board of directors elected by voters in the service district. As required by generally accepted accounting principles, these financial statements present the service district only.

**B. Basis of Presentation**

The statement of fund net position and the statement of revenues, expenses, and changes in fund net position provide information about the financial activities of the district. The District has only business type activities which are financed in whole or in part by fees charged to external parties. The District therefore has only one fund, the enterprise fund used to account for its operations.

A separate schedule of revenues, expenditures budget and actual (Non-GAAP) is presented. In this 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. Other non-operating revenues are ancillary activities such as investment earnings and rental from antennas.

**C. Measurement Focus and Basis of Accounting**

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

The financial statements are prepared using the economic resources measurement focus. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. The District considers all revenues available if they are collected within 90 days after year end.

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 the principal ongoing operations. The principal operating revenues of the district are charges to customers for water service. The District also includes rental income from antenna placed on it's elevated water tank in operating revenues since it's use is unrestricted and is another source available for operating expenses.

The District also recognizes, as operating revenue, the portion of tap fees intended to recover the cost of connecting new customers to the water system . Operating expenses include the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

As permitted by generally accepted accounting principles, the District has elected to apply only applicable FASB Statements and Interpretations issued on or before November 30, 1989 that do not contradict GASB pronouncements in its accounting and reporting practices for its proprietary operations.



**D. Budgetary Data**

The District's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted, and all annual appropriations lapse at the fiscal year end. The budget is prepared using the accrual basis of accounting, which is consistent with the accounting system used for presentation of financial statements. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds. A function is a group of related activities aimed at accomplishing a major service, such as operating expenses, capital outlay, or debt service. Amendments are required for any revisions that alter total expenditures of the enterprise fund . All amendments must be approved by the board of directors. There was one budget amendment for the year ended June 30, 2021.

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

**1. Deposits**

All deposits of the District 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 District; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances, and the North Carolina Capital Management Trust (NCCMT). The District's investments are reported at fair value. Non-participating interest earning investment contracts are accounted for at cost. The NCCMT Government Portfolio, a SEC-registered (2a-7) money market mutual fund, is measured at fair value. The NCCMT-Term Portfolio is a bond fund, has no rating and is measured at fair value. As of June 30, 2021, the Term Portfolio has a duration of .15 years. Because the NCCMT Government and Term Portfolios have a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months.

**2. Cash and Cash Equivalents**

All cash and investments are in demand accounts and are therefore considered cash and cash equivalents.

**3. Restricted Assets**

Customer deposits held by the District are restricted to the service for which the deposit was collected. System development fees collected may only be used for capital improvements to the system.

Harkers Island Sanitary District Restricted Cash	
Governmental activities	
General fund	
System development fees	\$ 191,806
Customer deposits	8,048
Total Governmental activities	\$ 199,854

**4. Prepaid Items**

Some payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expense in the Statement of Net Position, and will be expensed as the item is utilized.

**5. Capital Assets**

Capital assets are defined by the District as assets with an initial, individual cost of more than \$250 and an estimated useful life in excess of two years. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. 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 are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset class</u>	<u>Estimated useful lives</u>
Computers	5
Equipment, furniture, and fixtures	5 - 10
Plant and distribution system	25 - 40

**6. Accounting Estimates**

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

**7. Net Position**

Net Position

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

**II. Stewardship, Compliance, and Accountability**

A. Significant Violations of Finance-Related Legal and Contractual Provisions

1. Noncompliance with North Carolina General Statutes

None.

2. Contractual Violations

None.

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

None.

4. Excess of Expenditures over Appropriations

None.

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

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 these units' names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the District, these deposits are considered to be held by the District's agents in entity's name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the 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, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The 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 provisions 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 value of \$825,275 and a bank balance of \$803,947. Of the bank balance \$250,000 as covered by federal depository insurance. The remaining balance was covered by the collateral held under the Pooling Method.

**2. Receivables - Allowances for Doubtful Accounts**

Accounts receivable at June 30, 2021, and are comprised of amounts due from customers for water service. All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. Uncollectible accounts are deemed to be immaterial for the District, in light of historic collectability.

