REVIEWED
By SLGFD at 1:58 pm, Nov 19, 2021

Onslow Water and Sewer Authority
Jacksonville, North Carolina

Annual Comprehensive Financial Report
For the Fiscal Year Ended June 30, 2021

Prepared by:

Finance Department of Onslow Water and Sewer Authority

PBMares SM

ASSURANCE, TAX & ADVISORY SERVICES

Table of Contents

Introductory Section (Unaudited):	
Letter of Transmittal	1 – 11
Organizational Chart	12
List of Appointed Officials	13
Financial Section:	
Independent Auditor's Report	14 – 16
Management's Discussion and Analysis (Unaudited)	17 – 23
Basic Financial Statements:	
Statement of Net Position	24 – 25
Statement of Revenues, Expenses and Changes in Net Position	26
Statement of Cash Flows	27 – 28
Notes to the Financial Statements	29 – 50
Required Supplemental Financial Data	
Other Postemployment Benefits – Schedule of Changes in the Total OPEB Liability and Related Ratios	51
Schedule of Authority's Proportionate Share of Net Pension Liability (Asset) – LGERS	52
Schedule of Authority's Contributions – LGERS	53
Individual Fund Schedules	
Schedule of Revenues and Expenditures – Budget and Actual (Modified Accrual Basis) – Operating Fund	54 – 55
Schedule of Revenues and Expenditures – Budget and Actual (Modified Accrual Basis) – Capital Projects Fund – Various Projects	56
Schedule of Revenues and Expenditures – Budget and Actual (Modified Accrual Basis) – Capital Projects Fund – Water and Sewer Expansion Projects	57

Table of Contents (Continued)

Statistical Section (Unaudited)	58
Net Position by Component – Last Ten Fiscal Years	59 – 60
Change in Net Position – Last Ten Fiscal Years	61 – 64
Expenses by Functions – Last Ten Fiscal Years	65
Revenues by Sources – Last Ten Fiscal Years	66
Principal Sewer Customers – Last Ten Fiscal Years	67
Principal Water Customers – Last Ten Fiscal Years	68
Ratio of Bonded Debt to Net Operating Revenues and Net Bonded Debt Per Customer – Last Ten Fiscal Years	69
Onslow County, North Carolina Demographic Statistics – Last Ten Fiscal Years	70
Miscellaneous Statistical Data	71
Onslow County, North Carolina Taxable Property Assessed Value – Last Ten Fiscal Years	72
Onslow County, North Carolina Taxable Property Tax Rates – Last Ten Fiscal Years	73
Onslow County, North Carolina Property Tax Levies and Collections – Last Ten Fiscal Years	74
Full Time Equivalents Employees – Last Ten Fiscal Years	75
Principal Employers – Current Year and Five Years Ago	76
Water Processed and Wastewater Treated – Last Ten Fiscal Years	77
Operating Indicators by Function/Program – Last Ten Fiscal Years	78 – 79
Compliance Section:	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Basic Financial Statements Performed in Accordance with *Government Auditing Standards*	80 – 81

ONWASA

onwasa.com

228 Georgetown Rd
Jacksonville, NC 28540

October 28, 2021

To the ONWASA Board of Directors, Bondholders, and Customers:

We are pleased to present our Annual Comprehensive Financial Report for the Fiscal Year from July 1, 2020 through June 30, 2021 (FY 2021). This report conforms with the reporting and accounting standards of the Governmental Accounting Standards Board ("GASB") and the Government Finance Officers Association's ("GFOA's") *Governmental Accounting, Auditing and Financial Reporting* document.

ONWASA is responsible for the accuracy, completeness and fairness of the information presented, including all disclosures.

The financial reporting entity of ONWASA consists of a single enterprise fund.

For financial reporting purposes GASB Statement No. 14 and 61 have been considered and there are no agencies or entities which should be presented with the Authority. Also, the Authority is not included in any other reporting entity. The Authority is a jointly governed organization, i.e. an entity governed primarily by representatives from other governments. The participants do not retain any ongoing financial interest in or financial responsibility for the Authority.

BACKGROUND

Creation and Governance of ONWASA

Onslow Water and Sewer Authority (the "Authority" or "ONWASA") was created pursuant to Chapter 162A of the North Carolina General Statutes by the governing bodies of Onslow County, the Towns of Richlands, Holly Ridge, Swansboro and North Topsail Beach and the City of Jacksonville for the purpose of providing water and sewer services to all residents of Onslow County. The Authority is empowered to set rates, fees and charges without oversight, supervision, or direction from any other state or local entity or agency. The Governing Board consists of eight directors who hold office for staggered terms. The directors are appointed by the governing bodies of the County of Onslow, Town of Richlands, Town of Holly Ridge, Town of Swansboro, City of Jacksonville, and the Town of North Topsail Beach.

While we do not serve all residents of Onslow County, ONWASA serves approximately 146,813 people. Our 54,200 meters makes us the 3rd largest water and sewer authority in North Carolina. We serve a unique community, one that consists of a large military base and a high number of seasonal visitors to the coastal areas. This is a highly transient population, and we are expecting a substantial increase in residents in the coming years, partly due to military base realignment that will bring additional military members and their families to Onslow County. In addition to preparing for the increase in demand for utility services, we are dealing with areas that do not presently have sewer systems in place or have outdated/undersized systems that need updating and expansion. Last year, our operating and capital budgets were just over $95 million, and the upcoming budget year will be approximately $99 million.

Starting July 1, 2005, ONWASA assumed full control including billing and collections, capital maintenance and general operations of the water operations from Onslow County, Town of Richlands, and the Town of Holly Ridge in Onslow County, North Carolina. ONWASA also assumed the wastewater operations of Onslow County and Town of Richlands as of July 1, 2005. The Town of Holly Ridge's wastewater operations were assumed by ONWASA on January 1, 2006. The Town of Swansboro's water and wastewater operations were assumed by ONWASA on January 1, 2007.

As a Water and Sewer Authority, ONWASA has no taxing power, nor land use or zoning regulatory functions. These powers continue to reside with Onslow County and the local governments in their corporate limits and zoning jurisdictions.

ONWASA is a regional water and sewer utility based upon the self-proposed cooperative merger of the systems of local governments who desire to achieve the economies of scale and obtain the ability to negotiate and operate as one unified entity. This innovative achievement has been supported by federal, state and military officials throughout ONWASA's formation and is a testament to the inter-local government cooperation and a spirit of unity for progressive public service to all these citizens of Onslow County.

Water System

Our raw water supply comes from three underground aquifer sources: Castle Hayne Aquifer which can supply up to 14.0 million gallons per day (MGD); and, the combined Black Creek and PeeDee aquifers which can supply on average an additional 2.9 MGD. ONWASA utilizes four ground storage tanks that have a total capacity of 12.0 million gallons and 10 elevated tanks with a total capacity of 4.05 million gallons.

The raw water from the Castle Hayne aquifer is processed into drinking water at the Hubert Water Treatment Plant and the Dixon Water Treatment Plant; they are able to treat 6 MGD and 4 MGD, respectively. Both plants utilize a pressure filtration and softening system with iron removal, disinfection and corrosion control, and the Dixon plant also has the capability to treat up to 3.0 MGD via reverse osmosis. The raw water from the Black Creek and PeeDee aquifers only requires minimal treatment processing, consisting of disinfection and orthophosphate feed at the well heads, to be suitable for use. The finished drinking water is then pumped to the water storage and distribution system, which has a storage capacity of approximately 16.05 million gallons and 1,225 miles of water lines serving approximately 146,000 people in the ONWASA service area.

Wastewater System

ONWASA maintains approximately 189 miles of sewer lines and 74 pump stations to collect and transport wastewater to one of four ONWASA-operated wastewater treatment facilities. The wastewater treatment process and permitted daily capacity vary for each of the four treatment plants. The Holly Ridge Wastewater Treatment Plant can process up to 0.224 MGD utilizing a treatment lagoon and spray field irrigation disposal process. The Summerhouse Wastewater Reclamation Facility can process up to 0.180 MGD utilizing a membrane bioreactor (MBR) biological nutrient removal process with infiltration ponds for disposal. Both of these plants were combined into the Southeast Regional Wastewater Treatment system and offer a combined process of 0.404 MGD. The Northwest Regional Water Reclamation Facility can process up to 1.273 MGD using a Sequential Batch Reactor (SBR) process with infiltration basins for disposal. The Swansboro's Wastewater Treatment Plant can process up to 0.600 MGD using an activated sludge extended air treatment process with tertiary treated effluent and infiltration basins for disposal.

In addition to our own treatment facilities, wastewater is also conveyed through the collection system to the French Creek Wastewater Treatment Facility aboard Marine Corps Base Camp Lejeune and the City of Jacksonville's Land Treatment Site (LTS). The French Creek Wastewater Treatment Facility is an activated sludge tertiary plant, which accepts up to 3.5 MGD from ONWASA for treatment through a long-term agreement. The City of Jacksonville LTS, which consists of an aerated lagoon and wooded spray irrigation site, accepts an average flow of .06 MGD to be sent from ONWASA for treatment.

Economic Condition and Outlook

The economy of Onslow County continues to grow, mainly due to the steady growth and support of Marine Corps Base Camp Lejeune. The current local unemployment rate is 5.4%, which is slightly higher than the current state-wide rate of 4.9%. The approximate population of Onslow County in 2021 was 197,398.

Major Initiatives and Accomplishments

Below is a summary of priority issues and items for the coming fiscal year. Some are continuations of previous projects and others are new.

Union Chapel Water Treatment Plant

In response to the Central Coastal Plain Capacity Use Area Rule groundwater withdrawal restrictions (see Regional Aquifer Study), a previous study determined that development of an alternative raw water supply within the Castle Hayne aquifer to offset reductions in the Black Creek well field yield was feasible. The proposed wells would be located in the vicinity of the Martin Marietta Aggregates (MMA) Onslow Quarry, with the intent of creating an alternate water supply while at the same time attempting to intercept groundwater before it entered the quarry pit and had to be removed by MMA via pumping and surface discharge. Phase 1 of the project, completed in late 2018, created two well sites that provided a total of three (3) new raw water wells adjacent to the MMA quarry site along Richlands Highway. Design of a second phase of the project, the construction of transmission mains to connect the UC-1 and UC-2 sites to a future treatment plant, is 90% complete however bidding and construction have been postponed in order to enable funding of other priority capital improvement projects.

Based on the results of water quality testing of the new production wells, the proposed third phase of this project has been revised to eliminate a proposed blending facility for treatment and will instead move forward with design and construction of a full capacity water treatment plant at the UC-1 site. Work on preliminary site assessments and treatment process development should begin by mid-2022, however a schedule for final design, bidding and construction has not been established at this time.

NC Highway 50 Wells

In order to address an estimated 20-30% wasting rate from implementation of a reverse osmosis (RO) treatment process at the Dixon Water Treatment Plant, ONWASA initiated an exploration program to develop additional sources of raw water supply to that facility. Based on positive initial results from test wells constructed within the Lower Castle Hayne and the Upper Castle Hayne aquifers at ONWASA property along Highway 50, the Dixon Wells D10 and D11 Project was initiated to construct two production wells and 25,000 linear feet of raw water transmission main. Phase 1, completed in 2015, consisted of well drilling and testing to determine water quality and design requirements for the production well equipment. Phase 2, performed under two separate competitive bid construction contracts, included full build-out of the wells (pumps, motors, controls and piping), along with raw water transmission mains along Highway 50 and Highway 17 to connect the wells to the Dixon Water Treatment Plant.

Construction of both new wells and the transmission main was completed by late 2020, however production use of these wells was voluntarily suspended by ONWASA in January 2021 due to concerns over the discovery of PFAS contamination at a former military airstrip less than a mile from these well sites.

Piney Green Phase 2 Elimination of Hickory Grove WWTP and Webb Apartments WWTP

The major components of this project, construction of two new pump stations and associated gravity/force main sewer lines in order to decommission the existing Webb Apartments and Hickory Grove wastewater treatment facilities, was completed in 2015 and both pump stations are fully operational. A project to address the remaining item of work, removal of sludge and formal closure of the active permit for an approximately three-acre treatment lagoon at the Hickory Grove site, was bid in early 2015 however the bids to perform this work were almost three times the estimated cost due to the site's physical limitations and dewatering issues.

After additional site investigations and repeated sampling/analysis of the lagoon bottom material, NCDEQ has approved an alternative closure plan that does not require pond bottom excavation. Plans and specifications for a small construction project to demolish legacy treatment equipment and stabilize the lagoon water level will be ready to solicit bids by the end of 2021; it is anticipated work will be completed and site approved for closure with no further action required by December 2022.

Regional Aquifer Study

The purpose of the Regional Aquifer Study is to provide an improved understanding of the nature and dynamics of the aquifers beneath Onslow County, which is essential for the sustainable use and management of the limited fresh groundwater resources available. Population changes have increased the demand for water, while at the same time North Carolina's Central Coastal Plain Capacity Use Area (CCPCUA) rules have imposed mandatory reductions on the use of the Cretaceous Aquifer groundwater sources. These State-mandated reductions have forced public water systems to rely increasingly upon other unrestricted aquifers to meet their current and projected water demands.

The Regional Aquifer Study is supported by the three primary water users in the county: The City of Jacksonville (COJ), Marine Corps Base Camp Lejeune (MCBCL), and ONWASA. This group forms a foundation for cooperative groundwater resource management among all 3 entities. Work is now underway on establishing a county-wide system of groundwater monitoring wells, to help determine the extent of saltwater intrusion into various aquifers and the need for future mandatory reductions. Funding will be used in a cooperative effort with the COJ to complete design and construction of additional monitoring well sites through cost-sharing agreements. While two locations have been identified, a schedule for design, bidding and construction has not been established at this time.

Roof Replacements – Central Operations Complex

An independent field evaluation of existing conditions and materials at more than 30 different structures owned/maintained by ONWASA was completed in 2017; several sites were identified where the existing roofing material was well past its expected service life and replacement warranted. This project consists of the replacement of the existing roof on the administration building at the ONWASA Central Operations complex on Georgetown Road. This facility remains operational 24 hours per day, even during severe storm events, so having a roof capable of protecting the staff and contents of this building is critical.

Construction of the replacement roof is now underway, with an estimated completion date in October 2021. While not part of this contract, additional roof replacements are also under construction at several raw water supply well sites.

Water Main Interconnections, Phase I and II

ONWASA Water Distribution System staff have identified several locations where existing water mains were intentionally severed some time ago to facilitate roadway culvert or bridge replacement projects. While service has been maintained through other portions of the water system, the dead-end lines created by this work have a negative impact on both water supply and pressure in those areas. This is further aggravated during periods of high demand (fire flow) or if a break occurs nearby. Phase I of this project, completed in 2019, combined the four highest priority locations into a single construction contract that utilized horizontal directional drilling (HDD) technology to install a new fused PVC water main below or around the culvert/bridge and restore flow.

Construction for Phase II, which included an additional culvert location along with the replacement of two existing aerial stream crossing locations damaged during Hurricane Florence, was completed in September 2020 and all interconnections are in service. Additional funding is being solicited for the completion of as many as 45 other aerial crossing sites within the ONWASA distribution system.

Summerhouse WRF Infiltration Pond Capacity Assessment/Rehabilitation

Two of the four treatment trains within the Summerhouse Water Reclamation Facility (WRF) have been brought into full operation, accepting wastewater influent from the adjacent housing development along with a limited amount of flow diverted from ONWASA's Holly Ridge WWTP. Further expansion of treatment capacity, however, has been limited by the ability of two effluent infiltration ponds located within the Summerhouse development (Pond #1 and Pond #2) to accept a greater discharge volume from the plant. Based on preliminary site investigations and testing done at both ponds by a hydrogeologist funding was allocated to complete improvements targeted at increasing the ability of both ponds to accept more flow, including removal of impervious bottom materials and renovation of the groundwater lowering system that surrounds each pond.

A contract for design of the necessary improvements was issued in mid-2019, and upon completion of field testing a request to increase the capacity of Pond 2 was submitted to the State in mid-2020 for consideration. While this request was not granted, a second request to certify the capacity of Pond #1 (which had never been used for effluent disposal) was granted in mid-2021. Further work on this project has been suspended pending the possible change to an alternative treatment methodology under the *Southeast Regional Wastewater Treatment Plants – Capacity Improvements* project.

Shore Drive Pump Station Rehabilitation

This project will address ongoing problems with this wastewater pumping station, which serves a significant portion of the center of the Town of Swansboro. Based on preliminary investigations already completed, work to be performed includes rehabilitation and protective coating of the interior of the existing masonry wet well and an adjacent brick manhole, along with replacement of deteriorated discharge piping and repairs or replacement of other pump station controls and equipment as necessary.

The completion of design, competitive bidding and construction for this project have been delayed pending resolution of an NCDOT culvert replacement project adjacent to this site that will impact gravity sewer mains and manholes tied into this pump station. A modified project scope, that will not be affected by the culvert replacement project, has been developed and bidding of a construction contract for this work is anticipated by the end of 2021.

