

REVIEWED

By SLGFD at 1:39 pm, Nov 02, 2021



Maggie Valley, North Carolina

FINANCIAL STATEMENTS

June 30, 2021 AND 2020

(With Independent Auditor's Report Thereon)

DISTRICT OFFICIALS

BOARD CHAIRMAN

Jason Moody

BOARD MEMBERS

Jack Leatherwood, Jr. Carroll Mehaffey

ADMINISTRATIVE & FINANCIAL STAFF

Jason Herbert – General Manager

Karen Barnett – Office Manager

Maggie Valley Sanitary District
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Independent Auditor's Report

To the Board of Directors
Maggie Valley Sanitary District
Maggie Valley, North Carolina 28751

Report on the Financial Statements

I have audited the accompanying financial statements of the Maggie Valley Sanitary District, as of and for the years ended June 30, 2021 and 2020, 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

My responsibility is to express opinions on these financial statements based on my audit. I conducted the audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the basic 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, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used

and the reasonableness of significant estimates made by management, as well as evaluating the overall financial statement presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, based on my audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Maggie Valley Sanitary District as of June 30, 2021 and 2020, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 9, the Local Government Employees' Retirement System's Schedules of Proportionate Share of the Net Pension Liabilities and Contributions on pages 31 and 32, respectively, and the Schedule of Changes in the Total OPEB Liability and Related Ratios, on page 33, 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 statement in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Maggie Valley Sanitary District. The budgetary schedules and other schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The budgetary schedules and other schedules are the responsibility of management and were derived from, and relates directly to, the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including

comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the budgetary schedules and other schedules are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Handwritten signature of Sheila Gahagan, CPA in black ink.

Sheila Gahagan, CPA
September 13, 2021

Management's Discussion and Analysis (MD&A)

The management of the Maggie Valley Sanitary District (the District) offers readers of the District's financial statements this narrative overview and analysis of their financial activities for the fiscal years ended (FYE) 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 District's net position increased by \$1,360,312 (or 26.3%) due to a capital contribution of land. Net investment in capital assets increased by \$1,492,631 (or 35%) as compared to the previous year end due to water system improvements, new equipment and donated land. Unrestricted net position decreased by \$12,319 to \$751,522 for the year ended June 30, 2021.
- The operating revenues were \$2,081,157 for the fiscal year.
- Total operating expenses of the District were \$2,032,282 for the year ended June 30, 2021.
- The District's total debt decreased during the current fiscal year to \$2,144,980. The key factor in this decrease was due to an extra payment to pay off the administrative building, in addition to regular scheduled loan payments.

Overview of the Financial Statements

The District's basic financial statements consist of three components: 1) the MD&A, 2) financial statements reflecting the single proprietary (enterprise fund), and 3) notes to the financial statements. Because the District is a special-purpose government engaged in business-type activities only, the financial statements are presented in accordance with paragraph 138 of GASB Statement 34. In addition to the financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the District. In addition to the management's discussion and analysis, management has prepared the Statement of Net Position, the Statement of Revenues, Expenses and Change in Net Position, and the Statement of Cash Flows.

Overview of the District

The Maggie Valley Sanitary District's primary purpose is to provide water services to approximately 3,800 customers in the Town of Maggie Valley and surrounding areas. The District operates a surface water treatment plant and potable water distribution system. These operations are funded through service charges to its customers. Capital expansion programs are funded through intermittent state grants and debt obligations.

Fund Financial Statements

The financial statements are presented on the fund basis. The fund financial statements provide a more detailed look at the District's most significant activities by focusing on the individual activities of the major funds. 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 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 (G.S.), the District's budget ordinance, or applicable grant related guidelines. The focus is now on the activities of the major fund, and not on the type of fund. The District maintains a single fund based on their activities for accountability and control. This fund is an enterprise fund which uses the full accrual basis of accounting and accounts for the District's activities in a manner similar to a for-profit business.

The District adopts an annual budget as required by North Carolina General Statutes. The budget is a legally adopted document that incorporates input from the citizens and the management of the District and the decisions of the Board about which services to provide and how to pay for them. The budgetary statement 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 are presented using the same format, language, and classifications as the legal budget document. The budgetary statements are presented as supplementary information to demonstrate compliance with applicable state laws. To account for the difference between the budgetary basis of accounting and the full accrual basis, a reconciliation showing the differences in the reported activities is shown at the end of the budgetary statement.

Proprietary Funds – The Maggie Valley Sanitary District has one proprietary fund. *Enterprise Funds* are used to report the same functions presented as business-type activities. This fund is the same as those activities in the Statement of Net Position and the Statement of Activities.

Notes to the Financial Statements –The next section of the financial statements is the 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 are on pages 14 to 30 of this report. After the notes, supplemental information is provided to show details about the District's single fund and its cash and investments.

District's Net Position

Figure 1

	2021	2020	2019
Current and other assets	\$ 1,511,210	\$ 1,577,260	\$ 1,722,561
Capital assets net of depreciation	7,241,252	6,032,248	6,155,924
Deferred Outflows	203,461	140,773	151,452
Total assets and deferred outflows of resources	8,955,923	7,750,281	8,029,937
Current liabilities	338,444	340,244	435,053
Non-current liabilities	1,999,746	2,168,817	2,285,318
Deferred Inflows	84,396	68,195	79,640
Total liabilities and deferred inflows of resources	2,422,586	2,577,256	2,800,011
Net position:			
Net investment in capital assets	5,751,815	4,259,184	4,207,593
Restricted	30,000	150,000	120,000
Unrestricted	751,522	763,841	902,333
Total net position	\$ 6,533,337	\$ 5,173,025	\$ 5,229,926

Net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the District exceeded liabilities and deferred inflows by \$6,533,337 as of June 30, 2021. The District's net position increased by \$1,360,312. The largest portion of net position \$5,751,815 (88%) reflects the District's investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt still outstanding that was issued to acquire those items. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the District'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. \$30,000 (.5%) of the net position is restricted. The remaining balance of \$751,522 (11.5%) is unrestricted.

