



***REVIEWED***

*By SLGFD at 2:27 pm, Feb 07, 2022*

## **Southeastern Wayne Sanitary District**

### **FINANCIAL REPORT**

**June 30, 2021 and 2020**



## REPORT

Independent Auditors' Report	1
Management's Discussion and Analysis	4
District Board Members and Key Staff	11

## FINANCIAL STATEMENTS

### Basic Financial Statements

Exhibit A – Statements of Net Position – Proprietary Fund	12
Exhibit B – Statements of Revenues, Expenses and Changes in Fund Net Position – Proprietary Fund	14
Exhibit C – Statements of Cash Flows – Proprietary Fund	16
Notes to Financial Statements	18

### Supplementary Information

Schedule 1 – Schedule of Revenues and Expenditures – Proprietary Fund Budget and Actual (Non-GAAP)	40
Schedule 2 – Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP), Water System Replacement Capital Project #141	42
Schedule 3 – Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP), Water System Replacement Capital Project #147	43
Schedule 4 – Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP), Standby Power System Capital Project #152 and #157	44
Schedule 5 – Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP), Standby Power System Capital Project #159	45
Schedule 6 – Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP), South Ridge MHP Capital Project #161	46
Schedule 7 – Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP), Southern Wayne High School NCSR Capital Project #151	47
Schedule 8 – Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP), Drummersville Road Estates Capital Project #160	48

## Compliance Section

Independent Auditors' Report on Internal Control over Financial Reporting And on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	49
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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Commissioners  
Southeastern Wayne Sanitary District  
Goldsboro, North Carolina

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

We have audited the accompanying financial statements of the Southeastern Wayne Sanitary District, as of and for the years ended June 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Southeastern Wayne Sanitary 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.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 auditors' 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 auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall 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 respective financial position of the Southeastern Wayne Sanitary District, as of June 30, 2021 and 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, as listed in the table of contents, 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.

#### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of Southeastern Wayne Sanitary District. The budgetary schedule and capital project schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The budgetary schedule and the capital project 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 budgetary schedule and the capital project 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*, we have also issued our report dated January 6, 2022, on our consideration of the Southeastern Wayne Sanitary District'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 Southeastern Wayne Sanitary District'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 Southeastern Wayne Sanitary District's internal control over financial reporting and compliance.

*Carr, Riggs & Ingram, P.L.L.C.*

Goldsboro, North Carolina  
January 6, 2022

## **Southeastern Wayne Sanitary District Management's Discussion and Analysis**

As management of the Southeastern Wayne Sanitary District (the "District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal years ended June 30, 2021 and 2020. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the District's financial statements, which follow this narrative.

### ***Financial Highlights***

- The assets of the District exceeded its liabilities (net position) for the years ended June 30, 2021, 2020, and 2019 by \$23,179,341, \$22,365,932, and \$20,362,238 (after restatement), respectively.
- The District's net position increased by \$813,409, \$2,003,694, and \$423,246 (after restatement), for the years ended June 30, 2021, 2020, and 2019, respectively.
- The District maintained a balance of cash and investments for the years ended June 30, 2021, 2020, and 2019 of \$8,711,294, \$7,756,750, and \$7,111,542, respectively. Of this amount, \$742,814, \$675,496, and \$706,323, (restricted cash and investments), respectively, is restricted for private construction, payment to creditors, customer prepayments and meter deposits.
- The District's capital asset balances, net of depreciation, for the years ended June 30, 2021, 2020, and 2019 were \$22,871,965, \$23,112,734, and \$20,654,799, respectively.
- The District generated revenue from operations for the years ended June 30, 2021, 2020, and 2019 of \$2,779,061, \$2,988,564, and \$2,601,129 (as restated), respectively.

### ***Overview of the Financial Statements***

The District's primary mission is to provide water services to Wayne County residents southeast of Goldsboro within the area generally bounded by the Neuse River to the north, the Lenoir/Wayne County line to the east, Duplin/Wayne County line to the south and new US 117 Highway to the west. The District's operations, capital expansion program and debt service are funded almost entirely through sales of water, fees and other service charges. As such, the District is considered to be, and therefore presents its financial report as a stand-alone enterprise fund. As a stand-alone enterprise fund, the District's basic financial statements consist of Statements of Net Position, Statements of Revenues, Expenses and Changes in Fund Net Position and Statements of Cash Flows.

The Statements of Net Position present information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. The Statements of Revenues, Expenses and Changes in Fund Net Position provide information regarding the District's total economic resource inflow and outflow (accrual method of accounting). The difference between these inflows and outflows represents the change in net position.

The Statements of Cash Flows deal specifically with the flow of cash and cash equivalents arising from operating, financing and investing activities. Because the District's Statements of Revenues, Expenses and Changes in Fund Net Position are a measurement of the flow of total economic

## Southeastern Wayne Sanitary District Management's Discussion and Analysis

resources, operating income usually differs from net cash flows from operations. To enhance the reader's understanding of this difference, the Statements of Cash Flows also includes a reconciliation between these two amounts. In accordance with accounting principles generally accepted in the United States of America, a reconciliation of cash and cash equivalents is also presented in this statement.

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements. In addition to the basic financial statements and accompanying notes, this report includes supplementary information concerning the District's financial statements. The District depends on financial resources flowing from, or associated with, the Federal Government and the State of North Carolina. Because of this dependency, the District is subject to changes in specific flows of intergovernmental revenues based on modifications to federal and state laws and federal and state appropriations.

### Financial Analysis

#### Total Assets, Total Liabilities, Total Deferred Inflows of Resources and Total Net Position

For 2021 and 2020, the District's total net position increased 3.64% to \$23,179,341 from \$22,365,932. For 2020 and 2019, the District's total net position increased 9.84% to \$22,365,932 from \$20,362,238. For 2021 and 2020, unrestricted net position increased 10.53% to \$8,635,622 from \$7,812,754. For 2020 and 2019, unrestricted net position increased 13.85% to \$7,812,754 from \$6,862,238.

Table 1  
Southeastern Wayne Sanitary District  
Condensed Statement of Net Position  
As of June 30,

	2021	2020	Restated 2019	Change 2021 - 2020	Change 2020 - 2019
Current assets	\$ 9,492,937	\$ 9,038,171	\$ 7,756,019	\$ 454,766	\$ 1,282,152
Capital assets and other long-term assets	24,248,094	24,514,599	22,081,528	(266,505)	2,433,071
Total assets	33,741,031	33,552,770	29,837,547	188,261	3,715,223
Current liabilities	1,193,768	1,573,241	1,148,549	(379,473)	424,692
Long-term liabilities outstanding	7,966,187	8,186,998	6,876,170	(220,811)	1,310,828
Deferred inflows of resources	1,401,735	1,426,599	1,450,590	(24,864)	(23,991)
Total liabilities and deferred inflows of resources	10,561,690	11,186,838	9,475,309	(625,148)	1,711,529
Net investment in capital assets	14,543,719	14,553,178	13,500,000	(9,459)	1,053,178
Unrestricted net assets	8,635,622	7,812,754	6,862,238	822,868	950,516
Total net position, restated*	\$ 23,179,341	\$ 22,365,932	\$ 20,362,238	\$ 813,409	\$ 2,003,694

## Southeastern Wayne Sanitary District Management's Discussion and Analysis

### Revenues

Table 2  
Southeastern Wayne Sanitary District  
Schedule of Operating Revenue  
For the Fiscal Years Ended June 30,

	2021	2020	Restated 2019	Change 2021 - 2020	Change 2020 - 2019
Water sales	\$ 2,510,816	\$ 2,753,833	\$ 2,388,192	\$ (243,017)	\$ 365,641
Service charges	145,535	108,390	139,605	37,145	(31,215)
Tap fees	79,303	52,992	40,799	26,311	12,193
Connection fees	16,465	19,375	19,190	(2,910)	185
Other income	26,942	53,974	13,343	(27,032)	40,631
Total	<u>\$ 2,779,061</u>	<u>\$ 2,988,564</u>	<u>\$ 2,601,129</u>	<u>\$ (209,503)</u>	<u>\$ 387,435</u>

The District does not levy or collect taxes, nor does the District receive funding for operations from the taxing authorities within the District's service area. The District's operations and debt service are funded almost entirely from fees charged to our customers for water services. As such, the District's revenue stream is impacted by fluctuations in demand for our services and other economic factors.

### Operating Revenues

Revenue from water charges decreased by 8.82% to \$2,510,816 for the fiscal year ended 2021 compared to \$2,753,833 for the fiscal year ended 2020. This change is due primarily to a change in the District's collection policy which increased the allowance on outstanding balances. For fiscal year ended 2020, water charges increased by 15.31% from fiscal year ended 2019. This change is primarily due to an increase in rates and an increase of customers within the District. As of June 30, 2021, 2020 and 2019, there were 5,271, 5,197, and 5,107 customers, respectively, benefiting from the District's water service. Revenue from water charges for the upcoming year is expected to remain consistent with this year.