Hargett Street Pump Station Rehabilitation

This project will address ongoing problems with a wastewater pumping station that serves a significant portion of the Town of Richlands. The existing station is in very poor condition, has excessive groundwater infiltration and does not meet current ONWASA requirements. Based on previous investigations, work to be performed includes removal of existing pump station and replacement with gravity sewer lines/manholes that will direct influent flow to another nearby ONWASA pump station.

Design work has been completed, however competitive bidding and construction have been delayed pending acquisition of easements required for the new gravity sewer and an existing gravity sewer main to which this will connect. Discussions with the site developer are now underway and we anticipate the completion of design, bidding and construction in 2022.

Laboratory Addition

ONWASA operates a certified laboratory within the Central Office complex which performs the majority of water quality testing required by the State of North Carolina under various operating permits for our facilities. This lab completes, on average, more than 2,700 individual tests per month. The current structure housing this facility is a modular building that is experiencing structural issues, moisture problems and has exceeded its service life. Funding is being used for the design, permitting and construction of a 4,000 SF addition to the existing Central Office administrative building that will house a new laboratory, water sample reception area, administrative office space and computer server room.

Design and competitive bidding of the construction contract for this project were completed in 2020; construction is now underway, with a projected completion date in November 2021.

Warehouse

The original scope of work for the Laboratory Addition project included design, bidding and construction of modifications to an existing building (a former high school gymnasium) that currently serves as both a warehouse and offices/staging area/workshop for Field Operations and Metering personnel. Goal of this project was to make better use of the existing space and increase weather-protected storage capacity. Upon further evaluation of the existing building and adjacent parking area, it was determined that construction of a new, stand-alone 4,900 SF warehouse building located on the Central Office site would better meet future needs. This work was then carried forward for design and construction as a separate project.

Design, competitive bidding and award of a construction contract for this project were completed in 2020; construction is now underway, with a projected completion date in April 2022.

Permanent/Standby Power Upgrades with ATS

To provide enhanced capability to maintain water distribution system operations during power interruptions, funding is being used to initiate a multi-year program to purchase and install on-site generators and automatic transfer switches (ATS's) at key facilities, primarily raw water wells and booster pumping stations. This will include the replacement of portable (trailer-mounted) diesel generators with fixed units and greater fuel storage capacity, and the use of liquefied propane (LP)-fueled equipment where appropriate.

A contractor has recently been selected for the second round of installations, consisting of six (6) well sites and one booster pumping station facility. Due to the long lead times for some of the materials required for this project (particularly the fuel storage tanks) we do not anticipate final completion of all sites before May 2022.

Southwest Service Area Upgrades, Phase II

As a result of water system modeling and analysis performed in 2009, it was determined that existing water mains along Highway 53 and other locations in the Southwest Service Area could not provide sufficient pressure to support fire flows or address future development demands in this region. Construction of the first of three planned phases of water main upgrades necessary to correct these issues was completed in early 2016 and is now in service. Funding is being used to complete preliminary analysis and design work for Phase II, which will include a review of the earlier study and additional hydraulic modeling to determine the scope of work given changes in demand and water system operation since the original 2009 study was completed.

A contract was executed in 2019 for the study review and hydraulic modeling; modeling results and initial recommendations for the next phase of construction have been completed. A schedule for final design, bidding and construction of the selected project (replacement of a transmission main between the Dixon WTP and the Verona booster pumping station) has not been determined at the time of this report.

Heather Loop Road Gravity Sewer Improvements

Funding is being used for the design and construction of a project to replace approximately 500 linear feet of existing gravity sewer main along Heather Loop Road, within the Hunters Creek subdivision. This area consists of older truss-style sewer pipe and has been the location of an increasing number of pipe failures in the last few years.

Final design work on this project is currently 90% complete; permitting should be completed by the end of 2021 with bidding, construction, and final completion in 2022.

Kenwood/Bishop's Ridge Sewer Service Extension

As part of an initiative to extend sewer service within Onslow County, funding will be used to complete design and construction of a project to provide sewer service connections at approximately 80 homes in the Kenwood and Bishop's Ridge developments, within the Southwest Service Area. Roughly half of the homes in the Kenwood subdivision are already served by ONWASA for both water and sewer, and there has been considerable interest from the remaining residents to tie-in to an expanded collection system. Work will include new gravity sewer mains and manholes, a wastewater pumping station and force main to convey wastewater to the Northwest Regional Water Reclamation Facility via an existing pump station and force main within the Kenwood area.

Currently, preliminary design work is approximately 50% complete. Bidding of the construction contract is currently scheduled for late in 2022, with completion of construction by the end of 2023, depending on available funding and the securing of multiple easements for the installation of collection system infrastructure (primarily the new force main and pumping station).

Swansboro WWTP Infiltration Pond Flow Meters

Based on current influent flow and anticipated new connections, the Swansboro WWTP will soon exceed 80% of its permitted capacity. Under State regulations (15A NCAC 02T .0118), ONWASA is required to initiate development of a plan for addressing future need for additional capacity. Funding has been used to retain an engineering consultant to assess the condition of the existing plant, estimate future sewer flow from the service area over the next 20 years, and develop alternatives to increase capacity to accept future flow rates.

From the results of the completed Capacity Evaluation Study and subsequent Technical Memorandum, completed in mid-2020, work was initiated on design of a new pumping station/force main system to transmit wastewater influent from the Swansboro area to Marine Corps Base Camp Lejeune (MCBCL) for treatment at their French Creek WWTP. Design work on this project is currently 50% complete, and we anticipate bidding of a construction contract in early 2022 with final completion by mid-2023. Once the new system is operable, the existing treatment facility will be closed.

Pumping Station Assessment/Rehabilitation

Funding will be used to compete a multi-year program to conduct field inspections, perform condition assessments and prioritize rehabilitation projects for the 74 sewage pumping stations currently operated by ONWASA. The data gathered will be used to estimate future capital improvement project needs and will serve as the first phase for a potential future asset management program.

Initial data-gathering efforts have now been completed under an engineering contract executed in 2019, and field inspections that were delayed due to pandemic concerns should begin in October 2021 for 36 sites.

Southeast Regional Wastewater Treatment Plants – Capacity Improvements

Based on current influent flow and anticipated new connections, both wastewater treatment facilities in this area (the Summerhouse WRF and the Holly Ridge WWTP) have already or will soon exceed 80% of their permitted capacity. Under State regulations (15A NCAC 02T .0118), ONWASA is required to initiate development of a plan for addressing future need for additional capacity. Funding has been used to retain an engineering consultant to assess the condition of both existing plants, estimate future sewer flow from their service areas over the next 20 years, and develop alternatives to increase capacity to accept future flow rates.

From the results of the completed Capacity Evaluation Study and subsequent Technical Memorandum, completed in mid-2020, work was initiated on preliminary design and construction cost estimates for a new pumping station/force main system to transmit wastewater influent from both plants to Marine Corps Base Camp Lejeune (MCBCL) for treatment at their French Creek WWTP. An additional study of the MCBCL collection system to determine its capacity to accept this new wastewater source was also completed earlier this year. A schedule for final design, bidding and construction of the MCBCL connection has not been established at the time of this report. Once operable, the existing treatment facilities will be closed.

Highway 24 Regional Trunk Main Replacement

Funding will be used to complete design, permitting, easement acquisition and construction of a new water transmission main connecting the Hubert Water Treatment Plant with a booster pumping station in the Piney Green area. The existing transmission main has experienced failures in recent years and this condition (along with its size) effectively limits the amount of water that can be moved from the plant to other portions of the distribution system. The replacement main will be a larger diameter to facilitate this water transfer. In addition to this work, an adjacent section of existing water distribution main along Hubert Boulevard will be abandoned due to its poor physical condition and frequent failures.

An engineering contract for design and bidding services on this project was executed in 2020 and design work is approximately 50% complete. We anticipate the completion of all design work by the end of 2021 however a schedule for bidding and construction has not been established pending the securing of easements and environmental approvals from Marine Corps Base Camp Lejeune (MCBCL) on which a large portion of the new water main will be constructed.

Topsail Island Booster Pumping Station

Due to the seasonal/transient nature of the population on this popular vacation destination, the ONWASA water distribution system on Topsail Island experiences significant fluctuations in system pressure that frequently result in customer concerns, especially at the furthest extents of the system. Funds will be used to determine the optimal location, design and construct a booster pumping station on the primary water main feeding the island. This installation would monitor system conditions and run the booster pump to maintain a higher system pressure during periods of heavy demand.

In mid-2020, an engineering contract for design, permitting, bidding and construction services on this project was executed, a proposed location identified, and preliminary design work is now underway. Design work is scheduled for completion in Spring 2022 and construction of this project should be completed by the end of that year.

Disaster Recovery Response Contracts

Funding under this "project" will be utilized to support emergency response after natural disasters under two (2) separate competitive bid construction contracts. These two-year contracts establish unit and/or lump sum pricing for various activities associated with recovery from a major storm event and will be activated on an as-needed basis in the event recovery efforts exceed the ability of ONWASA repair crews to address in a timely manner.

Customer Service

ONWASA offers several methods of payment options to better serve their customers. Customers can pay in person at any of our 4 locations, 4 kiosks, pay by mail, pay by check or with credit card online, pay by bank draft or recurring credit card draft or pay over the phone with a credit card. The ONWASA website allows customers to view their account balance and make payments. The Integrated Voice Response (IVR) service allows customers to make payments through an automated system 24 hours a day and seven days a week. Customers can receive their bill either through the mail or electronically. ONWASA utilizes a notification system to send customers important information by phone, email or text. ONWASA's bills have a water usage chart which shows 13 months of consumption to assist our customers with tracking their consumption and assisting with conservation. The website gives customers the ability to email customer service representatives to obtain information regarding their existing account or to open a new account. Kiosks allow customers to make payments 24 hours a day and seven days a week by cash, check or credit card. Newsletters are inserted in the bills monthly to inform customers of changes, to answer frequently asked questions and to update the status of ongoing projects.

Credit Ratings

In January 2008, ONWASA sold Revenue Bonds in the amount of $37,025,000. The Combined Enterprise System Revenue Bonds, Series 2008A, were issued to pay the cost of the Piney Green Sewer connection, Marine Corps Air Station Waterline connection, various waterline extensions, land and the Swansboro reimbursement loan, plus bond issuance expenses.

ONWASA's most recent revenue bond sale, Series 2016 was issued a credit rating of:

Standard & Poor's	A+
Moody's Investors Service	Aa3

Financial Information

The annual budget is an integral part of ONWASA's accounting system and financial operations. Appropriations are set at the division level. The annual budget and capital project ordinances are adopted by the ONWASA Board of Directors, creating a legal limit on annual spending. Multi-year project ordinances may be adopted for capital projects. ONWASA's operations are accounted for, and reported as, an enterprise fund because our operations are currently funded with user fees.

ONWASA's management is responsible for the accounting system and for establishing and maintaining internal financial controls. The internal control system is designed to provide reasonable, but not absolute, assurance regarding (1) the safeguarding of assets against loss from unauthorized use or disposition and (2) the reliability of financial records for preparing financial statements in conformity with the accounting principles generally accepted in the United States of America and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of a control should not exceed its likely benefits and the evaluation of costs and benefits requires estimates and judgments by management.

Management believes that ONWASA's system of internal controls adequately protects assets and provides reasonable assurance of the proper recording of financial transactions.

Because ONWASA is a self-supporting and self-sustaining entity, the measurement focus of its financial accounting systems is on the flow of total economic resources. With this measurement focus, all assets and liabilities associated with our operations are included in the Statement of Net Position. Closely related to the measurement focus is the basis of accounting, which determines when transactions are recognized. ONWASA uses the accrual basis of accounting, in which revenues are recognized in the period in which they are earned, and expenses are recognized in the period in which they are incurred, regardless of the actual date of receipt or disbursement of cash.

During the budget process for FY 2022, water and sewer rate increases of 8.0% were included.

Please refer to Management's Discussion and Analysis and the basic financial statements for detailed information on ONWASA's financial performance in FY 2021.

Independent Audit

ONWASA is required by State Law (G.S. 159-34) to have an annual independent financial audit. ONWASA's auditor, PBMares LLP, was retained following an open, competitive qualifications-based selection process. The auditor's report on the Basic Financial Statements is included in the Financial Section of this report.

Certificate of Achievement for Excellence in Financial Reporting

ONWASA prepared this Annual Comprehensive Financial Report for the fiscal year ended June 30, 2021, using the GFOA's guidelines. To receive a Certificate of Achievement, a government must publish an easily readable and efficiently organized annual comprehensive financial report. This report must satisfy both generally accepted accounting principles and legal requirements. Onslow Water and Sewer Authority applied for its fifthteenth Certificate of Achievement for FY 2020 and was awarded the certificate.

We believe that our current annual comprehensive financial report meets the Certificate of Achievement program's requirements and we are submitting it to the GFOA to determine its eligibility for our sixteenth certificate.

Memberships

ONWASA maintains an active membership in the following organizations: American Water Works Association, North Carolina Rural Water Association, North Carolina Waterworks Operators Association, Government Finance Officers Association, North Carolina Government Finance Officers Association and Carolina Association of Government Purchasing.

Acknowledgements

Preparation of this report could not have been accomplished without the efficient and dedicated work of the ONWASA staff.

We thank the ONWASA Board of Directors for their guidance in financial management and of ONWASA's overall services to our existing and future customers.

Conclusion

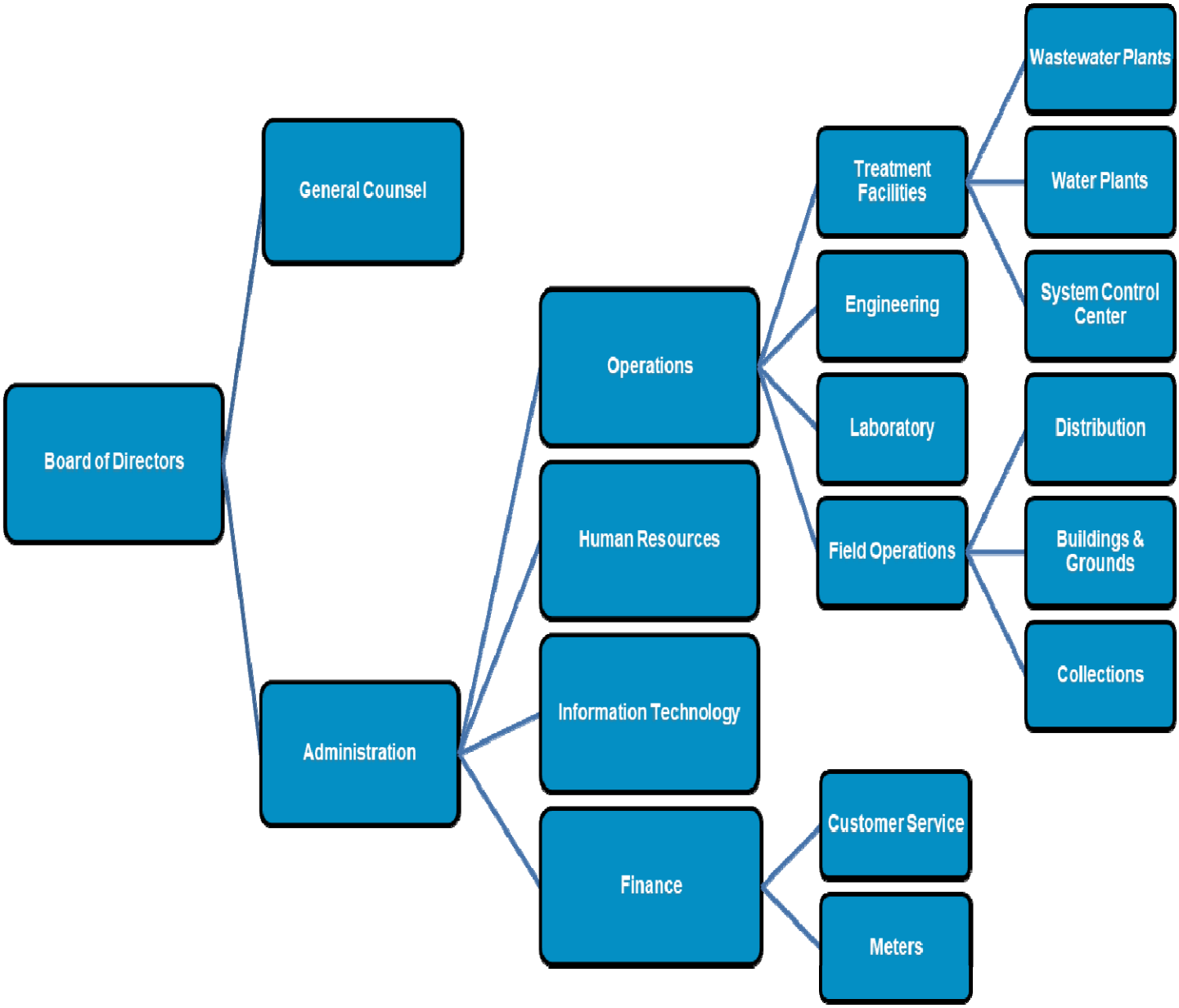
We believe the accompanying financial statements fairly present ONWASA's financial position as of June 30, 2021, and the financial results of its operations and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Respectfully submitted,

