REVIEWED
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SEAGROVE-ULAH METROPOLITAN WATER DISTRICT OF RANDOLPH COUNTY SEAGROVE, NORTH CAROLINA

FINANCIAL STATEMENTS

June 30, 2021

SEAGROVE-ULAH METROPOLITAN WATER DISTRICT
OF RANDOLPH COUNTY

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SEAGROVE-ULAH METROPOLITAN WATER DISTRICT
OF RANDOLPH COUNTY

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Compliance Section:

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

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Seagrove-Ulah Metropolitan Water District
of Randolph County
Seagrove, North Carolina

Report on the Financial Statements

I have audited the accompanying financial statements of the business-type activities, each major fund, and the aggregate remaining fund information of the Seagrove-Ulah Metropolitan Water District of Randolph County, North Carolina, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not

for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation of the financial statements.

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

Opinions

In my opinion, based on my audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, each major fund, and the aggregate remaining fund information of the Seagrove-Ulah Metropolitan Water District of Randolph County, North Carolina, as of June 30, 2021, and the respective changes in financial position and cash flows, where appropriate, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 4 through 9, respectively, be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

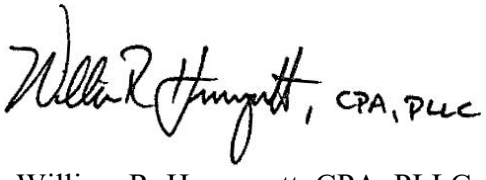
Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Seagrove-Ulah Metropolitan Water District of Randolph County, North Carolina. The combining and individual fund statements, budgetary schedules and other schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The individual fund statements, budgetary schedules and other schedules are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of 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 finacial 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 by me. In my opinion, based on my audit, the procedures performed as described above, the combining and individual fund financial statements, budgetary schedules and other schedules are fairly stated in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated November 18, 2021 on my consideration of the Seagrove-Ulah Metropolitan Water District of Randolph County's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of the report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Seagrove-Ulah Metropolitan Water District of Randolph County's internal control over financial reporting and compliance.



William R. Huneycutt, CPA, PLLC
Asheboro, North Carolina

November 18, 2021

Management's Discussion and Analysis

As management of the Seagrove/Ulah Metropolitan Water District, we offer readers of the Seagrove/Ulah Metropolitan Water District's financial statements this narrative overview and analysis of the financial activities of the Seagrove/Ulah Metropolitan Water District for the fiscal year ended June 30, 2021. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the water district's financial statements, which follow this narrative.

Financial Highlights

- The assets of the Seagrove/Ulah Metropolitan Water District *exceeded* its liabilities at the close of the fiscal year by $5,307,779 (net position).

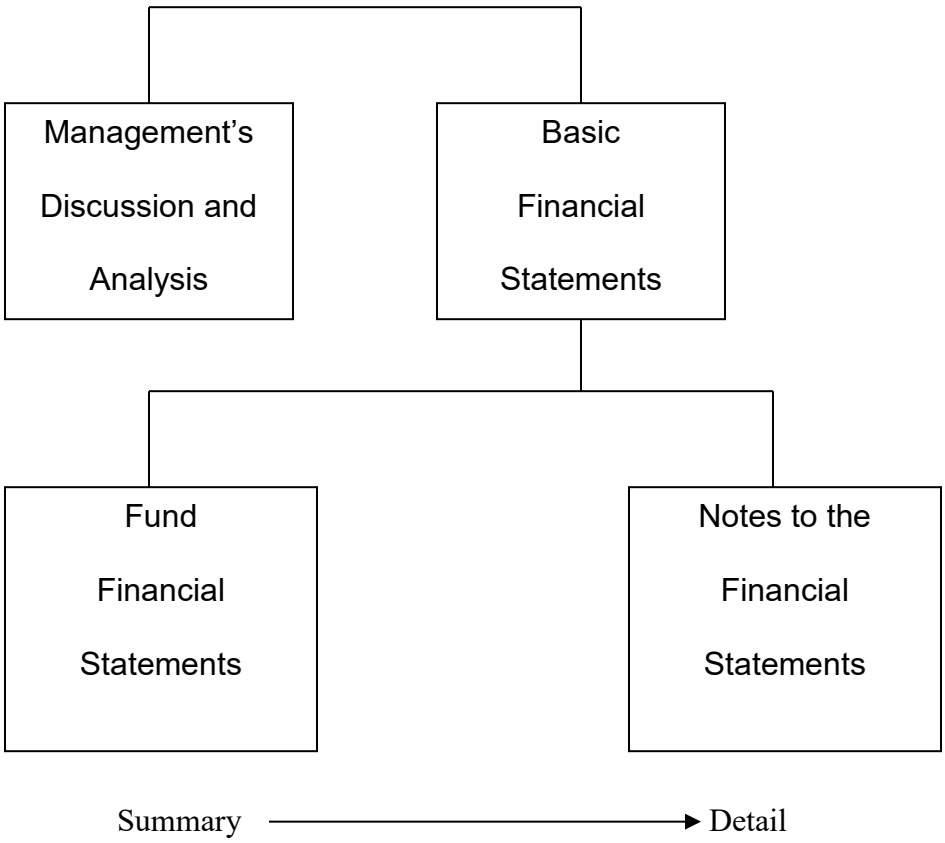
- The government's total net position de*creased* by $92,259.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to Seagrove/Ulah Metropolitan Water District's basic financial statements. The water district's basic financial statements consist of two components; 1) fund financial statements, and 2) notes to the financial statements (see Figure 1). The basic financial statements present two different views of the water district through the use of fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the Seagrove/Ulah Metropolitan Water District.