The financial operations of the District increased total net position slightly, while nonoperating revenues generated an increase of \$1,311,437. This increase is due to a contribution of land for \$1,286,600 for the year ended June 30, 2021.

The following is a summary of the changes in net position:

	2021	2020	2019
Operating Revenues:			
Water Sales	\$ 2,022,298	\$ 1,850,958	\$1,829,295
Sewer Contract revenue	52,774	47,009	50,722
Other Operating revenue	6,085	12,372	8,987
Total operating revenues	2,081,157	1,910,339	1,889,004
Operating Expenses			
Administration	387,396	498,996	396,082
Water Operations	1,280,200	1,093,131	1,033,927
Depreciation	364,686	365,601	351,346
Total operating expenses	2,032,282	1,957,728	1,781,355
Operating income (loss)	48,875	(47,389)	107,649
Non-operating revenues (expenses)			
Grant revenue	60,000	30,000	130,000
Capital Contribution	1,286,600	-	-
Interest income	9,021	17,016	5,658
Interest expense	(34,167)	(51,493)	(56,386)
Gain on disposal of capital assets	(10,017)	(5,035)	-
Total non-operating revenues (expenses)	1,311,437	(9,512)	79,272
Change in net position	1,360,312	(56,901)	186,921
Net position, July 1	5,173,025	5,229,926	5,043,005
Net position, June 30	\$6,533,337	\$ 5,173,025	5,229,926

Capital Asset and Debt Administration

Capital assets. The District's investment in capital assets as of June 30, 2021, totals \$5,751,815 (net of accumulated depreciation). These assets include buildings, land, water system, equipment, and vehicles.

Major capital asset transactions during the year include new equipment, upgrades to the water system and contributed land. Capital assets increased due to these purchases.

District's Capital Assets

Figure 3

	2021	2020	2019
Land	\$ 1,793,585	\$ 326,985	\$ 326,985
Construction in Progress	14,932	6,521	35,873
Buildings & Improvements	402,766	417,490	432,215
Water System	3,848,535	4,026,921	4,022,680
Water Plant	289,513	382,392	450,705
Equipment	891,921	871,939	887,466
Total	<u>\$ 7,241,252</u>	<u>\$ 6,032,248</u>	<u>\$ 6,155,924</u>

Additional information on the District's capital assets can be found in Section III. A.4 of the notes to the basic financial statements.

Long-term Debt. As of June 30, 2021, the District had total long-term debt liabilities outstanding of \$2,144,980. A large portion of this debt is related to loans obtained for water system improvement projects and water meters. The current balance of these loans is \$1,489,437.

	2021	2020	2019
Installment Purchases	\$ 1,489,437	\$ 1,773,064	\$ 1,948,331
Compensated Absences	34,818	40,749	30,321
Pension Liability	258,359	194,988	170,809
OPEB Liability	362,366	340,293	311,124
Total Long Term Liabilities	2,144,980	2,349,094	2,460,585
Less Current Portion	145,234	180,277	175,267
Long-Term Portion	<u>\$ 1,999,746</u>	<u>\$ 2,168,817</u>	<u>\$ 2,285,318</u>

The decrease in the District's total debt is due to scheduled payments and the additional payment to pay off the loan on the administrative building. Additional information on debt and other long-term liabilities can be found in Section III.B-4 in the notes to the financial statements.

Economic Factors and Next Year's Budget and Rates

- The District has been impacted by rising material and supply costs in addition to repair and maintenance costs. Both have negatively affected the District.
- The Smoky Mountain Retreat area billing will see an increase from \$83 to \$87 for the monthly minimum rate. Their over minimum usage rate will also increase from \$12 to \$13 per 1,000 gallons.

- The above increase is expected to create an additional \$7,344 per year, based on the monthly rate increases. However, the overage increases are based on usage and are difficult to predict.
- Residential customers will see an increase of \$2 for the monthly minimum rate. The over minimum usage rate will also increase to \$7 per 1,000 gallons. These increases are estimated to produce additional revenue of \$96,792.

Budget Highlights for the Fiscal Year Ending June 30, 2022

Budgeted general operating revenues are expected to increase due to rate increases. Budgeted expenses are expected to increase slightly due to increases in material and supply costs, while other expenses are expected to remain materially consistent.

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 the Finance Officer, Maggie Valley Sanitary District, PO Box 1029, Maggie Valley, NC 28751.

Maggie Valley Sanitary District
Statement of Net Position
June 30, 2021 and 2020

Exhibit A

	2021	2020
<u>ASSETS</u>		
Current Assets:		
Cash and Cash Equivalents	\$ 984,266	\$ 1,110,533
Investments	138,420	138,277
Accounts Receivable, Net	206,614	160,462
Other Receivables	12,020	20,801
Prepaid Insurance	18,788	17,160
Inventory	96,402	77,004
Restricted Cash	54,700	53,023
Total Current Assets	1,511,210	1,577,260
Non-current assets:		
Capital assets (Net of Accumulated Depreciation)	7,241,252	6,032,248
Total Assets	8,752,462	7,609,508
Deferred Outflows of Resources		
Pension Deferrals	154,311	125,566
OPEB Deferrals	49,150	15,207
	203,461	140,773
<u>LIABILITIES</u>		
Current Liabilities:		
Trade Accounts Payable	14,654	54
Prepaid Utilities	37,484	31,725
Accrued Expenses	7,913	9,654
Due to Town of Maggie Valley	78,459	65,511
Customer Deposits	54,700	53,023
Current Portion of Installment Purchase	145,234	180,277
Total Current Liabilities	338,444	340,244
Noncurrent Liabilities		
Installment Purchase	1,344,203	1,592,787
Compensated Absences	34,818	40,749
Total Pension Liability	258,359	194,988
Total OPEB Liability	362,366	340,293
Total Noncurrent Liabilities	1,999,746	2,168,817
Total Liabilities	2,338,190	2,509,061
Deferred Inflows of Resources		
Pension Deferrals	838	1,674
OPEB Deferrals	83,558	66,521
	84,396	68,195
<u>NET POSITION</u>		
Net Investment in Capital Assets	5,751,815	4,259,184
Restricted for Land Purchase	30,000	150,000
Unrestricted	751,522	763,841
Total Net Position	\$ 6,533,337	\$ 5,173,025

See the accompanying auditor's report and notes to the financial statements.