Jeffrey L Hudson
Executive Director/CEO

Tiffany J. Riggs
Chief Financial Officer

ONWASA Organizational Chart



ONSLOW WATER AND SEWER AUTHORITY

FISCAL YEAR 2020-2021

OFFICERS

Jerry Bittner, Chairman – Councilman, Jacksonville
Paul Conner, Vice Chairman – Alderman, Richlands
Royce Bennett, Secretary/Treasury – Commissioner, Onslow County

BOARD OF DIRECTORS

Member	Appointed By	Term Expiration
Jerry Bittner, Councilman	Jacksonville	2022
Paul Conner, Alderman	Richlands	2021
Royce Bennett, Commissioner	Onslow County	2022
Timothy Foster, Commissioner	Onslow County	2021
Gregory Hines, Councilman	Holly Ridge	2021
Patricia Turner, Commissioner	Swansboro	2021
Robert Warden, Councilman	Jacksonville	2022
Joann McDermon, Mayor	North Topsail Beach	2021

SENIOR MANAGEMENT TEAM

Jeffrey L Hudson, Executive Director/CEO
Tiffany Riggs, Chief Financial Officer
David Bergman, Chief Information Officer
David Mohr, Chief Operations Officer
Joetta Guist, Chief Human Resources Officer
Matthew Padgett, Field Operations Administrator
Seth Brown, Treatment Facilities Administrator
Heather Norris, Clerk/Public Information Officer

GENERAL COUNSEL

Kitchen Law, PLLC

(This Page Was Intentionally Left Blank)

Independent Auditor’s Report

(This Page Was Intentionally Left Blank)

Independent Auditor's Report

Honorable Chairman and Members of the Board of Directors
Onslow Water and Sewer Authority
Jacksonville, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of Onslow Water and Sewer Authority (the Authority) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Onslow Water and Sewer 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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 Authority'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 Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Onslow Water and Sewer Authority as of June 30, 2021, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Onslow Water and Sewer Authority's basic financial statements. The individual fund schedules and the introductory section and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The individual 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, the individual budgetary schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section and statistical section of the Annual Comprehensive Financial Report have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2021, on our consideration of Onslow Water and Sewer Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Onslow Water and Sewer Authority's internal control over financial reporting and compliance.

PBMares, LLP

Morehead City, North Carolina
October 28, 2021

Management's Discussion and Analysis

(Unaudited)

(This Page Was Intentionally Left Blank)

Management's Discussion and Analysis – Unaudited
(Onslow Water and Sewer Authority)

The management of Onslow Water and Sewer Authority (the Authority) offers the readers of Onslow Water and Sewer Authority's financial statements this narrative overview and analysis of the financial activities of Onslow 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 Authority exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by $167,309,905.
- The Authority's total net position increased by $9,669,245 primarily due to increases in usage and rates during the year ended June 30, 2021.
- The Authority's total long-term debt decreased by $4,217,973 (6.0%) during the current fiscal year.

Overview of the Financial Statements

Onslow Water and Sewer Authority's primary mission is to provide our customers with high-quality water and wastewater services through responsible, sustainable, and creative stewardship of the resources and assets we manage. We will do this with a productive, empowered, talented, and diverse work force that strives for excellence. The Authority's administration, operations, capital expansion programs and debt payments are funded entirely through rates, fees and other charges for these water and wastewater services. With this, the Authority is considered to be, and therefore, presents its financial report as a stand-alone enterprise fund.

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The Basic Financial Statements are prepared on the accrual basis. The Authority's Basic Financial Statements consist of a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Net Position and a Statement of Cash Flows (see Figure 1). In addition to the Basic Financial Statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition and activities of the Authority.

The Statement of Net Position presents the Authority's assets and liabilities classified between current and long-term and deferred outflows and deferred inflows. Net position represents the difference between total assets plus deferred outflows of resources and total liabilities plus deferred inflows. This statement provides a summary of the Authority's investments in assets and obligations to creditors. Liquidity and financial flexibility can be evaluated using the information contained in this statement.

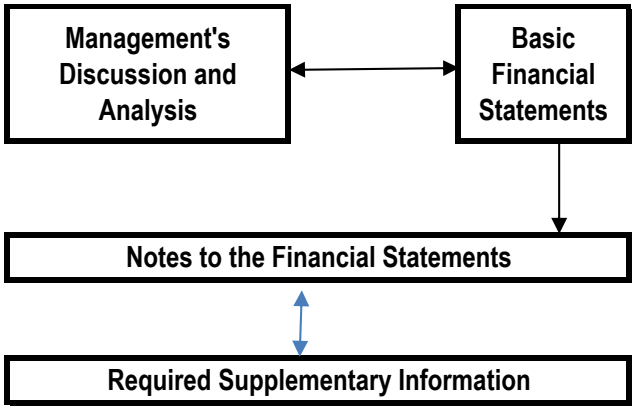
The Statement of Revenues, Expenses and Changes in Net Position provides information regarding the Authority's total economic resource inflow and outflow (accrual method of accounting). The difference between these inflows and outflows represents the change in net position, which links this statement to the Statement of Net Position. This statement is used in evaluating whether the Authority has recovered all of its costs through revenue during a fiscal period. Its information is used in determining credit worthiness.

The Statement of Cash Flows deals specifically with the flow of cash and cash equivalents arising from operating, capital, noncapital financing and investing activities. Because the Authority's Statement of Revenues, Expenses and Changes in Net Position is a measurement of the flow of total economic resources, operating income usually differs from net cash flow from operations. To enhance the reader's understanding of this difference, the Statement of Cash Flows also includes reconciliation between these two amounts. In accordance with the accounting principles generally accepted in the United States of America, a reconciliation of cash and cash equivalents is also presented in this statement.

The next section of the basic financial statements is the notes. The notes to the financial statements explain in detail some of the data contained in those statements.

Required Components of Annual Financial Report

Figure 1



Financial Analysis

Onslow Water and Sewer Authority's net position increased by $9,669,245 or (6.1%), between June 30, 2020 and June 30, 2021, with insignificant changes in the various categories of assets and liabilities.

Onslow Water and Sewer Authority's Condensed Statement of Net Position

Figure 2

	June 30,	
	2021	2020
Current and Other Assets	**$ 53,626,112**	$ 50,849,465
Capital Assets	**191,821,302**	189,030,306
Total assets	**245,447,414**	239,879,771
Defined Outflows of Resources	**3,813,272**	3,173,147
Current Liabilities	**10,745,837**	11,344,641
Noncurrent Liabilities	**70,975,201**	73,822,300
Total liabilities	**81,721,038**	85,166,941
Deferred Inflows of Resources	**229,743**	245,317
Net Position		
Net investment in capital assets	**126,458,482**	119,561,144
Restricted by bond order for Replacement Fund	**2,504,151**	2,504,151
Restricted by bond order for Reserve Funds	**673,751**	574,826
Unrestricted	**37,673,521**	35,000,539
Total net position	**$ 167,309,905**	$ 157,640,660

A comparison of the statement of net position to the prior year reveals some strengthening of the Authority's financial position primarily due to a positive change in net position during the year ended June 30, 2021. Total assets have increased approximately $5.6 million due mainly to increase in capital assets. Liabilities experienced a decrease of approximately $3.4 million from prior year mainly due to payment of long term debt.

The statement of revenues, expenses, and changes in net position shows revenues more than covered expenses. When the statement of revenues, expenses and changes in net position is compared to the previous year the change in net position increased significantly more due to an increase in revenue and capital contributions.

Condensed Statement of Revenues, Expenses and Change in Net Position

Figure 3

	Years Ended June 30,	
	2021	2020
Revenue:		
Operating revenue:		
Water	**$ 20,313,493**	$ 19,162,994
Waste water	**4,803,047**	4,374,099
Service initiation fees	**1,018,930**	875,160
Miscellaneous income	**508,141**	438,579
Nonoperating revenue:		
Customer impact fees	**3,803,328**	3,638,778
Interest income	**8,384**	579,235
Insurance proceeds	**2,500,000**	688,309
FEMA grant proceeds	**137,011**	351,875
Total revenue	**33,092,334**	30,109,029
Expenses:		
Operating expenses: operations	**15,985,651**	14,881,744
Operating expenses: general and administrative expenses	**2,823,373**	2,348,742
Operating expenses: depreciation	**6,174,082**	5,794,541
Interest expense	**1,691,380**	1,811,268
Total expenses	**26,674,486**	24,836,295
Increase in Net Position Before Capital Contributions:	**6,417,848**	5,272,734
Capital contributions from non-related parties	**3,251,397**	3,466,785
Increase in net position	**9,669,245**	8,739,519
Net position, July 1	**157,640,660**	148,901,141
Net position, June 30	**$ 167,309,905**	$ 157,640,660

Total operating revenue is up 7.21% from the prior year because of the increase in water processed and wastewater treated and a rate increase. Non-operating income increased by 22.64% due to an increase in insurance proceeds from damages sustained during Hurricane Florence in September 2018. Total operating expenses increased by 7.4% in this fiscal year because of increase of usage and additional repairs and maintenance. Net position increased $9.7 million.

As noted earlier, the Authority uses fund accounting to ensure and demonstrate compliance with finance-related legal and budgetary requirements.

Capital Asset and Debt Administration

Capital assets. The Authority's investment in capital assets as of June 30, 2021, totals $191,821,302 (net of accumulated depreciation). These assets include buildings, water lines, wells, booster stations, lift stations, wastewater treatment plants, land, machinery, equipment, vehicles, and construction in process.

Onslow Water and Sewer Authority's Capital Assets

Figure 4

	June 30,	
	2021	2020
Land	**$ 18,990,811**	$ 18,994,773
Other improvements	**159,850,150**	154,330,049
Buildings	**2,238,136**	2,608,214
Equipment	**925,503**	643,603
Vehicles	**750,086**	980,065
Construction in progress	**9,066,617**	11,473,601
Total	**$ 191,821,302**	$ 189,030,306

Assets acquired from member governments are operated by the Authority under 30-year capital lease agreements with member governments. The agreements include successive 15-year options to renew. Assets purchased and constructed by the Authority are depreciated according to the Authority's capital asset policy. Additional information on the Authority's capital assets can be found in Note 4 of the Basic Financial Statements.

Long-Term Debt. As of June 30, 2021, the Authority had total debt outstanding of $66,131,555. Revenue bonds which are secured by specified revenue sources total $53,755,000.

Onslow Water and Sewer Authority's Long-Term Debt

Figure 5

	June 30,	
	2021	2020
Revenue bonds held by bondholders	**$ 53,755,000**	$ 57,000,000
Unamortized revenue bond premium	**5,027,785**	5,446,766
Loans payable	**7,348,770**	7,902,763
Total	**$ 66,131,555**	$ 70,349,529

The Authority's total debt has decreased by $4,217,973 (6.0%) during the current fiscal year. The net decrease was mainly due to payment of principal for revenue bonds.

Additional information regarding the Authority's long-term debt can be found in Note 8 of the Basic Financial Statements.

Economic Factors

ONWASA serves customers in Onslow County, North Carolina. The Marine Corps Base Camp Lejeune is the largest employer in the county and has a substantial impact on the economy.

- Property taxes levied in 2021 totaled $94.6 million, up 25.5% from the year 2012.
- Estimated real estate values have increased at an annual rate of 1.0% since 2012.
- The population of Onslow County was 197,398 in 2021 up 3.9% from 2012.
- The per capita income has increased at an annual rate of 1.2% since 2012.
- The unemployment rate at June 30, 2021 was 5.4%.

Onslow County's growth should continue over the coming years. Due to lower federal interest rates, the housing market is booming, and new developments are being built throughout Onslow County. For most of 2021, Onslow County has been experiencing a housing shortage, which is raising the prices of homes substantially. Commercial growth in the county remains strong as new hotels, restaurants, manufacturing and retail stores come into the area.

Budget Highlights for Fiscal Year Ending June 30, 2022

Fiscal year 2020-2021 was the sixteenth year of full operations for the Authority. General operating expenses will have a minimal increase to cover personnel costs and general operating expenses. Highlights of fiscal year 2022's budget are as follows:

- Increase in personnel salaries due to a 1.0% COLA effective July 1
- No new positions were approved
- Water and sewer rates increases 8% were approved in 2022
- Decreases in capital and non-capital outlay

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 the Tiffany Riggs, Chief Finance Officer, 228 Georgetown Road, Jacksonville, North Carolina 28540, (910) 455-0722, triggs@onwasa.com, or www.onwasa.com

(This Page Was Intentionally Left Blank)

Basic Financial Statements

(This Page Was Intentionally Left Blank)

Onslow Water and Sewer Authority

Statement of Net Position
June 30, 2021

Assets	
Current Assets	
Cash and cash equivalents (Note 2)	$ 43,714,192
Receivables, net (Note 3)	5,109,494
Inventories	624,524
Total current assets	49,448,210
Noncurrent Assets	
Restricted cash and cash equivalents under bond order (Note 2)	3,177,902
Certificate of deposit (Note 2)	1,000,000
Capital assets (Note 4):	
Land and nondepreciable assets	28,057,428
Other capital assets, net of accumulated depreciation	163,763,874
Total capital assets	191,821,302
Total noncurrent assets	195,999,204
Total assets	245,447,414
Deferred Outflows of Resources	
Pension and OPEB deferrals (Notes 5 and 6)	2,896,684
Deferred charge related to debt refinancing (Note 1)	916,588
Total deferred outflows of resources	3,813,272

Onslow Water and Sewer Authority

Statement of Net Position (Continued)
June 30, 2021

Liabilities	
Current Liabilities	
Current maturities of long-term debt (Note 8)	3,933,993
Accrued interest payable	158,974
Customer deposits	3,843,798
Accounts payable and accrued liabilities, operations	2,661,219
Retainage payable	147,853
Total current liabilities	10,745,837
Long-Term Liabilities	
Revenue bonds and construction loan payable (Note 8)	62,197,562
Net pension liability (Note 5)	3,064,570
Total OPEB liability (Note 6)	5,713,069
Total long-term liabilities	70,975,201
Total liabilities	81,721,038
Deferred Inflows of Resouces	
Pension and OPEB deferrals (Notes 5 and 6)	229,743
Total deferred inflows of resources	229,743
Commitments and Contingencies (Notes 4, 8 and 10)	
Net Position	
Net investment in capital assets	$ 126,458,482
Restricted by bond order for Reserve Funds	673,751
Restricted by bond order for Replacement Fund	2,504,151
Unrestricted	37,673,521
Total net position	$ 167,309,905

See Notes to Financial Statements.

Onslow Water and Sewer Authority

Statement of Revenue, Expenses and Changes in Net Position
For the Year Ended June 30, 2021

Operating revenue (Note 8)		
Water	$	20,313,493
Wastewater		4,803,047
Service initiation fees		1,018,930
Miscellaneous income		508,141
Total operating revenue		26,643,611
Operating expenses (Note 8)		
Hubert water treatment plant		1,413,682
Dixon water treatment plant		1,137,694
Meters		1,064,406
Distribution		1,302,500
Collections		975,835
Northwest Regional Water Reclamation Facility		445,800
Southeast Regional wastewater plant		357,717
Swansboro wastewater treatment plant		315,232
SCC		341,778
General and administrative		2,823,375
Information technology		1,654,950
Engineering		405,799
Customer service		1,313,387
Laboratory		346,158
Buildings & Grounds		721,633
Wastewater purchases		878,139
Nondepartmental		621,734
Repairs and maintenance		2,689,205
Depreciation		6,174,082
Total operating expenses		24,983,106
Operating income		1,660,505
Nonoperating revenue (expense)		
System development fees		3,803,328
Interest income		8,384
Insurance proceeds		2,500,000
FEMA Grant Proceeds		137,011
Interest expense		(1,691,380)
Total nonoperating revenue, net		4,757,343
Income before capital contributions		6,417,848
Capital Contributions from Non-Related Parties		3,251,397
Increase in net position		9,669,245
Net position		
Beginning		157,640,660
Ending	$	167,309,905

See Notes to Financial Statements.

