REVIEWED
By SLGFD at 1:20 pm, Feb 01, 2022

Southwestern Wayne Sanitary District

FINANCIAL REPORT

June 30, 2021 and 2020

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Southwestern 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 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. 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Southwestern 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.

Other Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise Southwestern Wayne Sanitary District's basic financial statements. The budgetary schedule and capital project schedule are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

Goldsboro, North Carolina
January 6, 2022

As management of the Southwestern 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 $6,480,424, $6,226,263, and $5,974,211, (after restatement) respectively. Of this amount, $2,366,124, $2,059,416, and $1,713,767 (unrestricted net position), respectively, may be used to meet the District's ongoing obligations to citizens and creditors.
- The District's net position increased by $254,161, $252,052, and $207,006 (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 $2,402,028, $2,113,303, and $1,542,381, respectively. Of this amount, $158,043, $136,875, and $131,440 (restricted cash and investments), respectively, is restricted for meter deposits.
- The District's capital asset balances, net of depreciation, for the years ended June 30, 2021, 2020, and 2019 were $4,600,736, $4,748,281, and $4,971,236, respectively.
- The District generated revenue from operations for the years ended June 30, 2021, 2020, and 2019 of $722,861, $770,919, and $774,229 (as restated), respectively.

Overview of the Financial Statements

The District's primary mission is to provide water services to Wayne County residents southwest of Goldsboro to the Sampson/Duplin County lines and west of Highway 117 to the Johnston County line. The District does not provide other general government types of services or programs. 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 inflows and outflows (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 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 and Total Net Position

For 2021 and 2020, the District's total net position increased 4.08% to $6,480,424 from $6,226,263. For 2020 and 2019, the District's total net position increased 4.22% to $6,226,263 from $5,974,211. For 2021 and 2020, unrestricted net position increased 14.89% to $2,366,124 from $2,059,416. For 2020 and 2019, unrestricted net position increased 20.17% to $2,059,416 from $1,713,767.

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

	2021	2020	(Restated) 2019 *	Change 2021 - 2020	Change 2020 - 2019
Current assets	$ 2,535,641	$ 2,210,260	$ 1,874,083	$ 325,381	$ 336,177
Capital assets	4,600,736	4,748,281	4,971,236	(147,545)	(222,955)
Total assets	7,136,377	6,958,541	6,845,319	177,836	113,222
Current liabilities	293,228	257,174	286,635	36,054	(29,461)
Long-term liabilities outstanding	362,725	475,104	584,473	(112,379)	(109,369)
Total liabilities	655,953	732,278	871,108	(76,325)	(138,830)
Net investment in capital assets	4,114,300	4,166,847	4,260,444	(52,547)	(93,597)
Unrestricted net position	2,366,124	2,059,416	1,713,767	306,708	345,649
Total net position, restated*	$ 6,480,424	$ 6,226,263	$ 5,974,211	$ 254,161	$ 252,052

*During the year ended June 30, 2020, the District corrected an error related to customer accounts receivable and customer water charges for $2,838. The resulting correction increased accounts

receivable to $102,690 and customer water charges to $680,436, which resulted in a net increase of $2,838 in net position at June 30, 2019 to $5,974,211.

Revenues

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

Table 2
Southwestern 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	$ 660,795	$ 715,024	$ 680,436	$ (54,229)	$ 34,588
Service charges	32,038	23,427	31,162	8,611	(7,735)
Tap fees	23,156	27,369	20,625	(4,213)	6,744
Connection fees	3,900	4,645	4,165	(745)	480
Other income	2,972	454	37,841	2,518	(37,387)
Total	$ 722,861	$ 770,919	$ 774,229	$ (48,058)	$ (3,310)

Operating Revenues

Revenue from water charges decreased by 7.58% to $660,795 for the fiscal year ended 2021 compared to $715,024 for the fiscal year ended 2020. For fiscal year ended 2020, water charges increased 5.08% from fiscal year ended June 30, 2019. A change in the collection policy during the year ended June 30, 2021 resulted in an increase in the allowance for bad debt expense contributing to a decrease in current year operating revenue. As of June 30, 2021, 2020 and 2019, there were 1,486, 1,473 and 1,459 customers, respectively, benefiting from the District's water service. Revenue from water charges for the upcoming year is expected to remain fairly consistent with this year.