Maggie Valley Sanitary District
Statement of Revenues, Expenses, and Changes in Net Position
For the years ended June 30, 2021 and 2020

Exhibit B

	2021	2020
<u>Operating Revenues:</u>		
Water Sales	\$ 1,974,148	\$ 1,820,058
Connection Fees	48,150	30,900
Other Operating Revenue	6,085	12,372
Sewer Services Contract Revenue	52,774	47,009
Total Operating Revenues	<u>2,081,157</u>	<u>1,910,339</u>
<u>Operating Expenses:</u>		
Administration	387,396	498,996
Water Operations	1,280,200	1,093,131
Depreciation	364,686	365,601
Total Operating Expenses	<u>2,032,282</u>	<u>1,957,728</u>
Operating Income (Loss)	<u>48,875</u>	<u>(47,389)</u>
<u>Nonoperating Revenues (Expenses)</u>		
Grant revenue	60,000	30,000
Capital Contributions	1,286,600	-
Interest Income	9,021	17,016
Interest Expense	(34,167)	(51,493)
Gain (Loss) from Disposition of Capital Assets	(10,017)	(5,035)
Total Nonoperating Revenues (Expenses)	<u>1,311,437</u>	<u>(9,512)</u>
Change in Net Position	1,360,312	(56,901)
Net Position, Beginning of Year	<u>5,173,025</u>	<u>5,229,926</u>
Net Position, End of Year	<u>\$ 6,533,337</u>	<u>\$ 5,173,025</u>

See the accompanying auditor's report and notes to the financial statements.

Maggie Valley Sanitary District
Statement of Cash Flows
For the years ended June 30, 2021 and 2020

Exhibit C
Page 1 of 2

	2021	2020
Cash Flows From Operating Activities:		
Cash Received from Customers	\$ 2,040,764	\$ 1,946,338
Cash Paid for Goods and Services	(640,647)	(739,862)
Cash Paid to or on Behalf of Employees	(980,361)	(907,385)
Net Customer Deposits Received (Refunded)	1,677	6,424
Net Cash Provided by Operating Activities	421,433	305,515
Cash Flows From Capital and Related Financing Activities:		
Proceeds from Sale of Fixed Assets	-	-
Interest Paid	(34,167)	(51,493)
Paid on Installment Purchase Contracts	(283,627)	(175,267)
Proceeds from Grant	60,000	30,000
Purchases of Capital Assets	(297,107)	(246,960)
Net Cash Used by Capital and Related Financing Activities	(554,901)	(443,720)
Cash Flows From Investing Activities:		
Investment Sales	-	-
Interest on Investments	8,878	15,849
Net Cash Provided by Investing Activities	8,878	15,849
Net Increase (Decrease) in Cash and Cash Equivalents	(124,590)	(122,356)
Cash and Cash Equivalents at Beginning of Year	1,163,556	1,285,912
Cash and Cash Equivalents at End of Year	<u>\$ 1,038,966</u>	<u>\$ 1,163,556</u>

Maggie Valley Sanitary District
Statement of Cash Flows
For the years ended June 30, 2021 and 2020

Exhibit C
Page 2 of 2

	<u>2021</u>	<u>2020</u>
Reconciliation of Operating Income to Net Cash		
Provided by Operating Activities:		
Operating Income (Loss)	\$ 48,875	\$ (47,389)
Adjustments to Reconcile Operating Loss to Net		
Cash Provided by Operating Activities:		
Depreciation	364,686	365,601
Changes in Assets, Deferred Outflows of Resources and Liabilities:		
(Increase) Decrease in Accounts Receivables	(46,152)	28,513
(Increase) Decrease in Inventories	(19,398)	(4,496)
(Increase) Decrease in Other Receivables	8,781	2,115
(Increase) Decrease in Prepaid Insurance	(1,628)	(2,020)
(Increase) Decrease in Deferred Outflows of Resources - Pension	(28,745)	16,697
(Increase) Decrease in Deferred Outflows of Resources - OPEB	(33,943)	(6,018)
(Decrease) Increase in Accounts Payable	14,600	(104,824)
(Decrease) Increase in Accrued Expenses	(1,741)	(1,210)
(Decrease) Increase in Due to Town of Maggie Valley	12,948	(7,695)
(Decrease) Increase in Prepaid Utilities	5,759	7,486
(Decrease) Increase in Customer Deposits	1,677	6,424
(Decrease) Increase in Pension Liability	63,371	24,179
(Decrease) Increase in Deferred Inflows of Resources - Pension	(836)	(1,720)
(Decrease) Increase in Deferred Inflows of Resources - OPEB	17,037	(9,725)
(Decrease) Increase in OPEB Liability	22,073	29,169
(Decrease) Increase in Accrued Vacation Payable	(5,931)	10,428
Net Cash Provided By Operating Activities	<u><u>\$ 421,433</u></u>	<u><u>\$ 305,515</u></u>

See the accompanying auditor's report and notes to the financial statements.

I. Summary of Significant Accounting Policies

The accounting policies of the Maggie Valley Sanitary District (the District) conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

Maggie Valley Sanitary District is a unit of the local government and was formed as a public authority, a legal subdivision of the State of North Carolina. The District was created in 1968 for the purpose of providing water services to its approximately 3,800 customers in the Town of Maggie Valley (the Town) and part of Haywood County (the County). The District operated a surface water treatment plant and potable water distribution system. By agreement with the Town of Maggie Valley, the District is responsible for after-hour calls on sewer lines owned by the Town. Also, the District is responsible for billing and collecting sewer and garbage charges and remitting them to the Town on a monthly basis.

