REVIEWED
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LOWER CAPE FEAR WATER AND SEWER AUTHORITY

ANNUAL FINANCIAL REPORT
For the Year Ended June 30, 2021

Fiscal Year 2021

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

AUTHORITY BOARD OF DIRECTORS

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CHARILE RIVENBARK, VICE CHAIRMAN	CITY OF WILMINGTON
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DANIELLE HERTZOG, ADMINISTRATIVE ASSISTANT

LOWER CAPE FEAR WATER AND SEWER AUTHORITY
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FINANCIAL SECTION

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Independent Auditor's Report

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

Report on the 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 Lower Cape Fear Water and Sewer Authority, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express 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.

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 Lower Cape Fear Water and Sewer Authority 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 Lower Cape Fear Water and Sewer Authority. 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
October 26, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

As management of the Lower Cape Fear Water and Sewer Authority (the "Authority"), we offer readers of the Lower Cape Fear Water and Sewer Authority's financial statements this narrative overview and analysis of the financial activities of the Lower Cape Fear Water and Sewer Authority for the fiscal year ended June 30, 2021. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Authority's financial statements, which follow this narrative.

Financial Highlights

- The assets and deferred outflows of resources of the Lower Cape Fear Water and Sewer Authority exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by $24,693,765 *(net position).*
- The Authority's total net position increased by $669,358.
- As of the close of the current fiscal year, the Lower Cape Fear Water and Sewer Authority reported ending fund balances as follows:

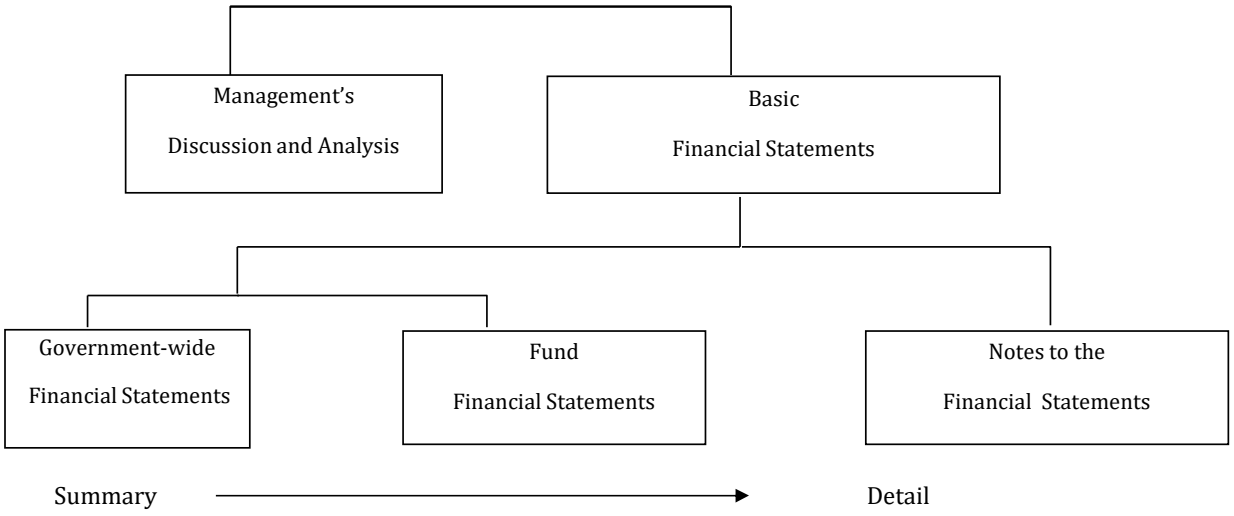
Renewal and Replacement Fund	$	55,380
Right of Way Fund	$	281,371
System Development Charge Fund	$	14
Enterprise Capital Project Fund	$	680,990

- The Lower Cape Fear Water and Sewer Authority's total debt decreased by $1,744,273 during the current fiscal year due to normal principal payments.