Tap fees and connection fees are the charges for installing a new tap and for service. Service charges are fees for establishing a new service at an existing tap as well as charges to restore water service to customers whose water service was discontinued for nonpayment of charges due. The fluctuation in tap fees and service charges is caused by influxes of new customers within the District as well as expansion activities. Other income includes return check charges. The current fiscal year revenues were adequate to meet the current operating budget requirements. The surplus at the end of the fiscal year is incorporated into the succeeding year's budget planning.



## Southeastern Wayne Sanitary District Management's Discussion and Analysis

### Non-Operating Revenues / Capital Contributions

Non-operating revenues consist of investment earnings, capacity charges collected from other districts, finance charges, and gains recognized on the sale of District assets. Capital contributions consist of monies received by the District from developers for special construction projects and the State and Federal Governments for capital construction projects. Investment earnings decreased by \$53,269 due primarily to lower interest rates from 2020 to 2021.

Table 3  
Southeastern Wayne Sanitary District  
Schedule of Capital Contributions  
For the Fiscal Years Ended June 30,

	2021	2020	2019	Change 2021 - 2020	Change 2020 - 2019
NC DOT grant and reimbursements	\$ -	\$ 39,443	\$ 88,405	\$ (39,443)	\$ (48,962)
Golden Leaf Foundation grant	161,687	-	-	161,687	-
NC DEQ grant	116,708	1,227,950	-	(1,111,242)	1,227,950
FEMA grant	-	138,854	-	(138,854)	138,854
Developers	66,097	197,372	56,269	(131,275)	141,103
Total	<u>\$ 344,492</u>	<u>\$ 1,603,619</u>	<u>\$ 144,674</u>	<u>\$ (1,259,127)</u>	<u>\$ 1,458,945</u>

Capital contributions from developers for the construction or extension of water lines increases or decreases depending upon private construction of residential neighborhoods or other private construction needs. Reimbursements from NCDOT decreased due to fewer road and highway projects. In 2020, the District received FEMA proceeds in response to the funding of repair projects associated with Hurricane Matthew. The District received grant funding from NC DEQ associated with two state projects in process at June 30, 2021. The District also received grant funding from the Golden Leaf Foundation for the purchase and construction of a standby power system during the year ended June 30, 2021.

## Southeastern Wayne Sanitary District Management's Discussion and Analysis

### Expenses

#### Operating Expenses

For fiscal years 2021 and 2020, total operating expenses decreased 11.87%, primarily due to lower repairs and line location and water purchase expenses. For fiscal years 2020 and 2019, total operating expenses increased 9.53%, primarily due to higher repairs and line location expenses.

#### Non-Operating Expenses

Non-operating expense consists of interest expense. Interest expense decreased by \$1,792 or 1.66% from 2020 to 2021. Interest expense decreased by \$1,728 or 1.58% from 2019 to 2020.

Table 4  
Southeastern Wayne Sanitary District  
Schedule of Operating Expenses  
For the Fiscal Years Ended June 30,

	2021	2020	2019	Change 2021 - 2020	Change 2020 - 2019
Operations	\$ 1,427,694	\$ 1,909,007	\$ 1,697,493	\$ (481,313)	\$ 211,514
Depreciation	870,960	699,158	683,697	171,802	15,461
Total	<u>\$ 2,298,654</u>	<u>\$ 2,608,165</u>	<u>\$ 2,381,190</u>	<u>\$ (309,511)</u>	<u>\$ 226,975</u>

#### Budgetary Highlights

During the fiscal year, the District revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources; and 3) increases in appropriations that become necessary to maintain services. During the year ended June 30, 2021, the District amended its budget on various occasions. Some of the larger amendments related to supplies and maintenance and water purchases.

#### Capital Improvements and Expansion

During the June 30, 2021 fiscal year, the District continued various construction projects and improvements, and purchased various other depreciable assets. Net change in capital asset, including the acquisitions, dispositions and the annual provision for depreciation expense, from 2020 to 2021 was a decrease of 1.04% and for 2019 to 2020 was an increase of 11.90%

## Southeastern Wayne Sanitary District Management's Discussion and Analysis

Table 5  
Southeastern Wayne Sanitary District  
Schedule of Capital Assets  
As of June 30,

	Ending Balance 2021	Ending Balance 2020	Ending Balance 2019	Change 2021 - 2020	Change 2020 - 2019
Capital assets, non-depreciable	\$ 577,878	\$ 3,339,080	\$ 4,482,742	\$ (2,761,202)	\$ (1,143,662)
Capital assets, depreciable	33,852,567	30,498,477	26,197,722	3,354,090	4,300,755
Less: accumulated depreciation	11,558,480	10,724,823	10,025,665	833,657	699,158
Total	<u>\$ 22,871,965</u>	<u>\$ 23,112,734</u>	<u>\$ 20,654,799</u>	<u>\$ (240,769)</u>	<u>\$ 2,457,935</u>

### Debt Administration

At June 30, 2021 and 2020, the District's net outstanding bonded debt decreased 2.70%, due to the repayment of outstanding balances. At June 30, 2020 and 2019, the District's net outstanding bonded debt increased 19.63% due draws from grant capital projects. For 2021, 2020 and 2019, the District recognized interest expense on these obligations totaling \$106,154, \$107,946, and \$109,674, respectively.

Table 6  
Southeastern Wayne Sanitary District  
Schedule of Bonds and Notes Payable  
As of June 30,

	2021	2020	2019	Change 2021 - 2020	Change 2020 - 2019
Note payable - USDA	\$ 3,214,000	\$ 3,271,000	\$ 3,326,000	\$ (57,000)	\$ (55,000)
Notes payable - NC DEQ	5,114,246	5,288,556	3,828,799	(174,310)	1,459,757
Total	<u>\$ 8,328,246</u>	<u>\$ 8,559,556</u>	<u>\$ 7,154,799</u>	<u>\$ (231,310)</u>	<u>\$ 1,404,757</u>

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

The following key economic indicator reflects the growth and prosperity of the District. Due to the increasing costs to provide utility service while maintaining a vast infrastructure, the District implemented a small increase in water rates effective July 1, 2021. Management expects to implement a small increase in rates every year on July 1 for the next several years.

## **Southeastern Wayne Sanitary District Management's Discussion and Analysis**

### **Overall Financial Position**

The District continues to have a strong and healthy financial position. Net position continued to grow and remains strong and more than adequate to meet obligations. The District's capital improvements demonstrate management's commitment to building and maintaining a strong operational infrastructure capable of sustaining quality water service to our community well into the twenty-first century.

### **Requests for Information**

This report is designed to provide an overview of the District's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Southeastern Wayne Sanitary District, PO Box 1583, 3600 Commercial Drive, Goldsboro, NC 27534 or telephone (919) 731-2310 or visit our website at [www.waynewaterdistricts.com](http://www.waynewaterdistricts.com).

## **Southeastern Wayne Sanitary District District Board Members and Key Staff**

### District Board Members

Phil Shivar, Chairman

Debony Jones

Charlie Holloway

James Taylor

Bobby Outlaw

### Administrative and Financial Staff

Steve Hamilton, District Manager

Barbara Pedersen, Office Manager

Bobby Outlaw, Finance Officer

Ashley Reboli, Assistant Finance Officer

**Southeastern Wayne Sanitary District**  
**Statements of Net Position – Proprietary Fund**  
**Exhibit A**

<i>June 30,</i>	<b>2021</b>	<b>2020</b>
<b>Assets</b>		
Current assets		
Cash	\$ 5,668,332	\$ 4,781,472
Investments	2,300,148	2,299,782
Accounts receivable - trade, net	437,338	587,729
Accounts receivable - construction	194,482	571,564
Sales tax receivable	21,719	27,492
Restricted sales tax receivable	6,475	56,998
Accrued interest receivable	3,797	3,864
Current portion of notes receivable	25,736	24,864
Due from other districts	88,742	3,847
Prepaid insurance	3,354	3,527
Other current assets	-	1,536
Restricted cash and investments	742,814	675,496
<b>Total current assets</b>	<b>9,492,937</b>	<b>9,038,171</b>
Noncurrent assets		
Notes receivable, less current portion	1,375,999	1,401,735
Capital assets		
Land, non-depreciable improvements, and construction in progress	577,878	3,339,080
Other capital assets, net of depreciation	22,294,087	19,773,654
<b>Total capital assets</b>	<b>22,871,965</b>	<b>23,112,734</b>
<b>Deposits</b>	<b>130</b>	<b>130</b>
<b>Total noncurrent assets</b>	<b>24,248,094</b>	<b>24,514,599</b>
<b>Total assets</b>	<b>33,741,031</b>	<b>33,552,770</b>

