

REVIEWED

By SLGFD at 11:57 am, Oct 21, 2021

**Southern Wayne
Sanitary District
Goldsboro, North Carolina
Financial Statements
For the Fiscal Year Ended
June 30, 2021**

Southern Wayne Sanitary District
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June 30, 2021

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Independent Auditors' Report

To the Board Members
Southern Wayne Sanitary District
Goldsboro, NC

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Southern Wayne Sanitary District, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Southern Wayne Sanitary District, as of June 30, 2021, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 7 and the Local Government Employee's Retirement System's Schedules of Proportionate Share of the Net Pension Asset and Contributions, on pages 24 through 27, 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 of consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Southern Wayne Sanitary District's basic financial statements. The budgetary statement is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

The budgetary statement is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements themselves and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary statement is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Nunn, Brashear, & Uzzell, P.A.

Goldsboro, North Carolina
October 8, 2021

Management's Discussion and Analysis

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

Financial Highlights

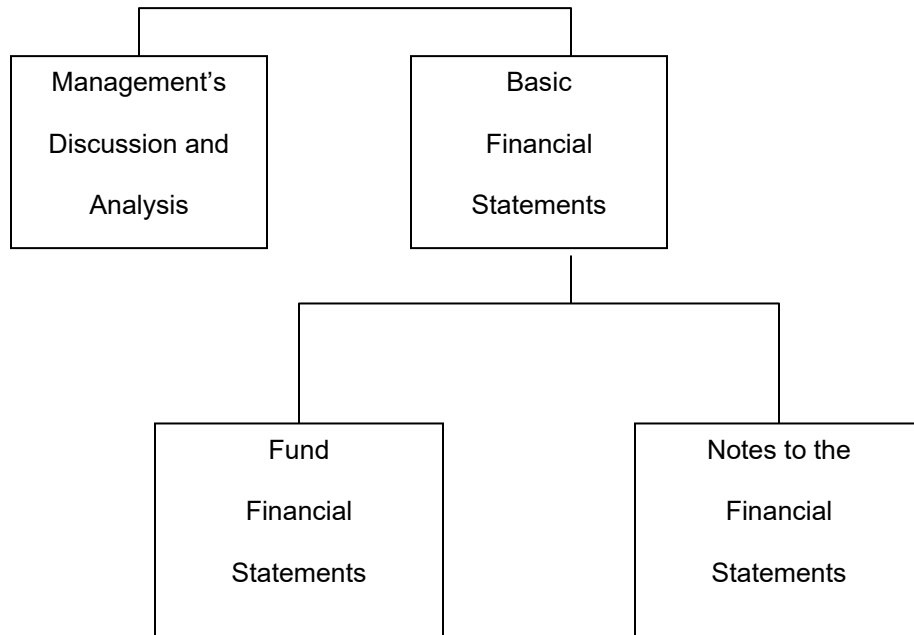
- The assets of the District exceeded its liabilities at the close of the fiscal year by \$6,404,391 (*net position*).
- The District's net position, for operations, increased by \$474,329 primarily due a capital grant and other small revenue increases.
- At the end of the current fiscal year the unrestricted net position was \$2,295,520.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to Southern Wayne Sanitary District's basic financial statements. The District's financial statements consist of two components: 1) fund financial statements, and 2) notes to the financial statements (see Figure 1). In addition to the basic financial statements, this report contains other supplemental information that will enhance the readers' understanding of the financial condition of Southern Wayne Sanitary District.

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

The (Exhibits 1 through 3) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the District's government. There is one part to the Fund Financial Statements: the proprietary fund statements.

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, supplemental information is provided to show details about the District's departments, all of which are added together in one column on the basic financial statements. Budgetary information required by the General Statutes also can be found in this part of the statements.

Fund Financial Statements

The fund financial statements (Exhibits 1 through 3) provide a more detailed look at the District's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Southern Wayne Sanitary District, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the District's budget ordinance. Southern Wayne Sanitary District has one proprietary fund.

Proprietary Fund – Southern Wayne Sanitary District has one kind of proprietary fund. Enterprise Funds are used to report the same functions presented as business-type activities in the basic financial statements. Southern Wayne Sanitary District uses an enterprise fund to account for its primary mission of providing water and sewer services to a portion of southern Wayne County. The District does not provide other general government type services or programs. The District's operations, capital expansion program and debt service are funded almost entirely through rates, fees, and other service charges for water and sewer services. As such, the District is considered to be, and therefore, presents its financial report as a stand-alone enterprise fund.