Onslow Water and Sewer Authority

Statement of Cash Flows
For the Year Ended June 30, 2021
(Page 1 of 2)

Cash Flows from Operating Activities		
Cash received from customers	$	25,671,280
Cash paid for goods and services		(8,920,370)
Cash paid to or on behalf of employees for services		(9,664,237)
Miscellaneous income		508,141
Net cash provided by operating activities		7,594,814
Cash Flows from Capital and Related Financing Activities		
Acquisition and construction of capital assets		(5,677,935)
Principal paid on debt		(3,798,993)
Interest paid on capital debt		(2,045,460)
FEMA grant proceeds		137,011
Net cash used in capital and related financing activities		(11,385,377)
Cash Flows from Noncapital and Related Financing Activities		
Insurance proceeds		2,500,000
System development fees		3,803,328
Net cash provided by noncapital and related financing activities		6,303,328
Cash Flows from Investing Activities		
Interest		8,384
Net cash provided by investing activities		8,384
Net increase in cash and cash equivalents		2,521,149
Cash and Cash Equivalents:		
Balances, beginning		44,370,945
Balances, ending	$	46,892,094
Reconciliation to statement of net position:		
Cash and cash equivalents	$	43,714,192
Restricted cash and cash equivalents		3,177,902
Total cash and cash equivalents	$	46,892,094

Onslow Water and Sewer Authority

Statement of Cash Flows (Continued)
For the Year Ended June 30, 2021
(Page 2 of 2)

Reconciliation of Operating Income to Net Cash		
Provided By Operating Activities		
Operating income	$	1,660,505
Adjustments to reconcile operating income to net cash		
provided by operating activities:		
Depreciation		6,174,082
Changes in assets, liabilities, and deferred outflows/inflows:		
Increase in receivables, net		(322,487)
Decrease in inventory		66,989
Decrease in accounts payable and accrued liabilities, operating		(616,366)
Increase in deferred outflows of resources		(716,507)
Increase in net pension liability		677,471
Decrease in deferred inflows of resources		(15,574)
Increase in OPEB		828,404
Decrease in customer deposits		(141,703)
Total adjustments		5,934,309
Net cash provided by operating activities	$	7,594,814
Supplemental Schedule of Noncash Activities		
Increase in retainage payable	$	35,250
Non-cash capital contributions	$	3,251,397

See Notes to Financial Statements.

(This Page Was Intentionally Left Blank)

Notes to Financial Statements

(This Page Was Intentionally Left Blank)

ONSLOW WATER AND SEWER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

The financial statements of the Onslow Water and Sewer Authority ("Authority") have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing accounting and financial reporting principles. The more significant of the Authority's accounting policies are described below.

Reporting Entity

The Authority was created pursuant to Chapter 162A of the North Carolina General Statutes by the governing bodies of Onslow County, the Towns of Richlands, Holly Ridge, Swansboro and North Topsail Beach and the City of Jacksonville for the purpose of providing water and wastewater services to all residents of Onslow County. The Authority is empowered to set rates, fees and charges without oversight, supervision, or direction from any other state or local entity or agency. The Governing Board consists of eight directors who hold office for staggered terms. The directors are appointed by the governing bodies of the County of Onslow, Town of Richlands, Town of Holly Ridge, Town of North Topsail Beach, Town of Swansboro, and the City of Jacksonville.

The Authority completed its fifteenth year of operations of providing water and wastewater services. The Authority assumed the operations of the Holly Ridge Water System on July 1, 2005, and their Wastewater System on January 1, 2006. The Authority assumed the operations of the Swansboro Water System on January 1, 2007, and the Swansboro Wastewater System on July 1, 2007.

GAAP requires that the reporting entity include (1) the primary government, (2) organizations for which the primary government is financially accountable and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The criteria provided in Government Accounting Standards Board Statement Nos. 14 and 61 have been considered and there are no agencies or entities which should be presented with the Authority. Also, the Authority is not included in any other reporting entity. The Authority is a jointly governed organization, i.e. an entity governed primarily by representatives from other governments. The participants do not retain any ongoing financial interest in or financial responsibility for the Authority.

Basis of Presentation

All activities of the Authority are accounted for within a single business-type activity and within a single proprietary (enterprise) fund. The Authority is considered a special purpose government. Enterprise Funds are used to account for any activity for which a fee is charged to external users for goods or services. Activities are *required* to be reported as enterprise funds if any one of the following criteria is met. (a) The activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity. Debt that is secured by a pledge of net revenues from fees and charges and the full faith and credit of a related primary government or component unit—even if that government is not expected to make any payments—is not payable solely from fees and charges of the activity. (Some debt may be secured, in part, by a portion of its own proceeds but should be considered as payable "solely" from the revenues of the activity), (b) Laws or regulations require that the activity's costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues, or (c) The pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

Note 1. Summary of Significant Accounting Policies (Continued)

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Concurrent with the commencement of providing water/wastewater services on July 1, 2004, the Authority elected to be treated as a "special-purpose government engaged only in business–type activities" as described in GAAP. The Authority's business-type activities are considered to be undertaken in a single enterprise fund. Enterprise activities are accounted for on the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenue is 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 and donations. 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's 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 and wastewater 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 has no fiduciary funds to report.

Budgets

Budgets are adopted utilizing the modified accrual basis of accounting as required by State statute. An annual budget ordinance is adopted for the operating subfund. All annual appropriations lapse at fiscal year-end.

Expenditures may not legally exceed appropriations at the expenditure object level for the operating or capital project subfunds. The budget may be amended as necessary by the governing board. During the year, several amendments to the original budget became necessary. A budget calendar is included in the North Carolina General Statutes which prescribes the last day on which certain steps of the budget procedure are to be performed. The following schedule lists the tasks to be performed and the date by which each is required to be completed.

April 30 Each department head will transmit to the budget officer the budget requests as estimates for their department for the budget year.

June 1 The budget and the budget message shall be submitted to the governing board. The public hearing on the budget should be scheduled at this time.

July 1 The budget ordinance shall be adopted by the governing board.

Note 1. Summary of Significant Accounting Policies (Continued)

Assets, Liabilities, Deferred Inflows, Deferred Outflows of Resources and Net Position

Deposits and Investments

All deposits of the Authority are made in board-designated official depositories and are collateralized as required by State statute. Official depositories may be established with any bank or savings and loan association whose principal office is located in North Carolina. Also, the Authority may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts and certificates of deposits.

State statute [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 nonguaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; and the North Carolina Capital Management Trust ("NCCMT").The NCCMT Government Portfolio, a SEC registered (2a-7) external investment pool, is measured at fair value which is the NCCMT's share price. The NCCMT – Term Portfolio was a bond fund, that did not have a rating and was measured at fair value. On December 11, 2020 the Term portfolio was liquidated by Fidelity due to the increasing risk of the investments in the fund. Because the NCCMT Government Portfolio has a weighted average maturity of less than 90 days, it is presented as an investment with a maturity of less than 6 months.

Cash and Cash Equivalents

The Authority considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash and cash equivalents.

Allowance for Doubtful Accounts

All trade receivables are shown net of an allowance for doubtful accounts. The allowance for doubtful accounts is determined by management based on their knowledge of collection history for similar customers.

Restricted Assets

The Authority's Series 2014A, 2014B, and 2014C Revenue Bonds require a fund (the Reserve Fund) to be established to help ensure that sufficient monies are available for payment of bond principal and interest. The Reserve Fund at June 30, 2021 totaled $673,751.

The Authority's Series 2016 Revenue Bonds require a fund (the Replacement Fund) to be established to hold monies for paying the cost of extensions, additions and capital improvements to, or the renewal and replacement of capital assets of, or purchasing and installing new equipment for, the Combined Enterprise System, or for paying any extraordinary maintenance and repair or any expenses which are not current expenses. Additionally, monies in this reserve can be used for certain transfers or payment of certain indebtedness. Amounts deposited in the Replacement Fund are determined pursuant to certain provisions of the bond indenture, but amounts can also be deposited at the discretion of the Board. The Replacement Fund at June 30, 2021 totaled $2,504,151.

Note 1. Summary of Significant Accounting Policies (Continued)

Inventories

Materials and supplies are valued at the lower of cost (first-in, first-out basis) which approximates market value, or net realizable value. Expendable supplies are recorded as expenditures when used rather than when purchased.

Capital Assets

Capital assets are defined by the Authority as assets with an initial, individual cost of more than $5,000 and estimated useful life in excess of one year. All purchased capital assets are valued at original cost at the time of acquisition. The cost of normal maintenance and repairs which do not add to the value of the asset or materially extend assets' lives are not capitalized.

Onslow County, the Town of Richlands, the Town of Holly Ridge, and the Town of Swansboro have entered into capital lease agreements with ONWASA whereby their water and wastewater system assets were constructively leased in perpetuity to ONWASA. The terms of the leases are 30 years, with successive 15-year options to renew. Total lease payments equaled existing outstanding bond indebtedness on the systems and were paid or assumed in total at the inception of the leases. ONWASA funded these lease payments by issuing revenue bonds. The capital lease agreements specify the value of assets and liabilities to be assumed. The difference between the specified value of the leased assets and the specified lease payments (i.e. the debt assumed or issued) is recognized as a capital contribution. Since the assets are leased from the member governments and not titled in the name of the Authority, the carrying values of the lessor/member government are used to record the assets under these capital leases. By policy, the Authority records new assets under capital leases at the gross amounts previously recorded by the lessor/governmental member.

Capital assets contributed by developers totaled $3,251,397 for the year ended June 30, 2021. Donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at the acquisition value, which is generally the cost to construct these assets. All other purchased or constructed capital assets are reported at cost or estimated historical cost.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed.

Capital assets, which include property, plant, equipment and infrastructure assets, are depreciated using the straight-line method by groups or classes of property over the following expected service lives (including the lives at the member government who leases the assets to the Authority):

	Years
Buildings and other improvements	2 - 50
Equipment, heavy equipment and vehicles	3 - 20

Note 1. Summary of Significant Accounting Policies (Continued)

The Authority may consider capital assets impaired if both (a) the decline in service utility of the capital asset is large in magnitude and (b) the event or change in circumstances is outside the normal life cycle of the capital asset. Impaired assets will be appropriately reduced in value or discarded if idle.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources,* represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Authority has three items that meet this criterion, pension deferrals, OPEB deferrals, and deferred charge related to debt refinancing. In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial 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 two items that meet the criterion for this category – pension and OPEB deferrals. Details of the Authority's deferred inflows and deferred outflows can be found in Notes 5 and 6.

Long-Term Debt

Long-term debt is reported as a liability in the statement of net position, net of applicable bond premium or discount which are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method.

Net Position

Net Position is classified as net investment in capital assets, restricted and unrestricted. Net investment in capital assets represents the amounts invested in capital assets less any outstanding debt used in the acquisition of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through state statute. Unrestricted net position consists of net position that does not meet the definition of "net investment in capital assets" or "restricted".

Compensated Absences

The vacation policy of the Authority provides for the accumulation of up to 30 days earned vacation leave with such leave being fully vested when earned. The Authority had 118 full-time employees as of June 30, 2021. Accrued vacation at year end totaled $466,074 and is included in accounts payable and accrued liabilities – operations.

The Authority has adopted a last-in, first-out method of using accumulated compensated time. The portion of the accumulated vacation pay which is expected to be liquidated after the next fiscal year is not considered to be material and, therefore, no provision for noncurrent compensated absences has been made in the financial statements.

Note 1. Summary of Significant Accounting Policies (Continued)

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

Operating Revenues and Expenses

Operating revenues and expenses generally result from providing services in connection with the Authority's principal ongoing operations, which is the sale of water and treatment of wastewater for its customers. Operating expenses for the Authority include the cost of services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Note 2. Cash, Cash Equivalents and Investments

At June 30, 2021, cash, cash equivalents and certificates of deposit were comprised of the following:

Deposits

All the deposits of North Carolina local governments are to be 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 separately collateralized with securities held by the governments' agents in the governments' names. Under the Pooling Method, which is a statewide 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 governments, these deposits are considered to be held by the governments' agents in their 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 governments or the escrow agents. Because of the inability to measure the exact amounts of collateral pledged for governments 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 policy regarding custodial credit risk for deposits. The Authority complies with the provisions of G.S. 159-31 when designating official depositories and verifies that deposits are properly secured.

At June 30, 2021, the carrying amount of the Authority deposits, including a $1,000,000 certificate of deposit, was $2,496,205 and the bank balance was $2,154,769. Of the bank balance, $507,601 was covered by FDIC insurance and $1,647,168 was collateralized using the Pooling Method.

At June 30, 2021, the Authority's petty cash fund totaled $400.

Note 2. Cash, Cash Equivalents and Investments (Continued)

The Authority's $1,000,000 certificate of deposit is noninterest bearing and is a requirement from the bank in return for providing business checking accounts with no service charge. The $1,000,000 certificate of deposit is valued at amortized cost and has a three-year term which matures in July 2023.

Investments

All investments are measured using the market approach: using prices and other relevant information generated by market transactions involving identical or comparable assets or a group of assets. At June 30, 2021, the Authority had $45,395,489 invested with the North Carolina Capital Management Trust's Government Portfolio which carried a credit rating of AAAm-mf by Standard and Poor's. North Carolina Capital Management Trust's Government Portfolio is valued at Level 1 fair value and the value of the account is $45,395,489.

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

Interest Rate Risk: The Authority has no formal investment policy regarding interest rate risk.

Credit Risk: The Authority has no formal policy regarding credit risk but has internal management procedures that limit the Authority's investments to the provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated.

Note 3. Receivables

The Authority estimates the revenue value of water consumed by its customers near year end but not billed by the last day of the fiscal year. This is done by multiplying the estimated unbilled water and sewer usage by the appropriate rates. This amount is reported below as Unbilled receivable – customers.

The amounts presented in the Statement of Net Position at June 30, 2021 are as follows:

	FY 21
Sales tax receivables	$ 320,758
Accounts receivable - customers	1,717,484
Unbilled receivable - customers	3,476,654
Accounts receivable - other	114,822
Total receivables	5,629,718
Allowance for doubtful accounts	(520,224)
Total receivables, net of allowance	$ 5,109,494

Note 4. Capital Assets

Assets acquired from member governments are operated by the Authority under capital lease agreements with member governments. The terms of the leases are 30 years, with successive 15 year options to renew. More information on these capital leases may be found in Note 1 under Capital Assets. Capital assets activity consists of the following, for the year ended June 30, 2021. Current depreciation expense was $6,174,082.

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land	$ 18,994,773	$ 1,220	$ 5,182	$ 18,990,811
Construction in progress	11,473,601	4,364,904	6,771,888	9,066,617
Total capital assets not being depreciated	30,468,374	4,366,124	6,777,070	28,057,428
Capital assets being depreciated:				
Other improvements	231,611,616	10,634,469	101,465	242,144,620
Buildings	11,883,201	-	-	11,883,201
Equipment	5,300,651	638,148	51,934	5,886,865
Vehicles	2,854,020	103,406	152,806	2,804,620
Heavy equipment	1,195,267	-	32,900	1,162,367
Total capital assets being depreciated	252,844,755	11,376,023	339,106	263,881,673
Less accumulated depreciation for:				
Other improvements	77,281,567	5,114,368	101,465	82,294,470
Buildings	9,274,986	370,079	-	9,645,065
Equipment	4,657,048	356,248	51,934	4,961,362
Vehicles	1,873,955	333,387	152,807	2,054,535
Heavy equipment	1,195,267	-	32,900	1,162,367
Total accumulated depreciation	94,282,823	6,174,082	339,106	100,117,799
Total capital assets being depreciated, net	158,561,932			163,763,874
Capital assets, net	$ 189,030,306			$ 191,821,302

Note 4. Capital Assets (Continued)

Construction/Engineering Commitments

The Authority has active construction/engineering projects as of June 30, 2021:

Project	Spent-to-Date	Remaining Commitment
Union Chapel WTP	$ -	$ 46,227
Hargett Street & Shore Drive Pump Stations	10,773	53,527
Piney Green Phase 2 Elimination of Hickory Grove	1,006,864	13,700
Kenwood/Bishop Ridge Sewer Ext	106,878	205,322
Heather Loop Road Sewer	17,270	32,830
Hurricane Florence	5,261,026	4,423,678
Lab Renovation	1,145,144	1,622,267
Warehouse Renovation	307,791	812,479
Swansboro WWTP Renovation	862,924	1,139,510
Holly Ridge/Summerhouse WWTP Capacity	228,414	432,220
Summerhouse Infiltration Ponds	33,800	800
Pumping Station Rehabilitation	25,508	90,792
Building Roof Replacements	53,591	433,664
Hwy 24 Regional Trunk Main	226,928	559,892
North Topsail Beach Booster Station	24,758	184,888
	$ 9,311,669	$ 10,051,796

At year-end, the Authority's commitments with contractors and professional firms related to these projects are as follows: Piney Green Phase 2 is partially funded by a grant from NC Department of Environmental Quality and the others will be funded with fund balance.

Note 5. Pension Plan Obligations

Local Governmental 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 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 LGERS is included in 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 Center Service, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at www.osc.nc.gov.