*The accompanying notes are an integral part of these financial statements.*

**Southeastern Wayne Sanitary District**  
**Statements of Net Position – Proprietary Fund**  
**Exhibit A**

**Liabilities**

Current liabilities

Current maturities of long-term debt	397,866	407,202
Accounts payable - trade	63,497	59,720
Accounts payable - construction	21,639	463,013
Accrued interest	8,705	8,859
Other accrued liabilities	18,247	15,951
Payable from restricted assets:		
Customer prepayments	20,064	-
Customer meter deposits	663,750	566,132
Customer advances for construction	-	52,364

Total current liabilities	1,193,768	1,573,241
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Noncurrent liabilities

Bonds, notes and loans payable	7,930,380	8,152,354
Compensated absences	35,807	34,644

Total long-term liabilities	7,966,187	8,186,998
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Total liabilities	9,159,955	9,760,239
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**Deferred Inflows of Resources**

Deferred revenue	1,401,735	1,426,599
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**Net Position**

Net Investment in capital assets	14,543,719	14,553,178
Unrestricted	8,635,622	7,812,754

Total net position	\$ 23,179,341	\$ 22,365,932
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*The accompanying notes are an integral part of these financial statements.*

**Southeastern Wayne Sanitary District**  
**Statements of Revenues, Expenses and Changes in Fund Net Position –**  
**Proprietary Fund**  
**Exhibit B**

<i>For the Fiscal Years Ended June 30,</i>	<b>2021</b>	<b>2020</b>
<b>Operating revenues</b>		
Customer water charges	\$ 2,510,816	\$ 2,753,833
Service charges	145,535	108,390
Tap fees	79,303	52,992
Connection fees	16,465	19,375
Other income	26,942	53,974
<b>Total operating revenues</b>	<b>2,779,061</b>	<b>2,988,564</b>
<b>Operating expenses</b>		
Board of Commissioners' fees	22,606	22,606
Salaries and benefits	587,079	588,943
Accounting and auditing	9,980	21,900
Professional services	13,200	13,200
Office expenses	54,901	76,790
Supplies and maintenance	216,369	235,489
Tank maintenance	46,745	46,745
Utilities	137,683	143,405
Insurance	24,235	26,535
Depreciation	870,960	699,158
Bank service charges	22,784	27,637
Repairs and line location	87,056	329,299
Taps installation	48,355	33,305
Telephone and radio	22,365	19,475
Auto, truck and travel	28,570	29,236
Water purchases	37,241	228,875
Water testing	20,496	16,600
Water supply plan	5,000	4,199
Water rate study	5,000	900
Water flushing plan	-	8,770
GIS mapping	25,000	25,000
Other operating expenses	13,029	10,098
<b>Total operating expenses</b>	<b>2,298,654</b>	<b>2,608,165</b>
<b>Operating income</b>	<b>480,407</b>	<b>380,399</b>

*The accompanying notes are an integral part of these financial statements.*



**Southeastern Wayne Sanitary District**  
**Statements of Revenues, Expenses and Changes in Fund Net Position –**  
**Proprietary Fund**  
**Exhibit B**

<i>For the Fiscal Years Ended June 30,</i>	<b>2021</b>	<b>2020</b>
<b>Nonoperating revenues (expenses)</b>		
Gain on disposal of assets	<b>19,347</b>	-
Investment earnings	<b>48,567</b>	101,836
Capacity charges collected from other Districts	<b>24,865</b>	23,991
Billing charges - Town of Seven Springs	<b>1,885</b>	1,795
Interest expense	<b>(106,154)</b>	(107,946)
<b>Total nonoperating revenues (expenses)</b>	<b>(11,490)</b>	19,676
<b>Capital contributions</b>		
NC DOT reimbursements	-	39,443
Golden Leaf Foundation grant	<b>161,687</b>	-
NC DEQ grant	<b>116,708</b>	1,227,950
FEMA grant	-	138,854
Developers	<b>66,097</b>	197,372
<b>Total capital contributions</b>	<b>344,492</b>	1,603,619
<b>Change in net position</b>	<b>813,409</b>	2,003,694
<b>Total net position - beginning</b>	<b>22,365,932</b>	20,362,238
<b>Total net position - ending</b>	<b>\$ 23,179,341</b>	<b>\$ 22,365,932</b>

*The accompanying notes are an integral part of these financial statements.*

**Southeastern Wayne Sanitary District**  
**Statements of Cash Flows – Proprietary Fund**  
**Exhibit C**

<i>For the Fiscal Years Ended June 30,</i>	<b>2021</b>	<b>2020</b>
<b>Cash Flows from Operating Activities</b>		
Cash received from customers and users	\$ 2,949,516	\$ 2,946,635
Cash paid for goods and services	(891,645)	(1,319,393)
Cash paid to employees for services	(606,226)	(622,939)
Customer meter deposits (refunds)	97,618	23,605
Net cash provided by operating activities	1,549,263	1,027,908
<b>Cash Flows From Capital and Related Financing Activities</b>		
Principal payments on long-term debt	(395,865)	(301,883)
Proceeds from issuance of long-term debt	164,554	1,337,444
Proceeds from repayment of note receivable	24,864	23,991
Proceeds from sale of assets	19,347	-
Interest payments on long-term debt	(106,308)	(108,095)
Acquisition and construction of capital assets	(658,601)	(2,724,563)
Customer advances for private construction	23,034	82,830
Refunds of customer advances for private construction	(2,544)	-
Reimbursements from NCDOT	-	39,443
Proceeds from grants	286,281	1,164,437
Net cash used in capital and related financing activities	(645,238)	(486,396)
<b>Cash Flows From Investing Activities</b>		
Interest on investments	48,634	101,901
Purchase of investments	(366)	(24,781)
Finance charges	1,885	1,795
Net cash provided by investing activities	50,153	78,915
Net increase in cash and cash equivalents	954,178	620,427
<b>Cash - beginning</b>	<b>5,456,968</b>	<b>4,836,541</b>
<b>Cash - ending</b>	<b>\$ 6,411,146</b>	<b>\$ 5,456,968</b>

*The accompanying footnotes are an integral part of these financial statements.*

**Southeastern Wayne Sanitary District**  
**Statements of Cash Flows – Proprietary Fund**  
**Exhibit C**

<i>For the Fiscal Years Ended June 30,</i>	<b>2021</b>	<b>2020</b>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>		
Operating income	\$ 480,407	\$ 380,399
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation	870,960	699,158
(Increase) decrease in operating assets		
Accounts receivable - trade	150,391	(57,366)
Sales tax receivable	5,773	1,744
Due from other districts	(84,895)	(3,847)
Prepaid insurance	173	(254)
Other current assets	1,536	17,540
Increase (decrease) in operating liabilities		
Accounts payable - trade	3,777	(20,117)
Due to other districts	-	(29,133)
Compensated absences payable	1,163	11,391
Other accrued liabilities	2,296	4,788
Customer prepayments	20,064	-
Customer meter deposits	97,618	23,605
Net cash provided by operating activities	\$ 1,549,263	\$ 1,027,908
<b>Reconciliation of cash - ending</b>		
Cash	\$ 5,668,332	\$ 4,781,472
Restricted cash	742,814	675,496
Total cash	\$ 6,411,146	\$ 5,456,968

*The accompanying footnotes are an integral part of these financial statements.*

## Southeastern Wayne Sanitary District Notes to Financial Statements

### NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

#### ***A. Reporting Entity***

Southeastern Wayne Sanitary District exists to provide and maintain a water system for the residents within the District. The District is organized under Article 2, Part 2 of the General Statutes of North Carolina, Section 130A-47 to 130A-87. Southeastern Wayne Sanitary District is governed by a five member board. These financial statements are comprised solely of the District.

The District is operated by a staff controlling five sanitary districts – Southeastern Wayne Sanitary District, Eastern Wayne Sanitary District, Belfast-Patetown Sanitary District, Northwestern Wayne Sanitary District, and Southwestern Wayne Sanitary District. To reduce reporting requirements, the group employs all personnel through Eastern Wayne Sanitary District. The other four districts reimburse Eastern Wayne Sanitary District for their proportionate share of all joint expenses, including salaries and benefits. See Note III.

#### ***B. Basis of Presentation***

The Statements of Net Position and the Statements of Revenues, Expenses and Changes in Fund Net Position display information about the District. These statements include the financial activities of the District. Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange or ancillary activities.