**3. Capital Assets**

Capital asset activity for the District for the year ended June 30, 2021, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Capital assets not being depreciated:</b>				
Land	\$ 265,154	\$ -	\$ -	\$ 265,154
Total capital assets not being depreciated	<u>265,154</u>	<u>-</u>	<u>-</u>	<u>265,154</u>
<b>Capital assets being depreciated:</b>				
Equipment and fixtures	399,420	3,549	8,193	394,776
Plant and distribution system	2,665,547	115,254	54,747	2,726,054
Total capital assets being depreciated	<u>3,064,967</u>	<u>118,803</u>	<u>62,940</u>	<u>3,120,830</u>
<b>Less accumulated depreciation for:</b>				
Equipment and fixtures	247,478	11,243	8,051	250,670
Plant and distribution system	1,658,787	98,871	54,747	1,702,911
Total accumulated depreciation	<u>1,906,265</u>	<u>\$ 110,114</u>	<u>\$ 62,798</u>	<u>1,953,581</u>
Total capital assets being depreciated, net	<u>1,158,702</u>			<u>1,167,249</u>
<b>Capital assets, net</b>	<u><u>\$ 1,423,856</u></u>			<u><u>\$ 1,432,403</u></u>

**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 employees; and natural disasters. The District has general liability and auto liability coverage of \$2 million per occurrence. Property coverage is provided up the total insurance values of the property policy, and workers compensation coverage up to statutory limits, and umbrella coverage up to an additional \$8.0 million. The District also has coverage for flood insurance on its office/warehouse facility and contents located at Harkers Island in the amount of \$741,700. Also, the District's Finance Officer is individually bonded for \$50,000.

**C. Transactions with Related Parties and Major Customers**

Due to a merger of Harkers Island Electric Membership Corporation and Carteret Craven Electric Membership Corporation "CCEMC" effective January 1, 2008, the District now operates as a separate entity but with shared resources with CCEMC. The Board of Directors for Harkers Island Sanitary District is elected by the voters in the service district. The District has no employees, but in accordance with the services agreement, reimburses CCEMC for services including "all management, staff, technicians, and such other properly trained and qualified employees as are necessary for the management and operation of the water system in compliance with applicable state and federal guidelines ... " The monthly service fee is determined by the amount of service provided each month. During the year ended June 30, 2021, the District paid \$9,432 for electricity and \$216,698 for services and materials to CCEMC.

**D. Significant Effects of Subsequent Events**

Events occurring after June 30, 2021 were evaluated by management on November 2, 2021 to ensure that any subsequent events that met the criteria for recognition and/or disclosure to these financial statements have been included. There were no subsequent events requiring disclosure.

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## Enterprise Fund

Enterprise Funds account for operations that are financed and operated in a manner similar to private business where the intent of the governing board is that costs of providing goods and services to the general public on a continuing basis be financed and recovered primarily through user charges.

Water Fund - This fund accounts for District's water operations.

**Harkers Island Sanitary District, North Carolina**  
**General Fund**  
**Schedule of Revenues, Expenditures**  
**Budget and Actual (Non - GAAP)**  
**For the Fiscal Year Ended June 30, 2021**

Schedule 1

	2021		Variance Positive (Negative)
	Budget	Actual	
<b>Revenues:</b>			
Operating revenue:			
Water service charges		\$ 403,947	
System development fees		24,475	
Antenna rental		76,926	
Other		61,731	
Total operating revenues	<u>\$ 476,324</u>	<u>567,079</u>	<u>\$ 90,755</u>
Nonoperating revenues:			
Interest earned	2,020	575	1,445
Total non-operating revenues	<u>2,020</u>	<u>575</u>	<u>(1,445)</u>
 Total Revenues:	 <u>478,344</u>	 <u>567,654</u>	 <u>89,310</u>
<b>Expenditures:</b>			
Operating expenditures:			
Administration		15,706	
Consumer records/collection expenses		9,361	
Office supplies		23,168	
Professional fees		31,160	
Production and distribution expenses		38,973	
Property/liability insurance		17,966	
Property repairs and maintenance		133,274	
System repairs and maintenance		8,726	
Utilities		9,430	
Total operating expenditures	<u>307,298</u>	<u>287,764</u>	<u>19,534</u>
Capital outlay:	<u>200,918</u>	<u>118,803</u>	<u>82,115</u>
Total expenditures	<u>508,216</u>	<u>406,567</u>	<u>101,649</u>
Revenue over/(under) expenditures	<u>(29,872)</u>	<u>161,087</u>	<u>190,959</u>
<b>Other financing sources (uses):</b>			
Fund balance appropriated	<u>29,872</u>	<u>-</u>	<u>(29,872)</u>
Revenues and other financing sources over/(under) expenditures	<u>\$ -</u>	<u>161,087</u>	<u>\$ 161,087</u>
 <b>Reconciliation from budgetary basis (modified accrual) to full accrual:</b>			
Revenues over expenditures		<u>161,087</u>	
Reconciling items:			
Capital outlay		118,803	
Depreciation		<u>(110,114)</u>	
Total reconciling items		<u>8,689</u>	
Change in net position		<u>\$ 169,776</u>	