Note 5. Pension Plan Obligations (Continued)

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 (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

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

Contributions: Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. The Authority's 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 11.51% 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 $683,718 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 a liability of $3,064,570 for its proportionate share of the LGERS 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.

Note 5. Pension Plan Obligations (Continued)

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 .08576%, which was an increase of .000165% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the Authority recognized pension expense of $1,065,882. At June 30, 2021, 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	$ 387,031	$ -
Changes of assumptions	228,064	-
Net difference between projected and actual earnings on pension plan investments	431,256	-
Changes in proportion and differences between employer contributions	53,375	35,772
Employer contributions subsequent to the measurement date	683,718	-
Total	$ 1,783,444	$ 35,772

$683,718 reported as deferred outflow of resources related to pensions resulting from Authority 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 and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30:	
2022	$ 313,174
2023	395,799
2024	227,322
2025	127,629
Therafter	-
	$ 1,063,924

Note 5. Pension Plan Obligations (Continued)

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

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

The plan currently uses mortality tables that vary by age, gender, employee group (i.e. general, law enforcement officer) and health status (i.e. disabled and healthy). The current mortality rates are based on the RP-2014 Total Data Set for Healthy Annuitants Mortality Table 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	100.00%	

Note 5. Pension Plan Obligations (Continued)

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%. 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 percent, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6 percent) or one percentage point higher (8 percent) than the current rate*:*

	1% Decrease (6%)	Discount Rate (7%)	1% Increase (8%)
Authority's proportionate share of the net pension liability	$ 6,217,679	$ 3,064,570	$ 444,115

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 with services provided by Prudential, administered by the Department of State Treasurer. The Plan provides retirement benefits to all full-time and qualified part-time employees of the Authority. Authority to establish and amend benefit provisions is assigned to the Board of Directors.

Funding Policy: The adopted plan requires the Authority to match an employees' contribution each pay period by an amount not to exceed three percent (3%) of each employee's salary. The Authority's contributions for each employee (and interest allocated to the employee's account) are fully vested immediately. All covered employees may make voluntary contributions to the plan. Contributions for the year ended June 30, 2021 were $374,275, which consisted of $147,088 from the Authority and $227,187 from employees.

Note 6. Other Postemployment Benefits

Plan Description

According to the Authority's personnel policy, the Authority provides post-employment health care benefits to retirees of the Authority in a single-employer plan, provided they participate in the North Carolina Local Governmental Employees' Retirement System and have at least ten consecutive years of creditable service with the Authority.

Benefits Provided

Postemployment benefits are provided to employees hired prior to April 17, 2014, or if they are already in the system. Years of service are transferable from participating member governments during the initial transition phase of the Authority. The Authority pays the full cost of coverage for these benefits through private insurers. Also, spouses of Authority retirees can purchase coverage at the Authority's group rates until the spouse is eligible for other health coverage or Medicare. For the fiscal year ended June 30, 2021, the Authority paid $180,510 in post-employment health benefit premiums. The Board of Commissioners may amend the benefit provisions. A separate report was not issued for the plan. The Authority pays the full cost of coverage for the healthcare benefits paid to qualified retirees under the Authority's personnel policy. The Authority obtains healthcare coverage through private insurers. There were no contributions made by retirees or employees. The Authority has chosen to fund the healthcare benefits on a pay as you go basis. Under the terms of the plan, the Authority administers a single employer defined benefit Healthcare Benefits Plan. The Authority Board has the right 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.

Membership of the plan consisted of the following at June 30, 2019, the date of the latest actuarial valuation:

Retirees and dependents receiving benefits	8
Active plan members	69
Total	77

Note 6. Other Postemployment Benefits (Continued)

Total OPEB Liability

The Authority's total OPEB liability of $5,713,069 was measured as of June 30, 2020 and was determined by an actuarial valuation as of June 30, 2019.

The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.50%
Salary increases	3.50% - 7.75%
Healthcare cost trend rates	7.00% for 2019, decreasing to an ultimate rate of 4.5% by 2026

The discount rate is based on the June average of the Bond Buyer general obligation 20-year municipal bond index published weekly by the Bond Buyer.

Changes in the Total OPEB Liability

Balance at June 30, 2020	$	4,884,665
Changes for the year:		
Service cost		196,402
Interest		174,542
Differences between expected and actual experience		(6,990)
Changes in assumptions or other inputs		654,367
Benefit payments		(189,917)
Net changes		828,404
Balance at June 30, 2021	$	5,713,069

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

Mortality rates were based on the RP-2014 Total Data Set for Healthy Annuitants Mortality Table.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period January 2010 through December 2014.

Sensitivity of the total OPEB liability to changes in discount rate.

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

	1 % Decrease (1.21%)	Discount Rate (2.21%)	1% Increase (3.21%)
Total OPEB liability	$ 6,281,800	$ 5,713,069	$ 5,198,218

Note 6. Other Postemployment Benefits (Continued)

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates.

The following presents the total OPEB liability of the Authority, as well as what the Authority'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	Current	1% Increase
Total OPEB liability	$ 4,977,388	$ 5,713,069	$ 6,600,549

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

For the year ended June 30, 2021, The Authority recognized OPEB expense of $487,902 At June 30, 2021, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 316,072	$ 9,992
Changes of assumptions	616,658	183,979
Benefit payments and administrative costs made subsequent to measurement date	180,510	-
Total	$ 1,113,240	$ 193,971

$180,510 reported as deferred outflows of resource related to OPEB resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total OPEB liability in the year ended June 30, 2022. Other amounts reported as net deferred inflows/outflows of resources related to OPEB will be recognized in OPEB expense as follows:

Measurement Period Ending June 30,	
2022	$ 116,958
2023	116,958
2024	116,958
2025	139,931
2026	157,858
Thereafter	90,096
	$ 738,759

Note 7. 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 participates in three self-funded risk financing pools administered by the North Carolina League of Municipalities (the "NCLM"). Through these pools, the Authority obtains property and equipment coverage, general liability coverage of $3 million per occurrence with $3 million aggregate, and auto liability coverage with a $2 million limit per occurrence. Public officials' liability coverage of $2 million per each claim with a $3 million aggregate and worker's compensation with statutory limits are also obtained from the NCLM. The Authority also has flood insurance of $5 million per occurrence with $5 million aggregate.

In accordance with G.S. 159-29, the Authority's employees that have access to $100 or more at any given time of the Authority's funds are performance bonded through a commercial surety bond. The finance officer is bonded for $1,000,000. The remaining employees that have access to funds are bonded for $75,000 per occurrence. Employees' health insurance is provided by a commercial provider.

The Authority's settlements have not exceeded insurance coverage in any of the past four years.

Note 8. Long-Term Obligations

Long- term liability activity for the year ended June 30, 2021 is summarized as follows:

Balance July 1, 2020	Increases	Decreases	Premium Amortized	Balance June 30, 2021	Current Portion of Balance
$ 57,000,000	$ -	$ 3,245,000	$ -	$ 53,755,000	$ 3,380,000
7,902,763	-	553,993	-	7,348,770	553,993
5,446,766	-	-	418,981	5,027,785	-
2,387,099	677,471	-	-	3,064,570	-
4,884,665	828,404	-	-	5,713,069	-
$ 77,621,293	$ 1,505,875	$ 3,798,993	$ 418,981	$ 74,909,194	$ 3,933,993

Revenue Bonds

$9,000,000 Combined Enterprise System Revenue Bonds, Series 2014A, were issued December, 2014 to fund the Northwest Water Reclamation Facility. Principal and interest installments are due annually on June 1, at annual interest rate of 2.375%. The bonds are secured- by a pledge of the net revenues of the Authority. The remaining balance as of June 30, 2021 is $8,222,000.

$8,000,000 Combined Enterprise System Revenue Bonds, Series 2014B, were issued December, 2014 to fund the Northwest Water Reclamation Facility. Principal and interest installments are due annually on June 1, at annual interest rate of 2.375%. The bonds are secured by a pledge of the net revenues of the Authority. The remaining balance as of June 30, 2021 is $7,308,000.

Note 8. Long-Term Obligations (Continued)

$7,541,000 Combined Enterprise System Revenue Bonds, Series 2014C, were issued December, 2014 to fund the Northwest Water Reclamation Facility. Principal and interest installments are due annually on June 1, at annual interest rate of 2.375%. The bonds are secured by a pledge of the net revenues of the Authority. The remaining balance as of June 30, 2021is $6,890,000.

$41,605,000 Combined Enterprise System Revenue Bonds, Series 2016, were issued April, 2016 to refund the Series 2004B, 2006, 2008B Revenue Bonds and a portion of the 2008A Revenue Bonds). Principal installments are due annually on December 1, with semiannual interest payments due on December 1 and June 1, at annual varying interest rates from 2% to 5%. The bonds are secured by a pledge of the net revenues of the Authority. The remaining balance as of June 30, 2021 is $31,335,000.

Defeased Debt

In 2016, the Authority defeased various bond issues by creating separate irrevocable trust funds. New debt has been issued and the proceeds have been used to purchase U.S. government securities that were placed in the trust funds. The investments and related fixed earnings are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and therefore removed from the Authority's liabilities. As of June 30, 2021, the amount of prior year defeased debt and removed from the Authority's liabilities amount to $37,713,205.

The payments of the revenue bonds for the future years are as follows:

FY Ending	2014A, B and C		2016		Total	
June 30,	Principal	Interest	Principal	Interest	Principal	Interest
2022	$ 455,000	$ 532,476	$ 2,925,000	$ 1,334,850	$ 3,380,000	$ 1,867,326
2023	466,000	521,669	2,605,000	1,196,600	3,071,000	1,718,269
2024	478,000	510,601	2,720,000	1,080,200	3,198,000	1,590,801
2025	488,000	499,249	2,840,000	957,925	3,328,000	1,457,174
2026	500,000	487,659	2,990,000	812,175	3,490,000	1,299,834
2027-2031	2,684,000	2,254,397	13,235,000	1,977,938	15,919,000	4,232,335
2032-2036	3,017,000	1,920,211	4,020,000	143,650	7,037,000	2,063,861
2037-2054	14,332,000	3,448,785	-	-	14,332,000	3,448,785
Total	22,420,000	$ 10,175,047	31,335,000	$ 7,503,338	53,755,000	$ 17,678,385
Unamortized bond premium	-		5,027,785		5,027,785	
Net carrying value	$ 22,420,000		$ 36,362,785		$ 58,782,785	

Note 8. Long-Term Obligations (Continued)

Construction Loans Payable

The Authority has a $899,431 direct placement construction loan payable to the State of North Carolina to finance Richland's Sewer Rehabilitation and gravity sewer in Holly Ridge and Hunter's Creek, repayable over a fixed term once construction is completed. The note is payable from water and sewer revenue and bears an annual interest rate of 2.480%.

The Authority has a $257,449 direct placement construction loan payable to the State of North Carolina to finance the Dixon Raw Waterline and Well, repayable over a fixed term once construction is completed. The note is payable from water and sewer revenue and bears an annual interest rate of 0%.

The Authority has a $3,829,319 direct placement construction loan payable to the State of North Carolina to finance the Dixon Reverse Osmosis treatment process, repayable over a fixed term once construction is completed. The note is payable from water and sewer revenue and bears an annual interest rate of 0%.

The Authority has a $1,459,626 direct placement construction loan payable to the State of North Carolina to finance the Summerhouse WWTP Rehabilitation Project, repayable over a fixed term once construction is completed. The note is payable from water and sewer revenue and bears an annual interest rate of 0%.

The Authority has a $902,945 direct placement construction loan payable to the State of North Carolina to finance the Western Onslow Trunk Sewer Phase II, repayable over a fixed term once construction is completed. The note is payable from water and sewer revenue and bears an annual interest rate of 0%.

The payments of the loans payable for the future years are as follows:

Year Ending June 30,	Principal	Interest	Total
2022	$ 553,993	$ 40,365	$ 594,358
2023	553,993	36,873	590,866
2024	553,993	33,382	587,375
2025	553,993	29,891	583,884
2026	553,993	26,399	580,392
2027-2031	2,695,682	79,623	2,775,305
2032-2036	1,826,689	23,094	1,849,783
2037	56,434	1,129	57,563
	$ 7,348,770	$ 270,756	$ 7,619,526

Note 8. Long-Term Obligations (Continued)

Rate Covenants

The Series 2016 revenue bonds are secured by a pledge of the net revenues of the Authority. The rate covenant for the Enterprise Revenue Bonds, Series 2016, states, in summary, that the Authority establish rates and charges for the provision of services of the Combined Enterprise Systems as such Revenue plus 20% of the balance in the Operating Fund at the end of the preceding Fiscal Year at least equal to the total of current expenses budgeted plus 120% of the Principal and Interest requirements on outstanding debt and Revenue at least equal to Current Expenses budgeted plus 100% of the Principal and Interest requirements on outstanding debt. The Authority met its covenants for the fiscal year ended June 30, 2021.

The Authority's revenue bonds contain rate covenants as to rates and requires the debt service coverage ratio to be no less than 100% for all debt. The Authority has met its covenants for the year ended June 30, 2021.

Note 9. Commitments and Contingencies

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

Fines and Fees: The Authority is subject to various federal and State agencies oversight for operations of its water and sewer systems. These agencies could impose fines and fees as a result of non-compliance with regulations and permit requirements. Management believes that any required fines and fees to be immaterial as of June 30, 2021.

Litigation: The Authority is involved in certain legal proceedings. Management and the Authority's legal counsel believe these matters are not material and can be successfully defended or prosecuted based on the Authority's status as defendant or claimant in these matters. The Authority has insurance coverage in the event of a negative outcome.

Note 10. Recent and Pending GASB Statements

The GASB has issued several pronouncements prior to June 30, 2021 that have effective dates applicable to current and future fiscal years and may impact future financial presentations.

The Authority's has not yet evaluated the effect of implementation of the following GASB pronouncements.

In June 2017, GASB issued Statement No. 87, *Leases.* The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases. This Statement is effective for fiscal years beginning after June 30, 2022.

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period.* The objectives of this statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. The requirements of this Statement are effective for reporting periods beginning after December 31, 2022.

In August 2018, GASB issued Statement No. 90, *Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 61*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. This Statement is effective for fiscal years beginning after December 31, 2020.

In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations and (3) related note disclosures. This Statement is effective for reporting periods beginning after December 31, 2022.

GASB Statement No. 92, *Omnibus 2020.* The primary objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The requirements of this Statement will take effect for financial reporting periods beginning after June 15, 2021.

GASB Statement No. 93, *Replacement of Interbank Offered Rates.* The primary objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR, most notably the London Interbank Offered Rate. This Statement is effective for reporting periods ending after December 31, 2021.

Note 10. Recent and Pending GASB Statements (Continued)

GASB Statement No. 94*, Public-Private and Public-Public Partnerships and Availability Payment Arrangements.* The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnerships arrangements. This Statement will enhance the decision usefulness of a government's financial statements by requiring governments to report assets and liabilities related to PPP's consistently and disclose important information about PPP transactions. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022.

GASB Statement No. 95*, Postponement of the Effective Dates of Certain Authoritative Guidance.* The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2022.

In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. The requirements of this Statement are effective for reporting periods after June 15, 2022.

In June 2020, GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans- An amendment of GASB Statement No. 14 and No. 84, as a Supersession of GASB Statement No 32*. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The requirements in this Statement as it applies to defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans are effective immediately (June 2020), and did not have a material impact on the Authority's financial position, overall cash flow or balances or results of operations. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2021

Note 11. Subsequent Events

Management has evaluated subsequent events through October 28, 2021, in connection with the preparation of these financial statements, which is the date the financial statements were available to be issued.

(This Page Was Intentionally Left Blank)

Required Supplemental

Financial Information

(Unaudited)

(This Page Was Intentionally Left Blank)

Onslow Water and Sewer Authority

Other Postemployment Benefits
Required Supplementary Information
Schedule of Changes in the Total OPEB Liability and Related Ratios

	Fiscal Year June 30,			
	2021	2020	2019	2018
Total OPEB Liability				
Service cost	$ 196,402	$ 185,688	$ 191,399	$ 205,919
Interest	174,542	160,103	144,539	123,643
Changes of benefit terms	-	18,915	-	-
Differences between expected and actual experience	(6,990)	419,586	28,662	(8,860)
Changes of assumptions	654,367	78,778	(135,326)	(230,655)
Benefit payments	(189,917)	(186,525)	(161,055)	(114,889)
Net change in total OPEB liability	828,404	676,545	68,219	(24,842)
Total OPEB liability - beginning	4,884,665	4,208,120	4,139,901	4,164,743
Total OPEB liability - ending	$ 5,713,069	$ 4,884,665	$ 4,208,120	$ 4,139,901
Covered payroll	$ 3,532,874	$ 3,532,874	$ 3,992,330	$ 3,992,330
Total OPEB liability as a percentage of covered payroll	161.71%	138.26%	105.41%	103.70%

Notes to Schedule:

(1) **Changes of assumptions:** Changes of assumptions and other inputs reflect the effects of changes in the discount rate of each period. The following are the discount rate used in each period:

Fiscal Year	Rate
2021	2.21%
2020	3.50%
2019	3.89%
2018	3.18%

(2) This schedule is intended to show information for ten years, additional years' information will be displayed as it becomes available.