The District reports the following major proprietary fund:

**Water Fund.** This fund is used to account for the District's water operations.

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

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

The proprietary fund is accounted for on 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 District gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants, entitlements, and donations. Revenue from grants, entitlements and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

## **Southeastern Wayne Sanitary District**

### **Notes to Financial Statements**

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

#### ***D. Budgetary Data***

The District's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the Proprietary Fund. All annual appropriations lapse at the fiscal-year end. A project ordinance is adopted for a Capital Project Fund. All budgets are prepared using the modified accrual basis of accounting.

Expenditures may not legally exceed appropriations at the functional level for annually budgeted funds and at the project level for the multi-year funds. The District Manager has been granted the authority by the Board to amend the budget between accounts, which do not increase or decrease total revenues or total expenditures as originally adopted. Any revisions that alter the total revenues or expenditures of any fund or change functional appropriations must be approved by the governing board.

A budget calendar is included in the North Carolina General Statutes, which prescribes the last day on which certain steps of that 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 and the revenue 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.

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

##### ***1. Deposits and Investments***

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

## Southeastern Wayne Sanitary District Notes to Financial Statements

State law [G.S. 159-30(c)] authorizes the District to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain 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) money market mutual fund, is measured at fair value. The NCCMT Term Portfolio is a bond fund, has no rating and is measured at fair value. As of June 30, 2021, the Term Portfolio has a duration of 0.15 years. Because the NCCMT Government and Term Portfolios have a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months.

### ***2. Cash and Cash Equivalents***

The District's cash includes cash on hand and demand deposits. The District considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash and cash equivalents, and records them at cost.

Under GASB Codification 150: *Investments*, if a participant has an investment in a qualifying external investment pool that measures for financial reporting purposes all of its investments at amortized cost, it should disclose the presence of any limitations or restrictions on withdrawals (such as redemption notice periods, maximum transaction amounts, and the qualifying external investment pool's authority to impose liquidity fees or redemption gates) in the notes to the financial statements. As of June 30, 2021 and 2020, there were no redemption fees or maximum transaction amounts, or any other requirements that serve to limit the District's access to 100 percent of their account value in the external investment pool. For Statements of Cash Flows purposes, the District considers investments in the NCCMT to be cash equivalents.

### ***3. Accounts Receivable – Allowance for Doubtful Accounts***

Accounts receivable are stated at the amount management believes are collectible. Based on management's assessment of the credit history with customers having outstanding balances and current relationships with them, management has determined an allowance for doubtful accounts is necessary. The amounts presented on the Statements of Net Position are net of allowances totaling \$134,933 and \$80,145 for 2021 and 2020, respectively.

### ***4. Notes Receivable***

The District holds notes receivable from Belfast-Patetown Sanitary District and Eastern Wayne Sanitary District related to a water system improvement project for which these Districts are sharing a proportionate amount of the debt related to this project. The District is legally responsible for servicing the debt associated with this project, but is receiving annual payments from the other two Districts to help service the debt. See Note III.

## Southeastern Wayne Sanitary District Notes to Financial Statements

### 5. Capital Assets

Property, plant and equipment of the District are recorded at original cost at the time of the acquisition or construction. Donated assets received prior to July 1, 2015 are recorded at their estimated fair value at the date of donation or forfeiture. Donated capital assets received after July 1, 2015 are recorded at acquisition value. The District capitalizes expenditures for property and equipment in excess of \$5,000, except meters, which are expensed as purchased. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Any interest incurred during the construction phase of proprietary fund type capital assets is reflected in the capitalized value of the asset constructed. Other assets of the District are depreciated using the straight-line basis. Estimated useful lives, in years, for depreciable assets are as follows:

<u>Asset class</u>	<u>Estimated Useful Lives</u>
Wells, tanks, and water lines	40 – 50
Buildings	40
Furniture and office equipment	5 – 10
Field equipment	20
Automobiles and light trucks	3

### 6. Restricted Cash and Investments

Restricted assets consist of cash deposited from the receipt of meter deposits of \$663,750 and \$566,132 as of June 30, 2021 and 2020, respectively, customer prepayments of \$20,064 and \$-0-as of June 30, 2021 and 2020, advances for construction \$-0- and \$52,364 as of June 30, 2021 and 2020, respectively, and debt service funds of \$59,000 and \$57,000 as of June 30, 2021 and 2020, respectively. Upon termination of service, meter deposits are applied to any unpaid balance and the remainder refunded to the customer. The restricted assets also contain interest earnings on these funds which will be used by the District for related purposes. Advances for construction can only be used to pay the cost of the project for which it was received. Water system construction funds must be used in accordance with the project requirements.

### 7. Deferred Outflows/Inflows of Resources

In addition to assets, the statements 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 until then. The District did not have any items that meet the criterion for this category. In addition to liabilities, the statements of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The District has one item that meets this criterion; capacity charges related to notes receivable from Eastern Wayne Sanitary District and Belfast-Patetown Sanitary District.

## **Southeastern Wayne Sanitary District**

### **Notes to Financial Statements**

#### **8. Long-term Debt**

For the proprietary fund types, bond issuance costs, except for prepaid insurance costs, are expensed in the reporting period in which they are incurred. Prepaid insurance costs are expensed over the life of the debt. Long-term debt consists of general obligation bonds issued and loans from certain agencies of the State of North Carolina to finance the construction of facilities utilized in the operations of the water system and which are being retired by its resources. All bonds are collateralized by the faith and credit of the District. Principal and interest requirements are appropriated when due.

#### **9. Compensated Absences**

The District currently allows its full time employees to accumulate up to thirty days earned vacation leave, and such leave is fully vested when earned. The current portion of accumulated vacation pay and salary related payments have been accrued. At June 30, 2021 and 2020, the District recorded a liability for accrued vacation in the amount of \$35,807 and \$34,644, respectively. Employees can accumulate an unlimited amount of sick leave. Sick leave does not vest, but unused sick leave can accumulate, and at the time of retirement, may be used in the determination of length of service for retirement benefit purposes. Since the District has no obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

#### **10. Net Position**

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

#### **11. Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### **12. Recently Issued Financial Accounting Standards**

##### **GASB Statement No. 83, *Certain Asset Retirement Obligations***

In November 2016, the GASB issued GASB Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement.



## Southeastern Wayne Sanitary District Notes to Financial Statements

The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged. With the issuance of GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, the effective date of this statement has been extended by one year. This Statement did not affect the District's financial reporting or financial operations.

### **GASB Statement No. 84, *Fiduciary Activities***

In January 2017, the GASB issued GASB Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. With the issuance of GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, the effective date of this statement has been extended by one year. This Statement did not affect the District's financial reporting or financial operations.

### **GASB Statement No. 87, *Leases***

In June 2017, the GASB issued GASB 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 by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The District is currently reviewing this statement to determine the effect on its financial statements. With the issuance of GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, the effective date of this statement has been postponed by 18 months.

## Southeastern Wayne Sanitary District Notes to Financial Statements

### ***GASB Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period***

In June 2018, the GASB issued GASB 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.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The requirements of this Statement should be applied prospectively. The Board is currently reviewing this statement to determine the effect on its financial statements. With the issuance of GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, the effective date of this statement has been extended by one year. This Statement did not affect the District's financial reporting or financial operations.

### ***GASB Statement No. 90, Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61***

In August 2018, the GASB issued GASB 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. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit. This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition.

## Southeastern Wayne Sanitary District

### Notes to Financial Statements

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. The requirements should be applied retroactively, except for the provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquires a 100 percent equity interest. Those provisions should be applied on a prospective basis. With the issuance of GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, the effective date of this statement has been extended by one year. This Statement did not affect the District's financial reporting or financial operations.

#### **GASB Statement No. 91, *Conduit Debt Obligations***

In May 2019, the GASB issued GASB 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 achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. Earlier application is encouraged. The District is currently reviewing this statement to determine the effect on its financial statements. With the issuance of GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, the effective date of this statement has been extended by one year.

#### **GASB Statement No. 92, *Omnibus 2020***

In January 2020, the GASB issued GASB Statement No. 92, *Omnibus 2020*. The 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. This Statement addresses a variety of topics and includes specific provisions about the following:

- The effective date of Statement No. 87, *Leases*, and Implementation Guide No. 2019-3, *Leases*, for interim financial reports
- Reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan
- The applicability of Statements No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68*, and *Amendments to Certain Provisions of GASB Statements 67 and 68, as amended*, and No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, to reporting assets accumulated for postemployment benefits

## Southeastern Wayne Sanitary District Notes to Financial Statements

- The applicability of certain requirements of Statement No. 84, *Fiduciary Activities*, to postemployment benefit arrangements
- Measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition
- Reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers
- Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature
- Terminology used to refer to derivative instruments.