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

The next statements (Exhibits 1 through 3) are Fund Financial Statements. These statements focus on the activities of the individual parts of the water district's government. These statements provide more detail than the government-wide statements. There is one part to the Fund Financial Statements: 1) the proprietary fund statements.

The next section of the basic financial statements is the notes. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, supplemental information is provided to show details about the water district's individual funds. Budgetary information required by the General Statutes also can be found in this part of the statements.

Fund Financial Statements

The fund financial statements (see Figure 2) provide a more detailed look at the water district's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Seagrove/Ulah Metropolitan Water District, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the water district's budget ordinance. All of the funds of Seagrove/Ulah Metropolitan Water District can be divided into proprietary funds.

Proprietary Funds - Seagrove/Ulah Metropolitan Water District has one kind of proprietary fund. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. Seagrove/Ulah Metropolitan Water District uses an enterprise fund to account for its water and sewer operations. This fund is the same as those functions shown in the business-type activities in the Statement of Net position and the Statement of Activities.

Notes to the Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 13 of this report.

The Seagrove/Ulah Metropolitan Water District's Net Position

Figure 2

	Business-Type Activities		Total	
	2021	**2020**	**2021**	**2020**
Current and other assets	$ 666,061	$ 622,111	$ 666,061	$ 622,111
Noncurrent assets	-	73,573	-	73,573
Capital assets	6,279,291	6,419,211	6,279,291	6,419,211
Total assets	6,945,352	7,114,895	6,945,352	7,114,895
Long-term liabilities outstanding	1,493,952	1,585,748	1,493,952	1,585,748
Other liabilities	143,621	129,109	143,621	129,109
Total liabilities	1,637,573	1,714,857	1,637,573	1,714,857
Net Position:				
Net Investment in Capital Assets	4,693,500	4,746,187	4,693,500	4,746,187
Restricted	-	73,573	-	73,573
Unrestricted	614,279	580,278	614,279	580,278
Total Net Position	$ 5,307,779	$ 5,400,038	$ 5,307,779	$ 5,400,038

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets of the Seagrove/Ulah Metropolitan Water District exceeded liabilities by $5,307,779 as of June 30, 2021. The water district's net position de*creased* by $92,259 for the fiscal year ended June 30, 2021. However, the largest portion reflects the District's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The Seagrove/Ulah Metropolitan Water District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Seagrove/Ulah Metropolitan Water District's net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. The remaining balance of $614,279 is unrestricted.

Seagrove/Ulah Metropolitan Water District Changes in Net Position
Figure 3

	Business-type Activities		Total	
	2021	2020	2021	2020
Revenues:				
Program revenues:				
Charges for services	$ 636,901	$ 684,385	$ 636,901	684,385
Other	75,780	48,962	75,780	48,962
Total revenues	712,681	733,347	712,681	733,347
Expenses:				
Interest on long-term debt	69,316	73,313	69,316	73,313
Expenses Reimbursed	-	7,091	-	7,091
Water and Sewer	735,624	662,318	735,624	662,318
Total expenses	804,940	742,722	804,940	742,722
Increase (decrease) in net position before contributions	(92,259)	(9,375)	(92,259)	(9,375)
Capital Contributions	-	-	-	-
Increase (decrease) in net position	(92,259)	(9,375)	(92,259)	(9,375)
Net Position, July 1	5,400,038	5,412,019	5,400,038	5,412,019
Net Position, July 1 Restated		5,409,413		5,409,413
Net Position, June 30	$ 5,307,779	$ 5,400,038	$ 5,307,779	$ 5,400,038

Business-type activities: Business-type activities decreased the Seagrove/Ulah Metropolitan Water District's net position by $92,259.

Financial Analysis of the Water District's Funds

As noted earlier, the Seagrove/Ulah Metropolitan Water District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Proprietary Funds. The water district's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Other factors concerning the finances of this fund have already been addressed in the discussion of the water district's business-type activities.

