

REVIEWED

By SLGFD at 12:48 pm, Nov 10, 2021

Stanly Water & Sewer Authority
(A Component Unit of Stanly County, North Carolina)
Albemarle, North Carolina

Financial Statements

June 30, 2021

Stanly Water & Sewer Authority
(A Component Unit of Stanly County, North Carolina)

Financial Statements
June 30, 2021

Board of Directors

William Rigsbee, Chairman

Curtis Furr

Billy Lee

Josh Morton

Tommy Jordan

Lane Furr, Commissioner Alternate

Executive Director

Duane Wingo

Finance Director

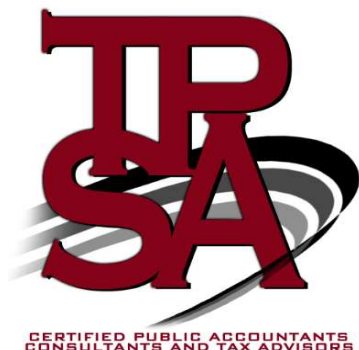
Toby Hinson

Stanly Water & Sewer Authority
(A Component Unit of Stanly County, North Carolina)

Table of Content
June 30, 2021

	<u>Page</u>
FINANCIAL SECTION	
Independent Auditors' Report	1-2
Management's Discussion and Analysis	3-6
BASIC FINANCIAL STATEMENTS	
Statement of Net Position	7
Statement of Revenues, Expenses, and Changes in Fund Net Position	8
Statement of Cash Flows	9
NOTES TO THE FINANCIAL STATEMENTS	10-17
INDIVIDUAL FUND STATEMENTS AND SCHEDULES	
Water Fund - Schedule of Revenue and Expenditures - Budget and Actual - (Non-GAAP)	18
East Side Phase IV Water Extension - Schedule of Revenue and Expenditures - Budget and Actual - (Non-GAAP)	19
COMPLIANCE SECTION	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	20-21
Schedule of Findings and Questioned Costs	22-23
Corrective Action Plan	24
Summary Schedule of Prior Year Findings	25

FINANCIAL SECTION



Thompson, Price, Scott, Adams & Co, P.A.

**P.O Box 398
1626 S. Madison Street
Whiteville, NC 28472
Telephone (910) 642-2109
Fax (910) 642-5958**

**Alan W. Thompson, CPA
R. Bryon Scott, CPA
Gregory S. Adams, CPA**

Independent Auditors' Report

To the Board of Directors
Albemarle, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Stanly Water & Sewer Authority, North Carolina, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the Table of Content.

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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation of the financial statements.

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

Opinions

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 business-type activities of the Stanly Water & Sewer Authority, North Carolina as of June 30, 2021, and the respective changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Members

American Institute of CPAs - N.C. Association of CPAs - AICPA Division of Firms

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Stanly Water & Sewer Authority. The individual fund statement, budgetary schedule and other schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 11, 2021, on our consideration of Stanly Water & Sewer Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Stanly Water & Sewer Authority's internal control over financial reporting and compliance.

Thompson, Price, Scott, Adams & Co., P.A.

Thompson, Price, Scott, Adams & Co., P.A.
Whiteville, North Carolina
October 11, 2021

Management's Discussion and Analysis

As management of Stanly Water & Sewer Authority (the "Authority"), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended June 30, 2021. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Authority's financial statements, which follow this narrative.