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

Basic Financial Analysis

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. Southern Wayne Sanitary District's assets exceeded liabilities by \$6,404,391 and \$5,930,062 as of June 30, 2021 and 2020, respectively. The District's net position increased by \$474,329 and \$418,925 for the fiscal years ended June 30, 2021 and 2020, respectively. At June 30, 2021, this increase is reflected in the District's Statement of Revenues and Expenditures on pages 28-29 of the financial statements. One of the largest portions \$4,108,871 (64.2%) and \$3,811,830 (64.3%) reflects the District's net investment in capital assets (e.g. sewer system) as of June 30, 2021 and 2020, respectively. The remaining balance of \$2,295,520 (35.8%) and \$2,118,232 (35.7%) as of June 30, 2021 and 2020 respectively is unrestricted.

**Southern Wayne Sanitary District
Net Position
Figure 2**

	Business- Type Activity 2021	Business- Type Activity 2020
Current assets	\$ 2,621,483	\$ 2,403,238
Capital assets	4,108,871	3,811,830
Deferred outflow of resources	47,114	53,829
Total assets and deferred outflow of resources	<u>6,777,468</u>	<u>6,268,897</u>
Current liabilities	266,914	259,423
Long-term liabilities	105,416	78,651
Deferred inflow of resources	747	761
Total liabilities and deferred inflow of resources	<u>373,077</u>	<u>338,835</u>
Net position:		
Net investment in capital assets	4,108,871	3,811,830
Unrestricted	<u>2,295,520</u>	<u>2,118,232</u>
Total net position	<u>\$ 6,404,391</u>	<u>\$ 5,930,062</u>

One particular aspect of the District's financial operations positively influenced the total unrestricted net position:

- Increased capital projects with grant funding to assist in costs.

**Southern Wayne Sanitary District
Changes in Net Position
Figure 3**

	Business- Type Activity 2021	Business- Type Activity 2020
Revenues:		
Program revenues		
Charges for services	\$ 1,609,780	\$ 1,565,179
Capital grants and contributions	116,904	0
Other	<u>64,836</u>	<u>71,425</u>
Total revenues	1,791,520	1,636,604
Expenses:		
Business-type activity	<u>1,317,191</u>	<u>1,217,679</u>
Sewer and water expenses	1,317,191	1,217,679
Increase (decrease) in net position	474,329	418,925
Net position, July 1	<u>5,930,062</u>	<u>5,511,137</u>
Net position, June 30	<u>\$ 6,404,391</u>	<u>\$ 5,930,062</u>

Business-type Activity: The business-type activity increased the District's net position by \$474,329, thereby accounting for part of the change in the net position of Southern Wayne Sanitary District. The key elements of the increase is as follows:

- The District received a capital grant from Golden Leaf Foundation.
- Increased revenues due to increased usage during the year.

The District is empowered to levy and collect taxes, but has never exercised its power to do so since it began operations in May of 1976. The District does not receive funding from any taxing authorities within its service area. The operations and capital outlay are funded almost entirely from fees charged to customers for water, sewer, and other related services. Other related type charges include temporary services, service charges, tap-on fees, refunds, and lease income. As such, the District's revenue stream is impacted by fluctuations in demand for water and sewer services and other economic factors.

Financial Analysis of the District's Fund

As noted earlier, Southern Wayne Sanitary District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Proprietary Fund: Southern Wayne Sanitary District's proprietary fund provides the same type of information found in the basic financial statements but in more detail. Unrestricted net position was \$2,295,520 at the end of the fiscal year. Other factors concerning the finances of this fund have already been addressed in the discussion of Southern Wayne Sanitary District's business-type activity.

Capital Asset Administration

Capital assets: Southern Wayne Sanitary District's capital assets for its business-type activity as of June 30, 2021, totals \$4,108,871 (net of accumulated depreciation). These assets include water/sewer system, buildings, machinery and equipment, and vehicles.