Capital Asset and Debt Administration

Capital assets. The Seagrove/Ulah Metropolitan Water District's investment in capital assets for its business-type activities as of June 30, 2021, totals $6,279,291 (net of accumulated depreciation). These assets include buildings, land, machinery, equipment, and vehicles.

Seagrove/Ulah Metropolitan Water District's Capital Assets

Figure 4

	Business-type Activities		Total	
	2021	2020	2021	2020
Land	$ 315,358	$ 315,358	$ 315,358	$ 315,358
Buildings and systems	5,946,936	5,048,220	5,946,936	5,048,220
Vehicles and motorized equipment	16,997	19,206	16,997	19,206
Construction in progress	-	1,036,427	-	1,036,427
Total	$ 6,279,291	$ 6,419,211	$ 6,279,291	$ 6,419,211

Additional information on the water district's capital assets can be found in Note 2 of the Basic Financial Statements.

Long-term Debt. As of June 30, 2021, the Seagrove/Ulah Metropolitan Water District had total bonded debt outstanding of $1,140,500. Of this, $1,140,500 is debt backed by the full faith and credit of the water district.

Seagrove/Ulah Metropolitan Water District's Outstanding Debt
General Obligation and Revenue Bonds

Figure 5

	Business-type Activities		Total	
	2021	2020	2021	2020
Installment Debt	$ 445,291	$ 479,524	$ 445,291	$ 479,524
General Obligation Bonds	1,140,500	1,193,500	1,140,500	1,193,500
Total	$ 1,585,791	$ 1,673,024	$ 1,585,791	$ 1,673,024

Economic Factors and Next Year's Budgets and Rates

The following key economic indicators reflect the growth and prosperity of the water district.

- The Uwharrie Charter School wastewater expansion project is now complete and online

Budget Highlights for the Fiscal Year Ending June 30, 2021

Business - type Activities: The budget expenses and revenues are expected to be like last year. There are no projected asset purchases.

Requests for Information

This report is designed to provide an overview of the water district's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to Cathy McCaskill, P. O. Box 370, Seagrove, NC 27341. Phone number is (336) 873-9055.

SEAGROVE-ULAH METROPOLITAN WATER DISTRICT
OF RANDOLPH COUNTY

STATEMENT OF FUND NET POSITION
PROPRIETARY FUND
June 30, 2021

	Major Enterprise Fund	
	Water and Sewer Fund	Total
Assets		
Current Assets:		
Cash and Cash Equivalents	$ 597,424	$ 597,424
Accounts Receivable - Trade (Net)	63,215	63,215
Accounts Receivable - Other	417	417
Sales Tax Receivable	3,155	3,155
Inventories	1,850	1,850
Total Current Assets	666,061	666,061
Capital Assets:		
Land and Other Non-Depreciable Assets	315,358	315,358
Other Capital Assets, Net of Depreciation	5,963,933	5,963,933
Capital Assets (Net)	6,279,291	6,279,291
Total Noncurrent Assets	6,279,291	6,279,291
Total Assets	$ 6,945,352	$ 6,945,352
Liabilities		
Current Liabilities:		
Accounts Payable and Accrued Liabilities	$ 51,782	$ 51,782
General Obligation Bonds Payable - Current	56,000	56,000
Notes Payable - Current	35,839	35,839
Total Current Liabilities	143,621	143,621
Noncurrent Liabilities:		
General Obligation Bonds Payable	1,084,500	1,084,500
Notes Payable - Noncurrent	409,452	409,452
Total Noncurrent Liabilities	1,493,952	1,493,952
Total Liabilities	1,637,573	1,637,573
Net Position		
Net Investment in Capital Assets	4,693,500	4,693,500
Unrestricted	614,279	614,279
Total Net Position	$ 5,307,779	$ 5,307,779

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

SEAGROVE-ULAH METROPOLITAN WATER DISTRICT OF RANDOLPH COUNTY

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION - PROPRIETARY FUND

For The Fiscal Year Ended June 30, 2021

	Major Enterprise Fund	
	Water and Sewer Fund	Total
Operating Revenues		
Charges for Services	$ 636,901	$ 636,901
Water and Sewer Taps	22,950	22,950
Other Operating Revenues	34,403	34,403
Total Operating Revenues	694,254	694,254
Operating Expenses		
Administrative Expenses	108,146	108,146
Water Treatment and Distribution	306,319	306,319
Wastewater Collection and Treatment	169,052	169,052
Depreciation	152,107	152,107
Total Operating Expenses	735,624	735,624
Operating Income (Loss)	(41,370)	(41,370)
Nonoperating Revenues (Expenses)		
Sales Tax Refund	3,155	3,155
Investment Earnings	272	272
Rent Income	15,000	15,000
Interest and Other Charges	(69,316)	(69,316)
Total Nonoperating Revenues (Expenses)	(50,889)	(50,889)
Change in Net Position	(92,259)	(92,259)
Total Net Position, Beginning	5,400,038	5,400,038
Total Net Position, Ending	$ 5,307,779	$ 5,307,779