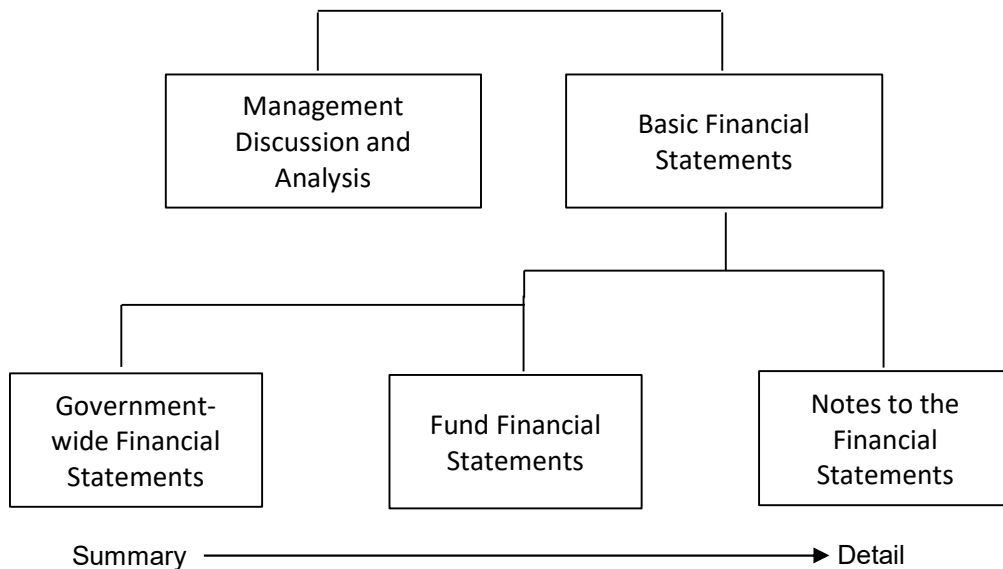
Financial Highlights

- The assets of the Authority exceeded its liabilities at the close of the fiscal year by \$4,586,797 (net position).
- The Authority's total net position increased by \$1,227,875.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statements consist of three components: 1) government - wide financial statements, 2) fund financial statements, and 3) notes to the financial statement (see Figure 1). The Authority is considered a special purpose government rather than a general government. In addition to the basic financial statements, this report contains other information that will enhance the reader's understanding of the financial condition of the Authority.

Required Components of Annual Financial Report
Figure 1



Basic Financial Statements

The first three financial statements (Exhibits 1, 2, and 3) are the basic financial statements. They provide both short and long-term information about the Authority's financial status. The next section is the notes to the financial statements. The notes provide a narrative and data explanation regarding selected financial statement presentations. The following two statements (Schedules 1 - 2) are the supplemental information that focuses on individual funds: one enterprise and one multi-year fund.

Notes to the Financial Statements

The notes provide additional information that is essential to fully understanding the data provided in the basic financial statements. The notes to the financial statements follow Exhibit 3 of this report.

Financial Analysis Stanly Water & Sewer Authority Figure 2

	Business-type Activities	
	2021	2020
Assets:		
Current and other assets	\$ 1,353,508	\$ 108,906
Restricted cash and cash equivalents	407,325	375,808
Capital Assets	10,119,637	10,427,954
Total Assets	<u>11,880,470</u>	<u>10,912,668</u>
Liabilities:		
Current Liabilities	229,764	224,678
Long-term liabilities outstanding	7,063,909	7,329,068
Total liabilities	<u>7,293,673</u>	<u>7,553,746</u>
Net position:		
Net Investment in Capital Assets	3,320,637	3,503,954
Restricted	356,970	327,568
Unrestricted	909,190	(472,600)
Total net position	<u>\$ 4,586,797</u>	<u>\$ 3,358,922</u>

As noted earlier, net position may serve over time as one useful indicator of an entity's financial condition. The assets of the Authority exceeded liabilities by \$4,586,797 as of June 30, 2021. The largest portions, \$3,320,637 (72.40%), reflects the Authority's net investment in capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Authority's investments in its capital assets are reported net of the outstanding debt, the resources needed to repay that debt must be provided by other sources since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Authority's net position, \$356,970 (7.78%), represents resources that are subject to external restrictions on how they may be used. The remaining unrestricted net position balance is \$909,190.

Stanly Water & Sewer Authority Changes in Net Position
Figure 3

	Business-type Activities	
	2021	2020
Revenues:		
Program Revenues:		
Charges for Services	\$ 664,954	\$ 633,779
Investment Income	464	4,467
Miscellaneous revenues	9,725	3,236
Total revenues	<u>675,143</u>	<u>641,482</u>
Expenses:		
Administration	43,587	67,603
Water System	92,941	75,035
Depreciation	321,208	321,208
Interest Expense	237,359	241,769
Total expenses	<u>695,095</u>	<u>705,615</u>
Income (Loss) before Contributions and Transfers	<u>(19,952)</u>	<u>(64,133)</u>
Other Financing Sources:		
Transfer from Primary Government	<u>1,247,827</u>	<u>-</u>
Increase (Decrease) in net position	<u>1,227,875</u>	<u>(64,133)</u>
Net position, July 1	3,358,922	3,423,055
Net position, June 30	<u>\$ 4,586,797</u>	<u>\$ 3,358,922</u>

Business-type activities: Business-type activities increased the Authority's net position by \$1,227,875. The increase was primarily a result of a transfer of funds from the County.