Major capital asset transactions during the year include:

- Standby generators at a cost of \$117,714 of which \$116,904 was paid by grant funding.
- Herring Mill Project costs of \$101,663.
- Vehicles replaced at a cost of \$61,426

Southern Wayne Sanitary District's Capital Assets (net of depreciation)

Figure 4

	Business- Type Activity 2021	Business- Type Activity 2020
Land	\$ 68,756	\$ 68,756
Capital assets	8,645,005	8,259,860
Vehicles	93,574	70,941
Less: Accumulated Depreciation	<u>(4,698,464)</u>	<u>(4,587,727)</u>
	<u>\$ 4,108,871</u>	<u>\$ 3,811,830</u>

Additional information on the District's capital assets can be found in Note E, 4 and II, 2 of the Basic Financial Statements.

Outlook for the Next Year

The 2021-2022 budgets approved for the District are operating revenues of \$1,510,000 and non-operating revenues of \$41,400, for a total of \$1,551,400, which is an increase of \$60,000, 4.02%, from the prior year final budget. Expenses are budgeted at \$2,283,200, which is an increase of \$375,000, (19.65%), from the prior year budget. Capital outlay is budgeted at \$1,000,000, which is an increase of \$350,000, (53.85%), from prior year budget. To balance the budget, the District appropriated \$731,800, which is an increase in appropriations from the prior year budget of \$315,000, (75.58%). The District did not use any appropriations that were budgeted during the 2020-2021 fiscal year.

The revenues were budgeted with an increase, especially for sewer revenues. The District has had an increase in sewer service costs and is passing the costs on to the sewer recipients. The increase in the capital outlay and appropriations is to finance capital improvements without seeking any financial debt to assist with the costs.

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 Southern Wayne Sanitary District, Attn: Scott Ingram, Finance Officer, 1370 Old Grantham Road, Goldsboro, NC 27530, (919) 731-2520, www.southernwaynesanitary.com.

Basic Financial Statements

Southern Wayne Sanitary District
Statement of Net Position
Proprietary Fund
June 30, 2021

	2021
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 2,197,697
Accounts receivable - trade	189,977
Sales tax receivable	23,144
Restricted cash	210,665
Total current assets	2,621,483
Noncurrent assets:	
Capital assets:	
Land and non-depreciable improvements	68,756
Other capital assets	8,738,579
	8,807,335
Less accumulated depreciation	(4,698,464)
Total capital assets	4,108,871
Total assets	6,730,354
Deferred Outflows of Resources	
Pension deferrals	47,114
LIABILITIES	
Current liabilities:	
Accounts payable	31,512
Accrued vacation pay	5,487
Accrued salaries	9,008
Accrued payroll withholdings	10,242
Payable from restricted assets:	
Customer meter deposits	210,665
Total current liabilities	266,914
Long-term liabilities:	
Net pension liability	105,416
Total liabilities	372,330
Deferred Inflows of Resources	
Pension deferrals	747
NET POSITION	
Net investment in capital assets	4,108,871
Unrestricted	2,295,520
Total net position	\$ 6,404,391

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

Southern Wayne Sanitary District
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Fund
For the Year Ended June 30, 2021

		2021
OPERATING REVENUES		
Charges for services:		
Customer water and sewer charges	\$	1,298,804
Temporary water charges		1,836
Service charges		19,645
Tap fees		8,500
Sewage		280,631
Damages		364
Total operating revenues		1,609,780
OPERATING EXPENSES		
Board of Commissioners' fees		16,200
Employee wages		199,993
Professional services		15,637
Payroll taxes		15,562
Fringe benefits		104,437
Telephone and postage		17,560
Utilities		45,166
Travel		1,995
Building and ground maintenance		45,535
Equipment maintenance		149,905
Vehicle maintenance		635
Work truck fuel		4,512
License fees and dues		3,999
Advertising		193
Office supplies		37,956
General/heating supplies		3,753
Chemical supplies		34,637
Water testing supplies		16,608
Contract services		18,000
Insurance and bonds		20,097
Miscellaneous		2,089
Sewage costs		316,289
Sewer maintenance		4,970
Bank service charges		2,417
Online charges		25,467
Bad debt expense		11,035
Depreciation		202,544
Total operating expenses		1,317,191
Operating income (loss)	\$	292,589

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

Southern Wayne Sanitary District
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Fund
For the Year Ended June 30, 2021

	2021
NONOPERATING REVENUES (EXPENSES)	
Bad debt recovery	\$ 421
Lease income	42,435
Miscellaneous items	16,654
Capital contribution - Golden Leaf Grant	116,904
Gain (loss) on disposal of assets	5,326
Total Nonoperating revenues (expenses)	181,740
Change in net position	474,329
Total net position - beginning	5,930,062
Total net position - ending	\$ 6,404,391