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

SEAGROVE-ULAH METROPOLITAN WATER DISTRICT OF RANDOLPH COUNTY

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For The Fiscal Year Ended June 30, 2021

	Major Enterprise Fund	
	Water and Sewer Fund	Total
Cash Flows From Operating Activities		
Cash Received from Customers	$ 711,935	$ 711,935
Cash Paid for Goods and Services	(421,980)	(421,980)
Cash Paid to or on Behalf of Employees for Services	(151,225)	(151,225)
Net Cash Provided (Used) by Operating Activities	138,730	138,730
Cash Flows From Capital and Related Financing Activities		
Acquisition of Capital Assets	(12,188)	(12,188)
Interest Paid on Bond Maturities	(69,316)	(69,316)
Principal Paid on Bond Maturities	(87,233)	(87,233)
Revenue from Rent	15,000	15,000
Other Revenue	3,155	3,155
Net Cash Provided (Used) by Capital and Related Financing Activities	(150,582)	(150,582)
Cash Flows From Investing Activities		
Interest and Dividends	272	272
Net Increase (Decrease) in Cash and Cash Equivalents	(11,580)	(11,580)
Balances, Beginning	609,004	609,004
Balances, Ending	$ 597,424	$ 597,424
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities		
Operating Income (Loss)	$ (41,370)	$ (41,370)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Depreciation	152,107	152,107
Changes in Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable	18,044	18,044
Increase (Decrease) in Accounts Payable and Accrued Liabilities	9,949	9,949
Total Adjustments	180,100	180,100
Net Cash Provided (Used) by Operating Activities	$ 138,730	$ 138,730

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

SEAGROVE-ULAH METROPOLITAN WATER DISTRICT
OF RANDOLPH COUNTY

NOTES TO THE FINANCIAL STATEMENTS
For The Fiscal Year Ended June 30, 2021

Note 1 - Summary of Significant Accounting Policies

The accounting policies of the Seagrove-Ulah Metropolitan Water District of Randolph County conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies.

Reporting Entity

The Seagrove-Ulah Metropolitan Water District of Randolph County (Water District) is an authority that is governed by an appointed chairman and three appointed board members.

Basis of Presentation

Fund Financial Statements: The fund financial statements provide information about the Water District's funds. The emphasis of fund financial statements is on the major enterprise fund.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies result from non-exchange transactions. Other non-operating revenues are ancillary activities such as investment earnings.

The Water District reports the following major enterprise fund:

Water and Sewer Fund. This Fund is used to account for water and sewer operations. A Water and Sewer Capital Projects Fund has been consolidated into the Water and Sewer Fund for financial reporting purposes. The budgetary comparison for the Water and Sewer Capital Projects Fund has been included in the supplemental information.

Measurement Focus and Basis of Accounting

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

Proprietary Fund Financial Statements. The proprietary fund financial statements are reported using the economic resources measurement focus. The proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the Water District 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.

Note 1 - Summary of Significant Accounting Policies (Continued)

Measurement Focus and Basis of Accounting (Concluded)

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 Water District's enterprise fund are charges to customers for sales and services. The Water District also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water and sewer system. Operating expenses for 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.

Budgetary Data

The Water District's budget is adopted as required by the North Carolina General Statutes. An annual budget is adopted for the Enterprise Fund. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the Capital Project Funds. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the departmental level for all annually budgeted funds and at the object level for the multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations by more than $2,500. All amendments must be approved by the governing board and they must adopt an interim budget that covers that time until the annual ordinance can be adopted.

Assets, Liabilities, and Fund Equity

Deposits and Investments

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

State law [G.S. 159-30 (c)] authorizes the Water District to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; and the North Carolina Capital Management Trust (NCCMT).

Note 1 - Summary of Significant Accounting Policies (Continued)

Assets, Liabilities, and Fund Equity (Continued)

Cash and Cash Equivalents

The Water District pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents.

Allowance for Doubtful Accounts

All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. This amount is estimated by analyzing the percentage of receivables that were written off in prior years.

Inventory

The inventories of the Water District are valued at cost (first-in, first-out), which approximates market.

The inventories of the Water District's enterprise fund consist of materials and supplies held for subsequent use. The cost of these inventories is expensed when consumed rather than when purchased.

Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are as follows: land, buildings, improvements, lines, other plant and distribution systems, furniture and equipment, and vehicles, $3,000. Purchased or constructed capital assets are reported at cost or estimated historical cost. 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 acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. Plant and distribution system assets acquired prior to July 1, 2003, consist of water and sewer assets that were acquired or that received substantial improvements subsequent to July 1, 1980, and are reported at estimated historical cost using deflated replacement cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Note 1 - Summary of Significant Accounting Policies (Concluded)

Assets, Liabilities, and Fund Equity (Concluded)

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives
Infrastructure	50
Buildings	50
Improvements	20
Vehicles	5-15
Furniture and equipment	5-10
Computer equipment/software	3-5

Long-Term Obligations

The Water District's long-term debt for water and sewer purposes is carried in the Water Fund. The debt service requirements for the water debt are being met by water revenues. The bond issuance costs for the general obligation bonds are capitalized in the construction costs of the proprietary assets and are being depreciated over the life of the asset.

Compensated Absences

As of June 30, 2021, the Water District does not provide a vacation and sick leave policy for employees.

Net Position

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

Note 2 - Detail Notes on the Enterprise Fund

Assets

Deposits

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

At June 30, 2021, the Water District's deposits had a carrying amount of $597,424 and a bank balance of $605,461. Of the bank balance, $500,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method.

Note 2 - Detail Notes on the Enterprise Fund (Continued)

Assets (Continued)

Receivables - Allowance for Doubtful Accounts

The amounts presented in the Statement of Net Position are net of the following allowance for doubtful accounts for the year ended June 30, 2021.

Enterprise Fund	$ 138,592

Capital Assets

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

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type Activities:				
Capital Assets Not Being Depreciated:				
Land	$ 315,358	$ -	$ -	$ 315,358
Construction in Progress	1,036,427	12,188	1,048,615	-
Total Capital Assets Not Being Depreciated	1,351,785	12,188	1,048,615	315,358
Capital Assets Being Depreciated:				
Plant and Distribution Systems	7,391,343	1,048,614	-	8,439,957
Furniture and Office Equipment	32,122	-	-	32,122
Vehicles and Motorized Equipment	87,895	-	-	87,895
Total Capital Assets Being Depreciated	7,511,360	1,048,614	-	8,559,974
Less Accumulated Depreciation For:				
Plant and Distribution Systems	2,343,123	149,898	-	2,493,021
Furniture and Office Equipment	32,122	-	-	32,122
Vehicles and Motorized Equipment	68,689	2,209	-	70,898
Total Accumulated Depreciation	2,443,934	$ 152,107	$ -	2,596,041
Total Capital Assets Being Depreciated, Net	5,067,426			5,963,933
Business-type Activities Capital Assets, Net	$ 6,419,211			$ 6,279,291

Note 2 - Detail Notes on the Enterprise Fund (Continued)

Assets (Concluded)

Concentration of Credit Risk and Major Customers

The Water District's accounts receivable are all due from customers in the Seagrove and Ulah areas of Randolph County, North Carolina. The risk of loss on the accounts receivable is the balance due. The Water District serves three major commercial customers in Seagrove, North Carolina. The water charges revenue to these three customers totaled 18.97% of the total water charges revenue in 2021.

Liabilities

Pension Plan Obligations

The Water District does not participate in the State-run defined benefit pension system.

Risk Management

The Water District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Water District participates in three self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the Water District obtains general liability and auto liability coverage of $1 million per occurrence, property coverage up to the total insurance values of the property policy, workers' compensation coverage up to statutory limits, and employee health coverage up to a $2 million lifetime limit. The pools are reinsured through commercial companies for single occurrence claims against general liability, auto liability and property in excess of $500,000 and $300,000 up to statutory limits for workers' compensation. The pools are reinsured for annual employee health claims in excess of $150,000. The property liability pool has an aggregate limit for the total property losses in a single year, with the reinsurance limit based upon a percentage of the total insurance values.

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

Note 2 - Detail Notes on the Enterprise Fund (Continued)

Liabilities (Continued)

Risk Management (Concluded)

The Water District carries flood insurance through the Interlocal Risk Financing Fund of North Carolina to avoid possible significant loss. Because the Water District is not in an area of the State that has been mapped and designated an "A" area (an area close to a river, lake or stream) by the Federal Emergency Management Agency, it is not required to carry flood insurance through the National Flood Insurance Program.

In accordance with G.S. 159-29, the Water District's employees that have access to $100 or more at any given time of the Water District's funds are performance bonded through a commercial surety bond. The finance director is bonded for $125,000.

Long-Term Obligations

Installment Purchases

In May 2020, First Bank, a North Carolina bank, loaned the Water District $250,000 which requires monthly payments of $3,423 including interest at 4.05% per annum, for the purpose of waste water line extension. As of June 30, 2021, accrued interest of $357 is reflected in the financial statements as accounts payable and accrued liabilities.