Overview of the Financial Statements

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

Required Components of Annual Financial Report
Figure 1



Basic Financial Statements

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

Government-Wide Financials Statements

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

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

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

Fund Financial Statements

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

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

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

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

Financial Analysis

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

	Business-Type Activities	
	2021	2020
Assets:		
Current and other assets	$ 3,279,953	$ 3,083,800
Capital assets	41,884,611	43,177,245
Total assets	45,164,564	46,261,045
Deferred outflows of resources	46,823	41,588
Liabilities:		
Current liabilities	2,005,816	1,985,325
Long-term liabilities	18,511,806	20,292,901
Total liabilities	20,517,622	22,278,226
Deferred inflows of resources	-	-
Net position:		
Net investment in capital assets	21,582,154	21,130,516
Unrestricted	3,111,611	2,893,891
Total net position	$ 24,693,765	$ 24,024,407

As noted earlier, net position may serve over time as one useful indicator of the Authority's financial condition. The assets and deferred outflows of resources of the Authority exceeded liabilities and deferred inflows by $24,693,765 as of June 30, 2021. The Authority's net position increased by $669,358 for the fiscal year ended June 30, 2021. However, the largest portion of net position $21,582,154 (87%) reflects the Authority's net investment in capital assets (e.g. land, buildings, machinery and equipment). The Lower Cape Fear Water and Sewer Authority uses these capital assets to provide services to customers; consequently, these assets are not available for future spending. Although the Authority's net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources since the capital assets cannot be used to liquidate these liabilities. The remaining balance of $3,111,611(13%) is unrestricted.

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

- Increase in charges for services.

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

	Business-Type Activities	
	2021	2020
Revenues:		
Charges for Services	$ 4,500,161	$ 4,336,315
Other operating	55,833	1,329
Investment earnings	2,696	8,482
Other non-operating	1,133,995	1,315,693
Total revenues	5,692,685	5,661,819
Expenses:		
Operations	3,288,424	3,261,523
Depreciation and amortization	1,658,635	1,603,414
Interest and fees paid	76,268	301,554
Total expenses	5,023,327	5,166,491
Increase (decrease) in net position before transfers and capital contributions	669,358	495,328
Increase (decrease) in net position	669,358	495,328
Net position, July 1	24,024,407	23,529,079
Net position, June 30	$ 24,693,765	$ 24,024,407

Business-type activities: Business-type activities increased the Authority's net position by $669,358. Key element of this increase is as follows:

- Decrease in expenses.

Capital Asset and Debt Administration

Capital assets. The Lower Cape Fear Water and Sewer Authority's investment in capital assets as of June 30, 2021, totals $41,884,611 (net of accumulated depreciation). These assets include buildings, land, equipment, vehicles, and water system improvements.

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

	2021	2020
Land	$ 882,053	$ 882,053
Buildings	237,935	247,829
Vehicles	84,209	45,894
Equipment	465,358	331,239
Plant & distribution system	40,215,056	41,670,230
Total	$ 41,884,611	$ 43,177,245

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

Long-term Debt. As of June 30, 2021, the Authority had total bonded debt outstanding of $19,751,443. The changes in long-term debt for the year ended June 30, 2021 was as follows:

Revenue Bonds
Figure 5

	2021	2020
Revenue bonds	$ 19,751,443	$ 21,131,383
Direct Placement Installment Agreement	551,014	915,347
Total	$ 20,302,457	$ 22,046,730

Economic Factors and Next Year's Budgets and Rates

- The adopted budget for fiscal year 2021-2022 illustrates an increase in customer revenues due to an increase in the raw water rate from $0.2717 per 1,000 gallons to $.3300 per 1,000 gallons to provide for the required debt services through 2022.