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

Southern Wayne Sanitary District
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2021

	2021
Cash flows from (used for) operating activities:	
Charges for services	\$ 1,584,202
Cash paid for goods and services	(798,090)
Cash paid for employees for services	(286,473)
Customer meter deposits	13,858
Net cash used for operating activities	513,497
Cash flows from noncapital financing activities:	
Bad debt recovery	421
Lease income	42,435
Miscellaneous income	16,652
Net cash provided by noncapital financing activities	59,508
Cash flows from (used for) capital and related financing activities:	
Acquisition of capital assets	(501,281)
Capital contribution - Golden Leaf Grant	116,904
Proceeds from sale of assets	7,025
Net cash used for capital and related financing activities	(377,352)
Net increase (decrease) in cash and cash equivalents	195,653
Cash and cash equivalents, July 1	2,212,709
Cash and cash equivalents, June 30	\$ 2,408,362
Reconciliation of operating loss to net cash used for operation activities:	
Operating income (loss)	\$ 292,589
Adjustments to reconcile operating loss to net cash used for operating activities:	
Depreciation	202,544
(Increase) decrease in operating assets	
Accounts receivable - trade	(25,578)
Sales tax receivable	(917)
Prepaid expenses	3,902
Deferred outflows of resources for pensions	6,715
Increase (decrease) in operating liabilities	
Accounts payable	(8,414)
Accrued vacation	(3,610)
Accrued salaries	1,584
Accrued payroll withholdings	4,073
Customer meter deposits	13,858
Net pension liability	26,765
Deferred inflows of resources for pensions	(14)
Net cash used for operating activities	\$ 513,497

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

Southern Wayne Sanitary District

Notes to the Financial Statements

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Southern 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

Southern Wayne Sanitary District exists to provide and maintain a water and sewer 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. Southern Wayne Sanitary District is governed by a five member board. These financial statements are comprised solely of the District.

B. Basis of Presentation

The Statements of Net Position and the Statements of Revenues, Expenses and Changes in 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 has no fiduciary funds to report.

The District reports the following major proprietary fund:

Enterprise Fund – This fund is used to account for the Districts water and sewer 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 funds are 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.

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 and sewer service. The District also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water and sewer system.

Southern Wayne Sanitary District Notes to the Financial Statements

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 budget is adopted as required by the North Carolina General Statutes. An annual budget is adopted for the Enterprise Fund. All annual appropriations lapse at the fiscal-year end. The budget is prepared using the modified accrual basis of accounting.

Expenditures may not legally exceed appropriations at the account level for the Enterprise Fund. The Finance Officer is authorized by the budget ordinance to transfer appropriations between accounts within a fund up to \$5,000, however, any revisions that alter the total expenditures or change account appropriations by more the \$5,000 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 request 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.

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 District held no investments at any point during the year ended June 30, 2021.

2. Cash and Cash Equivalents

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

Southern Wayne Sanitary District

Notes to the Financial Statements

3. Accounts Receivable

The District believes all future uncollectible amounts will be immaterial as all previous uncollectible amounts have been immaterial in nature. Therefore, no allowance for doubtful accounts is presented.

4. Capital Assets

Property, plant and equipment of the District are recorded at original cost at the time of the acquisition or construction. Donated property, plant and equipment received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated property, plant and equipment received after June 15, 2015 are recorded at acquisition value. The District capitalizes expenditures for property and equipment in excess of \$2,500, 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 assets' lives 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.

Plants assets of the District are depreciated on a straight-line basis for water and sewer lines, at an estimated useful life of 50 years. 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>
Buildings	50 years
Machinery and equipment	10 years
Wells, tanks, water and sewer lines	50 years
Furniture and office equipment	5-10 years
Automobiles and light trucks	5 years

5. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The District has one item that meets this criterion – contributions made to the pension plan and pension related deferrals during the year ended June 30, 2021. In addition to liabilities, the statement of financial position will sometimes report a separate section to 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 the criterion for this category – pension deferrals.

6. Restricted Cash

Customer deposits held by the District before any services are provided are restricted to the service for which the deposit was collected. Restricted assets consist of cash deposited from the receipt of meter deposits of \$210,665 as of June 30, 2021. Upon termination of service meter deposits are applied to any unpaid balance and the remainder is refunded to the customer.