Onslow Water and Sewer Authority

Schedule of Authority's Proportionate Share of Net Pension Liability (Asset)

Required Supplementary Information

Last Seven Fiscal Years *

Local Government Employees' Retirement System

	2021	2020	2019	2018	2017	2016	2015
Authority's proportion of the net pension liability (asset) %	0.0806%	0.0874%	0.0886%	0.0903%	0.0846%	0.0981%	0.0963%
Authority's proportionate share of the net pension liability (asset)	$ 3,064,570	$ 2,387,099	$ 2,101,421	$ 1,379,687	$ 1,795,283	$ 440,312	$ (567,748)
Authority's covered payroll	$ 5,805,650	$ 5,644,538	$ 5,155,797	$ 5,151,991	$ 5,155,797	$ 5,554,704	$ 5,383,806
Authority's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	52.79%	42.29%	40.76%	26.78%	34.82%	7.93%	(10.55%)
Plan fiduciary net position as a percentage of the total pension liability**	91.63%	91.63%	94.18%	91.47%	98.09%	99.07%	102.64%

* 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.

This schedule is intended to show information for ten years, additional years' information will be displayed as it becomes available.

Onslow Water and Sewer Authority

Schedule of Authority's Contributions
Required Supplementary Information
Last Seven Fiscal Years

Local Governmental Employees' Retirement System

	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	$ 683,718	$ 596,060	$ 513,653	$ 488,843	$ 450,603	$ 443,554	$ 469,929
Contributions in relation to the contractually required	683,718	596,060	513,653	488,843	450,603	443,554	469,929
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Authority's covered payroll	$ 5,940,208	$ 5,805,650	$ 5,644,538	$ 5,155,797	$ 5,151,991	$ 5,155,797	$ 5,554,704
Contributions as a percentage of covered-employee payroll	11.51%	10.27%	9.10%	9.48%	8.75%	8.60%	8.46%

This schedule is intended to show information for ten years, additional years' information will be displayed as it becomes available.

Onslow Water and Sewer Authority

Schedule of Revenues and Expenditures – Budget and Actual (Modified Accrual Basis) – Operating Fund
For Year Ended June 30, 2021
(Page 1 of 2)

	Final Budget	Actual	Variance With Final Budget
Operating revenues			
Water		$ 19,996,662	
Waste water		4,637,599	
Service initiation fees		1,018,930	
Miscellaneous revenue		508,140	
Total operating revenues	$ 24,054,991	$ 26,161,331	$ 2,106,340
Nonoperating revenues			
System development fees		3,803,328	
FEMA grant proceeds		137,011	
Interest income		8,384	
Total nonoperating revenues	2,425,000	3,948,723	1,523,723
Total revenues	26,479,991	30,110,054	3,630,063
Expenditures			
Water Divisions			
Hubert Water Treatment Plant		1,999,700	
Dixon Water Treatment Plant		1,492,309	
Meters		1,434,614	
Capital Outlay		662,587	
Distribution		1,834,781	
Total Water Divisions	8,080,053	7,423,991	656,062
Sewer Divisions			
Northwest Regional Water Reclamation Facility		467,311	
Southeast Regional Wastewater Treatment Plant		475,671	
Swansboro Wastewater Treatment Plant		356,285	
Collections		1,320,946	
Capital Outlay		235,982	
Wastewater Purchases		878,139	
Total Sewer Divisions	4,629,423	3,734,334	895,089
Administrative Divisions			
General and administration		2,027,451	
Information technology		1,653,215	
Engineering		434,027	
Buildings and Grounds		1,011,155	
Customer Service		1,317,988	
Laboratory		347,204	
SCADA		338,614	
Capital Outlay		454,169	
Nondepartmental		641,704	
Total Administrative Divisions	9,569,074	8,225,527	1,343,547

(Continued)

Onslow Water and Sewer Authority

Schedule of Revenues and Expenditures – Budget and Actual (Modified Accrual Basis) – Operating Fund
For Year Ended June 30, 2021
(Page 2 of 2)

	Final Budget	Actual	Variance With Final Budget
Total operating expenditures	$ 22,278,550	$ 19,383,852	$ 2,894,698
Debt service			
Principal		3,798,993	
Interest		2,045,460	
Total debt service	5,844,444	5,844,453	(9)
Other financing sources (uses)			
Contingency for salaries	(71,000)	-	71,000
Appropriated fund balance	4,319,003	-	(4,319,003)
Transfers out	(2,605,000)	(2,605,000)	-
Total financing sources (uses)	1,643,003	(2,605,000)	(4,248,003)
Revenue and other financing sources over other financing uses	$ -	2,276,749	$ 2,276,749
Reconciliation of modified accrual to full accrual basis			
Depreciation		(6,174,082)	
Capital outlay		1,352,738	
Contributed capital assets		3,251,397	
Transfers out		2,605,000	
Insurance proceeds		2,500,000	
Adjust for doubtful accounts		(96,739)	
Adjust for unbilled services		579,016	
Accrued interest expense		11,480	
Accrued vacation		(4,114)	
Principal payment on bonded debt		3,798,993	
Bond premium and bond refunding amortization		418,985	
Deferred charge for debt		(76,382)	
Pension and OPEB adjustments		(773,796)	
Increase in net position		$ 9,669,245	

Onslow Water and Sewer Authority

Capital Projects Fund - Various Projects
Schedule of Revenue and Expenditures - Budget and Actual (Modified Accrual Basis)
From Inception and For the Fiscal Year Ended June 30, 2021

		Actual		
	Project Ordinance	Prior Years	Current Year	Total to Date
Revenue				
Union Chapel WTP	$ 500,000	$ 500,000	$ -	$ 500,000
Clean Water Trust Grant	600,000	444,131	-	444,131
Total revenue	1,100,000	944,131	-	944,131
Expenditures				
Piney Green Sewer Phase 2	1,234,790	1,001,053	5,810	1,006,863
Regional Aquifer Study	300,000	-	-	-
Building Roof Replacement	760,000	23,950	29,640	53,590
Union Chapel WTP	4,285,830	2,287,922	9,660	2,297,582
Hargett St and Shore Dr	390,000	10,773	-	10,773
Summerhouse Infiltration Ponds	650,000	18,500	15,300	33,800
Emergency Power System Upgrades	850,000	-	-	-
Topsail Island Booster Station	1,500,000	-	24,758	24,758
Water Main Interconnect Phase I and II	817,500	358,174	265,444	623,618
Swansboro WWTP Infiltration Ponds	165,000	-	-	-
Hurricane Florence	9,801,000	3,551,751	1,709,274	5,261,025
Hurricane Florence Disaster Recover Response	1,000,000	-	-	-
Total expenditures	21,754,120	7,252,123	2,059,886	9,312,009
Revenue under expenditures	(20,654,120)	(6,307,992)	(2,059,886)	(8,367,878)
Other financing sources				
Transfer from operating fund	8,043,120	12,543,859	2,605,000	15,148,859
Insurance proceeds	9,801,000	2,688,309	2,500,000	5,188,309
Debt Issued	2,810,000	-	-	-
Total other financing sources	20,654,120	15,232,168	5,105,000	20,337,168
Revenue and other financing sources over expenditures	$ -	$ 8,924,176	$ 3,045,115	$ 11,969,291

Onslow Water and Sewer Authority

Capital Projects Fund – Water and Sewer Expansion Projects
Schedule of Revenue and Expenditures – Budget and Actual (Modified Accrual Basis)
From Inception and For the Fiscal Year Ended June 30, 2021

		Actual		
	Project Ordinance	Prior Years	Current Year	Total to Date
Revenue				
Total revenue	$ -	$ -	$ -	$ -
Expenditures				
HWY 50 Wells	4,208,850	3,652,894	197,793	3,850,687
HWY 24 Regional Trunk	15,000,000	-	226,928	226,928
Kenwood/Bishop Ridge Sewer	325,000	84,493	22,385	106,878
Heather Loop Rd Sewer	150,000	17,270	-	17,270
Laboratory	2,700,000	201,264	604,239	805,503
Warehouse	1,190,000	44,250	307,791	352,041
Pumping Station Assess/Rehab	850,000	2,303	23,205	25,508
HRWWTP/SMRHSE Capacity Assess	3,000,000	31,187	-	31,187
Southwest Upgrades Phase II	400,000	50,339	197,227	247,566
Swansboro WWTP Renovation	3,000,000	137,476	725,449	862,925
Total expenditures	30,823,850	4,221,476	2,305,017	6,526,493
Revenue under expenditures	(30,823,850)	(4,221,476)	(2,305,017)	(6,526,493)
Other financing sources				
Transfer from operating fund	1,475,000	-	-	-
Debt issued	29,348,850	1,128,681	-	1,128,681
Total other financing sources	30,823,850	1,128,681	-	1,128,681
Revenue and other financing sources under expenditures	$ -	$ (3,092,795)	$ (2,305,017)	$ (5,397,812)

(This Page Was Intentionally Left Blank)

Statistical Section

(Unaudited)

(This Page Was Intentionally Left Blank)

Statistical Section (Unaudited)

Financial Course:

These charts and schedules identify the trends in the changes over time of Onslow Water and Sewer Authority's financial functional effectiveness and financial strength.

- Net Position By Component
- Change In Net Position
- Expenses By Functions

Revenue Capacity:

These schedules contain information to help the reader assess the Authority's revenue sources.

- Revenue By Source
- Principal Water Customers
- Principal Sewer Customers

Debt Capacity:

This schedule represents the ratio of debt to revenues.

- Ratio of Bonded Debt to Operating Revenues and Net Bonded Debt per Customer

Demographic and Economic Information:

These schedules show the demographic and economic picture of the environment in which Onlsow Water and Sewer Authority provides it's services.

- Onslow County, NC Demographic Statistics
- Miscellaneous Statistical Data
- Onslow County, NC Property Tax Levies and Collections
- Onslow County, NC Taxable Property Assessed Value
- Onslow County, NC Taxable Property Tax Rates
- ONWASA Full Time Equivalent Employees
- Onslow County, NC Principal Employers

Operating Information:

These schedules contain operating and capital asset data to show how operations and assets have changed as ONWASA grows.

- Water Processed and Wastewater Treated
- Operating Indicators by Function
- Capital Asset Statistics by Function

Sources:

Unless otherwise noted, the information included in these schedules and charts is derived for the annual comprehensive financial reports (ACFR) for GASB 34 in the fiscal year ending June 30, 2021 and is provided for additional analysis purposes only and has not been verified by audit as presented.

Onslow Water and Sewer Authority

Net Position By Component
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	2021	2020	2019	2018
Investment in capital assets	**$ 126,458,482**	$ 119,561,144	$ 108,805,794	$ 102,890,915
Restricted by bond order for Replacement Fund	**673,751**	574,826	465,119	358,134
Restricted by bond order for Reserve Funds	**2,504,151**	2,504,151	2,504,151	2,504,151
Unrestricted	**37,673,521**	35,000,539	37,126,077	35,378,241
Total net position	**$ 167,309,905**	$ 157,640,660	$ 148,901,141	$ 141,131,441

Source: Onslow Water and Sewer Authority's Accounting Records.

Fiscal Year						
2017	2016	2015	2014	2013	2012
$ 98,574,910	$ 95,949,138	$ 95,773,968	$ 85,473,214	$ 80,685,811	$ 73,139,306
256,463	2,504,151	2,504,151	2,504,151	2,504,151	2,504,151
2,504,151	2,729,515	2,572,773	2,572,773	2,572,773	2,572,773
36,410,683	32,509,928	27,750,357	30,353,222	29,466,991	22,362,656
$ 137,746,207	$ 133,692,732	$ 128,601,249	$ 120,903,360	$ 115,229,726	$ 100,578,886

Onslow Water and Sewer Authority

Change in Net Position
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	2021	2020	2019	2018
Operating revenue				
Water	**$ 20,313,493**	$ 19,162,994	$ 18,021,212	$ 16,520,153
Wastewater	**4,803,047**	4,374,099	4,057,799	3,685,440
Service initiation fees	**1,018,930**	875,160	854,621	869,002
Miscellaneous income	**508,141**	438,579	446,101	692,633
Total operating revenue	**26,643,611**	24,850,832	23,379,733	21,767,228
Operating expenses				
Hubert Water Treatment Plant	**1,413,682**	1,348,468	1,340,573	1,292,507
Dixon Water Treatment Plant	**1,137,694**	1,034,959	962,218	989,998
Meters	**1,064,406**	902,793	836,475	839,080
Water Distribution	**1,302,500**	1,127,213	1,065,539	1,157,768
Distribution	**-**	-	-	-
Facilities Maintenance & Collections	**-**	-	1,237,430	1,208,866
SCC	**341,778**	330,139	301,954	246,791
Kenwood Wastewater Plant	**-**	-	-	-
Northwest Regional Water Reclamation Facility	**445,800**	442,251	451,193	369,887
Southeast Wastewater Plants	**357,717**	356,390	360,832	316,593
Swansboro Wastewater Plant	**315,232**	379,497	335,525	307,160
Springdale Wastewater Plant	**-**	-	-	-
Hickory Grove Wastewater Plant	**-**	-	-	-
Webb Wastewater Plant	**-**	-	-	-
General Administrative and Finance	**2,823,375**	2,348,742	2,024,440	1,737,742
Information Technology Services	**1,654,950**	1,579,676	803,817	766,961
Engineering	**405,799**	860,728	846,560	804,896
Customer Service	**1,313,387**	1,301,800	1,203,449	1,446,946
Waste water collections	**975,835**	964,653	-	-
Laboratory	**346,158**	365,253	310,596	317,946
Building & Grounds	**721,633**	530,571	-	-
Nondepartmental	**621,734**	618,767	600,766	539,758
Water & Wastewater Purchases	**878,139**	605,522	600,650	615,982
Repairs and maintenance	**2,689,205**	2,133,064	3,021,874	2,595,966
Depreciation	**6,174,082**	5,794,541	5,749,775	5,756,258
Total operating expenses	**24,983,106**	23,025,027	22,053,666	21,311,105
Operating income	**1,660,505**	1,825,805	1,326,067	456,123

Fiscal Year						
2017	2016	2015	2014	2013	2012
$ 16,151,157	$ 15,854,573	$ 15,519,240	$ 15,872,861	$ 15,279,458	$ 14,914,720
3,543,282	3,404,606	3,278,001	3,003,551	2,812,169	2,678,748
755,891	703,561	738,335	756,809	898,153	941,220
844,746	926,649	939,654	861,846	1,409,428	1,261,700
21,295,076	20,889,389	20,475,230	20,495,067	20,399,208	19,796,388
1,272,354	1,307,075	1,366,700	1,164,330	1,120,024	1,125,146
858,582	957,567	917,126	1,064,154	1,207,929	1,125,585
894,305	885,824	897,641	864,512	767,628	798,755
1,300,876	1,258,987	1,359,140	1,423,647	1,742,693	1,634,377
-	-	-	-	-	-
1,243,773	1,311,351	1,280,361	1,158,615	807,425	496,891
262,552	239,617	249,006	232,565	194,461	-
38,312	36,263	26,128	25,850	34,461	112,256
406,474	295,744	377,653	303,136	270,234	186,316
378,027	292,590	265,688	256,716	281,633	289,193
301,600	290,866	333,367	286,482	286,924	267,711
-	-	-	-	-	73,993
-	-	1,702	2,434	2,278	7,953
-	-	15,023	14,116	13,190	927
1,422,184	1,404,154	1,244,587	1,473,406	1,450,621	1,259,345
1,071,932	903,987	811,267	788,583	549,940	480,766
754,467	771,132	885,832	884,282	933,908	1,271,383
1,424,442	1,373,686	1,339,446	1,297,398	1,272,172	1,320,445
-	-	-	-	-	-
321,116	401,630	383,092	366,835	453,140	391,072
-	-	-	-	-	-
593,807	577,869	567,576	605,482	606,567	538,665
527,840	578,415	514,076	439,056	464,302	576,370
1,752,210	1,520,826	1,431,467	1,558,649	1,408,218	1,543,784
5,524,931	4,894,381	4,953,323	4,850,306	4,887,460	4,611,710
20,349,784	19,301,964	19,220,201	19,060,554	18,755,208	18,112,643
945,292	1,587,425	1,255,029	1,434,513	1,644,000	1,683,745

Onslow Water and Sewer Authority

Change in Net Position (Continued)
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	2021	2020	2019	2018
Nonoperating revenue (expense)				
System development fees	**$ 3,803,328**	$ 3,638,778	$ 2,900,491	$ 3,300,836
Interest income	**8,384**	579,235	891,549	522,147
Interest expense	**(1,691,380)**	(1,811,268)	(1,930,355)	(2,082,919)
Insurance proceeds	**2,500,000**	688,309	2,055,003	-
Amortization	**-**	-	-	-
Loss on land adjustment	**-**	-	-	-
Bond issuance costs	**-**	-	-	-
Piney Green project - Jacksonville's portion	**-**	-	-	-
Contributions from non-related parties	**-**	-	-	-
Total nonoperating revenue (expense)	**4,620,332**	3,095,054	3,916,688	1,740,064
Income (loss) before capital contributions	**6,280,837**	4,920,859	5,242,755	2,196,187
Clean Water Management Trust Fund Grant	**-**	-	-	-
USDA Rural Development Grant	**-**	-	-	-
FEMA Grant proceeds	**137,011**	351,875	402,269	-
Rural Center Grant proceeds	**-**	-	500,000	-
Capital contributions from member governments	**-**	-	-	-
Capital contributions from non-related parties	**3,251,397**	3,466,785	1,624,676	3,614,988
Increase in net assets	**9,669,245**	8,739,519	7,769,700	5,811,175
Net position				
Beginning	**157,640,660**	14,901,141	141,131,441	137,746,207
Restatement for accounting change	**-**	-	-	(2,425,941)
Beginning, as restated	**157,640,660**	14,901,141	141,131,441	135,320,266
Ending	**$ 167,309,905**	$ 23,640,660	$ 148,901,141	$ 141,131,441

Source: Onslow Water and Sewer Authority's Accounting Records.