Financial Analysis of the Authority's Funds

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

Capital Asset and Debt Administration

Capital Assets. The Authority's investment in capital assets for its business-type activities as of June 30, 2021, totals \$10,119,637 (net of accumulated depreciation). These assets can include buildings, land, machinery and equipment and plant distribution systems.

Stanly Water & Sewer Authority Capital Assets
(Net of depreciation)
Figure 4

	Business-type Activities	
	2021	2020
Construction in progress	\$ 12,891	\$ -
Distribution System	10,106,746	10,427,954
Total	<u>\$ 10,119,637</u>	<u>\$ 10,427,954</u>

The Authority had a principal debt payment of \$125,000 due during the fiscal year. Additional information on the Authority's capital assets can be found in Note II of the Basic Financial Statements.

Long-term Debt. As of June 30, 2021, the Authority had total debt outstanding of \$6,799,000.

Stanly Water & Sewer Authority
Debt Summary
Figure 5

	Business-type Activities	
	2021	2020
Revenue Bonds	<u>\$ 6,799,000</u>	<u>\$ 6,924,000</u>

Additional information regarding the Authority's long-term debt can be found in Note III.B.5.

Budget Highlights for the Fiscal Year Ending June 30, 2022

The Authority's operating budget will increase by 3% for the next fiscal year. Water sales are projected to increase in relation to the operating budget, while water purchases are projected to remain the same. Debt service is expected to increase by \$7,917, with no new loans beginning payments.

Requests for Information

This report is designed to provide an overview of the Authority's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Finance Officer, 1000 North First Street, Suite 10B, Albemarle, North Carolina, 28001.

BASIC FINANCIAL STATEMENTS

Stanly Water & Sewer Authority
(A Component Unit of Stanly County, North Carolina)

Statement of Net Position
Proprietary Fund
June 30, 2021

	<u>Water Fund</u>
Assets	
Current Assets:	
Cash and Cash Equivalents	\$ 1,273,810
Accounts Receivable (Net)	79,399
Due from Other Governments	299
Restricted Cash and Cash Equivalents	407,325
Total Current Assets	<u>1,760,833</u>
Non-Current Assets:	
Capital Assets:	
Land, Non-Depr. Improvements and Constr. in Progress	12,891
Other Capital Assets, Net of Depreciation	10,106,746
Total Non-Current Assets	<u>10,119,637</u>
Total Assets	<u><u>11,880,470</u></u>
Liabilities	
Current Liabilities:	
Accounts Payable	1,433
Accrued Interest Payable	27,701
Due to Primary Government	22,275
Long-Term Debt Due in One Year	128,000
Liabilities Payable from Restricted Assets:	
Customer Deposits	50,355
Total Current Liabilities	<u>229,764</u>
Long-Term Liabilities:	
Due to Primary Government in More Than One Year	392,909
Due in More Than One Year	6,671,000
Total Long-Term Liabilities	<u>7,063,909</u>
Total Liabilities	<u><u>7,293,673</u></u>
Net Position	
Net Investment in Capital Assets	3,320,637
Restricted	356,970
Unrestricted	909,190
Total Net Position	<u><u>\$ 4,586,797</u></u>

Stanly Water & Sewer Authority
(A Component Unit of Stanly County, North Carolina)

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

	<u>Water Fund</u>
Operating Revenues:	
Water Charges	\$ 664,954
Total Operating Revenues	<u>664,954</u>
Operating Expenses:	
Administration Expenses	43,587
Water Operations	92,941
Depreciation	321,208
Total Operating Expenses	<u>457,736</u>
Operating Income (Loss)	<u>207,218</u>
Nonoperating Revenues (Expenses):	
Investment Earnings	464
Miscellaneous Revenues	9,725
Interest Expense	<u>(237,359)</u>
Total Nonoperating Revenues (Expenses)	<u>(227,170)</u>
Income (Loss) Before Contributions and Transfers	<u>(19,952)</u>
Transfer from Primary Government	<u>1,247,827</u>
Change in Net Position	1,227,875
Total Net Position, Beginning	3,358,922
Total Net Position, Ending	<u><u>\$ 4,586,797</u></u>

Stanly Water & Sewer Authority
(A Component Unit of Stanly County, North Carolina)