$145,615

In July 2017, the County of Randolph, a political subdivision, loaned the Water District $300,000 which requires an annual payment of 5% of gross revenues collected from customers along the 220 corridor during the preceding fiscal year, for the purpose of facilitating the engineering and construction of a waste water project. The loan is an interest free loan.

$299,676

Note 2 - Detail Notes on the Enterprise Fund (Continued)

Liabilities (Continued)

Long-Term Obligations (Concluded)

General Obligation Indebtedness

Seagrove-Ulah Metropolitan Water District of Randolph County issues general obligation bonds to provide funds for the construction of major water system capital improvements. These bonds, which are recorded in the Water District Fund, are collateralized by the full faith and credit of the District. Principal and interest payments are appropriated when due.

The District's general obligation bonds payable at June 30, 2021 are comprised of the following individual issues:

$1,860,000 1998 Water Serial Bonds due in annual installments of $19,000 to $76,000 through June 1, 2037; plus interest at 5.25 percent.	$1,140,500

Annual debt service requirements to maturity for the District's general obligation bonds and long-term obligations, including interest of $547,157 are as follows:

	Business-type Activities	
Year Ending June 30,	Principal	Interest
2022	$ 91,839	$ 65,113
2023	96,316	60,695
2024	100,857	56,057
2025	98,603	51,211
2026	68,500	47,171
2027-2031	374,000	179,130
2032-2036	380,000	79,800
2037	76,000	7,980
Total	$ 1,286,115	$ 547,157

On Tuesday, September 20, 1994, the registered voters in the Water District approved a $3.5 million bond referendum for the construction of additional water distribution systems. At June 30, 2021, the Water District had bonds authorized, but unissued, of $1.64 million.

Note 2 - Detail Notes on the Enterprise Fund (Concluded)

Liabilities (Concluded)

Changes in Long-Term Liabilities

	Balance July 1, 2020	Increases	Decreases	Balance June 30, 2021	Current Portion of Balance
Business-type Activities:					
General Obligation Bonds	$ 1,193,500	$ -	$ 53,000	$ 1,140,500	$ 56,000
Long-Term Obligations	479,524	-	34,233	445,291	35,839
Business-type Activity Long-Term Liabilities	$ 1,673,024	$ -	$ 83,573	$ 1,585,791	$ 91,839

Note 3 - Investment in Capital Assets

	Business-type
Capital Assets	$ 6,279,291
Less: Long-term Debt	1,585,791
Add: Unexpended Debt Proceeds	-
Net Investment in Capital Assets	$ 4,693,500

Note 4 - Segment Information for Proprietary Fund

The District maintains one (1) Proprietary fund which provides water and sewer services. Segment information for the year ended June 30, 2021 was as follows:

Operating Revenues	$ 694,254
Depreciation Expense	152,107
Operating Income (Loss)	(41,370)
Capital Contributions	-
Change in Net Position	(92,259)
Fixed Asset Additions	12,188
Net Working Capital	522,440
Total Assets	6,945,352
Bonds and Other Long-Term Liabilities:	
Payable from Operating Revenues	1,585,791
Total Net Position	$ 5,307,779

Note 5 - Lease Agreement

In August of 2020, the District entered into a lease with option to purchase, as the landlord, a wastewater building. The option to purchase shall expire in August of 2023. The District shall receive rent payments in the amount of $1,167 per month. For the year ended June 30, 2021, the District received $15,000 in rent payments.

Note 6 - Related Organization

Three of the four board members of the Seagrove-Ulah Metropolitan Water District of Randolph County, North Carolina, are appointed by the County Commissioners for Randolph County, North Carolina. Randolph County is accountable for the Water District because it appoints the majority of the governing board; however, Randolph County is not financially accountable for the Water District. The Water District is also disclosed as a related organization in the notes to the financial statements for Randolph County, North Carolina.

Note 7 - Major Suppliers

The District has one major supplier for water purchases - the City of Asheboro.

Note 8 - Subsequent Events

The District has evaluated all subsequent events through November 18, 2021, the date the financial statements were available to be issued.

SEAGROVE-ULAH METROPOLITAN WATER DISTRICT OF RANDOLPH COUNTY

ENTERPRISE FUND - WATER AND SEWER FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP)
For The Fiscal Year Ended June 30, 2021