Southern Wayne Sanitary District Notes to the Financial Statements

7. Compensated Absences

The vacation policy of the District provides for the accumulation of up to 240 hours earned vacation leave with such being fully vested when earned. Vacation is earned on the employee's anniversary year basis. The liability was \$5,487 for the District as of June 30, 2021.

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

8. Accrued Salaries

The District pays employees on a bi-weekly payroll cycle. As of June 30, 2021, accrued salaries for the District totaled \$9,008.

9. 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. The District does not have any restricted net position as of the year ended June 30, 2021.

10. Defined Benefit Pension

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

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.

Southern Wayne Sanitary District Notes to the Financial Statements

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 \$2,408,362 and a bank balance of \$2,416,553. All of the District's deposits were covered by federal depository insurance and the Pooling Method. The District maintained \$100 in cash on hand at June 30, 2021.

2. Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 68,756	\$ -	\$ -	\$ 68,756
Total capital assets not being depreciated	68,756	-	-	68,756
Capital assets being depreciated:				
Water and sewer facilities	8,173,334	439,857	44,917	8,568,274
Furniture and equipment	86,526	-	9,796	76,730
Vehicles	70,941	61,426	38,792	93,575
Total capital assets being depreciated	\$ 8,330,801	\$ 501,283	\$ 93,505	\$ 8,738,579

**Southern Wayne Sanitary District
Notes to the Financial Statements**

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Accumulated depreciation:				
Water and sewer facilities	\$ 4,475,259	\$ 187,877	\$ 43,507	\$ 4,619,629
Furniture and equipment	68,854	2,436	9,508	61,782
Vehicles	43,614	12,231	38,792	17,053
Total accumulated depreciation	<u>4,587,727</u>	202,544	91,807	<u>4,698,464</u>
Total capital assets being depreciated, net	<u>3,743,074</u>			<u>4,040,115</u>
Total capital assets, net	<u>\$ 3,811,830</u>			<u>\$ 4,108,871</u>

B. Liabilities

1. Payables

The District has credit cards with various businesses and a financial institution for use by the General Manager and office staff when needed for approved expenses. The outstanding balances are paid in full each month. Credit lines at the end of the year total \$13,700.

2. Pension Plan Obligations

a. Local Governmental Employees' Retirement System

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

Benefits Provided. LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation is calculated as the average of a creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service. Survivors benefits are available to eligible beneficiaries of

Southern Wayne Sanitary District Notes to the Financial Statements

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

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. District employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The District's contractually required contribution rate for the year ended June 30, 2021, was 10.15%, for general employees, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. An additional .050% was also contributed for the death benefit associated with the LGERS pension. Contributions to the pension plan from the District were \$20,456 for the year ended June 30, 2021.

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

Pension Liabilities, Pension income, and Deferred Outflows of Resources and Deferred inflows of Resources Related to Pensions

At June 30, 2021, the District reported a liability of \$105,416, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2019. The total pension liability was then rolled forward to the measurement date of June 30, 2020 utilizing update procedures incorporating the actuarial assumptions. The District's proportion of the net pension liability was based on a projection of the District's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2020 (measurement date), the District's proportion was .00295%, which was an increase of .00007% from its proportion measured as of June 30, 2019.

Southern Wayne Sanitary District Notes to the Financial Statements

For the year ended June 30, 2021, the District recognized pension expense of \$53,922 which has been reported on the statement of revenues, expenses and changes in net position within fringe benefits. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 13,312	\$ -
Changes in assumption	7,845	-
Net difference between projected and actual earnings on pension plan investments	14,834	-
Changes in proportion and differences between District contributions and proportionate share of contributions	5,822	747
District contributions subsequent to measurement date	5,301	-
Total	\$ 47,114	\$ 747

For fiscal years ended June 30, 2021 \$5,301 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ended June 30,	
2022	\$ 11,938
2023	15,675
2024	9,064
2025	4,389
Thereafter	-
	\$ 41,066

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

Inflation	3.0 percent
Salary increases	3.5 to 8.1 percent, including inflation and productivity factor
Investment rate of return	7.00 percent, net of pension plan investment expense, including inflation

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

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

Southern Wayne Sanitary District Notes to the Financial Statements

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2020 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternative	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	6.0%	4.0%
Total	<u>100.0%</u>	