Tap fees and connection fees are the charges for installing a new tap and for service. Service charges consist of fees for establishing 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 increases and decreases of customers within the District and / or other expansion activities. Other income primarily includes return check charges and penalties for meter lock removals.

Non-Operating Revenues / Capital Contributions

Non-operating revenues consist of investment earnings and gains on the sale of District assets. Capital contributions consist of grant monies received by the District from state and federal agencies for capital construction projects. Investment earnings decreased by $15,410 for the fiscal year 2021 from 2020, and decreased by $5,665 for fiscal year 2020 from 2019.

During 2021, the District received grant funding from the Golden Leaf Foundation for the purchase and construction of a standby power system. During 2020 and 2019, the District received NC DOT reimbursements for water system line relocation and related projects.

Table 3
Southwestern 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	$ -	$ 28,652	$ 282,084	$ (28,652)	$ (253,432)
Golden Leaf Foundation grant	51,000	-	-	51,000	-
Total	$ 51,000	$ 28,652	$ 282,084	$ 22,348	$ (253,432)

Expenses

Operating Expenses

Total operating expenses decreased 6.88% from 2020 to 2021, primarily due to lower repairs and maintenance costs. For fiscal years 2020 from 2019, total operating expenses decreased 35.75% as there were decreased repairs and maintenance costs related to certain water systems which were reimbursed from the NC DOT.

Non-Operating Expenses

Non-operating expense consists of interest expense. Interest expense decreased by $2,661 or 20.36% from 2020 to 2021. Interest expense decreased $2,675 or 16.99% from 2019 to 2020. With reducing higher interest debt through refinancing and prepayment, the District has continued to reduce overall interest expense.

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

	2021	2020	2019	Change 2021 - 2020	Change 2020 - 2019
Operations	$ 287,702	$ 326,693	$ 634,865	$ (38,991)	$ (308,172)
Depreciation	224,857	223,729	221,883	1,128	1,846
Total	$ 512,559	$ 550,422	$ 856,748	$ (37,863)	$ (306,326)

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 due to various factors.

Capital Improvements and Expansion

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

	2021	2020	2019	Change 2021 - 2020	Change 2020 - 2019
Capital assets, non-depreciable	$ 151,491	$ 151,491	$ 151,491	$ -	$ -
Capital assets, depreciable	8,471,596	8,399,524	8,398,750	72,072	774
Less: accumulated depreciation	4,022,351	3,802,734	3,579,005	219,617	223,729
Total	$ 4,600,736	$ 4,748,281	$ 4,971,236	$ (147,545)	$ (222,955)

During the June 30, 2021 fiscal year, the District purchased and constructed a standby power system and shared in the purchase of new vehicles and equipment. Net change in capital assets, including acquisitions, dispositions and the annual provision for depreciation expense, for 2020 to 2021 was a decrease of 3.11% and for 2019 to 2020 was a decrease of 4.48%.

Debt Administration

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

	2021	2020	2019	Change 2021 - 2020	Change 2020 - 2019
GO refunding bonds	$ 372,000	$ 473,000	$ 576,000	$ (101,000)	$ (103,000)
Note payable - Clean Water	-	-	16,500	-	(16,500)
Note payable - NCDEQ	98,576	108,434	118,292	(9,858)	(9,858)
Total	$ 470,576	$ 581,434	$ 710,792	$ (110,858)	$ (129,358)

At June 30, 2021 and 2020, the District's net outstanding bonded debt decreased 19.07% as the District made its required debt service payments. At June 30, 2020 and 2019, the District's net outstanding bonded debt decreased 18.20% as the District made its required debt service payments. For 2021, 2020, and 2019, the District recognized interest expense on these obligations totaling $10,406, $13,067 and $15,742.

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 in an effort to assist with costs associated with water system improvements.

Overall Financial Position

The District continues to maintain 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 Southwestern 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.