	Budget	Actual	Variance Positive (Negative)
Revenues			
Water Sales:			
Residential	$	$ 452,303	$
Commercial and Industrial		105,578	
Total	562,800	557,881	(4,919)
Sewer Charges:			
Residential		45,154	
Commercial and Industrial		51,547	
Total	119,200	96,701	(22,499)
Water Taps and Assessments	25,500	22,950	(2,550)
Other Operating Revenues	18,300	34,405	16,105
Nonoperating Revenues:			
Sales Tax Refund		3,155	
Investment Earnings		272	
Rent Income		15,000	
Total	250	18,427	18,177
Total Revenues	726,050	730,364	4,314
Expenditures			
Water and Sewer Administration:			
Salaries and Employee Benefits		44,622	
Professional Services		9,500	
Insurance		25,193	
Telephone and Postage		2,544	
Vehicle Expense		4,980	
Other Operating Expenditures		21,308	
Total	107,820	108,147	(327)
Water Treatment and Distribution:			
Salaries and Employee Benefits		14,980	
Water Purchases		227,820	
New Tap Expense		23,000	
Telephone and Postage		3,534	
Maintenance and Supplies		18,487	
Capital Outlay		-	
Mileage Reimbursement		5,897	
Other Operating Expenditures		12,600	
Total	$ 308,485	$ 306,318	$ 2,167

SEAGROVE-ULAH METROPOLITAN WATER DISTRICT OF RANDOLPH COUNTY

ENTERPRISE FUND - WATER AND SEWER FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP)
For The Fiscal Year Ended June 30, 2021

	Budget	Actual	Variance Positive (Negative)
Expenditures (Concluded)			
Wastewater Collection and Treatment:			
Salaries and Employee Benefits	$	$ 91,623	$
Utilities		28,895	
Maintenance and Supplies		39,971	
Other Operating Expenditures		8,565	
Total	175,550	169,054	6,496
Total Expenditures	591,855	583,519	8,336
Debt Services:			
Interest and Other Charges		69,316	
Principal Retirements		87,233	
Total	157,100	156,549	551
Revenues Over (Under) Expenditures	(22,905)	(9,704)	13,201
Fund Balance Appropriated	22,905	-	(22,905)
Net Change in Fund Balance	$ -	(9,704)	$ (9,704)
Reconciliation From Budgetary Basis (Modified Accrual) to Full Accrual			
Reconciling Items:			
Capital Outlay		-	
Depreciation		(152,107)	
Increase (Decrease) in Trade Account Receivable Recognition		(17,681)	
Principal Retirement		87,233	
Change in Net Position		$ (92,259)	

SEAGROVE-ULAH METROPOLITAN WATER DISTRICT
OF RANDOLPH COUNTY

CAPITAL PROJECT FUND - UWHARRIE CHARTER WASTE WATER PROJECT
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)
From Inception And For The Fiscal Year Ended June 30, 2021

	Project Authorization	Actual Prior Years	Actual Current Year	Actual Total To Date	Variance Positive (Negative)
Revenues					
Loan - First Bank	$ 250,000	$ 250,000	$ -	$ 250,000	$ -
Loan - Randolph County	300,000	300,000	-	300,000	-
Contribution - Uwharrie Charter	400,000	400,000	-	400,000	-
Contribution - Private	100,000	100,000	-	100,000	-
Total Revenues	1,050,000	1,050,000	-	1,050,000	-
Expenditures					
Surveying	15,000	15,000	-	15,000	-
Engineering & Design	82,000	82,000	-	82,000	-
Bid Management	4,500	4,500	-	4,500	-
Construction Management	60,000	60,000	-	60,000	-
Construction	849,603	848,218	-	848,218	1,385
Other Project Costs	38,897	26,709	12,188	38,897	-
Total Expenditures	1,050,000	1,036,427	12,188	1,048,615	1,385
Revenues Over (Under) Expenditures	$ -	$ 13,573	$ (12,188)	$ 1,385	$ 1,385

SEAGROVE-ULAH METROPOLITAN WATER DISTRICT
OF RANDOLPH COUNTY

SCHEDULE OF NET POSITION
WATER AND SEWER FUND BY FUNCTION
June 30, 2021

	Water	Sewer	Total
Assets			
Current Assets:			
Cash and Cash Equivalents	$ 1,336,892	$ (739,468)	$ 597,424
Accounts Receivable - Trade	63,215	-	63,215
Accounts Receivable - Other	417	-	417
Sales Tax Receivable	-	3,155	3,155
Inventories	1,850	-	1,850
Total Current Assets	1,402,374	(736,313)	666,061
Capital Assets:			
Land and Other Non-Depreciable Assets	15,358	300,000	315,358
Other Capital Assets, Net of Depreciation	2,236,126	3,727,807	5,963,933
Capital Assets (Net)	2,251,484	4,027,807	6,279,291
Total Noncurrent Assets	2,251,484	4,027,807	6,279,291
Total Assets	$ 3,653,858	$ 3,291,494	$ 6,945,352
Liabilities			
Current Liabilities:			
Accounts Payable and Accrued Liabilities	$ 45,664	$ 6,118	$ 51,782
General Obligation Bonds Payable - Current	56,000	-	56,000
Notes Payable - Current	-	35,839	35,839
Total Current Liabilities	101,664	41,957	143,621
Noncurrent Liabilities:			
General Obligation Bonds Payable	1,084,500	-	1,084,500
Notes Payable - Noncurrent	-	409,452	409,452
Total Noncurrent Liabilities	1,084,500	409,452	1,493,952
Total Liabilities	1,186,164	451,409	1,637,573
Net Position			
Net Investment in Capital Assets	1,110,984	3,582,516	4,693,500
Unrestricted	1,356,710	(742,431)	614,279
Total Net Position	$ 2,467,694	$ 2,840,085	$ 5,307,779