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

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

Sensitivity of the District's proportionate share of the net pension asset to changes in the discount rate. The following presents the District's proportionate share of the net pension asset calculated using the discount rate of 7.00 percent, as well as what the District's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that

Southern Wayne Sanitary District Notes to the Financial Statements

is one percentage point lower (6.00 percent) or percentage point higher (8.0 percent) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
District's proportionate share of net pension liability (asset)	\$ 213,878	\$ 105,416	\$ 15,277

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

3. Other Employment Benefit

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

4. 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. There have been no significant reductions in insurance coverage in the prior year and settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The District is not in an area of the State that has been mapped and designated an "A" area (an area close to a river, lake or stream) by the Federal Emergency Management Agency and does not carry flood insurance.

In accordance with G.S. 159-29, the District's employees that have access to \$100 or more at any given time of the District's funds are performance bonded through a commercial surety bond. The Finance Officer and Assistant Finance Officer is bonded for \$100,000. The remaining employees that have access to funds are bonded under a blanket bond for \$50,000.

Southern Wayne Sanitary District
Notes to the Financial Statements

NOTE III – LEASE INCOME

The District’s leasing operations consist of one lease in which a portion of space on one of the District’s water towers is leased for the purpose of installing, maintaining, operating and removing radio communication equipment. The initial lease term expired in April 2011 and the District opted to renew for an additional five years. The District has continued to renew the lease at each five year increment. The current lease term will expired in April of 2026. Rent received will increase each additional extension term. For the fiscal year ended June 30, 2021, lease income under this agreement was \$42,435.

A summary of the expected lease revenues to be received for the fiscal year (lease term remaining) are as follows:

Year Ending June 30,	Payment
2022	\$ 47,610
2023	47,610
2024	47,610
2025	47,610
2026	35,708
	\$ 226,148

NOTE IV – SUBSEQUENT EVENT

Management has evaluated subsequent events through October 8, 2021, the date on which the financial statements were available to be issued. Significant subsequent event is noted below:

COVID 19

The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of various businesses. During the 2020/2021 fiscal year, the Governor of North Carolina issued executive order 124/142. The order prohibited utility providers from disconnecting customers unable to pay during the COVID-19 pandemic and from collecting fees, penalties, or interest for late payments. Because the District had a rate increase this order did not affect the revenues of the District. Recent increase in COVID-19 cases in North Carolina could compel the Governor of North Carolina to issue a similar order. The uncertainty and disruption is expected to be temporary; however, the related financial impact and duration cannot be reasonably estimated at this time.

Required Supplementary Information

Schedule of District Proportionate Share of the Net Pension Liability (Asset)
Local Government Employees' Retirement System

Schedule of District Contributions
Local Government Employees' Retirement System

Southern Wayne Sanitary District
Schedule of the District's Proportionate Share of the Net Pension Liability (Asset)
 Local Governmental Employees' Retirement System
 Last Eight Fiscal Years *

	2021	2020
District's proportion of the net pension liability (asset) %	0.00295%	0.00288%
District's proportionate share of the net pension liability (asset) \$	\$ 105,416	\$ 78,651
District's covered employee payroll	\$ 197,047	\$ 165,957
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	53.498%	47.392%
Plan fiduciary net position as a percentage of the total pension liability	88.610%	90.860%

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

Note: Southern Wayne Sanitary District implemented GASB Statement No. 68 for the fiscal year ended June 30, 2015; therefore, ten years of data is not yet available.

2019	2018	2017	2016	2015	2014
0.00201%	0.00152%	0.00210%	0.00198%	-0.00196%	0.00182%
\$ 47,684	\$ 23,221	\$ 44,569	\$ 8,886	\$ (11,559)	\$ 10,750
\$ 150,524	\$ 142,210	\$ 143,315	\$ 141,537	\$ 145,820	\$ 122,165
31.679%	16.329%	31.099%	6.280%	-7.930%	8.800%
91.630%	94.180%	91.470%	98.090%	102.640%	94.350%

Southern Wayne Sanitary District
Schedule of District Contributions
Local Governmental Employees' Retirement System
Last Eight Years

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Contractually required contribution	\$ 20,269	\$ 17,089	\$ 12,490
Contributions in relation to the contractually required contribution	<u>20,456</u>	<u>16,991</u>	<u>12,428</u>
Contribution deficiency (excess)	<u>\$ (187)</u>	<u>\$ 98</u>	<u>\$ 62</u>
District's covered-employee payroll	\$ 200,545	\$ 188,834	\$ 159,719
Contributions as a percentage of covered-employee payroll	10.200%	8.998%	7.781%

Note: Southern Wayne Sanitary District implemented GASB Statement No. 68 for the fiscal year ended June 30, 2015; therefore, ten years of data is not yet available.