The three members of the board of directors of the Maggie Valley Sanitary District were elected to four-year terms by the citizens of the District. The District designates its own management, approves its own budget, and maintains its own accounting system. The District is separate from the Town of Maggie Valley and Haywood County; therefore, neither the Town nor the County is financially or otherwise accountable for the District.

B. Basis of Presentation

The accounts of the Maggie Valley Sanitary District are organized and operated on a fund basis. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts comprised of assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues, and expenses. The Maggie Valley Sanitary District accounts for its operations as an enterprise fund.

An enterprise fund is used to account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that 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 change in net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

C. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Enterprise funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets, and all liabilities associated with the operation of this fund are included on the statement of net position. Net position

is the result of deducting all the liabilities and deferred inflows of resources from all the assets and deferred outflows of resources. Total net position is segregated into three components: 1) net investment in capital assets, 2) restricted, and 3) unrestricted. Operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in total net position.

All funds of the District are maintained on the modified accrual basis during the year; however, the financial statements for the District have been reported on the accrual basis. Under this basis, revenues are recorded when earned and expenses are recorded when incurred. In converting from the modified accrual basis to the full accrual basis, the changes required may include adjustments for unpaid interest, depreciation, prepaid water charges, payments of principal on outstanding debt, and capital outlay.

D. Budgetary Data

An annual budget is adopted as required by North Carolina General Statutes. The annual appropriations lapse at the fiscal year-end. The budget is prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for annually budgeted funds. Amendments are required for any revisions that alter total expenditures or change functional appropriations by more than \$2,500. The governing board must approve all amendments. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

1. Deposits and Investments

All 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 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 District's investments are reported at fair value.

The Maggie Valley Sanitary District did not invest in such obligations for the year ended June 30, 2021.

2. Cash and Cash Equivalents

For purposes of the statement of cash flows, all cash is essentially demand deposits and is considered cash and cash equivalents. The District considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash and cash equivalents.

Restricted Cash

Customer deposits of \$54,700 and \$53,023 for the years ended June 30, 2021 and 2020, respectively, held by the District before any services are supplied are restricted to the service for which the deposit was collected.

Restricted Cash	<u>2021</u>	<u>2020</u>
Customer Deposits	<u>\$54,700</u>	<u>\$53,023</u>
Total	\$54,700	\$53,023

3. Allowance for Doubtful Accounts

All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. This amount is estimated by considering historical and current year write offs and aging of past due accounts.

4. Inventory and Prepaid Insurance

The inventories of the District are valued at cost (first-in, first-out), which approximates market. The inventories consist of water and sewer system materials and supplies held for subsequent use. The costs of these inventories are expensed when consumed rather than when purchased.

Certain payments for insurance reflect costs applicable to future accounting periods and are recorded as prepaid insurance and are expensed as the insurance is used.

5. Capital Assets

Prior to July 1, 2019, the District defined capital assets as assets with an initial, individual cost of more than \$1,000, after July 1, 2019 defined as assets with an initial, individual cost of more than \$5,000. Donated capital assets are recorded at their estimated fair market value at the date of donation. All other purchased or constructed capital assets are reported at cost or estimated historical cost. The cost of normal maintenance and repairs that do not add value to the value of the asset or materially extend asset's lives are not capitalized. The District's capital assets are depreciated using the straight-line method ranging from five years for equipment to forty years for the water system and buildings.

6. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The District has two items that meets the criterion for this category, pension and OPEB deferrals. 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 until then. The District has two items that meet the criterion for this category, pension and OPEB deferrals.

7. Long-term Obligations

The District reports long-term debt and other long-term obligations as liabilities in the statement of net position. The District's debt service requirements for its installment purchases are being met by revenues from water services. Prepaid insurance costs are expensed over the life of the debt.

8. Compensated Absences

The vacation policy of the Sanitary District provides for the accumulation of up to thirty (30) days earned vacation leave with such leave being fully vested when earned. An expense and a liability for compensated absences and the salary related payments are recorded as the leave is earned. The accumulated earned vacation liability amounted to \$34,818 and \$40,749 at June 30, 2021 and 2020, respectively. Due to its continuing nature, the liability is recorded as a noncurrent liability. The current portion of the accumulated vacation pay is not considered to be material and is not recognized in the accompanying financial statements.

The District's sick leave policy provides for an unlimited accumulation of earned sick leave. Sick leave does not vest, and since the District has no obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

9. Net Position

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

10. 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 the purpose, plan member contributions are recognized in the period in which the contributions are due. The District's employer contributions are recognized when due and the District has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERS. Investments are reported at fair value.

F. Comparative Data/Reclassifications

Comparative data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in the District's financial position and operations. Certain prior year amounts have been reclassified for comparison purposes to current year presentation.

II. Stewardship, Noncompliance and Accountability

A. Violations of Finance-Related Legal and Contractual Provisions

1. Noncompliance with North Carolina General Statutes

The District did not file forms COLL-91 and LGC-203 by July 31, 2021 as required by General Statutes 159-31(a) and 159-33. The District will establish internal policies to ensure these forms are filed timely going forward.

2. Excess of Expenditures over Appropriations

For the fiscal year ended June 30, 2021, the expenditures made for water operations activities exceeded the authorized appropriations. This over-expenditure occurred because of a miscalculation in the budget process for salaries and health insurance costs. Management and the Board will more closely review the budget reports to ensure compliance in future years.