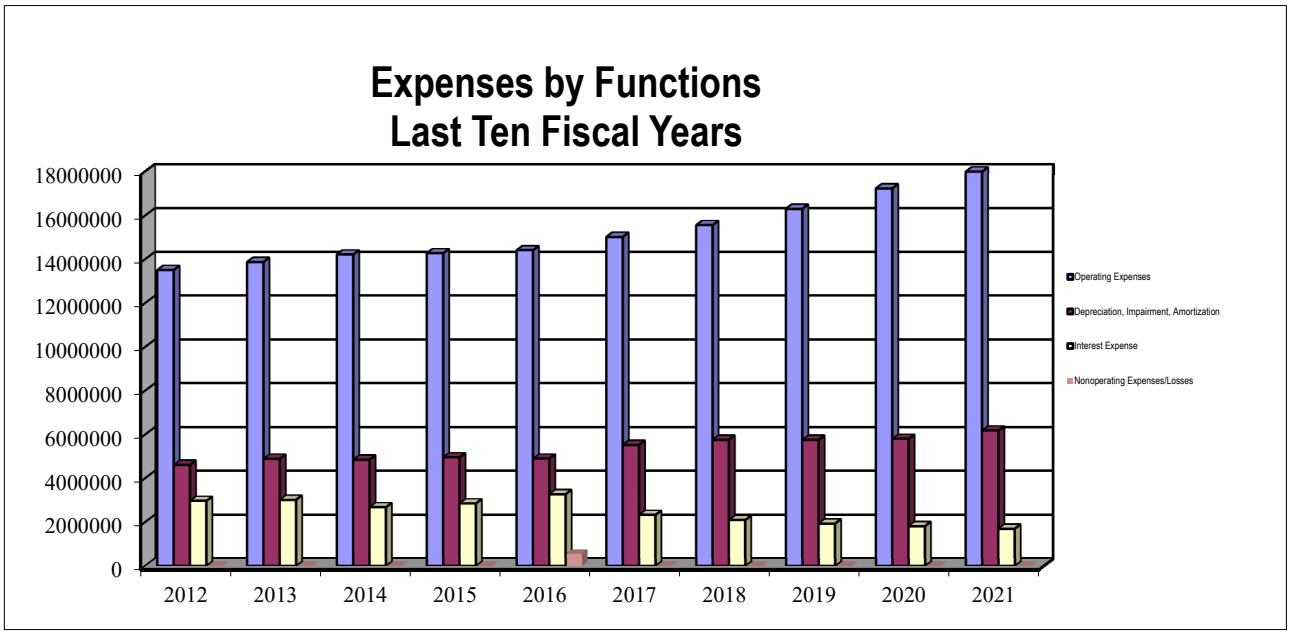
Fiscal Year						
2017	2016	2015	2014	2013	2012
$ 2,602,933	$ 2,266,101	$ 2,601,426	$ 3,331,097	$ 4,576,500	$ 4,595,674
177,088	88,508	7,823	8,915	29,935	41,669
(2,319,432)	(3,263,647)	(2,839,651)	(2,669,841)	(3,010,777)	(2,959,753)
-	-	-	-	-	-
-	-	-	-	-	(41,609)
-	(7,000)	-	-	-	-
-	(547,731)	-	-	-	-
-	-	(3,130,196)	-	-	-
-	-	946,938	2,006,527	8,323,474	51,375
460,589	(1,463,769)	(2,413,660)	2,676,698	9,919,132	1,687,356
1,405,881	123,656	(1,158,631)	4,111,211	11,563,132	3,371,101
-	-	444,131	-	-	-
-	2,628,031	7,187,969	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
2,647,594	2,339,796	1,978,051	1,562,423	3,087,708	7,949,621
4,053,475	5,091,483	8,451,520	5,673,634	14,650,840	11,320,722
133,692,732	128,601,249	120,903,360	115,229,726	100,578,886	89,258,164
-	-	(753,631)	-	-	-
133,692,732	128,601,249	120,149,729	115,229,726	100,578,886	89,258,164
$ 137,746,207	$ 133,692,732	$ 128,601,249	$ 120,903,360	$ 115,229,726	$ 100,578,886

Onslow Water and Sewer Authority

Expenses By Functions
Last Ten Fiscal Years

Fiscal Year Ended June 30,	Operating Expenses	Depreciation, Impairment, Amortization	Interest Expense	Nonoperating Expenses/ Losses	Total
2012	$ 13,500,933	$ 4,611,710	$ 2,959,753	$ -	$ 21,072,396
2013	13,867,748	4,887,460	3,010,777	-	21,765,985
2014	14,210,248	4,850,306	2,669,841	-	21,730,395
2015	14,266,878	4,953,323	2,839,651	-	22,059,852
2016	14,407,583	4,894,381	3,263,647	554,731	22,565,611
2017	15,022,622	5,524,931	2,319,432	-	22,866,985
2018	15,554,847	5,756,258	2,082,919	-	23,394,024
2019	16,303,891	5,749,775	1,930,355	-	23,984,021
2020	17,230,486	5,794,541	1,811,268	-	24,836,295
2021	**18,809,024**	**6,174,082**	**1,691,380**	**-**	**26,674,486**

Source: Onslow Water and Sewer Authority's Accounting Records

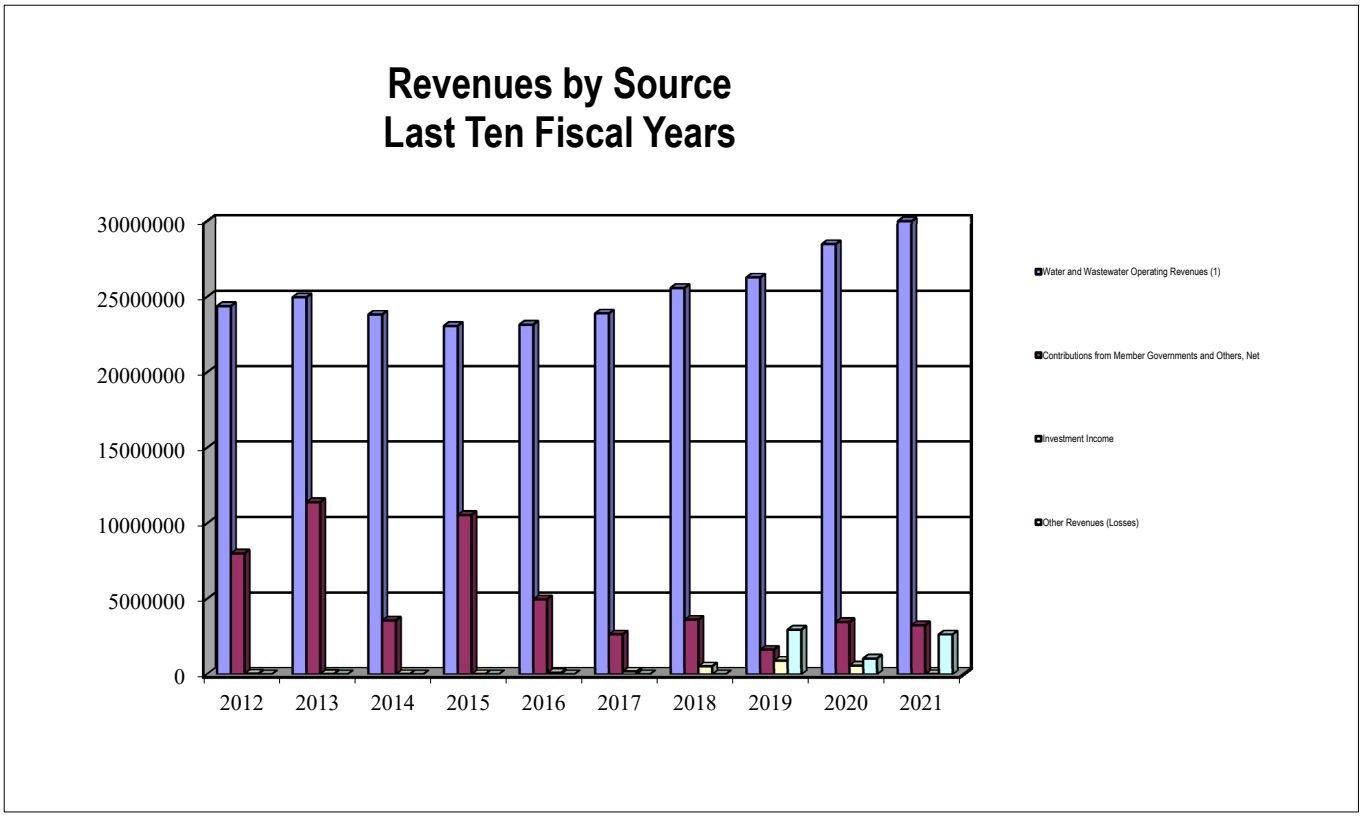


Onslow Water and Sewer Authority

Revenues By Sources
Last Ten Fiscal Years

Fiscal Year Ended June 30,	Water and Wastewater Operating Revenues	Contributions from Member Governments and Others, Net	Investment Income	Other Revenues (Losses)	Total
2012	$ 24,392,062	$ 8,000,896	$ 41,669	$ -	$ 32,434,627
2013	24,975,708	11,411,182	29,935	-	36,416,825
2014	23,826,166	3,568,950	8,915	-	27,404,031
2015	23,076,656	10,557,089	7,823	-	33,641,568
2016	23,155,490	4,967,827	88,508	-	28,211,825
2017	23,898,009	2,647,594	177,088	-	26,722,691
2018	25,590,211	3,614,988	522,147	-	29,727,346
2019	26,280,224	1,624,676	891,549	2,957,272	31,753,721
2020	28,489,610	3,466,785	579,235	1,040,184	33,575,814
2021	**30,446,939**	**3,251,397**	**8,384**	**2,637,011**	**36,343,731**

Source: Onslow Water and Sewer Authority's Accounting Records



Onslow Water and Sewer Authority

Principal Sewer Customers
Last Ten Fiscal Years

	Percent of Sewer Sales*									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Onslow County Schools	**1.2%**	2.8%	2.8%	3.6%	3.7%	4.3%	3.9%	4.0%	4.5%	6.2%
Liberty Pointe LLC	**1.6%**		-	-	-	-	-	-	-	-
J & J Snack Foods	**1.6%**	1.4%	1.5%	1.7%	1.3%	1.4%	1.7%	1.9%	1.7%	2.6%
Arnolds	**-**	-	-	-	-	-	-	<1%	<1%	<1%
Speedway (Wilco/Hess)	**<1%**	<1%	<1%	<1%	<1%	1.2%	1.1%	1.5%	1.1%	1.4%
BBQ Boro Inc	**<1%**	-	-	-	-	-	-	-	-	-
Summerhouse HOA	**<1%**	-	-	-	-	-	-	-	-	-
Cameron Moye/Carwash	**<1%**	-	-	-	-	-	-	-	-	-
Piggly Wiggly	**-**	<1%	<1%	<1%	<1%	<1%	<1%	<1%	<1%	<1%
Market Rate LLC	**-**	<1%	<1%	<1%	<1%	1.6%	1.6%	1.4%	<1%	<1%
Food Lion	**-**	-	-	-	-	-	-	-	-	-
T & J Cleaners	**<1%**	<1%	<1%	<1%	<1%	<1%	<1%	<1%	<1%	<1%
Blue Water Association	**<1%**	<1%	<1%	<1%	<1%	<1%	<1%	-	-	-
Blue Creek Mobile Home Park	**-**	<1%	<1%	<1%	<1%	<1%	<1%	<1%	<1%	<1%
Military/Student Housing	**-**	<1%	1.2%	1.4%	1.2%	1.2%	1.1%	1.0%	2.6%	1.6%
Swansboro Ventures	**<1%**	<1%	<1%	<1%	<1%	<1%	<1%	<1%	<1%	-

* Approximate

Source: Onslow Water and Sewer Authority's Records.

Onslow Water and Sewer Authority

Principal Water Customers
Last Ten Fiscal Years

	Percent of Water Sales*									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Scientific Water	**<1%**	<1%	<1%	1.2%	1.0%	<1%	<1%	1.2%	1.2%	1.5%
Commanding General (All MCBL Accounts)	**2.4%**	2.4%	2.3%	2.5%	2.5%	2.5%	2.1%	1.9%	1.7%	1.7%
Onslow County Schools	**<1%**	<1%	<1%	1.0%	1.0%	1.1%	1.2%	1.1%	1.1%	1.2%
J & J Snack Foods	**<1%**	<1%	<1%	<1%	<1%	<1%	<1%	<1%	<1%	<1%
Gatlins Trailer Park	**-**	-	-	-	-	-	<1%	-	-	<1%
St. Regis HOA	**<1%**	<1%	<1%	<1%	<1%	<1%	<1%	<1%	<1%	<1%
Evolve Sneads Ferry, LLC	**<1%**	<1%	<1%	<1%	<1%	<1%	<1%	<1%	<1%	<1%
Liberty Pointe, LLC	**<1%**	<1%	<1%	<1%	<1%	<1%	<1%	<1%	<1%	<1%
Stanadyne	**-**	<1%	<1%	<1%	<1%	<1%	<1%	<1%	<1%	<1%
Patriot Place	**<1%**	-	-	-	-	-	-	-	-	-
Villa Capriani HOA	**-**	<1%	<1%	<1%	<1%	<1%	<1%	<1%	<1%	<1%
Collins Estates	**<1%**	-	-	-	-	-	-	-	-	-
Military/Student Housing	**-**	<1%	<1%	<1%	<1%	<1%	<1%	<1%	<1%	<1%
Market Rate, LLC	**-**	<1%	<1%	<1%	<1%	<1%	<1%	<1%	<1%	<1%
Sherwood MHP	**<1%**	-	-	-	-	-	-	-	-	-
Swansboro Ventures	**-**	<1%	<1%	<1%	<1%	-	<1%	<1%	<1%	-
Ramseys Trl Park	**-**		-	-	-	<1%	-	<1%	<1%	-

* Approximate

Source: Onslow Water and Sewer Authority's Records.

Onslow Water and Sewer Authority

Ratio of Bonded Debt to Net Operating Revenues and Net Bonded Debt Per Customer
Last Ten Fiscal Years

Fiscal Year Ended June 30,	Customer Estimate	Net Operating Revenues	Debt Service Requirements	Net Bonded Debt	Ratio of Net Operating Revenues to Debt Service Requirements	Net Bonded Debt Per Customer
2012	41,244	$ 10,932,798	$ 5,803,346	$ 61,017,474	1.88	$ 1,479.43
2013	42,250	11,137,895	5,881,723	58,043,277	1.89	1,373.81
2014	43,614	10,932,799	5,754,555	54,933,484	1.90	1,259.54
2015	44,267	8,817,601	6,205,702	51,687,211	1.42	1,167.62
2016	45,330	8,836,415	6,150,842	75,728,694	1.44	1,670.61
2017	46,433	8,446,772	5,362,701	72,710,712	1.58	1,565.93
2018	50,472	10,035,364	5,926,752	78,433,479	1.69	1,554.00
2019	50,070	13,825,152	5,845,879	74,451,504	2.36	1,486.95
2020	52,476	14,634,565	5,846,717	70,349,529	2.50	1,340.60
2021	**54,200**	**15,847,294**	**5,844,456**	**66,131,555**	**2.71**	**1,220.14**

Note: “Net Operating Revenues” includes full accrual operating income (loss) plus impact fees plus depreciation plus interest income. "Debt service" includes full accrual interest expense plus principal paid during the year.