<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
\$ 10,810	\$ 10,127	\$ 11,030	\$ 10,007	\$ 8,536
<u>10,810</u>	<u>10,127</u>	<u>11,030</u>	<u>10,007</u>	<u>8,536</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 150,524	\$ 142,210	\$ 143,315	\$ 141,537	\$ 145,820
7.182%	7.121%	6.830%	7.070%	7.100%

Budgetary Statement

Southern Wayne Sanitary District
Goldsboro, North Carolina
Statement of Revenues and Expenditures-Budget and Actual-(Non-GAAP)
For the Year Ended June 30, 2021

	2021		Variance Positive (Negative)
	Final Budget	Actual	
Operating Revenues:			
Operating revenues	\$ 1,450,000	\$ 1,609,780	\$ 159,780
Total operating revenues	<u>1,450,000</u>	<u>1,609,780</u>	<u>159,780</u>
Other Revenues:			
Bad debt recovery	-	421	421
Lease income	41,400	42,435	1,035
Sale of assets	-	7,025	7,025
Capital contribution - Golden Leaf Grant	-	116,904	116,904
Miscellaneous items	-	16,654	16,654
Total other revenues	<u>41,400</u>	<u>183,439</u>	<u>142,039</u>
Expenditures:			
Board of Commissioners' fees	16,200	16,200	-
Employee wages	215,000	203,602	11,398
Professional services	18,000	15,637	2,363
Payroll taxes	20,000	15,562	4,438
Fringe benefits	75,000	70,971	4,029
Telephone and postage	22,000	17,560	4,440
Utilities	55,000	45,166	9,834
Travel	6,000	1,995	4,005
Building and ground maintenance	80,000	45,535	34,465
Equipment maintenance	193,000	149,905	43,095
Vehicle maintenance	3,000	635	2,365
Work truck fuel	12,000	4,512	7,488
License fees and dues	6,000	3,999	2,001
Advertising	1,000	193	807
Office supplies	40,000	37,956	2,044
General/heating supplies	5,000	3,753	1,247
Chemical supplies	42,000	34,637	7,363
Contract services	40,000	18,000	22,000
Insurance and bonds	22,000	20,097	1,903
Miscellaneous	4,000	2,088	1,912
Sewage and maintenance costs	338,000	337,868	132
Bank service charges	4,000	2,419	1,581
Online charges	29,000	25,467	3,533
Bad debt expense	12,000	11,035	965
Total operating expenditures	<u>\$ 1,258,200</u>	<u>\$ 1,084,792</u>	<u>\$ 173,408</u>

Southern Wayne Sanitary District
Goldsboro, North Carolina
Statement of Revenues and Expenditures-Budget and Actual-(Non-GAAP)
For the Year Ended June 30, 2021

	2021		Variance
	Final	Actual	Positive
	Budget		(Negative)
Budgetary Appropriations:			
Capital outlay	\$ 650,000	\$ 501,282	\$ 148,718
Fund balance appropriated	(416,800)	-	(416,800)
Total budgetary appropriations	233,200	501,282	(268,082)
Total expenditures and appropriations	1,491,400	1,586,074	(94,674)
Excess of revenues over			
(under) expenditures	\$ -	\$ 207,145	\$ 207,145

	2021
	Total
Reconciliation of modified accrual basis to full accrual basis:	
Total revenues	\$ 1,793,219
Total expenditures	1,586,074
Excess of revenues over (under) expenditures	207,145
Capital outlay	501,282
Depreciation	(202,544)
Gain/(loss) on disposal of asset	(1,697)
Increase (decrease) in deferred outflows of resources - pensions	(6,715)
(Increase) decrease in net pension liability	(26,765)
(Increase) decrease in deferred inflows of resources - pensions	14
(Increase) decrease in accrued vacation pay	3,609
Change in net position	\$ 474,329

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Communication of No Material Weaknesses in a Separate Report

Board Members and Clifford Newby Jr., General Manager
Southern Wayne Sanitary District
Goldsboro, North Carolina

In planning and performing our audit of the financial statements of the business-type activities of Southern Wayne Sanitary District as of and for the year ended June 30, 2021, in accordance with auditing standards generally accepted in the United States of America, we considered Southern 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Southern Wayne Sanitary District's internal control. Accordingly, we do not express an opinion on the effectiveness of Southern 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.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. 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.