Statement of Cash Flows
For the Fiscal Year Ended June 30, 2021

	<u>Water Fund</u>
Cash Flows From Operating Activities:	
Cash Received From Customers	\$ 694,167
Cash Paid for Goods and Services	(136,668)
Customer Deposits Received/ (Returned)	2,115
Net Cash Provided by (Used in) Operating Activities	<u>559,614</u>
Cash Flows from Non-Capital Financing Activities:	
Operating Transfer from Primary Government	1,247,827
Miscellaneous Income	9,725
Net Cash Provided by (Used in) Financing Activities	<u>1,257,552</u>
Cash Flows from Capital and Related Financing Activities:	
Interest Payments	(237,690)
Acquisition of Capital Assets	(12,891)
Principal Payments on Debt	(125,000)
Due to Primary Government	(136,722)
Net Cash Provided by (Used in) Capital And Related Financing Activities	<u>(512,303)</u>
Cash Flows From Investing Activities:	
Interest on Investments and Assessments	464
Net Increase (Decrease) in Cash and Cash Equivalents	1,305,327
Cash and Cash Equivalents:	
Beginning of Year, July 1	375,808
End of Year, June 30	<u><u>\$ 1,681,135</u></u>
Reconciliation of Operating Income to	
Net Cash Provided by (Used In) Operating	
Activities:	
Operating Income(Loss)	<u>\$ 207,218</u>
Adjustments to Reconcile Operating Income to Net Cash Provided	
by Operating Activities:	
Depreciation	321,208
Changes in Assets and Liabilities:	
(Increase) Decrease in Receivables	29,213
Increase (Decrease) in Accounts Payable	(140)
Increase (Decrease) in Deposits and Overpayments	2,115
Total Adjustments	<u>352,396</u>
Net Cash Provided by Operating Activities	<u><u>\$ 559,614</u></u>

Stanly Water & Sewer Authority
(A Component Unit of Stanly County, North Carolina)

Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2021

I. Summary of Significant Accounting Policies

The accounting policies of the Stanly Water & Sewer Authority conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

The Stanly Water & Sewer Authority is a component unit of Stanly County that is governed by a five-member Board of Directors. The Board of Directors is appointed by the Stanly County Board of Commissioners. As required by generally accepted accounting principles, these financial statements are discretely presented in the County's financial statements because of their significance of their operational and financial relationship to the County. The Authority does not have any component units that should be presented.

B. Basis of Presentation

The business-type activities are financed, in whole or in part, by fees charged to external parties. All activities of the Authority are considered business-type activities.

Fund Financial Statements. The fund financial statements provide information about the Authority's funds.

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, result from non-exchange transactions. Other non-operating revenues are ancillary activities such as investment earnings.

Proprietary Funds

Enterprise Fund

The Enterprise fund is used to account for those operations that (a) are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or (b) where the governing body has decided that the periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The Stanly Water & Sewer Authority operates as a singular Enterprise Fund.

The Enterprise Fund is considered a major fund for the year ended June 30, 2021.

Stanly Water & Sewer Authority
(A Component Unit of Stanly County, North Carolina)

Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2021

C. Measurement Focus and Basis of Accounting

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

Proprietary Fund Financial Statements. The proprietary fund financial statements are reported using the economic resources management 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 Authority gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants and donations. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Authority are charges to customers for sales and services. The Authority also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water system. Operating expenses for the Authority 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 Authority'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. Project ordinances are adopted for the Enterprise Capital Project Funds, when applicable. The enterprise fund project is consolidated with the operating fund for reporting purposes when applicable. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the fund level for all annually budgeted funds and at the project level for the multi-year funds. Amendments are required for all revisions. All amendments must be approved by the governing board. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

1. Deposits

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

State law [G.S. 159-30(c)] authorizes the Authority to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT). The Authority's investments are reported at fair value as determined by quoted market prices. The securities of the NCCMT Government Portfolio, a SEC-registered (2a-7) money market mutual fund, are valued at fair value, which is the NCCMT's share price. The NCCMT Term Portfolio's securities are valued at fair value.

Stanly Water & Sewer Authority
(A Component Unit of Stanly County, North Carolina)

Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2021

2. Cash and Cash Equivalents

All cash and investments are essentially considered demand deposits and, therefore, considered cash and cash equivalents.

3. Restricted Assets

Customer deposits, held by the Authority before any sewer services are supplied, are restricted to the service for which the deposit was collected.

The USDA requires that the Authority establish a Short-Lived Asset Replacement Reserve account. This account was established for the replacement of short-lived assets and is presented as a restricted asset.