III. Detail Notes

A. Assets

1. Deposits

All of the District's deposits 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 agent in the District's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the District, these deposits are considered to be held by the District's agent in the District'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. 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 Maggie Valley Sanitary District's cash and investments had a carrying amount of \$1,177,286 and a bank balance of \$1,209,340. Of the bank balance, \$475,656 was covered by federal depository insurance at two different financial institutions, and the remaining amount of \$733,684 was covered by collateral held under the pooling method. At June 30, 2021, the District maintained a petty cash fund in the amount of \$100.

At June 30, 2020, the Maggie Valley Sanitary District's cash and investments had a carrying amount of \$1,301,733 and a bank balance of \$1,364,640. Of the bank balance, \$481,376 was covered by federal depository insurance at three different financial institutions, and the remaining amount of \$883,264 was covered by collateral held under the pooling method. At June 30, 2020, the District maintained a petty cash fund in the amount of \$100.

2. Investments

At June 30, 2021 and 2020 Maggie Valley Sanitary District had \$138,420 and \$138,277, respectively, in certificates of deposits with various maturity dates. The District has no formal investment policy.

3. Receivables – Allowance for Doubtful Accounts

The amounts presented in Exhibit A, Statement of Net Position, are net of the following allowances for doubtful accounts:

		06/30/21		06/30/20
Accounts Receivable	\$	32,192	\$	45,521

4. Capital Assets

The changes in capital assets and accumulated depreciation of the Maggie Valley Sanitary District for the year ended June 30, 2021 are as follows:

	Beginning Balances 6/30/20	Additions	Retirements	Ending Balances 6/30/21
Enterprise Activities				
Capital assets not being depreciated:				
Construction in progress	\$ 6,521	\$ 14,932	\$ 6,521	\$ 14,932
Land	326,985	1,466,600	-	1,793,585
Total capital assets not being depreciated	333,506	1,481,532	6,521	1,808,517
Capital assets being depreciated:				
Buildings & Improvements	602,858	-	-	602,858
Water System	8,753,930	-	27,875	8,726,055
Water Plant	2,214,603	-	-	2,214,603
Equipment	1,451,747	108,696	106,838	1,453,605
Total capital assets being depreciated	13,023,138	108,696	134,713	12,997,121
Less accumulated depreciation for:				
Buildings & Improvements	185,368	14,724	-	200,092
Water System	4,727,009	168,369	17,858	4,877,520
Water Plant	1,832,211	92,879	-	1,925,090
Equipment	579,808	88,714	106,838	561,684
Total accumulated depreciation	7,324,396	\$ 364,686	\$ 124,696	7,564,386
Total capital assets being depreciated, net	5,698,742			5,432,735
Capital assets, net	\$ 6,032,248			\$ 7,241,252

The changes in capital assets and accumulated depreciation of the Maggie Valley Sanitary District for the year ended June 30, 2020 are as follows:

	Beginning Balances 6/30/19	Additions	Retirements	Ending Balances 6/30/20
Enterprise Activities				
Capital assets not being depreciated:				
Construction in progress	\$ 35,873	\$ 47,148	\$ 76,500	\$ 6,521
Land	326,985	-	-	326,985
Total capital assets not being depreciated	362,858	47,148	76,500	333,506

Capital assets being depreciated:				
Buildings & Improvements	602,858	-	-	602,858
Water System	8,583,765	170,165	-	8,753,930
Water Plant	2,191,207	23,396	-	2,214,603
Equipment	1,381,483	82,751	12,487	1,451,747
Total capital assets being depreciated	12,759,313	276,312	12,487	13,023,138
Less accumulated depreciation for:				
Buildings & Improvements	170,643	14,725	-	185,368
Water System	4,561,085	165,924	-	4,727,009
Water Plant	1,740,502	91,709	-	1,832,211
Equipment	494,017	93,243	7,452	579,808
Total accumulated depreciation	6,966,247	\$ 365,601	\$ 7,452	7,324,396
Total capital assets being depreciated, net	5,793,066			5,698,742
Capital assets, net	\$ 6,155,924			\$ 6,032,248

Depreciation expense was \$364,686 and \$365,601, respectively, for the years ended June 30, 2021 and 2020.

B. Liabilities

1. Pension Plans and Postemployment Obligations

a. Local Governmental Employees' Retirement System

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

Benefits Provided. LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation 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 retirements benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed 5 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 benefits 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 District employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The District's contractually required contribution rate for the years ended June 30, 2021 and 2020, was 10.15% and 8.95%, respectively, 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 District were \$57,658 and \$49,684 for the years ended June 30, 2021 and 2020, respectively.

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

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

At June 30, 2021, the District reported a liability of \$258,359 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 the rolled forward to the measurement date of June 30, 2020 utilizing update procedures incorporating the actuarial assumptions. The District's proportion of the net pension liability was based on a projection of the District's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2021, the District's proportion was 0.00723%, which was an increase of 0.00009% from its proportion measured as of June 30, 2020.

For the year ended June 30, 2021, the District recognized pension expense of \$91,517. At June 30, 2021, the District 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 expense	\$ 32,626	\$ -
Changes of assumptions	19,227	-
Net difference between projected and actual earnings on pension plan investments	36,357	-
Changes in proportion and differences between contributions and proportionate share of contributions	8,443	838
District's contributions subsequent to the measurement date	57,658	-
Total	<u>\$ 154,311</u>	<u>\$ 838</u>

\$57,658 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2022	27,375
2023	36,444
2024	21,236
2025	10,760
2026	-
Thereafter	-
	<u>95,815</u>

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

Inflation	3.00%
Salary increases	3.50% - 8.10%, including inflation and productivity factor
Investment rate of return	7.00%, net of pension plan investment expense, Including inflation

The plan currently uses mortality tables that vary by age, gender, employee group (i.e. general, law enforcement officer) and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The 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, 2020 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	<u>6.0%</u>	4.0%
Total	100%	

The information above is based on 30-year expectations developed with the consulting actuary for the 2019 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 District's proportionate share of the net pension liability to changes in the discount rate. The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.0 percent, as well as what the District's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.0 percent) or one percentage point higher (8.0 percent) than the current rate:

	1% Decrease (6.0%)	Discount Rate (7.0%)	1% Increase (8.0%)
District's proportionate share of the net pension liability	524,182	258,359	37,441

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

b. Other Postemployment Benefits (OPEB)– Healthcare Benefits

Plan Description: The District administers a single-employer defined benefit healthcare plan ("the Retiree Health Plan"). The District pays the full cost of coverage for healthcare benefits paid to qualified retirees under a resolution that can be amended by the District Officials. The District Officials have the authority to establish and amend the benefit terms and financing requirements. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

Benefits Provided. The plan provides postemployment healthcare benefits to retirees (and their spouses, if applicable) at age 60 or more with 20 or more years of service with the District until age 65 or the age of Medicare eligibility. For employees retiring under the LGERS with at least 30 years of service with the District, the District will pay the employee (and spouse) healthcare premiums regardless of the age of retirement. Retirees who are eligible and who chose to use Medicare will be transferred to a Medicare supplemental plan after qualifying for Medicare. The Board of Directors may amend the benefit provisions. A separate report was not issued for this plan.

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

	Employees
Retirees and dependents receiving benefits	-
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	10
Total	10

Total OPEB Liability

The District's total OPEB liability of \$362,366 was measured as of June 30, 2020 and was determined by an actuarial valuation as of June 30, 2020.

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

Inflation	2.5 percent
Real wage growth	1.00%
Wage inflation	3.50%
Salary increases	3.5% - 7.75%
Municipal Bond Index Rate	
Prior measurement date	3.50%
Measurement date	2.21%
Healthcare Cost Trends	
Pre-Medicare	7.00% for 2020 decreasing to an ultimate rate of 4.50% by 2030

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at July 1, 2020	340,293
Changes for the year	
Service cost	11,426
Interest	12,310
Changes of benefit terms	-
Differences between expected and actual experience	(33,034)
Changes in assumptions or other inputs	31,371
Benefit payments	-
Net changes	<u>22,073</u>
Balance at June 30, 2021	362,366

The discount rate is based on the Municipal Bond Index Note equal to the Bond Buyer 20-year General Obligation published on the first Thursday of June by The Bond Buyer, and the Municipal Bond Index Rate as of the measurement date as the discount rate used to measure the TOL.

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

The demographic actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014, adopted by the LGERS.

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.50 percent) or 1-percentage-point higher (4.50 percent) than the current discount rate:

	1% Decrease	Discount Rate	1% Increase
Total OPEB liability	\$ 362,818	\$340,293	\$319,089

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

	1% Decrease	Discount Rate	1% Increase
Total OPEB liability	\$333,603	\$362,366	\$394,949

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

For the year ended June 30, 2021, the District recognized OPEB expense of \$14,249. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows	Deferred Inflows
Differences between expected and actual experience	\$ -	\$ 76,720
Changes of assumptions	40,068	6,838
Benefit payments and administrative costs made subsequent to the measurement date	<u>9,082</u>	<u>-</u>
Total	\$ 49,150	\$ 83,558

\$9,082 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expense incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2022. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2022	(405)
2023	(9,487)
2024	(9,487)
2025	(8,829)
2026	(6,551)
Thereafter	351

2. Prepaid Utilities

Prepaid utilities consist of customer prepayments of water bills that totaled \$37,484, and \$31,725, respectively, at June 30, 2021 and 2020.

3. 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 participates in three self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the District obtains property coverage of \$5,822,550, general liability and auto liability of \$1,000,000 per occurrence, worker's compensation up to the statutory limits, and employee vision and dental coverage. The pools are reinsured through commercial companies for single occurrence claims against general liability, auto liability and property in excess of \$500,000 and \$300,000 up to statutory limits for worker's compensation. The pool is reinsured for annual employee health claims in excess of \$150,000. The property liability pool has an aggregate limit for the total property losses in a single year, with the reinsurance limit based upon a percentage of the total insurance values. Health insurance for employees is provided through a private carrier.

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

The District carries flood insurance because the District's new administrative building is in an area of the State that has been mapped and designated an "A" area (an area close to a river, lake, or stream). The District has purchased coverage of \$500,000 on the building and \$51,000 for contents.

The District's employees who have access to \$100 or more at any given time are bonded under a blanket bond up to a limit of \$20,000 per occurrence. Members of the Board are covered under a blanket bond up to a limit of \$5,000 per occurrence. The District's Finance Officer is individually bonded up to a limit of \$50,000 per occurrence.

4. Long-Term Obligations

On July 17, 2008, the District entered into an installment purchase contract for \$500,000 to construct a new administrative building. The financing contract requires semi-annual

payments of \$21,822 including interest at 3.67% through July 17, 2023. The balance was paid off during the year ended June 30, 2021.

On October 15, 2010, the District completed the Dellwood Water System Improvement project, a project funded under the American Recovery and Reinvestment Act of 2009 (ARRA) Revolving Loan program and entered into an installment note agreement for \$748,913 of which half was immediately forgiven leaving a note balance of \$374,456. The note requires 20 annual payments of \$18,723 at zero percent interest beginning May 1, 2011 through May 1, 2030. The remaining balance at June 30, 2021 was \$168,505.

On June 1, 2014, the District entered into an installment purchase contract in the amount of \$1,187,230 to construct a new water line in the Jonathan Creek area. The financing contract required semi-annual payments of \$49,301 including interest at 2.99%. The remaining balance at June 30, 2021 was \$699,902.

On March 15, 2017, the District entered into an installment purchase contract for \$800,000 to purchase water meters. The financing contract requires 30 semi-annual payments of \$33,477 including interest at 3.07% through March 15, 2032. The remaining balance at June 30, 2021 was \$621,030.