- The Bladen Bluffs water treatment plant operated by Smithfield Farmland, Inc. will continue to experience increased costs as it enters into its 9th year of operations but those costs are offset 100% by revenues received including all debt service.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

Lower Cape Fear Water and Sewer Authority
Statement of Fund Net Position
June 30, 2021

	Major Enterprise Fund
ASSETS	
Current assets:	
Cash and cash equivalents	$ 2,867,786
Accounts receivable, customers (net)	356,334
Accounts receivable, other	55,833
Total current assets	3,279,953
Non-current assets:	
Capital assets:	
Land and construction in progress	882,053
Other capital assets, net of depreciation	41,002,558
Total capital assets	41,884,611
Total assets	45,164,564
DEFERRED OUTFLOWS OF RESOURCES	
Pension Deferrals	32,666
Charge on refunding	14,157
Total deferred outflows of resources	46,823
LIABILITIES	
Current liabilities:	
Accounts payable and accrued liabilities	200,273
Compensated absences - current	2,500
Current portion of long-term debt	1,803,043
Total current liabilities	2,005,816
Non-current liabilities:	
Compensated absences payable	3,816
Net pension liability	8,576
Non-current portion of long-term debt	18,499,414
Total non-current liabilities	18,511,806
Total liabilities	20,517,622
DEFERRED INFLOWS OF RESOURCES	
Pension Deferrals	-
Total deferred inflow of resources	-
NET POSITION	
Net investment in capital assets	21,582,154
Unrestricted	3,111,611
Total net position	$ 24,693,765

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

Lower Cape Fear Water and Sewer Authority
Statements of Revenues, Expenses, and
Changes in Fund Net Position
For the Fiscal Year Ended June 30, 2021

	Major Enterprise Fund
OPERATING REVENUES	
Charges for services	$ 4,500,161
Other operating revenue	55,833
Total operating revenues	4,555,994
OPERATING EXPENSES	
Operations and administration	3,288,424
Depreciation and amortization	1,658,635
Total operating expenses	4,947,059
Operating income (loss)	(391,065)
NONOPERATING REVENUES (EXPENSES)	
Investment earnings	2,696
Insurance Claim Proceeds	1,795
Treated water supply agreement (Smithfield Farmland)	814,276
Contributed capital	-
Interest and fees paid	(76,268)
Other non-operating revenues (expenses)	317,924
Total nonoperating revenues (expenses)	1,060,423
Income (loss) before transfers and capital contributions	669,358
Change in net position	669,358
Net position, beginning	24,024,407
Net position, ending	$ 24,693,765

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

Lower Cape Fear Water and Sewer Authority
Statements of Cash Flows
For The Fiscal Year Ended June 30, 2021

		Major Enterprise Fund
Cash flows from operating activities:		
Cash received from customers	$	4,694,363
Cash paid for goods and services		(2,995,107)
Cash paid to employees for services		(314,883)
Net cash provided (used) by operating activities		1,384,373
Cash flows from capital and related financing activities		
Acquisition of capital assets and construction		(366,001)
Principal paid on bonds and notes payable		(1,744,273)
Insurance Claim Proceeds		1,795
Contributed capital		-
Treated water supply agreement (Smithfield Farmland)		814,276
Other non-operating revenues		317,924
Interest and fees paid on bonds and notes		(76,268)
Net cash provided (used) by capital and related financing activities		(1,052,547)
Cash flows from investing activities:		
Interest on investments		2,696
Net cash provided		
Net increase (decrease) in cash and cash equivalents		334,522
Cash and cash equivalents:		
Beginning of year, July 1		2,533,264
End of year, June 30	$	2,867,786
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	$	(391,065)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation		1,658,635
(Increase) decrease in accounts receivable		138,369
Increase (decrease) in accounts payable & accrued liabilities		(12,812)
Increase (decrease) in net pension liability		(7,536)
Increase (decrease) in compensated absences		4,017
(Increase) decrease in deferred outflows of resources for pensions		(286)
(Increase) decrease in deferred outflows of resources for refunding		(4,949)
		1,775,438
Net cash provided (used) by operating activities	$	1,384,373