This communication is intended solely for the information and use of management, Board Members, and others within Southern Wayne Sanitary District, and is not intended to be and should not be used by anyone other than these specified parties.

Nunn, Brashear, & Uzzell, P.A.

Goldsboro, North Carolina
October 8, 2021

MEMBERS

AMERICAN INSTITUTE OF CPA'S

N.C. ASSOCIATION OF CPA'S

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Communication with Those Charged with Governance at the Conclusion of the Audit

October 8, 2021

Board Members
Southern Wayne Sanitary District
Goldsboro, North Carolina

We have audited the financial statements of the business-type activities of Southern Wayne Sanitary District for the year ended June 30, 2021. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated February 18, 2019 and our contract dated April 26, 2021. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Southern Wayne Sanitary District are described in Note I to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2021. We noted no transactions entered into by Southern Wayne Sanitary District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the Southern Wayne Sanitary District's financial statements was:

Management's estimate of the depreciable lives of property and equipment is based on the estimated useful life of the asset. We evaluated the key factors and assumptions used to develop the depreciable lives in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was:

The disclosure of risk management in Note II, B, 4 to the financial statements describes the District's exposure to various risks and how these risks are addressed.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole. A schedule of corrected adjustments is attached.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 8, 2021.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to Southern Wayne Sanitary District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Southern Wayne Sanitary District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to management's discussion and analysis and pension schedules, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on budgetary statements which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the use of Board of Directors and management of Southern Wayne Sanitary District and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Nunn, Brashear, & Uzzell, P.A.

Adjusting Journal Entries:

Adjusting Journal Entries JE # 1			
To adjust for LGERS pension.			
265	265 -+ Deferred Inflow of Resources	14.00	
950	Pension Expense	33,466.00	
165	165 -+ Deferred Outflows of Resources		6,715.00
212	212 -+ Net Pension Liability		26,765.00
Total		33,480.00	33,480.00
Adjusting Journal Entries JE # 2			
To adjust accrued payroll to actual.			
502	502 -+ Employee Wages	1,584.00	
207	207 -+ Accrued Payroll		1,584.00
Total		1,584.00	1,584.00
Adjusting Journal Entries JE # 3			
PBC-To adjust vacation accrual per client.			
206	206 -+ Accrued Vacation	3,609.43	
502	502 -+ Employee Wages		3,609.43
Total		3,609.43	3,609.43
Adjusting Journal Entries JE # 4			
To add items found on search for unrecorded liabilities.			
515	515 -+ Building & Grounds Maintenance	1,150.00	
532	532 -+ Office Supplies	950.62	
200	200 -+ Accounts Payable - Trade		950.62
200	200 -+ Accounts Payable - Trade		1,150.00
Total		2,100.62	2,100.62
Adjusting Journal Entries JE # 5			
To reclass items from Capital Outlay to assets, record disposals, and depreciation..			
150	150 -+ General Fixed Assets	35,223.64	
151	151 -+ Accum. Depreciation - Gen Fixed	9,508.02	
151	151 -+ Accum. Depreciation - Gen Fixed	38,792.30	
151	151 -+ Accum. Depreciation - Gen Fixed	43,504.90	
154	154 -+ Autos & Trucks	61,426.02	
159	159 -+ Sewer and Water System	404,632.83	
416	416 -+ Miscellaneous Income	7,025.00	
417	Gain loss on disposal of assets	1,698.61	
565	565 -+ Depreciation Expense	202,543.99	
150	150 -+ General Fixed Assets		44,915.75
151	151 -+ Accum. Depreciation - Gen Fixed		202,543.99
152	152 -+ Furniture & Fixtures		9,795.78
154	154 -+ Autos & Trucks		38,792.30
417	Gain loss on disposal of assets		7,025.00
592	592 -+ Capital Outlay		501,282.49
Total		804,355.31	804,355.31
Adjusting Journal Entries JE # 6			
To move unrestricted net assets to investment in capital assets.			
300	300 -+ Retained Earnings	297,039.89	
302	302 -+ Net Investment Capital Assets		297,039.89
Total		297,039.89	297,039.89