Source: Onslow Water and Sewer Authority's Accounting Records

Customer Estimate - June number of accounts billed
Debt Svc Requirements - principal plus full accrual interest expense
Net Bonded Debt - Long term debt plus premiums and Construction loans

Onslow Water and Sewer Authority

Onslow County, North Carolina Demographic Statistics
Last Ten Fiscal Years

Fiscal Year Ended June 30,	Population (3)	Personal Income (1) (thousands of dollars)	Per Capita Income (1)	Median Age (3)	Public School Enrollment (2)	Unemployment Rate % (3)
2012	189,964	$ 7,895,564	$ 43,990	26.08	24,161	9.20%
2013	177,772	8,296,419	46,163	26.14	24,657	8.60%
2014	185,220	8,421,526	45,953	26.16	25,428	7.20%
2015	196,612	8,342,524	45,041	27.00	25,106	5.90%
2016	198,578	8,481,090	46,602	28.00	25,161	5.50%
2017	200,236	8,680,043	47,262	26.10	25,903	4.60%
2018	203,587	8,719,755	48,162	26.40	26,319	4.60%
2019	203,613	8,894,150	49,125	26.00	26,410	5.30%
2020	193,912	9,121,475	46,142	26.00	26,693	4.60%
2021	**197,398**	**9,764,514**	**48,761**	**26.82**	**29,984**	**5.40%**

(1) Bureau of Economic Analysis, U.S. Department of Commerce
(2) North Carolina Department of Public Instruction, Average Daily Membership
(3) N. C. Employment Security Commission, AccessNC
(4) North Carolina Office of State Budget and Management

Onslow Water and Sewer Authority

Miscellaneous Statistical Data
For the Year Ended June 30, 2021

Year Founded and Incorporated	2000
Size of Service Area:	
Square Miles	756
Miles of Water Pipe	1,225
Miles of Wastewater Collection Pipe	189
Wastewater Pump Stations	74
Customer Accounts	54,200
Budgeted Full Time Employees	125
Water Treatment Plants Capacity:	
Million gallons per day (MGD)	16.1
Production Peak, FY 2020-2021 (MGD)	13.5
Production Average, FY 2020-2021 (MGD)	9.4
Wastewater Treatment Plants Capacity:	
Million gallons per day (MGD)	2.2
Highest Average Daily Flow, FY 2020 - 2021 (MGD)	0.4
Highest Max Daily Flow, FY 2020- 2021 (MGD)	3.0
Number of Water Supply Resources	14.0
Total Capacity of Water Supply Resources:	
Black Creek & PeeDee Aquifers (MGD)	2.9
Castle Hayne Aquifer (MGD)	14.0

Source: Onslow Water and Sewer Authority Records

Onslow Water and Sewer Authority

Onslow County, North Carolina Taxable Property Assessed Value
Last Ten Fiscal Years

Fiscal Year Ended June 30,	Residential Property	Commercial Property	Industrial Property	Present-use Value (1)	Personal Property	Public Service Companies (2)	Exemptions	Total Taxable Assessed Value	Total Direct Tax Rate (3)	Estimated Actual Taxable Value (4)	Assessed Value as a Percentage of Actual Value
2012	$ 9,245,167,973	$ 1,682,814,273	$ 24,394,430	$ 142,138,096	$ 1,568,270,434	$ 235,265,035	$ 105,140,261	$ 12,792,909,980	$ 0.585	$ 12,792,909,980	100%
2013	9,780,653,503	1,774,523,012	24,394,430	143,861,236	1,680,109,281	237,905,066	292,394,369	13,349,052,159	0.585	13,349,052,159	100%
2014	10,235,251,673	1,742,233,183	23,753,560	140,333,245	1,232,945,777	245,936,849	304,430,612	13,316,023,675	0.585	13,316,023,675	100%
2015	9,588,509,048	1,818,264,946	21,282,240	129,609,455	570,229,594	243,106,513	295,631,090	12,075,370,706	0.675	12,075,370,706	100%
2016	9,750,312,188	1,837,274,076	22,555,280	125,104,665	563,994,754	284,070,687	310,057,493	12,273,254,157	0.675	12,273,254,157	100%
2017	9,901,359,057	1,874,018,606	22,086,340	124,159,175	566,204,184	290,126,822	321,003,804	12,456,950,380	0.675	12,456,950,380	100%
2018	10,080,032,447	1,886,558,006	23,348,540	121,110,965	567,790,188	315,527,205	342,994,851	12,651,372,500	0.675	12,651,372,500	100%
2019	9,961,247,837	2,036,604,494	29,444,271	125,910,010	558,775,301	316,590,295	184,332,780	12,844,239,428	0.705	12,844,239,428	100%
2020	10,279,100,140	2,020,378,745	29,074,682	123,988,410	576,435,594	326,924,995	407,483,501	12,948,419,065	0.705	12,948,419,065	100%
2021	**10,596,922,406**	**2,080,781,104**	**32,397,018**	**123,102,185**	**608,040,846**	**339,795,890**	**432,416,250**	**13,348,623,199**	**0.705**	**13,348,623,199**	**100%**

Source: Onslow County Tax Office

Notes:

(1) Present use value property is agricultural, horticultural and forestland for which the owner has applied for the property to be taxed at its present use. The difference in taxes on the present use basis and the taxes that would have been payable are a lien on the property and are deferred. The taxes become due if the property ceases to qualify for present use value. The preceding three fiscal years taxes are then required to be paid.

(2) Public service companies valuations are provided to the County by the North Carolina Department of Revenue. These amounts include both real and personal property.

(3) Per $100 of value.

(4) The estimated market value is calculated by dividing the assessed value by and assessment-to-sales ratio determent by the State Department of Revenue. The ratio is based on actual property sales which took place during the fiscal year. The ratio for the most recent year is not available.

(5) Property in Onslow County is reassessed every four years. The last reassessment was on January 1, 2018 and will be the basis for fiscal 2018 taxes.

Onslow Water and Sewer Authority

Onslow County, NC Taxable Property Tax Rates
Direct and Overlapping Governments
Last Ten Fiscal Years

	2012	2013	2014	2015	2016	2017	2018	2019	2020	**2021**
Onslow County	0.5850	0.5850	0.6750	0.6750	0.6750	0.6750	0.7050	0.7050	0.0705	**0.0705**
Municipality rates:										
Holly Ridge	0.4150	0.4150	0.4150	0.4150	0.4150	0.4150	0.4050	0.3950	0.3900	**0.3800**
Jacksonville	0.5380	0.5380	0.6420	0.6420	0.6420	0.6420	0.6420	0.6420	0.6420	**0.6420**
North Topsail Beach	0.2355	0.3755	0.3932	0.3932	0.3932	0.3932	0.3435	0.4100	0.4100	**0.4600**
Richlands	0.3700	0.3600	0.3800	0.3800	0.3800	0.3800	0.3800	0.4000	0.4000	**0.4000**
Surf City (1)	0.3100	0.4100	0.4100	0.4100	0.4100	0.4100	0.4100	0.4100	0.4100	**0.4100**
Swansboro	0.3930	0.3500	0.3500	0.3500	0.3500	0.3500	0.3500	0.3500	0.3500	**0.3500**

(1) This municipality became a multi-county town through annexation in 1988

Note:

a. Property was revalued in 2018
b. For each government, certain motor vehicles were taxed at the preceding year's rates.

Source: Onslow County Tax Administration

Onslow Water and Sewer Authority

Onslow County, North Carolina Property Tax Levies and Collections
Last Ten Fiscal Years
(Amounts Expressed in Thousands)

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collections Within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percent of Levy Collected		Amount	Percent of Levy Collected
2012	$ 75,432	$ 74,072	98.20%	$ 291	$ 75,141	99.61%
2013	79,022	77,129	97.60%	429	78,593	99.46%
2014	78,566	77,220	98.29%	321	78,245	99.59%
2015	82,177	81,314	98.95%	128	82,049	99.84%
2016	83,697	82,575	98.66%	146	83,551	99.83%
2017	84,551	82,561	97.65%	142	84,409	99.83%
2018	85,825	84,486	98.44%	141	85,684	99.84%
2019	91,165	90,009	98.73%	259	90,906	99.72%
2020	91,948	90,535	98.46%	403	91,545	99.56%
2021	**94,652**	**93,385**	**98.66%**	**-**	**93,567**	**98.85%**

Source: Onslow County Tax Administration.

Onslow Water and Sewer Authority

Full Time Equivalent Employees
Last Ten Fiscal Years

	Fiscal Year									
Division	**2021**	2020	2019	2018	2017	2016	2015	2014	2013	2012
General and Administrative										
Office of the Executive Director	**2**	2	2	3	3	3	3	3	3	3
Administration/Human Resources	**7**	5	5	5	7	7	7	7	5	5
Finance	**9**	9	9	9	6	6	6	5	5	5
Information Technology Services	**7**	7	7	7	7	7	6	6	3	3
Operations										
Engineering	**6**	11	11	11	11	11	11	13	13	14
Meters	**16**	15	15	15	15	15	15	14	14	14
Distribution	**20**	18	18	18	18	18	18	18	24	18
Customer Service	**12**	12	12	12	15	15	15	15	16	18
Facilities Maintenance & Collections	**14**	14	14	12	12	12	12	12	8	14
Water Treatment	**12**	12	12	16	16	16	15	16	16	17
Wastewater Treatment	**11**	11	11	10	9	9	9	9	9	10
Laboratory	**3**	3	3	5	4	4	4	4	6	5
SCADA	**6**	6	6	5	5	5	5	5	5	-
Total FTEs	**125**	125	125	128	128	128	126	127	122	126

Source: Onslow Water And Sewer Authority's Records

Onslow Water and Sewer Authority

Principal Employers
Current Year and Five Years Ago

	2021		2016	
Employer	**Employees**	**Rank**	**Employees**	**Rank**
USMC Base, Camp Lejeune	1000+	1	1000+	1
Onslow County Board of Education	1000+	2	1000+	2
Camp Lejeune Civil Service	1000+	3	1000+	3
Wal-Mart Associates Inc.	1000+	4	1000+	4
Onslow County Government	1000+	5	1000+	5
Onslow Memorial Hospital	1000+	6	1000+	6
Food Lion LLC	500-999	7	500-999	9
Coastal Community College	500-999	8	500-999	8
City of Jacksonville	500-999	9	500-999	10
Cocentrix Customer Mgmt Group	500-999	10	500-999	-
Convegergys Customer Mgmt Group	-	-	500-999	7

Source: Onslow County from NC Employment Security Commission -AccessNC

Onslow Water and Sewer Authority

Water Processed and Wastewater Treated
(Thousands of Gallons)
Last Ten Fiscal Years

Fiscal Year Ended June 30,	Water Processed and Pumped to System	Wastewater Treated (1)
2012	2,961,202	249,062
2013	2,880,760	278,165
2014	2,920,407	282,702
2015	2,821,879	332,637
2016	2,883,884	373,507
2017	2,882,755	344,774
2018	3,058,781	361,921
2019	3,174,394	416,494
2020	3,230,620	487,649
2021	**3,404,650**	**441,531**

Source: Onslow Water And Sewer Authority's Records

(1) 2013 includes 8 months of Hickory Grove.

Onslow Water and Sewer Authority

Operating Indicators by Function/Program
Last Ten Fiscal Years*

Function/Program	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Administrative										
Number of accounts billed for entire FY	**599,668**	579,446	569,979	599,330	544,080	533,228	523,713	500,787	525,433	444,352
Turn on service orders processed	**12,287**	12,638	12,028	12,199	12,385	12,388	15,727	13,048	17,801	18,708
Percentage actual expenditures to budget	**76%**	79%	85%	98%	96%	100%	95%	99%	88%	83%
Percentage of safety incidents to employees	**5.4%**	2.4%	3.4%	3.4%	2.5%	2.5%	3.0%	2.0%	2.0%	1.2%
Number of ITS helpdesk calls	**950**	1000	850	850	800	1,200	1000	1000	1000	750
Water										
Number of meters read throughout the year	**664,730**	629,257	600,000	593,115	591,013	580,000	571,124	564,370	544,370	525,404
Number of water line miles maintained	**1,225**	1,200	1,197	1,182	1,169	1,156	1,200	1,147	1,094	1,094
Amount of water from wells to the Dixon/Hubert WPs	**2,793,488,000**	3,230,620,200	2,352,550,000	2,081,328,000	2,223,948,950	2,180,066,000	2,171,770,000	2,054,136,000	1,157,239,000	1,628,632,000
Number of quality control analysis performed	**50,779**	13,482	42,000	42,000	27,285	25,500	17,469	15,000	11,652	13,378
Total number of gallons of water treated at Dixon Water Plant	**996,165,000**	933,652,000	940,000,000	772,000,000	860,000,000	900,000,000	874,770,000	886,136,000	874,323,000	832,328,000
Number of water quality checks for water treated at Dixon WP	**31**	30	20	0	0	0	0	0	0	0
Total number of gallons of water treated at Hubert Water Plant	**1,447,297,000**	1,324,509,000	1,412,550,000	1,309,328,000	1,363,948,950	1,280,066,000	1,297,000,000	1,168,000,000	802,726,000	793,447,000
Number of water quality checks for water treated at Hubert WP	**61**	31	63	0	0	0	0	0	0	0
Wastewater										
Number of miles maintained by Wastewater Collections	**189**	184	182	175	175	170	146	124	124	124
Number of pump stations maintained	**74**	74	73	72	72	67	67	64	58	59
Number of million gallons treated at Southeast Regional Wastewater Plant	**95,999,277**	83,632,424	89,452,741	89,213,778	98,905,106	89,827,240	86,000,000	83,885,000	62,700,170	54,941,050
Total operation cost per thousand gallons treated at Southeast Regional WWTP	**$6.60**	$5.73	$7.44	$5.26	$4.50	$4.08	$4.76	$3.62	$8.70	$10.71
Number of million gallons treated at Kenwood Wastewater Plant	**0**	0	0	0	0	11,740,850	9,500,000	9,500,000	18,969,882	10,279,187
Total operation cost per thousand gallons treated at Kenwood WWTP	**$0.00**	$0.00	$0.00	$0.00	$0.00	$3.36	$5.53	$3.47	$11.30	$10.27
Number of million gallons treated at Northwest WRF	**172,193,400**	139,862,600	146,469,135	117,339,766	113,657,184	119,022,804	76,503,056	76,299,270	80,870,077	65,914,835
Total operation cost per thousand gallons treated at Northwest WRF	**$3.37**	$3.73	$5.19	$4.16	$6.58	$2.72	$7.30	$4.02	$3.30	$4.11
Number of million gallons treated at Swansboro Wastewater Plant	**134,307,291**	129,100,430	163,019,619	126,173,457	165,289,070	147,444,775	100,000,000	108,288,000	108,725,251	89,596,630
Total operation cost per thousand gallons treated at Swansboro WWTP	**$4.27**	$3.38	$4.61	$3.50	$2.13	$2.83	$4.15	$2.93	$3.66	$3.24

Source: Onslow Water and Sewer Authority departments

Onslow Water and Sewer Authority

Operating Indicators by Function/Program
Last Ten Fiscal Years

Function/Program	**2021**	2020	2019	2018	2017	2016	2015	2014	2013	2012
Administrative										
Number of administrative vehicles	**12**	19	19	19	19	21	17	18	9	12
Number of buildings maintained	**2**	2	2	2	2	2	2	2	2	2
Water										
Number of vehicles maintained for water use	**44**	53	44	44	44	38	40	37	39	38
Miles of water lines	**1225**	1200	1,197	1,182	1,179	1,156	1200	1147	1094	1094
Number of water treatment plants	**2**	2	2	2	2	2	2	2	2	2
Wastewater										
Number of vehicles maintained for wastewater use	**18**	9	10	10	10	16	15	14	20	23
Miles of wastewater lines	**189**	184	182	175	175	170	146	124	124	124
Number of wastewater treatment plants	**4**	4	4	4	4	4	4	7	7	7

Source: Onslow Water and Sewer Authority departments

COMPLIANCE SECTION

The Compliance Section contains various schedules and Auditor opinions reflecting Federal, State and Local matching participation in various projects and programs of the Authority. The Single Audit Act Amendments of 1996 established audit requirements for State and Local governments that receive Federal assistance. The audit requirements were established to insure that audits are conducted on an organization-wide basis, rather than on a grant-by-grant basis.

(This Page Was Intentionally Left Blank)

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Independent Auditor's Report

Honorable Chairman and Members of the Board of Directors
Onslow Water and Sewer Authority
Jacksonville, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Onslow Water and Sewer Authority (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, and have issued our report thereon dated October 28, 2021.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses or significant deficiencies. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of the audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

PBMares, LLP

Morehead City, North Carolina
October 28, 2021