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

NOTES TO THE FINANCIAL STATEMENTS

Lower Cape Fear Water and Sewer Authority
Notes to the Financial Statements
For the Year Ended June 30, 2021

I. Summary of Significant Accounting Policies

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

A. Reporting Entity

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

Customers with the ability to purchase raw water at June 30, 2021:

2 County Governments

2 Industries

1 Government Utility Authority

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

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

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

B. Basis of Presentation

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

Fund Financial Statements : The fund financial statements provide information about the Authority's funds. Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as contributions and investment earnings, result from non-exchange transactions or ancillary activities. The Authority has one fund category - proprietary funds.

Proprietary Funds

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

The Enterprise Fund is considered a major fund for the year ending June 30, 2021.

C. Measurement Focus and Basis of Accounting

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

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

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

D. Budgetary Data

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

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

1. Deposits and Investments

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

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

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

3. Allowances for Doubtful Accounts

All receivables at June 30, 2021 are considered collectible.

4. Capital Assets

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

	Years
Buildings	40
Water supply system - pipeline	40
Water supply system - equipment	25
Office equipment	16
Vehicle	5

5. Accounting Estimates

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

6. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Authority has two items that meets this criterion, one is the expense for the refunding of water bonds and the other is pension deferrals for the 2021 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Authority has one item that meet the criterion for this category - pension deferrals.

7. Long-Term Obligations

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

8. Compensated Absences

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

9. Net Position/Fund Balances

Net Position

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

Fund Balances

In the governmental fund financial statements, fund balance is composed of five classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent.

The governmental fund types classify fund balances as follows:

Nonspendable Fund Balance - This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted Fund Balance - This classification includes amounts that are restricted to specific purposes externally imposed by creditors or imposed by law.

Committed Fund Balance - portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of the Authority's governing body (highest level of decision-making authority). The governing body can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Assigned Fund Balance - portion of fund balance that the Lower Cape Fear Water and Sewer Authority intends to use for specific purposes.

Unassigned Fund Balance - portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds.

Defined Benefit Cost-Sharing Plans

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

II. Stewardship, Compliance, and Accountability

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

1. Noncompliance with North Carolina General Statutes

None.

2. Contractual Violations

None.

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

None.

4. Excess of Expenditures over Appropriations

None.

III. Detail Notes on All Funds

A. Assets

1. Deposits

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

At June 30, 2021, the Authority's deposits had a carrying value of $2,867,786 and a bank balance of $3,052,292. Of the bank balance $1,345,051 as covered by federal depository insurance. The remaining balance was covered by the collateral held under he Pooling Method.

2. Receivables - Allowances for Doubtful Accounts

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

3. Capital Assets

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

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land	$ 882,053	$ -	$ -	$ 882,053
Total capital assets not being depreciated	882,053	-	-	882,053
Capital assets being depreciated:				
Buildings	395,734	-	-	395,734
Vehicles	194,493	55,664		250,157
Equipment	444,952	160,088	-	605,040
Plant and distribution system	69,849,067	150,249	-	69,999,316
Total capital assets being depreciated	70,884,246	366,001	-	71,250,247
Less accumulated depreciation for:				
Buildings	147,905	9,894	-	157,799
Vehicles	148,599	17,349	-	165,948
Equipment	113,713	25,969	-	139,682
Plant and distribution system	28,178,837	1,605,423	-	29,784,260
Total accumulated depreciation	28,589,054	$ 1,658,635	$ -	30,247,689
Total capital assets being depreciated, net	42,295,192			41,002,558
Business-type activity capital assets, net	$ 43,177,245			$ 41,884,611

B. Liabilities

1. Payables

Accounts payable and accrued liabilities reported on the Statement of Net Position at June 30, 2020 were as follows:

	Business-Type Activities
Accounts and vouchers	$ 196,464
Accrued interest payable	3,809
Total accounts payable and accrued liabilities	$ 200,273

2. Pension Plan Obligations

Local Government Employees' Retirement System

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

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. The Authority employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Authority's contractually required contribution rate for the year ended June 30, 2021, was 10.78% for general employees, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Authority were $17,820 for the year ended June 30, 2021.