The future minimum payments of these installment purchases as of June 30, 2021 are as follows:

<u>Year ended June 30</u>	<u>Principal</u>	<u>Interest</u>
2022	145,234	39,045
2023	149,084	35,194
2024	153,052	31,227
2025	157,140	27,139
2026	106,842	22,927
2027-2031	649,163	51,054
2032	128,922	1,511
Total	\$ <u>1,489,437</u>	\$ <u>208,097</u>

Activity in the noncurrent liability accounts during the year was as follows:

	<u>Balance June 30, 2020</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2021</u>	<u>Current Portion</u>
Installment Purchases	1,773,064	-	(283,627)	1,489,437	145,234
Compensated Absences	40,749	13,473	(19,404)	34,818	-
Pension Liability	194,988	63,371	-	258,359	-
OPEB Liability	340,293	22,073	-	362,366	-
Total	2,349,094	98,917	(303,031)	2,144,980	145,234

5. Restricted Net Position

The District had restricted net position of \$30,000 due to unspent grant funds received for expenditures related to the joint venture with The Conservation Fund for the year ended June 30, 2021. See Note V for details on this joint venture.

III. Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

The District has been the recipient of Federal and State grant awards. Periodic audits of these types of grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreement. Such audits could result in the refund of grant monies 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 monies.

IV. Significant Effects of Subsequent Events

Subsequent events have been evaluated through September 13, 2021, which is the date the financial statements were available to be issued. The results of this evaluation indicated that there are no subsequent events or transactions that are required to be disclosed in these financial statements.

V. Joint Venture

The Maggie Valley Sanitary District and The Conservation Fund have identified key properties in Campbell Creek Watershed as well as the Jonathan Creek Watershed that should be conserved to protect drinking water supplies, natural heritage values and wildlife habitat. To date, twenty-two tracts totaling 7,459 acres have been purchased by The Conservation Fund and the District has obtained through capital contributions or non-cash contributions .398 acres, for a total of 7,459.398 acres protected through this joint venture. Additional tracts are in negotiations for the 2021-2022 fiscal year. The Maggie Valley Sanitary District has hired a land management specialist to oversee the transition from private to public properties.

Through the NC Clean Water Management Trust Fund and Forest Legacy grants, the Maggie Valley Sanitary District received four tracts of land totaling 709.623 acres on February 23, 2021. The property will be managed by a Multi-Resource Management Plan to ensure long term sustainability and protection of the forest and water resources. The District, the State of North Carolina and the NC Clean Water Management Trust Fund entered into a conservation easement agreement for the entire 709.623 acres contributed to the District to preserve and maintain the natural resources of the riparian buffer.

Maggie Valley Sanitary District
Maggie Valley Sanitary District's Proportionate Share of Net Pension Liability (Asset)
Required Supplementary Information
Last Eight Fiscal Years

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability (asset) %	0.00723%	0.00714%	.0072%	.00744%	.00744%	0.0078%	0.0075%	0.0075%
District's proportion of the net pension liability (asset)	\$ 258,359	\$ 194,988	\$ 170,809	\$ 99,608	\$ 157,902	\$ 34,916	\$ (44,172)	\$ 20,492
District's covered-employee payroll	\$ 556,534	\$ 514,425	\$ 492,011	\$ 462,161	\$ 509,298	\$ 474,256	\$ 496,492	\$ 413,489
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	46.42%	37.90%	34.72%	21.55%	31.00%	7.36%	-8.90%	4.96%
Plan fiduciary net position as a percentage of the total pension liability	91.63%	94.18%	91.47%	98.09%	99.07%	102.64%	94.35%	96.45%

Maggie Valley Sanitary District
Maggie Valley Sanitary District's Contributions
Required Supplementary Information
Last Eight Fiscal Years

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 57,658	\$ 49,810	\$ 39,868	\$ 36,901	\$ 33,507	\$ 33,970	\$ 33,530	\$ 31,430
Contribution in relation to the contractually required contribution	57,658	49,810	39,868	36,901	33,507	33,970	33,530	31,430
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
District's covered-employee payroll	\$ 568,059	\$ 556,534	\$ 514,425	\$ 492,011	\$ 462,161	\$ 509,298	\$ 474,256	\$ 496,492
Contributions as a percentage of covered-employee payroll	10.15%	8.95%	7.75%	7.50%	7.25%	6.67%	7.07%	6.33%

Maggie Valley Sanitary District
Schedule of Changes in Total OPEB Liability and Related Ratios
June 30, 2021

Total OPEB Liability	2021	2020	2019	2018
Service cost	11,426	10,593	11,743	12,664
Interest	12,310	12,103	12,515	10,321
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience	(33,034)	(1,954)	(75,217)	-
Changes of assumptions	31,371	8,427	10,527	(14,334)
Benefit payments	-	-	-	-
Net change in total OPEB liability	22,073	29,169	(40,432)	8,651
Total OPEB liability - beginning	340,293	311,124	351,556	342,905
Total OPEB liability - ending	362,366	340,293	311,124	351,356
Covered payroll	579,521	521,310	521,310	495,189
Total OPEB liability as a percentage of covered payroll	62.53%	65.28%	59.68%	70.99%

Notes to schedule

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

<u>Fiscal Year</u>	<u>Rate</u>
2021	2.21%
2020	3.50%
2019	3.89%
2018	3.56%

Maggie Valley Sanitary District

Statement of Revenues and Expenditures - Budget and Actual (Non-GAAP)