Southwestern Wayne Sanitary District
District Board Members and Key Staff

District Board Members

David Bennett, Chairman

Jimmy Cox

Kelly Hughes

Gail Minchew

Daryll Overton

Administrative and Financial Staff

Steve Hamilton, District Manager

Barbara Pedersen, Office Manager

Jimmy Cox, Finance Officer

Ashley Reboli, Assistant Finance Officer

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

June 30,	**2021**	2020
Assets		
Current assets		
Cash	**$ 1,145,804**	$ 989,424
Investments	**1,098,181**	987,004
Accounts receivable - trade, net	**67,023**	93,113
Sales tax receivable	**4,915**	3,176
Grant receivable	**51,000**	-
Due from other Districts	**10,000**	-
Prepaid insurance	**675**	668
Restricted cash and investments	**158,043**	136,875
Total current assets	**2,535,641**	2,210,260
Capital assets		
Land, non-depreciable improvements, and construction in progress	**151,491**	151,491
Other capital assets, net of depreciation	**4,449,245**	4,596,790
Total capital assets	**4,600,736**	4,748,281
Total assets	**7,136,377**	6,958,541

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

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

June 30,	**2021**	2020
Liabilities		
Current liabilities		
Current maturities of long-term debt	**112,858**	110,858
Accounts payable - trade	**3,221**	4,546
Accounts payable - construction	**15,860**	-
Accrued interest	**694**	883
Due to other Districts	**-**	1,927
Other accrued liabilities	**2,552**	2,085
Payable from restricted assets:		
Customer prepayments	**14,665**	-
Customer meter deposits	**143,378**	136,875
Total current liabilities	**293,228**	257,174
Long-term liabilities		
Bonds, notes and loans payable	**357,718**	470,576
Compensated absences	**5,007**	4,528
Total long-term liabilities	**362,725**	475,104
Total liabilities	**655,953**	732,278
Net Position		
Net investment in capital assets	**4,114,300**	4,166,847
Unrestricted	**2,366,124**	2,059,416
Total net position	**$ 6,480,424**	$ 6,226,263

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

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

For the Fiscal Years Ended June 30,	**2021**	2020
Operating revenues		
Customer water charges	**$ 660,795**	$ 715,024
Service charges	**32,038**	23,427
Tap fees	**23,156**	27,369
Connection fees	**3,900**	4,645
Other income	**2,972**	454
Total operating revenues	**722,861**	770,919
Operating expenses		
Board of Commissioners' fees	**22,606**	22,606
Salaries and benefits	**82,546**	83,104
Accounting and auditing	**5,455**	15,033
Professional services	**8,400**	8,400
Election charges	**-**	3,386
Office expenses	**13,031**	16,101
Supplies and maintenance	**35,914**	32,226
Tank maintenance	**11,276**	8,400
GIS mapping	**5,000**	5,000
Utilities	**34,857**	41,758
Insurance	**3,726**	3,837
Depreciation	**224,857**	223,729
Bank service charges	**7,141**	9,294
Repairs and line location	**23,985**	45,078
Taps installation	**13,160**	14,995
Telephone and radio	**4,158**	4,425
Auto, truck and travel	**5,020**	6,250
Water testing and purchases	**2,866**	2,170
Water supply plan	**2,999**	2,600
Water rate study	**2,500**	-
Water flushing plan	**2,000**	1,966
Other operating expenses	**1,062**	64
Total operating expenses	**512,559**	550,422
Operating income (loss)	**210,302**	220,497

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

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

For the Fiscal Years Ended June 30,	**2021**	2020
Nonoperating revenues (expenses)		
Gain on disposal of assets	**2,705**	-
Investment earnings	**560**	15,970
Interest expense	**(10,406)**	(13,067)
Total nonoperating revenues (expenses)	**(7,141)**	2,903
Capital contributions and grants		
NC DOT reimbursements	**-**	28,652
Golden Leaf Foundation grant	**51,000**	-
Total capital contributions	**51,000**	28,652
Change in net position	**254,161**	252,052
Total net position - beginning	**6,226,263**	5,974,211
Total net position - ending	**$ 6,480,424**	$ 6,226,263

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

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

For the Fiscal Years Ended June 30,		**2021**		2020
Cash Flows from Operating Activities				
Cash received from customers and users	**$**	**763,616**	$	780,496
Cash paid for goods and services		**(197,548)**		(214,333)
Cash paid to employees for services		**(104,206)**		(103,595)
Customer meter deposits		**6,503**		5,435
Net cash provided by operating activities		**468,365**		468,003
Cash Flows From Capital and Related Financing Activities				
Principal payments on long-term debt		**(110,858)**		(129,358)
Proceeds from sale of assets		**2,705**		-
Interest payments on long-term debt		**(10,595)**		(13,331)
Capital government grants		**-**		247,597
Acquisition and construction of capital assets		**(61,452)**		(17,959)
Net cash provided by (used in) capital and related financing activities		**(180,200)**		86,949
Cash Flows From Investing Activities				
Interest on investments		**560**		15,970
Purchase of investments		**(111,177)**		(140,499)
Net cash used in capital and related financing activities		**(110,617)**		(124,529)
Net change in cash and cash equivalents		**177,548**		430,423
Cash - beginning		**1,126,299**		695,876
Cash - ending	**$**	**1,303,847**	$	1,126,299