The requirements of this Statement are effective as follows:

- The requirements related to the effective date of Statement 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance.
- The requirements related to intra-entity transfers of assets and those related to the applicability of Statements 73 and 74 are effective for fiscal years beginning after June 15, 2020.
- The requirements related to application of Statement 84 to postemployment benefit arrangements and those related to nonrecurring fair value measurements of assets or liabilities are effective for reporting periods beginning after June 15, 2020.
- The requirements related to the measurement of liabilities (and assets, if any) associated with AROs in a government acquisition are effective for government acquisitions occurring in reporting periods beginning after June 15, 2020.

Earlier application is encouraged and is permitted by topic. The District is currently reviewing this statement to determine the effect on its financial statements. With the issuance of GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, the effective date of this statement has been extended by one year.

### **GASB Statement No. 93, *Replacement of Interbank Offered Rates***

In March 2020, the GASB issued GASB Statement No. 93, *Replacement of Interbank Offered Rates*. Some governments have entered into agreements in which variable payments made or received depend on an interbank offered rate (IBOR)—most notably, the London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate.

Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, as amended, requires a government to terminate hedge accounting when it renegotiates or amends a critical term of a hedging derivative instrument, such as the reference rate of a hedging

## Southeastern Wayne Sanitary District Notes to Financial Statements

derivative instrument's variable payment. In addition, in accordance with Statement No. 87, Leases, as amended, replacement of the rate on which variable payments depend in a lease contract would require a government to apply the provisions for lease modifications, including remeasurement of the lease liability or lease receivable.

The objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR. This Statement achieves that objective by:

- Providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variable payment
- Clarifying the hedge accounting termination provisions when a hedged item is amended to replace the reference rate
- Clarifying that the uncertainty related to the continued availability of IBORs does not, by itself, affect the assessment of whether the occurrence of a hedged expected transaction is probable
- Removing LIBOR as an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap
- Identifying a Secured Overnight Financing Rate and the Effective Federal Funds Rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of an interest rate swap
- Clarifying the definition of reference rate, as it is used in Statement 53, as amended

Providing an exception to the lease modifications guidance in Statement 87, as amended, for certain lease contracts that are amended solely to replace an IBOR as the rate upon which variable payments depend.

The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2020. Earlier application is encouraged. The exceptions to the existing provisions for hedge accounting termination and lease modifications in this Statement will reduce the cost of the accounting and financial reporting ramifications of replacing IBORs with other reference rates. The reliability and relevance of reported information will be maintained by requiring that agreements that effectively maintain an existing hedging arrangement continue to be accounted for in the same manner as before the replacement of a reference rate. As a result, this Statement will preserve the consistency and comparability of reporting hedging derivative instruments and leases after governments amend or replace agreements to replace an IBOR. The District is currently reviewing this statement to determine the effect on its financial statements. With the issuance of GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, the effective date of this statement has been extended by one year.

## Southeastern Wayne Sanitary District Notes to Financial Statements

### **GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements***

In March 2020, the GASB issued 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 partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged. PPPs should be recognized and measured using the facts and circumstances that exist at the beginning of the period of implementation (or if applicable to earlier periods, the beginning of the earliest period restated). The District is currently reviewing this statement to determine the effect on its financial statements.

### **GASB Statement No. 96, *Subscription-Based Information Technology Arrangements***

In May 2020, the GASB issued GASB 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. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged. Assets and liabilities resulting from SBITAs should be recognized and measured using the facts and circumstances that existed at the beginning of the fiscal year in which this Statement is



## Southeastern Wayne Sanitary District Notes to Financial Statements

implemented. Governments are permitted, but are not required, to include in the measurement of the subscription asset capitalizable outlays associated with the initial implementation stage and the operation and additional implementation stage incurred prior to the implementation of this Statement. The District is currently reviewing this statement to determine the effect on its financial statements.

### ***GASB 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 Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32***

In June 2020, the GASB issued GASB 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 Statements No. 14 and No. 84, and 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 of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021. For purposes of determining whether a primary government is financially accountable for a potential component unit, the requirements of this Statement that provide that for all other arrangements, the absence of a governing board be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform, are effective for reporting periods beginning after June 15, 2021. Earlier application of those requirements is encouraged and permitted by requirement as specified within this Statement. The District does not anticipate this Statement affecting its financial reporting or financial operations.

### ***GASB Statement No. 98, The Annual Comprehensive Financial Report***

In October 2021, the GASB issued Statement No. 98, *The Annual Comprehensive Financial Report*. This Statement establishes the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments. This Statement was developed in response to concerns raised by stakeholders that the common pronunciation of the acronym for comprehensive annual financial report sounds like a profoundly objectionable racial slur. This Statement's introduction of the new

## Southeastern Wayne Sanitary District Notes to Financial Statements

term is founded on a commitment to promoting inclusiveness. The requirements of this Statement are effective for fiscal years ending after December 15, 2021. Earlier application is encouraged. The District implemented this statement for the year ended June 30, 2021, which did not have any affect on the District's financial reporting for June 30, 2021.

### ***13. Reclassifications***

Certain reclassifications have been made to the 2020 comparative information to conform to the 2021 presentation. Such reclassifications have no effect on change in net position or total net position.

## **NOTE II – DETAIL NOTES ON ALL FUNDS**

### ***A. Assets***

#### ***1. Deposits***

All the deposits of the District are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the District's agents in the unit's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the District, these deposits are considered to be held by the District's 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 District or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the District under the Pooling Method, the potential exists for under-collateralization. This risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The District has no formal policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The District complies with the provision of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2021, the District's deposits had a carrying amount of \$6,410,735 and a bank balance of \$6,428,551. Of the bank balances, up to \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. The District maintained \$411 in cash on hand at June 30, 2021.

At June 30, 2020, the District's deposits had a carrying amount of \$5,456,557 and a bank balance of \$5,471,227. Of the bank balances, up to \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. The District maintained \$411 in cash on hand at June 30, 2020.



## Southeastern Wayne Sanitary District Notes to Financial Statements

### 2. Investments

As of June 30, 2021, the District had the following investment and maturities:

Investment by Type	Valuation Measurement Method	Book Value	Maturity	Rating
NC Capital Management Trust - Government Portfolio	Fair Value Level I	\$ 2,300,148	N/A	AAA
Total		\$ 2,300,148	N/A	AAA

As of June 30, 2020, the District had the following investment and maturities:

Investment by Type	Valuation Measurement Method	Book Value	Maturity	Rating
NC Capital Management Trust - Government Portfolio	Fair Value Level I	\$ 2,299,782	N/A	AAA
Total		\$ 2,299,782	N/A	AAA

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.

Level of fair value hierarchy: Level 1 debt securities are valued using directly observable, quoted priced (unadjusted) in active markets for identical assets. Level 2 debt securities are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' benchmark quoted prices.

*Interest Rate Risk:* As means of limiting its exposure to fair value losses arising from rising interest rates, the District's investment policy limits the District's investment portfolio to maturities of less than 12 months. Also the District's investment policy requires purchases of securities to be tiered with staggered maturity dates and limits all securities to a final maturity of less than three years.

*Credit Risk:* The District limits 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. State law limits investments in commercial paper to the top rating issued by nationally recognized statistical rating organizations (NRSRO's); however the District has no formal policy of managing credit risk. The District's investment in the NC Capital Management Trust Governmental Portfolio carried a credit rating of AAAm by Standard and Poor's and AAAm-mf by Moody's Investors Service as of June 30, 2021 and 2020.

**Southeastern Wayne Sanitary District**  
**Notes to Financial Statements**

**3. Capital Assets**

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

	Beginning Balance 7/1/20	Increases	Decreases	Ending Balance 6/30/21
Capital assets not being depreciated				
Land	\$ 392,289	\$ -	\$ -	\$ 392,289
Construction in progress	2,946,791	185,589	2,946,791	185,589
Total capital assets not being depreciated	3,339,080	185,589	2,946,791	577,878
Capital assets being depreciated				
Utility plant and water lines	29,678,934	3,302,405	-	32,981,339
Buildings	351,876	-	-	351,876
Furniture and equipment	181,797	-	-	181,797
Utility vehicles	139,384	55,016	37,302	157,098
Tools and equipment	60,039	33,971	-	94,010
Leasehold improvements	86,447	-	-	86,447
Total capital assets being depreciated	30,498,477	3,391,392	37,302	33,852,567
Less accumulated depreciation				
Utility plant and water lines	10,298,376	817,558	-	11,115,934
Buildings	61,579	8,797	-	70,376
Furniture and equipment	176,566	1,184	-	177,750
Utility vehicles	100,604	33,032	37,302	96,334
Tools and equipment	44,438	4,823	-	49,261
Leasehold improvements	43,260	5,565	-	48,825
Total accumulated depreciation	10,724,823	870,959	37,302	11,558,480
Total capital assets being depreciated, net	19,773,654	2,520,433	-	22,294,087
Total capital assets, net	\$ 23,112,734	\$ 2,706,022	\$ 2,946,791	\$ 22,871,965