For the Year Ended June 30, 2021

With Comparative Actual Amounts for the Year Ended June 30, 2020

	2021			2020
	Budget	Actual	Variance Favorable (Unfavorable)	Actual
Revenues:				
Charges for Services:				
Water Sales		\$ 1,974,148		\$ 1,820,058
Water Tap Fees		48,150		30,900
Total	1,958,000	2,022,298	\$ 64,298	1,850,958
Other Operating Revenues:				
Reconnects		5,800		5,300
Sewer Services Contract		52,774		47,009
Other Revenue		285		7,072
Total	72,000	58,859	(13,141)	59,381
Total Operating Revenues	2,030,000	2,081,157	51,157	1,910,339
Nonoperating Revenues:				
Interest on Investments		9,021		17,016
Gain on Sale of Fixed Assets		(10,017)		(5,035)
Contribution		1,286,600		-
Grant Revenue		60,000		30,000
Total Nonoperating Revenues	10,000	1,345,604	1,335,604	41,981
Total Revenues	2,040,000	3,426,761	1,386,761	1,952,320
Expenditures:				
Administration:				
Salaries		150,334		233,458
Payroll Taxes		11,500		17,860
Employee Pension		15,261		16,027
Group Insurance		55,931		86,910
Contract Services		27,831		37,071
Professional Fees		36,722		9,930
Telephone		15,891		18,471
Postage		3,751		5,590
Office Supplies		7,572		5,932
Bank Fees		11,587		13,794
Computer Supplies		-		2,166
Dues and Subscriptions		6,523		5,865
Bonds and Insurance		25,743		27,572
Board Compensation		18,000		17,100
Miscellaneous		750		1,250
Total Administration	417,000	387,396	29,604	498,996

Maggie Valley Sanitary District

Statement of Revenues and Expenditures - Budget and Actual (Non-GAAP)

For the Year Ended June 30, 2021

With Comparative Actual Amounts for the Year Ended June 30, 2020

	2021			2020
	Budget	Actual	Variance Favorable (Unfavorable)	Actual
Expenditures: (Continued)				
Water Operations				
Salaries		\$ 487,219		\$ 365,749
Water Purchases		127,974		90,623
Contract Services		38,316		20,135
Utilities		88,212		88,946
Maintenance and Repairs - Building		4,684		3,133
Maintenance and Repairs - Equipment		2,161		3,235
Maintenance and Repairs - Vehicles		8,242		3,770
Maintenance and Repairs - Plant		874		25,016
Watershed Maintenance		1,428		492
Casual Labor		5,050		6,576
Property Damage		34,858		38,655
Tires		143		2,010
Auto Supplies		12,594		15,362
Supplies		79,238		70,084
Chemicals		61,751		75,844
Payroll Taxes		37,355		27,985
Employee Pension		42,276		33,657
Group Insurance		177,115		122,509
Employee Training		4,637		8,849
Outside Lab Work		15,408		15,038
Miscellaneous		17,639		12,453
Total Water Operations	1,206,603	1,247,174	(40,571)	1,030,121
Debt Service:				
Principal Payments		283,627		175,267
Interest and Fees		34,167		51,493
Total Debt Service	320,000	317,794	2,206	226,760
Budgetary Appropriations:				
Capital Outlay	301,397	297,107	4,290	246,960
Total Expenditures	2,245,000	2,249,471	(4,471)	2,002,837
Revenues Over Expenditures	(205,000)	1,177,290	1,382,290	(50,517)

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

With Comparative Actual Amounts for the Year Ended June 30, 2020

	2021			2020
	Budget	Actual	Variance Favorable (Unfavorable)	Actual
Other Financing Sources:				
Proceeds from Installment Purchases	-	-	-	-
Total Other Financing Sources	-	-	-	-
Appropriated Fund Balance	205,000	-	(205,000)	-
Revenues Over Expenditures and Other Financing Sources	<u>\$ -</u>	<u>\$ 1,177,290</u>	<u>\$ 1,177,290</u>	<u>\$ (50,517)</u>

Reconciliation from budgetary basis (modified accrual) to full accrual basis:

Revenues Over Expenditures and Other Financing Sources	\$ 1,177,290	\$ (50,517)
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Reconciling Items:

Capital Outlay Expenditures	297,107	246,960
Principal Payments	283,627	175,267
Depreciation Expense	(364,686)	(365,601)
Increase (decrease) in Deferred Outflows - Pension	28,745	(16,697)
Increase (decrease) in Deferred Outflows - OPEB	33,943	6,018
(Increase) decrease in OPEB Liability	(22,073)	(29,169)
(Increase) decrease in Net Pension Liability	(63,371)	(24,179)
(Increase) decrease in Deferred Inflows - Pension	836	1,720
(Increase) decrease in Deferred Inflows - OPEB	(17,037)	9,725
(Increase) decrease in Accrued Vacation	5,931	(10,428)
Proceeds from Installment Purchase	-	-

Change in Net Position	<u>\$ 1,360,312</u>	<u>\$ (56,901)</u>
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Maggie Valley Sanitary District
Statement of Cash and Investment Balances
As of June 30, 2021
With Comparative Actual Amounts at June 30, 2020

	<u>2021</u>	<u>2020</u>
First Citizens Bank & Trust Co.		
Regular Checking	\$ -	\$ 5,811
Home Trust Bank		
Regular Checking	186,271	146,170
Payroll Checking	5,829	4,688
Sweep Account - Regular Checking	282,878	327,147
Sweep Account - Customer Deposits	48,784	48,174
Sweep Account - Loan Proceeds for Construction	5,343	5,307
Sweep Account - Money Market	422,525	538,804
Branch Banking & Trust		
Regular Checking	12,873	12,951
Payroll Checking	3,571	3,619
Savings - Customer Deposits	19,810	19,808
Savings	50,982	50,977
Petty Cash	100	100
Total Cash and Cash Equivalents	<u>1,038,966</u>	<u>1,163,556</u>
 Branch Banking & Trust		
Certificate of Deposit		
Due 2/1/22 @ 0.01%	52,164	52,073
Branch Banking & Trust		
Certificate of Deposit		
Due 7/11/21 @ 0.01%	74,286	74,249
Branch Banking & Trust		
Certificate of Deposit		
Due 8/15/21 @ 0.01%	<u>11,970</u>	<u>11,955</u>
 Total Investments	<u>138,420</u>	<u>138,277</u>
 Total Cash and Investments	<u><u>\$ 1,177,386</u></u>	<u><u>\$ 1,301,833</u></u>