The USDA requires the Authority to establish a Debt Service Reserve account. This account was established for the payment of debt service if revenues are insufficient and is presented as a restricted asset.

Customer Deposits	\$ 50,355
Short-Lived Assets Replacement Reserve	52,000
Debt Service Reserve	304,970
Total	<u>\$ 407,325</u>

4. Allowance for Doubtful Accounts

All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. This amount is estimated by analyzing the percentage of receivables that were written off in prior years and by reviewing the remaining balances due to the Authority. As of June 30, 2021, the Authority reported an allowance for doubtful accounts in the amount of \$253,924 for water charges receivable.

5. Inventory and Prepaid Items

The Authority currently has no funds with inventory. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements and expensed as the items are used.

6. Capital Assets

Capital assets are defined by the Authority as assets with an initial, individual cost of more than \$2,000 and an estimated useful life in excess of two years. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets receivable 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. All other purchased or constructed capital assets are reported at cost or estimated historical cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Distribution System	40 Years

Stanly Water & Sewer Authority
(A Component Unit of Stanly County, North Carolina)

Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2021

7. Long-Term Obligations

In the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable business-type activities or proprietary fund type statement of net position. Bonds payable are reported net of the applicable bond premiums or discount. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. 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.

8. Net Position

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

The Authority has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Officer will use resources in the following order: bond/debt proceeds, federal funds, State funds, local funds, non-local funds, and Authority funds. The Finance Director has the authority to deviate from this policy if it is in the best interest of the Authority or when required by grant or other contractual agreements.

9. Accounting Estimates

The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from these estimates.

II. Stewardship, Compliance, and Accountability

Significant Violations of Finance-Related Legal and Contractual Provisions

None noted.

Stanly Water & Sewer Authority
(A Component Unit of Stanly County, North Carolina)

Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2021

III. Detail Notes on All Funds

A. Assets

1. Deposits

All the deposits of the Authority 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 Authority's agents in these units' names. 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 Authority, these deposits are considered to be held by the Authority'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 Authority or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Authority under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Authority has no 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 Authority complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2021, the Authority's deposits had a carrying amount of \$1,681,135 and a bank balance of \$1,691,318. Of the bank balance, \$250,000 was covered by federal depository insurance and \$1,441,318 was covered by collateral held under the pooling method.

2. Accounts Receivables

Receivables at June 30, 2021 were as follows:

Customer accounts receivable, net	\$ 79,399
Sales Tax Receivable	299
Total	<u>\$ 79,698</u>

3. Capital Assets

A summary of changes in the Authority's capital assets for the year ended June 30, 2021 were as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital Assets not being depreciated:				
Construction in progress	\$ -	\$ 12,891	\$ -	\$ 12,891
Capital assets being depreciated:				
Distribution System	12,836,291	-	-	12,836,291
Less accumulated depreciation for:				
Distribution System	2,408,337	321,208	-	2,729,545
Total capital assets being depreciated net	10,427,954	-	-	10,106,746
Total capital assets	<u>\$ 10,427,954</u>	<u>\$ (308,317)</u>	<u>\$ -</u>	<u>\$ 10,119,637</u>

Stanly Water & Sewer Authority
(A Component Unit of Stanly County, North Carolina)

Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2021

4. Construction Commitments

At June 30, 2021, construction commitments were as follows:

<u>Project</u>	<u>Project to Date</u>	<u>Remaining Commitment</u>
East Side Phase IV Water Extension	\$ 12,891	\$ 1,234,936
Total Projects	<u>\$ 12,891</u>	<u>\$ 1,234,936</u>

5. Net Investment in Capital Assets

The total net investment in capital assets at June 30, 2021 is composed of the following elements:

	<u>Business - Type Activities</u>
Capital Assets, Net of Accumulated Depreciation	\$ 10,119,637
Less: Debt	(6,799,000)
Net Investments in Capital Assets	<u>\$ 3,320,637</u>

B. Liabilities

1. Accounts Payable

Payables at June 30, 2021 were as follows:

Vendors	\$ 1,433
Accrued interest	27,701
Due to Primary Government	22,275
Total Payables	<u>\$ 51,409</u>

2. Due to Stanly County - Advances from County

The Authority entered into an inter-local agreement with Stanly County on May 13, 2008, in which the County advanced a maximum of \$4.3 million, as needed, to the Authority for the construction of 24/27/73 Easter Water, Cottonville Area Water, and Mission Area Water capital project funds. The Authority agreed to pay a 3% per annum interest rate for the term of the advancement. The Authority is in the process of evaluating its operations over the last few years to determine a more formal payment arrangement for the remaining balance with the County. At June 30, 2021, the Authority had \$415,184 outstanding.