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

Southwestern Wayne Sanitary District
Statements of Cash Flows
Exhibit C

For the Fiscal Years Ended June 30,		**2021**		2020
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities				
Operating income (loss)	**$**	**210,302**	$	220,497
Adjustments to reconcile operating income (loss) to net cash provided by operating activities				
Depreciation		**224,857**		223,729
(Increase) decrease in operating assets				
Accounts receivable - trade		**26,090**		9,577
Due from other districts		**(10,000)**		2,096
Sales tax receivable		**(1,739)**		4,161
Prepaid insurance		**(7)**		(34)
Increase (decrease) in operating liabilities				
Accounts payable - trade		**(1,325)**		(1,500)
Compensated absences		**479**		1,489
Due to other districts		**(1,927)**		1,927
Other accrued liabilities		**467**		626
Customer prepayments		**14,665**		-
Customer meter deposits		**6,503**		5,435
Net cash provided by operating activities	**$**	**468,365**	$	468,003
Reconciliation of cash - ending				
Cash	**$**	**1,145,804**	$	989,424
Restricted cash		**158,043**		136,875
Total cash	**$**	**1,303,847**	$	1,126,299

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

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Southwestern 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

Southwestern 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. Southwestern 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 – Northwestern Wayne Sanitary District, Eastern Wayne Sanitary District, Belfast-Patetown Sanitary District, Southeastern 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.

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 and sewer 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 Enterprise Fund. All annual appropriations lapse at the fiscal-year end. A project ordinance is adopted for a Capital Projects 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 revenues or expenditures. 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, 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 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.

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 account is necessary. The amounts presented on the Statements of Net Position are net of allowances totaling $23,612 for 2021 and $8,097 for 2020.

4. Capital Assets

Property, plant and equipment of the District are recorded at original cost at the time of the acquisition or construction. Donated capital assets received prior to June 30, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 30, 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:

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

5. Restricted Cash, Investments and Receivables

Restricted assets consist of cash and investments deposited from the receipt of meter deposits of $143,378 and $136,875 as of June 30, 2021 and 2020, respectively and customer prepayments of $14,665 and $-0- 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.

6. Long-term Obligations

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.

7. Compensated Absences

The District currently allows its full time employees to accumulate up to thirty days of earned vacation leave, and such leave is fully vested when earned. The current portion of accumulated vacation pay and salary related payments has been accrued. At June 30, 2021 and 2020, the District recorded a liability for accrued vacation in the amount of $5,007 and $4,528, 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.

8. 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.

9. 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.

10. 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.

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.

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.

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
- 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 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.

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 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 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.

11. 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 $1,303,619 and a bank balance of $1,305,210. 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 $228 in cash on hand at June 30, 2021.

At June 30, 2020, the District's deposits had a carrying amount of $1,126,071 and a bank balance of $1,127,671. 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 $228 in cash on hand at June 30, 2020.

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 1	$ 1,098,181	N/A	AAAm
Total		$ 1,098,181		

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 1	$	987,004	N/A	AAAm
Total		$	987,004		

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 prices (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.

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	$ 151,491	$ -	$ -	$ 151,491
Total capital assets not being depreciated	151,491	-	-	151,491
Capital assets being depreciated				
Utility plant and water lines	7,847,750	-	-	7,847,750
Buildings	351,523	-	-	351,523
Furniture and equipment	52,501	-	-	52,501
Field equipment	-	68,475	-	68,475
Utility vehicles	26,182	7,692	5,240	28,634
Tools and equipment	81,047	1,145	-	82,192
Leasehold improvements	40,521	-	-	40,521
Total capital assets being depreciated	8,399,524	77,312	5,240	8,471,596
Less accumulated depreciation				
Utility plant and water lines	3,620,416	198,153	-	3,818,569
Buildings	61,516	8,788	-	70,304
Furniture and equipment	51,830	155	-	51,985
Field equipment	-	1,141	-	1,141
Utility vehicles	14,585	4,785	5,240	14,130
Tools and equipment	34,455	9,156	-	43,611
Leasehold improvements	19,932	2,679	-	22,611
Total accumulated depreciation	3,802,734	224,857	5,240	4,022,351
Total capital assets being depreciated, net	4,596,790	(147,545)	-	4,449,245
Total capital assets, net	$ 4,748,281	$ (147,545)	$ -	$ 4,600,736