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

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

At June 30, 2021, the Authority reported an liability of $8,576 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019. The total pension liability was then rolled forward to the measurement date of June 30, 2020 utilizing update procedures incorporating the actuarial assumptions. The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2020, the Authority's proportion was 0.00024%, which was a decrease of 0.00035% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the Authority recognized pension expense of $9,998. At June 30, 2020, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 1,083	$ -
Change in assumptions	638	-
Net difference between projected and actual earnings on pension plan investments	1,206	-
Changes in proportion and differences between Authority's contributions and proportionate share of contributions	11,919	-
Authority's contributions subsequent to the measurement date	17,820	-
Total	$ 32,666	$ -

$17,820 reported as deferred outflows of resources related to pensions resulting from Authority contributions subsequent to the measurement date will be recognized as an increase of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30	
2022	6,086
2023	5,131
2024	3,272
2025	357
2026	-
Thereafter	-
	$ 14,846

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	3.50 to 8.10 percent, including inflation and productivity factor
Investment rate of return	7.00 percent, net of position plan investment expense, including inflation

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

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

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2019 are summarized in the following table:

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%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	6.0%	4.0%
Total	100%	

The information above is based on 30 year expectations developed with the consulting actuary for the 2018 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

Discount rate. The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	1 % Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Authority's proportionate share of the net pension	$17,400	$8,576	$1,243

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.

Supplemental Retirement Income Plan

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

Funding Policy. Article 12E of G.S. Chapter 143 requires the Authority to contribute each month an amount equal to three percent of each participant's salary, and all amounts contributed are vested immediately. Also, the participants may make voluntary contributions to the Plan. Contributions for the year ended June 30, 2021 were $10,518 which consisted of $4,560 from the Authority and $5,958 from employees.

Other Employment Benefit

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

3. Deferred Outflows and Inflows of Resources

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

	Amount
Pension deferrals	$ 32,666
Charge on bond refunding	14,157
Total	$ 46,823

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

Pension deferrals	$ -

4. Risk Management

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

5. Claims, Judgments and Contingent Liabilities

At June 30, 2021, the Authority was not a defendant to any lawsuits.

6. Long Term Obligations

The Authority has no authority to issue general obligation debt under its enabling legislation. The Authority is able to issue revenue bonds in such amounts as may be financially feasible without statutory limits. The following is the composition of long-term debt as of June 30, 2021.

a. Notes Payable

In March 2019, the Authority entered into a three year direct placement loan of $1,506,438 with New Hanover County for the a relocation capital project under US HWY 421. The contract requires principal payments beginning in the fiscal year of 2020 at an annual interest rate of 2 percent. At June 30, 2020, the Authority had received $915,347. Balance at June 30, 2021 is $551,014. Matures in May 2023.	$	551,014

b. Revenue Bonds

$24,665,000 Special Facility Revenue Bonds, Series 2010, issued for the construction of a surface water treatment plant; due in annual installments ranging from $455,000 to $2,050,000 through December 1, 2024; interest payable monthly at a variable rate. All payments are made directly by Smithfield Farmland Corporation, although the liability is held in the name of The Authority.	19,150,000
$5,507,451, 2012 Enterprise System Refunding bonds; due in annual installments ranging from $515,344 to $601,444 through May 2022; interest payable semi-annually at 1.95%.	601,443
Total long-term debt	20,302,457
Current portion	1,803,043
	$ 18,499,414

c. Changes in General Long-Term Liabilities

The changes in the long-term debt for the year ending June 30, 2021 are as follows:

	Balance 6/30/2020	Additions	Retirements	Balance 6/30/2021	Current Portion
Revenue bonds	$ 21,131,383	$ -	$ 1,379,940	$ 19,751,443	$ 1,451,443
Direct Placement Installment agreements	915,347	-	364,333	551,014	351,600
Net pension liability	16,112	-	7,536	8,576	-
Compensated absences	2,300	14,557	10,541	6,316	2,500
Total	$ 22,065,142	$ 14,557	$ 1,762,350	$ 20,317,349	$ 1,805,543

The future payments of the revenue bonds for the years ending after June 30, 2021 are as follows:

	Business-Type Activities	
Year Ending June 30	Principal	Interest
2022	1,803,043	63,533
2023	1,109,414	16,798
2024	970,000	12,173
2025	1,035,000	11,494
2026	1,115,000	10,770
2027 - 2031	6,845,000	41,010
2032 - 2036	7,425,000	13,955
Total	$ 20,302,457	$ 169,733

d. Special Facility Revenue Bonds

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

e. Revenue Bond Covenants

The Authority has been in compliance with the covenants as to rates, fees, rentals, and charges in Section 5 of the Bond Orders, authorizing the issuance of the 2012 Enterprise System Revenue Refunding bonds, the 2010 Combined Enterprise Revenue Bonds, and the 2010 Special Facility Revenue Bonds, since the adoption of each bond order. Section 5.01 Bond Orders of the 2012 Enterprise System Revenue Refunding bonds, and 2010 Combined Enterprise Revenue Bonds, require the debt service coverage to be no less than 110%. Section 5.01 of the Bond Order of the 2010 Special Facility Revenue Bonds, requires the debt service coverage to be no less than 100%. The debt service coverage ratio calculation for the year ended June 30, 2021, is as follows:

Operating revenues	$ 5,370,270
Operating expenses *	3,288,424
Operating income	2,081,846
Non-operating revenues (expenses)	246,147
Income available for debt service	$ 2,327,993
Debt service, principal and interest paid (Revenue bonds only)	$ 1,803,043
Debt service coverage ratio	129%

*Per rate covenants, this does not include the depreciation and amortization expenses of $1,658,635.

The Authority has pledged future water customer revenues, net of specified operating expenses, to repay $5,507,451 in 2012 Enterprise System Revenue Refunding bonds, $3,000,000 in 2010 Combined Enterprise Revenue Bond, and $24,665,000 in 2010 Special Facility Revenue Bonds. Proceeds from the bonds provided financing for water system improvements and the construction of a surface water treatment plant. The 2012 Enterprise System Revenue Refunding Bonds, and the 2010 Combined Enterprise Revenue Bonds, are payable solely from water customer net revenues and are payable through 2022. The total principal and interest remaining to be paid on these bonds is $43,661,041. Principal and interest paid for the current year and total customer net revenues were $1,005,504 and $1,076,067 respectively. In the event that the Treated Water Supply Agreement is not met, the Special Facility Revenue Bonds are payable from water customer net revenues through 2024. The total principal and interest remaining to be paid on the bonds is $20,472,190. Principal and interest paid for the current year were $3,177,200. Payments made directly by Smithfield Farmland Corporation, on behalf of The Authority, for principal and interest for the current year were $601,556.

C. Transactions with Related Parties and Major Customers

Brunswick County is related to the Authority as one of its members (See Note 1: Reporting Entity). The Authority currently sells water to Brunswick County under a Fourth Amended and Restated Water Supply Agreement dated December 10, 2012, which continues until December 31, 2030, with provisions for ten-year extensions thereafter. Water charges of $1,444,286 for the year ended June 30, 2021 (27% of total water charges) and a customer receivable of $150,603 at June 30, 2021 are attributable to Brunswick County.