## Southeastern Wayne Sanitary District

### Notes to Financial Statements

Capital asset activity for the fiscal year ended June 30, 2020 was as follows:

	Beginning Balance 7/1/19	Increases	Decreases	Ending Balance 6/30/20
Capital assets not being depreciated				
Land	\$ 392,289	\$ -	\$ -	\$ 392,289
Construction in progress	4,090,453	2,953,800	4,097,462	2,946,791
Total capital assets not being depreciated	4,482,742	2,953,800	4,097,462	3,339,080
Capital assets being depreciated				
Utility plant and water lines	25,384,100	4,294,834	-	29,678,934
Buildings	351,876	-	-	351,876
Furniture and equipment	175,876	5,921	-	181,797
Utility vehicles	139,384	-	-	139,384
Tools and equipment	60,039	-	-	60,039
Leasehold improvements	86,447	-	-	86,447
Total capital assets being depreciated	26,197,722	4,300,755	-	30,498,477
Less accumulated depreciation				
Utility plant and water lines	9,652,793	645,583	-	10,298,376
Buildings	52,782	8,797	-	61,579
Furniture and equipment	175,648	918	-	176,566
Utility vehicles	67,355	33,249	-	100,604
Tools and equipment	39,392	5,046	-	44,438
Leasehold improvements	37,695	5,565	-	43,260
Total accumulated depreciation	10,025,665	699,158	-	10,724,823
Total capital assets being depreciated, net	16,172,057	3,601,597	-	19,773,654
Total capital assets, net	\$ 20,654,799	\$ 6,555,397	\$ 4,097,462	\$ 23,112,734

### Construction Commitments

The District has active construction projects as of June 30, 2021. At year-end, the District's commitments with contractors are as follows:

	Spent-to-date	Remaining Commitment
Contract No. 152 and 157 Standby Power System	\$ 161,689	\$ 78,311
Contract No. 159 Standby Power System	23,750	340,931
Contract No. 161 South Ridge MHP	150	49,631
Total	\$ 185,589	\$ 468,873

## Southeastern Wayne Sanitary District

### Notes to Financial Statements

#### **B. Liabilities**

##### **1. Risk Management**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to contract laborers; and natural disasters. The District maintains commercial insurance coverage for all risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. District owned facilities and properties are not located within a designated flood plan. Based upon this designation, the District has not purchased flood insurance through the National Flood Insurance Plan. In accordance with G.S. 159-29, District employees that have access to \$100 or more at any given time of the District's funds are performance bonded through a blanket commercial surety bond. District board members are performance bonded through a commercial surety bond in the amount of \$250,000 for each member. The Finance Officer is bonded at \$250,000.

##### **2. Long-term Debt**

Long-term debt consists of the following at June 30:

<b>Direct Borrowings:</b>	<b>2021</b>	<b>2020</b>
NC Department of Environment Quality, \$213,325, due in annual principal installments of \$10,543 through May 2030, interest at 0%	\$ 94,892	\$ 105,436
Water and Sewer Revenue Bonds, \$3,529,000, issued October 2013 and sold to USDA, due in annual principal installments beginning June 2016 annual interest of 3.25%, final maturity in June 2053	3,214,000	3,271,000
NC Department of Environment Quality, \$609,379, due in annual principal installments of \$46,340 through May 2026, interest at 0%	231,699	278,038
NC Department of Environment Quality, \$609,379, due in annual principal installments of \$62,481 through May 2036, interest at 0%	1,042,310	1,004,383
NC Department of Environment Quality, \$609,379, due in annual principal installments of \$40,838 through May 2036, interest at 0%	705,345	670,699
NC Department of Environment Quality, \$3,707,485, due in annual principal installments of \$190,000 through May 2037, interest at 0%	3,040,000	3,230,000
	<b>8,328,246</b>	<b>8,559,556</b>
Less current maturities	<b>(397,866)</b>	<b>(407,202)</b>
	<b>\$ 7,930,380</b>	<b>\$ 8,152,354</b>

## Southeastern Wayne Sanitary District Notes to Financial Statements

Estimated maturities of long-term debt for the next five fiscal years and thereafter are as follows:

Year Ending June 30,	Principal	Interest	Total
2022	\$ 397,866	\$ 104,454	\$ 502,320
2023	399,865	102,538	502,403
2024	401,865	100,555	502,420
2025	403,865	98,508	502,373
2026	405,865	96,395	502,260
2027-2031	1,819,083	447,980	2,267,063
2032-2036	1,840,909	384,345	2,225,254
2037-2041	1,063,928	309,563	1,373,491
2042-2046	593,000	221,845	814,845
2047-2051	693,000	119,145	812,145
2052-2053	309,000	15,144	324,144
<b>Total</b>	<b>\$ 8,328,246</b>	<b>\$ 2,000,472</b>	<b>\$ 10,328,718</b>

Interest expense incurred by the District for the year ended June 30, 2021 and 2020 was \$106,154 and \$107,946, respectively.

The District is in compliance with the covenants as to Rates and Charges in Section 5.01 of the Bond Order, authorizing the issuance of the Water and Sewer Revenue Bonds, Series 2014. Section 5.01 of the Bond Order requires that net revenues for each fiscal year shall not be less than one hundred ten percent (110%) of the debt service requirements for such fiscal year.

Operating revenues	\$ 2,779,061
Operating expenses *	1,427,694
Operating income	<u>1,351,367</u>
Non-operating revenues (expenses) **	<u>94,664</u>
Income available for debt service	1,446,031
Debt service, principal and interest paid (Revenue bonds only)	163,308
Subordinated debt service, principal and interest paid	338,865
Revenue bond debt service coverage ratio	885%
Subordinated debt service coverage ratio	427%

\* Per rate covenants, this amount excludes depreciation expense of \$870,960 from total operating expenses.

\*\* Per rate covenants, total non-operating revenues excludes total interest expense of \$106,154.

## Southeastern Wayne Sanitary District

### Notes to Financial Statements

Changes in long-term debt for the fiscal year ended June 30, 2021 are as follows. The long-term outstanding as presented are classified as direct placement borrowings.

	Beginning Balance 7/1/20	Increases	Decreases	Ending Balance 6/30/21	Due within one year
NC DEQ	\$ 105,436	\$ -	\$ 10,544	\$ 94,892	\$ 10,544
NC DEQ	278,038	-	46,339	231,699	46,341
NC DEQ	3,230,000	-	190,000	3,040,000	190,000
NC DEQ	1,004,383	92,785	54,858	1,042,310	54,858
NC DEQ	670,699	71,769	37,123	705,345	37,123
USDA - Bonds	3,271,000	-	57,000	3,214,000	59,000
Compensated absences	34,644	1,163	-	35,807	-
<b>Total</b>	<b>\$ 8,594,200</b>	<b>\$ 165,717</b>	<b>\$ 395,864</b>	<b>\$ 8,364,053</b>	<b>\$ 397,866</b>

Changes in long-term debt for the fiscal year ended June 30, 2020 are as follows. The long-term outstanding as presented are classified as direct placement borrowings.

	Beginning Balance 7/1/19	Increases	Decreases	Ending Balance 6/30/20	Due within one year
NC DEQ	\$ 115,979	\$ -	\$ 10,543	\$ 105,436	\$ 10,543
NC DEQ	324,378	-	46,340	278,038	46,340
NC DEQ	3,388,442	31,558	190,000	3,230,000	190,000
NC DEQ	-	1,004,383	-	1,004,383	62,481
NC DEQ	-	670,699	-	670,699	40,838
USDA - Bonds	3,326,000	-	55,000	3,271,000	57,000
Compensated absences	23,254	11,390	-	34,644	-
<b>Total</b>	<b>\$ 7,178,053</b>	<b>\$ 1,718,030</b>	<b>\$ 301,883</b>	<b>\$ 8,594,200</b>	<b>\$ 407,202</b>

### 3. Contingent Liabilities

At June 30, 2021, the District was not a defendant in any lawsuits.