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	$ 151,491	$ -	$ -	$ 151,491
Total capital assets not being depreciated	151,491	-	-	151,491
Capital assets being depreciated				
Utility plant and water lines	7,847,750	-	-	7,847,750
Buildings	351,523	-	-	351,523
Furniture and equipment	51,727	774	-	52,501
Utility vehicles	26,182	-	-	26,182
Tools and equipment	81,047	-	-	81,047
Leasehold improvements	40,521	-	-	40,521
Total capital assets being depreciated	8,398,750	774	-	8,399,524
Less accumulated depreciation				
Utility plant and water lines	3,422,263	198,153	-	3,620,416
Buildings	52,728	8,788	-	61,516
Furniture and equipment	51,689	141	-	51,830
Utility vehicles	9,832	4,753	-	14,585
Tools and equipment	25,240	9,215	-	34,455
Leasehold improvements	17,253	2,679	-	19,932
Total accumulated depreciation	3,579,005	223,729	-	3,802,734
Total capital assets being depreciated, net	4,819,745	(222,955)	-	4,596,790
Total capital assets, net	$ 4,971,236	$ (222,955)	$ -	$ 4,748,281

Construction Commitments

The District did not have any active construction projects as of June 30, 2021 or 2020.

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:

Direct Borrowings:	**2021**	2020
General Obligation Refunding Bonds, Series 2016 $866,000, issued January 2016, with varying annual principal payments with coupon rate of 1.59% final maturity June 2025	**$ 372,000**	$ 473,000
NC Department of Environmental Quality, $199,595, due in annual principal installments of $9,858 through May 2031, interest at 0%	**98,576**	108,434
	470,576	581,434
Less current maturities	**(112,858)**	(110,858)
	$ 357,718	$ 470,576

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

Year Ending June 30,	Maturities	Interest	Total
2022	$ 112,858	$ 8,332	$ 121,190
2023	115,858	6,026	121,884
2024	117,858	3,652	121,510
2025	64,858	1,232	66,090
2026	9,858	-	9,858
2027-2031	49,286	-	49,286
Total	$ 470,576	$ 19,242	$ 489,818

Interest expense incurred by the District, but not capitalized for the year-ended June 30, 2021 and 2020 was $10,406 and $13,067, respectively. The District did not incur any capitalized interest in 2021 or 2020.

Changes in long-term debt for the fiscal year ended June 30, 2021 was as follows:

	Beginning Balance 7/1/20	Increases	Decreases	Ending Balance 6/30/21	Due within one year
2016 GO Refunding Bonds	$ 473,000	$ -	$ 101,000	$ 372,000	$ 103,000
NC DEQ	108,434	-	9,858	98,576	9,858
Compensated absences	4,528	479	-	5,007	-
Total	$ 585,962	$ 479	$ 110,858	$ 475,583	$ 112,858

Changes in long-term debt for the fiscal year ended June 30, 2020 was as follows:

	Beginning Balance 7/1/19	Increases	Decreases	Ending Balance 6/30/20	Due within one year
2016 GO Refunding Bonds	$ 576,000	$ -	$ 103,000	$ 473,000	$ 101,000
State Revolving Fund	16,500	-	16,500	-	-
NC DEQ	118,292	-	9,858	108,434	9,858
Compensated absences	3,039	1,489	-	4,528	-
Total	$ 713,831	$ 1,489	$ 129,358	$ 585,962	$ 110,858

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, Northwestern Wayne Sanitary District, and Southeastern 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 District for its respective share of any OPEB costs as well as required contributions to LGERs.