The Authority currently sells water to the Cape Fear Public Utility Authority. Water charges of $1,102,675 for the year ended June 30, 2021 (21%) and a customer receivable of $74,561 are attributable to the Cape Fear Public Utility Authority.

D. Summary Disclosure of Significant Deficiencies

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

E. Significant Effects of Subsequent Events

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

REQUIRED

SUPPLEMENTAL FINANCIAL DATA

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

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

Schedule of Contributions – Local Government Employees' Retirement System

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

Local Government Employees' Retirement System

	2021	2020	2019	2018	2017	2016	2015	2014
Authority's proportion of the net pension liability (asset) (%)	0.00024%	0.00059%	0.00074%	0.00086%	0.00098%	0.00100%	0.0011%	0.0012%
Authority's proportion of the net pension liability (asset) ($)	$ 8,576	$ 16,112	$ 17,555	$ 13,138	$ 20,799	$ 4,623	$ (6,546)	$ 14,465
Authority's covered-employee payroll	$ 133,855	$ 160,576	$ 156,534	$ 153,122	$ 149,387	$ 145,429	$ 145,650	$ 138,599
Authority's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	6.41%	10.03%	11.21%	8.58%	13.92%	3.18%	(4.49%)	10.44%
Plan fiduciary net position as a percentage of the total pension liability**	88.61%	90.86%	91.63%	94.18%	91.47%	98.09%	102.64%	94.35%

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

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

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

Local Government Employees' Retirement System

	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	$ 17,820	$ 12,770	$ 13,344	$ 12,554	$ 11,744	$ 10,547	$ 10,820	$ 10,820
Contributions in relation to the contractually required contribution	17,820	12,770	13,344	12,554	11,744	10,547	10,820	10,820
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Authority's covered-employee payroll	$ 165,309	$ 133,855	$ 160,576	$ 156,534	$ 153,122	$ 149,387	$ 145,429	$ 145,650
Contributions as a percentage of covered-employee payroll	10.78%	9.54%	8.31%	8.02%	7.67%	7.06%	7.44%	7.43%

INDIVIDUAL FUND SCHEDULES

- Enterprise Operating Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual (Non-GAAP)

- Renewal and Replacement Fund - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)

- Right of Way Fund - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)

- System Development Charge Fund - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)

- Enterprise Capital Project Fund - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)

Lower Cape Fear Water and Sewer Authority, North Carolina
Enterprise Operating Fund
Schedule of Revenues, Expenditures, and Changes Fund Balance
Budget and Actual (Non - GAAP)
For the Fiscal Year Ended June 30, 2021

	2021		
	Budget	Actual	Variance Positive (Negative)
Revenues:			
Operating revenue:			
Brunswick County		$ 1,444,286	
Invista		32,488	
Cape Fear Public Utility Authority		1,102,675	
Praxair, Inc.		2,088	
Pender County		157,838	
Bladen Bluffs income		1,760,786	
Other operating revenues		55,833	
Total operating revenues	$4,702,785	4,555,994	$ (146,791)
Nonoperating revenues:			
Interest earnings		2,264	
Treated water supply agreement (Smithfield)		814,276	
Other non-operating revenues		303,293	
Total non-operating revenues	833,610	1,119,833	286,223
Total Revenues:	5,536,395	5,675,827	139,432
Expenditures:			
Administration:			
Salaries and benefits		306,129	
Insurance		105,167	
Office expense		95,047	
Professional services		79,014	
Other		112,621	
Total administration	708,933	697,978	10,955
Other operating expenditures:			
Kings Bluff O&M expenses		320,115	
Bladen Bluffs expenses		1,446,666	
Utilities-Energy Pump Station		718,294	
Capital Outlay		366,001	
Other		200	
Debt service - principal		1,744,273	
Debt service - interest		76,268	
Total other operating expenditures	4,827,462	4,671,817	155,645
Total expenditures	5,536,395	5,369,795	166,600