SEAGROVE-ULAH METROPOLITAN WATER DISTRICT
OF RANDOLPH COUNTY

SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION - WATER AND SEWER FUND BY FUNCTION
For The Fiscal Year Ended June 30, 2021

	Water	Sewer	Total
Operating Revenues			
Charges for Service	$ 540,200	$ 96,701	$ 636,901
Water and Sewer Taps	22,950	-	22,950
Other Operating Revenues	29,363	5,040	34,403
Total Operating Revenues	592,513	101,741	694,254
Operating Expenses			
Administrative Expenses	92,302	15,844	108,146
Water Treatment and Distribution	306,319	-	306,319
Wastewater Collection and Treatment	-	169,052	169,052
Depreciation	80,605	71,502	152,107
Total Operating Expenses	479,226	256,398	735,624
Operating Income (Loss)	113,287	(154,657)	(41,370)
Nonoperating Revenues (Expenses)			
Sales Tax Refund	-	3,155	3,155
Investment Earnings	232	40	272
Rent Income	-	15,000	15,000
Interest and Other Charges	(62,659)	(6,657)	(69,316)
Total Nonoperating Revenues (Expenses)	(62,427)	11,538	(50,889)
Change in Net Position	50,860	(143,119)	(92,259)
Total Net Position, Beginning	2,416,834	2,983,204	5,400,038
Total Net Position, Ending	$ 2,467,694	$ 2,840,085	$ 5,307,779

SEAGROVE-ULAH METROPOLITAN WATER DISTRICT OF RANDOLPH COUNTY

SCHEDULE OF CASH FLOWS
WATER AND SEWER FUND BY FUNCTION
For The Fiscal Year Ended June 30, 2021

	Water	Sewer	Total
Cash Flows From Operating Activities			
Cash Received from Customers	$ 610,194	$ 101,741	$ 711,935
Cash Paid for Goods and Services	(336,112)	(85,868)	(421,980)
Cash Paid to or on Behalf of Employees for Services	(53,065)	(98,160)	(151,225)
Net Cash Provided (Used) by Operating Activities	221,017	(82,287)	138,730
Cash Flows From Capital and Related Financing Activities			
Acquisition of Capital Assets	-	(12,188)	(12,188)
Interest Paid on Bond Maturities	(62,659)	(6,657)	(69,316)
Principal Paid on Bond Maturities	(53,000)	(34,233)	(87,233)
Revenue from Rent	-	15,000	15,000
Other Revenue	-	3,155	3,155
Net Cash Provided (Used) by Capital and Financing Activities	(115,659)	(34,923)	(150,582)
Cash Flows From Investing Activities			
Interest and Dividends	232	40	272
Net Increase (Decrease) in Cash and Related Cash Equivalents	105,590	(117,170)	(11,580)
Balances, Beginning	1,231,302	(622,298)	609,004
Balances, Ending	$ 1,336,892	$ (739,468)	$ 597,424
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities			
Operating Income (Loss)	$ 113,287	$ (154,657)	$ (41,370)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities			
Depreciation	80,605	71,502	152,107
Changes in Assets and Liabilities			
(Increase) Decrease in Accounts Receivable	17,681	363	18,044
Increase (Decrease) in Accounts Payable and Accrued Liabilities	9,444	505	9,949
Total Adjustments	107,730	72,370	180,100
Net Cash Provided (Used) by Operating Activities	$ 221,017	$ (82,287)	$ 138,730

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Board of Directors
Seagrove-Ulah Metropolitan Water District
of Randolph County
Seagrove, North Carolina

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the business-type activities, each major fund, and the aggregate remaining fund information of the Seagrove-Ulah Metropolitan Water District of Randolph County, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Seagrove-Ulah Metropolitan Water District of Randolph County's basic financial statements, and have issued my report thereon dated November 18, 2021.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the Seagrove-Ulah Metropolitan Water District of Randolph County internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Seagrove-Ulah Metropolitan Water District of Randolph County internal control. Accordingly, I do not express an opinion on the effectiveness of the District's internal control.

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

My consideration of the 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 my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

William R. Huneycutt, CPA, PLLC

November 18, 2021

William R. Huneycutt, CPA, PLLC
Asheboro, North Carolina