### NOTE III – INTERLOCAL AGREEMENT

The District, Eastern Wayne Sanitary District, Belfast-Patetown Sanitary District, Southwestern Wayne Sanitary District, and Northwestern Wayne Sanitary District operate under an agreement, whereby certain expenses which benefit all of the Districts, are shared proportionately. Each year the Districts establish a scale, based in part on net income, for determining the respective share of joint expenses. As stated in Note I, Eastern Wayne Sanitary District employs all personnel and the other Districts reimburse Eastern Wayne Sanitary District according to the predetermined scale. Shared expenses could include various expenses such as utilities, water testing, and line maintenance. Under this shared expense agreement, each District owes Eastern Wayne Sanitary District amounts related to the OPEB plan and the Local Government Employees' Retirement System (LGERS). Eastern Wayne Sanitary District bears the reporting requirements associated with payroll and benefits. The OPEB plan and the participation in the LGERS plan is in the name of Eastern Wayne Sanitary District, and therefore, the District will reimburse Eastern Wayne Sanitary

## Southeastern Wayne Sanitary District Notes to Financial Statements

District for its respective share of any OPEB costs as well as required contributions to LGERS.

Per separate agreements dated September 17, 2009 between the District, Belfast-Patetown Sanitary District and Eastern Wayne Sanitary District, the District is due amounts from each of these districts for a percentage of the debt service related to expansion of the water treatment plant. Because the asset is owned and maintained by the District, Belfast-Patetown Sanitary District and Eastern Wayne Sanitary District will pay capacity charges in amounts equal to 15.58% and 28.04%, respectively, of total debt service costs over the life of the loan. During the year ended June 30, 2021 and 2020, the District received debt service payments of \$8,881 and \$8,569, respectively; from Belfast-Patetown Sanitary District and \$15,983 and \$15,422, respectively, from Eastern Wayne Sanitary District, respectively. Interest earnings from these agreements are classified on the Statements of Revenues, Expenses and Changes of Fund Net Position as capacity charges which totaled \$24,865 and \$23,991 for 2021 and 2020, respectively.

A schedule of anticipated collections is as follows:

Year Ending June 30,	Payments due from Belfast-Patetown Sanitary District	Payments due from Eastern Wayne Sanitary District	Total
2022	\$ 9,192	\$ 16,544	\$ 25,736
2023	9,504	17,046	26,550
2024	9,815	17,665	27,480
2025	10,127	18,226	28,353
2026	10,439	18,787	29,226
2027-2031	57,178	102,906	160,084
2032-2036	67,150	120,852	188,002
2037-2041	78,834	141,882	220,716
2042-2046	92,390	166,278	258,668
2047-2051	107,969	194,317	302,286
2052-2053	47,990	86,644	134,634
<b>Total</b>	<b>\$ 500,588</b>	<b>\$ 901,147</b>	<b>\$ 1,401,735</b>

Revenue reconciliation of sales of water and revenues generated from other services provided to customers between the five districts can, at times, results in amounts due to or from Eastern Wayne to Belfast-Patetown Sanitary District, Northwestern Wayne Sanitary District, Southeastern Wayne Sanitary District and Southwestern Wayne Sanitary District. Although the District operates independently, there are times when shared costs are owed from or owed to another District.

## Southeastern Wayne Sanitary District Notes to Financial Statements

The following table outlines the amounts due to and from the District at June 30, 2021:

Due from (to):	Amount
Eastern Wayne Sanitary District	\$ 72,000
Belfast-Patetown Sanitary District	16,742
	<u>\$ 88,742</u>

The following table outlines the amounts due to and from the District at June 30, 2020:

Due from (to):	Amount
Eastern Wayne Sanitary District	\$ (6,566)
Belfast-Patetown Sanitary District	10,414
Southwestern Wayne Sanitary District	(1)
	<u>\$ 3,847</u>

### NOTE IV – LEASE INCOME

The District's leasing operations consist principally of sign rental and is shared equally among all Districts. The rental agreement outlines payments through November 2029 as shown in the following table. This table outlines the total payments and the District's share of the payments. For the fiscal years ended June 30, 2021 and 2020, lease income under this agreement, included within other income was \$653 and \$300, respectively.

Future minimum lease income is as follows:

Year Ending June 30,	100% Total	20% Share
2022	\$ 3,329	\$ 666
2023	3,396	666
2024	3,464	679
2025	3,533	693
2026	3,604	707
Thereafter	9,337	2,588
Total	<u>\$ 26,663</u>	<u>\$ 5,999</u>



## Southeastern Wayne Sanitary District Notes to Financial Statements

### NOTE V – SERVICE / LEASE COMMITMENTS

At June 30, 2021, the District had two service commitments. The first commitment is for water tank maintenance and the second is for office site maintenance. The District also has one operating lease agreement for a postage machine. These agreements require annual payments as outlined in the following table.

Year Ending June 30,	Outlaw, Bowden, #1 & Greenfield Elevated Tanks		Site Maintenance		Total
2022	\$	46,745	\$	7,980	\$ 54,725
2023		46,745		7,980	54,725
2024		46,745		5,985	52,730
2025		46,745		-	46,745
2026		46,745		-	46,745
Thereafter		140,235		-	140,235
Total	\$	373,960	\$	21,945	\$ 395,905

### NOTE VI – SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

#### *Federal and State Assisted Programs*

The District 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. Such audits could result in the refund of grant moneys to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant moneys.

### NOTE VII – SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 6, 2022, the date on which the financial statements were available to be issued and determined there were no events that occurred that required disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

**Southeastern Wayne Sanitary District**  
**Schedule of Revenues and Expenditures – Proprietary Fund**  
**Budget and Actual (Non-GAAP)**  
**For the Fiscal Year Ended June 30, 2021**  
**Schedule 1**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Revenues:</b>				
Operating revenues	\$ 2,788,000	\$ 2,811,000	\$ 2,779,061	\$ (31,939)
Non-operating revenues				
Other non-operating income	3,900	81,400	26,750	(54,650)
Interest on investments	38,000	38,000	48,567	10,567
Government grants and reimbursements	81,100	-	116,708	116,708
<b>Total revenues</b>	<b>2,911,000</b>	<b>2,930,400</b>	<b>2,971,086</b>	<b>40,686</b>
<b>Operating Expenditures:</b>				
Board of Commissioners' fees	24,000	24,000	22,606	1,394
Salaries and benefits	570,000	635,000	587,079	47,921
Accounting and auditing	17,000	17,000	9,980	7,020
Professional services	14,000	14,000	13,200	800
Office expenses	120,800	85,000	54,901	30,099
Supplies and maintenance	295,000	330,000	216,369	113,631
Tank maintenance	-	50,000	46,745	3,255
Rent	-	100	-	100
Utilities	125,000	145,000	137,683	7,317
Insurance	30,000	30,000	24,235	5,765
Bank service charges	-	30,000	22,784	7,216
Repairs and line location	180,000	180,000	87,056	92,944
GIS mapping	25,000	25,000	25,000	-
Taps installation	30,000	70,000	48,355	21,645
Telephone and radio	23,000	23,000	22,365	635
Auto, truck and travel	39,000	39,000	28,570	10,430
Water purchase	250,000	250,000	37,241	212,759
Water testing	22,000	22,000	20,496	1,504
Water rate study	5,000	5,000	5,000	-
Water supply plan	7,600	7,600	5,000	2,600
Flushing plan	10,000	10,000	-	10,000
Other operating expenses	5,400	24,000	13,029	10,971
<b>Total operating expenditures</b>	<b>1,792,800</b>	<b>2,015,700</b>	<b>1,427,694</b>	<b>588,006</b>
<b>Budgetary appropriations</b>				
Debt service - principal	410,000	410,000	395,864	14,136
Debt service - interest	110,000	110,000	106,154	3,846
Capital outlay	452,200	362,200	295,134	67,066
Contingencies	146,000	32,500	-	32,500
<b>Total budgetary appropriations</b>	<b>1,118,200</b>	<b>914,700</b>	<b>797,152</b>	<b>117,548</b>
<b>Total expenditures and appropriations</b>	<b>2,911,000</b>	<b>2,930,400</b>	<b>2,224,846</b>	<b>705,554</b>
<b>Revenues over expenditures and appropriations</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 746,240</b>	<b>\$ 746,240</b>

**Southeastern Wayne Sanitary District**  
**Schedule of Revenues and Expenditures – Proprietary Fund**  
**Budget and Actual (Non-GAAP)**  
**For the Fiscal Year Ended June 30, 2021**  
**Schedule 1**

	Actual
<b>Reconciliation from budgetary basis (modified accrual) to full accrual basis:</b>	
Revenues over expenditures and appropriations	\$ 746,240
Budgetary appropriations	
Debt service - principal	395,864
Capital outlay	295,134
Depreciation	(870,960)
Gain on disposal of asset	19,347
Capital contributions	227,784
Change in net position	\$ 813,409

**Southeastern Wayne Sanitary District**  
**Schedule of Revenues and Expenditures**  
**Budget and Actual (Non-GAAP)**  
**Water System Replacement Capital Project #141**  
**From Inception and for the Fiscal Year Ended June 30, 2021**  
**Schedule 2**