	2021		
	Budget	Actual	Variance Positive (Negative)
Revenue over expenditures	-	306,032	306,032
Other financing sources (uses):			
Insurance Claim Proceeds	-	1,795	1,795
Fund balance appropriated	-	-	-
Total other financing sources (uses):	-	1,795	1,795
Revenues and other sources over expenditures and other uses	$ -	$ 307,827	$ 307,827

Reconciliation from budgetary basis (modified accrual) to full accrual:	
Revenues over expenditures	$ 307,827
Reconciling items:	
Depreciation	(1,658,635)
Capital outlay	366,001
Principal payments on long-term debt	1,744,273
(Increase) decrease in net pension liability	7,536
Increase (decrease) in deferred outflows of resources for pensions	286
Items from Schedules 2 through 5	
Other expenses from capital projects	(112,993)
Other income from capital projects	14,631
Interest earned from capital projects	432
Total reconciling items	361,531
Change in net position	$ 669,358

Lower Cape Fear Water and Sewer Authority, North Carolina
Renewal and Replacement Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Fiscal Year Ended June 30, 2021

	2021		
	Budget	Actual	Variance Positive (Negative)
Revenues:			
Interest earnings		$ 66	
Miscellaneous		14,631	
Total non-operating revenues	$ -	14,697	$ 14,697
Expenditures:			
Repairs and maintenance		-	-
Miscellaneous		-	-
Total expenditures	-	-	-
Other financing sources (uses):			
Fund balance appropriated	-	-	-
Total other financing sources (uses):	-	-	-
Revenues and other sources over (under) expenditures and other financing uses	$ -	14,697	$ 14,697
Fund balance			
Fund balance - beginning		40,683	
Fund balance - ending		$ 55,380	

Lower Cape Fear Water and Sewer Authority, North Carolina
Right of Way Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Fiscal Year Ended June 30, 2021

	2021		
	Budget	Actual	Variance Positive (Negative)
Revenues:			
Interest earnings		$ 366	
Total Revenues	$ -	366	$ 366
Expenditures:			
Administration expenses		-	
Total expenditures	-	-	-
Revenues over (under) expenditures	-	366	366
Other financing sources (uses):			
Fund balance appropriated	-	-	-
Total other financing sources (uses)	-	-	-
Revenues and other sources over expenditures and other uses	$ -	366	$ 366
Fund balance			
Fund balance - beginning		281,005	
Fund balance - ending		$281,371	

Lower Cape Fear Water and Sewer Authority, North Carolina
System Development Charge Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Fiscal Year Ended June 30, 2021

	2021		
	Budget	Actual	Variance Positive (Negative)
Revenues:			
Interest earnings		$ -	
Total Revenues	$ -	-	$ -
Expenditures:			
Administration expenses		-	
Total expenditures	-	-	-
Revenues over (under) expenditures	-	-	-
Other financing sources (uses):			
Fund balance appropriated	-	-	
Total other financing sources (uses)	-	-	-
Revenues and other sources over expenditures and other uses	$ -	-	$ -
Fund balance			
Fund balance - beginning		14	
Fund balance - ending		$ 14	

Lower Cape Fear Water and Sewer Authority, North Carolina
Enterprise Capital Project Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Fiscal Year Ended June 30, 2021

	2021		
	Budget	Actual	Variance Positive (Negative)
Revenues:			
Grant revenue		$ -	
Total Revenues	$ -	-	$ -
Expenditures:			
Repairs and Maintenance		111,023	
Administration expenses		1,970	
Total expenditures	218,965	112,993	105,972
Revenues over (under) expenditures	(218,965)	(112,993)	(105,972)
Other financing sources (uses):			
Fund balance appropriated	218,965	-	(218,965)
Total other financing sources (uses)	218,965	-	(218,965)
Revenues and other sources over expenditures and other uses	$ -	(112,993)	$ (112,993)
Fund balance			
Fund balance - beginning		793,983	
Fund balance - ending		$ 680,990	