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

The following table outlines the amounts due to and from the District at June 30, 2021 and 2020:

June 30, 2021	
Due from (to):	Amount
Eastern Wayne Sanitary District	$ 10,000

June 30, 2020	
Due from (to):	Amount
Eastern Wayne Sanitary District	$ (1,927)

NOTE IV – LEASE INCOME

The District's leasing operations consists 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	679
2024	3,464	693
2025	3,533	707
2026	3,604	721
Thereafter	9,337	1,867
Total	$ 26,663	$ 5,333

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 commitment is for site property maintenance. These agreements require annual payments as outlined in the following table.

Year Ending June 30,	Bordeaux Elevated Tank	Site Maintenance	Total
2022	$ 11,276	$ 2,520	$ 13,796
2023	11,276	2,520	13,796
2024	11,276	1,890	13,166
2025	11,276	-	11,276
2026	11,276	-	11,276
Thereafter	45,104	-	45,104
Total	$ 101,484	$ 6,930	$ 108,414

NOTE VI – SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

Federal and State Assisted Programs

The District at time receives 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.

Southwestern 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

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:				
Operating revenues	$ 785,800	$ 774,000	$ 722,861	$ (51,139)
Non-operating revenues:				
Other non-operating income	1,200	1,000	2,705	1,705
Interest on investments	12,000	12,000	560	(11,440)
Total revenues	799,000	787,000	726,126	(60,874)
Operating Expenditures:				
Board of Commissioners' fees	24,000	24,000	22,606	1,394
Salaries and benefits	90,000	95,000	82,546	12,454
Accounting and auditing	13,000	13,000	5,455	7,545
Professional services	9,200	9,200	8,400	800
Office expenses	28,600	18,600	13,031	5,569
Supplies and maintenance	77,200	77,200	35,914	41,286
Tank maintenance	12,000	12,000	11,276	724
Rent	100	100	-	100
GIS mapping	5,000	5,000	5,000	-
Utilities	40,000	40,000	34,857	5,143
Insurance	4,200	4,200	3,726	474
Bank service charges	-	10,000	7,141	2,859
Repairs and line location	47,000	47,000	23,985	23,015
Taps installation	15,000	15,000	13,160	1,840
Telephone and radio	10,000	10,000	4,158	5,842
Auto, truck and travel	5,500	5,500	5,020	480
Water testing and purchases	3,000	4,000	2,866	1,134
Flushing plan	2,000	2,000	2,000	-
Water supply plan	5,600	4,600	2,999	1,601
Water rate study	2,500	3,500	2,500	1,000
Other operating expenses	4,700	2,700	1,062	1,638
Total operating expenditures	398,600	402,600	287,702	114,898
Budgetary appropriations				
Debt service - principal	110,000	111,000	110,858	142
Debt service - interest	11,000	11,000	10,406	594
Capital outlay	244,400	245,400	8,837	236,563
Contingencies	35,000	17,000	-	17,000
Total budgetary appropriations	400,400	384,400	130,101	254,299
Total expenditures and appropriations	799,000	787,000	417,803	369,197
Revenues over (under) expenditures and appropriations	$ -	$ -	$ 308,323	$ 308,323

Southwestern 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
Reconciliation from budgetary basis (modified accrual) to full accrual basis:		
Revenues over (under) expenditures and appropriations	$	308,323
Budgetary appropriations		
Debt service - principal		110,858
Capital outlay		8,837
Golden Leaf Foundation grant		51,000
Depreciation		(224,857)
Change in net position	$	254,161

Southwestern Wayne Sanitary District
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
Standby Power System Capital Project Contract No. 38 and No. 45
From Inception and for the Fiscal Year Ended June 30, 2021
Schedule 2

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
Revenues:					
Golden Leaf grant	$ 51,000	$ -	$ 51,000	$ 51,000	$ -
Total revenues	51,000	-	51,000	51,000	-
Expenditures:					
Construction	52,960	-	54,338	54,338	(1,378)
Contingency	2,000	-	-	-	2,000
Engineering	6,250	-	6,250	6,250	-
Technical service	4,500	-	-	-	4,500
Inspection	-	-	7,887	7,887	(7,887)
Total expenditures	65,710	-	68,475	68,475	(2,765)
Other financing sources (uses)					
SWWSD local contributions	14,710	-	17,475	17,475	2,765
Total other financing sources	14,710	-	17,475	17,475	2,765
Revenues and other financing sources over (under) expenditures	$ -	$ -	$ -	$ -	$ -