		<b>Actual</b>			<b>Variance</b>
	<b>Project</b>	<b>Prior Years</b>	<b>Current Year</b>	<b>Total to</b>	<b>Positive</b>
	<b>Authorization</b>			<b>Date</b>	<b>(Negative)</b>
<b>Expenditures:</b>					
Construction	\$ 1,872,754	\$ 1,639,591	\$ 175,007	\$ 1,814,598	\$ 58,156
Engineering	-	200,290	-	200,290	(200,290)
Technical services	-	184,208	36,120	220,328	(220,328)
Legal	-	20,048	-	20,048	(20,048)
Total expenditures	1,872,754	2,044,137	211,127	2,255,264	(382,510)
<b>Other financing sources</b>					
NCDEQ - loan	816,750	1,004,384	92,785	1,097,169	280,419
NCDEQ - grant	816,750	1,004,384	92,785	1,097,169	280,419
SEWSD local contributions	239,254	-	60,926	60,926	(178,328)
Total other financing sources	1,872,754	2,008,768	246,496	2,255,264	382,510
Expenditures (over) under other financing sources	\$ -	\$ (35,369)	\$ 35,369	\$ -	\$ -

**Southeastern Wayne Sanitary District**  
**Schedule of Revenues and Expenditures**  
**Budget and Actual (Non-GAAP)**  
**Water System Replacement Capital Project #147**  
**From Inception and for the Fiscal Year Ended June 30, 2021**  
**Schedule 3**

		<b>Actual</b>			
	<b>Project Authorization</b>	<b>Prior Years</b>	<b>Current Year</b>	<b>Total to Date</b>	<b>Variance Positive (Negative)</b>
<b>Expenditures:</b>					
Construction	\$ 829,015	\$ 723,117	\$ 48,593	\$ 771,710	\$ 57,305
Contingency	41,451	-	-	-	41,451
Engineering - Planning & Design	96,300	71,300	-	71,300	25,000
Engineering - Construction Phase	153,250	108,236	29,797	138,033	15,217
Legal/Testing	2,500	100	-	100	2,400
Closing Costs	17,201	-	-	-	17,201
Legal	15,783	8,760	-	8,760	7,023
Total expenditures	1,155,500	911,513	78,390	989,903	165,597
<b>Other financing sources (uses)</b>					
NCDEQ - loan	816,750	670,699	71,769	742,468	(74,282)
NCDEQ - grant	247,500	223,566	23,923	247,489	(11)
SEWSD local contributions	91,250	-	-	-	(91,250)
Total other financing sources	1,155,500	894,265	95,692	989,957	(165,543)
Expenditures (over) under other financing sources	\$ -	\$ (17,248)	\$ 17,302	\$ 54	\$ 54

**Southeastern Wayne Sanitary District**  
**Schedule of Revenues and Expenditures**  
**Budget and Actual (Non-GAAP)**  
**Standby Power System Capital Project #152 and #157**  
**From Inception and for the Fiscal Year Ended June 30, 2021**  
**Schedule 4**

		<b>Actual</b>			<b>Variance</b>
	<b>Project</b>	<b>Prior Years</b>	<b>Current Year</b>	<b>Total to</b>	<b>Positive</b>
	<b>Authorization</b>			<b>Date</b>	<b>(Negative)</b>
<b>Revenues:</b>					
Golden Leaf Foundation grant	\$ 240,000	\$ -	\$ 161,689	\$ 161,689	\$ (78,311)
Total revenues	240,000	-	161,689	161,689	(78,311)
<b>Expenditures:</b>					
Construction	\$ 200,810	\$ -	\$ 161,689	\$ 161,689	\$ 39,121
Contingency	17,690	-	-	-	17,690
Engineering	21,000	-	-	-	21,000
Permitting	500	-	-	-	500
Total expenditures	240,000	-	161,689	161,689	78,311
Revenues over (under) expenditures	\$ -	\$ -	\$ -	\$ -	\$ -

**Southeastern Wayne Sanitary District**  
**Schedule of Revenues and Expenditures**  
**Budget and Actual (Non-GAAP)**  
**Standby Power System Capital Project #159**  
**From Inception and for the Fiscal Year Ended June 30, 2021**  
**Schedule 5**

		Actual				
	Project Authorization	Prior Years	Current Year	Total to Date	Variance Positive (Negative)	
<b>Expenditures:</b>						
Construction	\$ 298,919	\$ -	\$ 23,750	\$ 23,750	\$ 275,169	
Engineering	65,762	-	-	-	65,762	
Total expenditures	364,681	-	23,750	23,750	340,931	
<b>Other financing sources</b>						
SEWSD local contributions	364,681	-	23,750	23,750	(340,931)	
Total other financing sources	364,681	-	23,750	23,750	(340,931)	
Expenditures (over) under other financing sources	\$ -	\$ -	\$ -	\$ -	\$ -	

**Southeastern Wayne Sanitary District**  
**Schedule of Revenues and Expenditures**  
**Budget and Actual (Non-GAAP)**  
**South Ridge MHP Capital Project #161**  
**From Inception and for the Fiscal Year Ended June 30, 2021**  
**Schedule 6**

		Actual				
	Project	Prior Years	Current Year	Total to	Variance	
	Authorization			Date	Positive	(Negative)
<b>Expenditures:</b>						
Construction	\$ 40,400	\$ -	\$ -	\$ -	\$ 40,400	
Engineering	4,181	-	-	-	4,181	
Inspection	3,030	-	-	-	3,030	
GIS	2,020	-	-	-	2,020	
Legal	150	-	150	150	-	
Total expenditures	49,781	-	150	150	49,631	
<b>Other financing sources</b>						
SEWSD local contributions	49,781	-	150	150	(49,631)	
Total other financing sources	49,781	-	150	150	(49,631)	
Expenditures (over) under other financing sources	\$ -	\$ -	\$ -	\$ -	\$ -	-



**Southeastern Wayne Sanitary District**  
**Schedule of Revenues and Expenditures**  
**Budget and Actual (Non-GAAP)**  
**Southern Wayne High School NCSR 1679 Capital Project #151**  
**From Inception and for the Fiscal Year Ended June 30, 2021**  
**Schedule 7**

		Actual				
	Project Authorization	Prior Years	Current Year	Total to Date	Variance Positive (Negative)	
<b>Expenditures:</b>						
Construction	\$ 36,310	\$ -	\$ 35,453	\$ 35,453	\$ 857	
Contingency	1,000	-	-	-	1,000	
Engineering	3,758	-	3,669	3,669	89	
Inspection	2,723	-	2,659	2,659	64	
GIS As-Built	1,816	-	1,773	1,773	43	
Total expenditures	45,607	-	43,554	43,554	2,053	
<b>Other financing sources</b>						
Daniels & Daniels Construction Co.	45,607	45,607	(2,053)	43,554	(2,053)	
Total other financing sources	45,607	45,607	(2,053)	43,554	(2,053)	
Expenditures (over) under other financing sources	\$ -	\$ 45,607	\$ (45,607)	\$ -	\$ -	

**Southeastern Wayne Sanitary District**  
**Schedule of Revenues and Expenditures**  
**Budget and Actual (Non-GAAP)**  
**Drummersville Road Estates Capital Project #160**  
**From Inception and for the Fiscal Year Ended June 30, 2021**  
**Schedule 8**

		<b>Actual</b>			
	<b>Project Authorization</b>	<b>Prior Years</b>	<b>Current Year</b>	<b>Total to Date</b>	<b>Variance Positive (Negative)</b>
<b>Expenditures:</b>					
Construction	\$ 18,750	\$ -	\$ 18,350	\$ 18,350	\$ 400
Engineering	1,941	-	1,899	1,899	42
Inspection	1,406	-	1,376	1,376	30
GIS As-Built	938	-	918	918	20
Total expenditures	23,035	-	22,543	22,543	492
<b>Other financing sources</b>					
Daniels & Daniels Construction Co.	23,035	-	22,543	22,543	(492)
Total other financing sources	23,035	-	22,543	22,543	(492)
Expenditures (over) under other financing sources	\$ -	\$ -	\$ -	\$ -	\$ -

**INDEPENDENT AUDITORS' 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**

To the Board Members of the  
Southeastern Wayne Sanitary District  
Goldsboro, 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 accompanying financial statements of Southeastern Wayne Sanitary District as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprises the Southeastern Wayne Sanitary District's basic financial statements and have issued our report thereon dated January 6, 2022.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Southeastern Wayne Sanitary District'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 Southeastern Wayne Sanitary District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Southeastern Wayne Sanitary 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 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. However, material weaknesses may exist that have not been identified.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether Southeastern Wayne Sanitary District'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 did not disclose any 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 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.

*Carr, Rigg & Ingram, P.L.L.C.*

Goldsboro, North Carolina  
January 6, 2022