The Authority refinanced the loan to increase the total outstanding from \$396,000 to \$500,000. Formal repayment terms have been arranged with the County requiring payments of \$30,578 starting May 1, 2018, with the final payment on May 1, 2037.

Stanly Water & Sewer Authority
(A Component Unit of Stanly County, North Carolina)

Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2021

Future minimum payments at June 30, 2021 were as follows:

Year Ending June 30	Principal	Interest
2022	\$ 22,275	\$ 8,304
2023	22,720	7,858
2024	23,175	7,404
2025	23,638	6,940
2026	24,111	6,468
2027-2031	127,983	24,909
2032-2036	141,304	11,588
2037-2041	29,978	600
	<u>\$ 415,184</u>	<u>\$ 74,071</u>

3. Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The Authority is included, where applicable, in the insurance coverage of Stanly County, North Carolina.

The Authority does not carry flood insurance.

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

4. Claims, Judgments and Contingent Liabilities

As of the date of the audit report, the Authority was involved in no lawsuits.

5. Long-Term Obligations

Revenue Bonds

24/27/73 East Water Capital Project

Water, Series A - USDA loan was executed on September 15, 2010, in the amount of \$2,315,000. Principal payments are payable in annual installments on June 1, ranging from \$27,000-\$116,000 through June 1, 2050. Annual interest payments are made at an interest rate of 4.00%. At June 30, 2021 the Authority had an outstanding balance of \$2,031,000.

Cottonville Area Water Capital Project

Water, Series 2012 - USDA Revenue Bonds loan was executed on August 27, 2012, in the amount of \$2,569,000. Principal payments are payable in annual installments on June 1, ranging from \$39,000-\$107,000 through June 1, 2052. Annual interest payments are made at an interest rate of 2.75%. At June 30, 2021, the Authority had an outstanding balance of \$2,272,000.

Mission Area Water Extension Capital Project

Water, Series 2014 - USDA Revenue Bonds loan was executed on June 11, 2014, in the amount of \$2,693,000. Principal payments are payable in annual installments on June 1, ranging from \$39,000-\$120,000 through June 1, 2052. Annual interest payments are made at an interest rate of 3.25%. At June 30, 2021, the Authority had an outstanding balance of \$2,496,000.

Stanly Water & Sewer Authority
(A Component Unit of Stanly County, North Carolina)

Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2021

Future minimum payments at June 30, 2021 were as follows:

Year Ending June 30	Revenue Bonds	
	Principal	Interest
2022	\$ 128,000	\$ 224,840
2023	134,000	220,630
2024	137,000	216,220
2025	142,000	211,710
2026	147,000	207,028
2027-2031	808,000	959,180
2032-2036	955,000	815,963
2037-2041	1,124,000	646,453
2042-2046	1,322,000	445,985
2047-2051	1,447,000	208,668
2052-2056	455,000	25,823
	<u>\$ 6,799,000</u>	<u>\$ 4,182,500</u>

The debt service coverage ratio calculation for the year ended June 30, 2021, is as follows:

Revenues	\$ 674,679
Operating Expenses*	136,528
Operating Income	<u>\$ 538,151</u>
Debt service, principal and interest paid (Revenue Bonds Only)	<u>\$ 353,734</u>
Debt service coverage ratio	<u>152%</u>

* Per revenue bond covenants, this does not include the depreciation expense of \$321,208.

	July 1, 2020	Increases	Decreases	June 30, 2021	Current Portion
Business-Type Activities:					
Revenue Bonds	<u>\$ 6,924,000</u>	<u>\$ -</u>	<u>\$ 125,000</u>	<u>\$ 6,799,000</u>	<u>\$ 128,000</u>

IV. Subsequent Events

In preparing these financial statements, the Authority has evaluated events and transactions for potential recognition or disclosure through October 11, 2021, the date the financial statements were available to be issued. No important events to be noted.

Stanly Water & Sewer Authority
(A Component Unit of Stanly County, North Carolina)

Enterprise Fund - Water
Schedule of Revenue and Expenditures
Budget & Actual - (Non - GAAP)

For the Fiscal Year Ended June 30, 2021

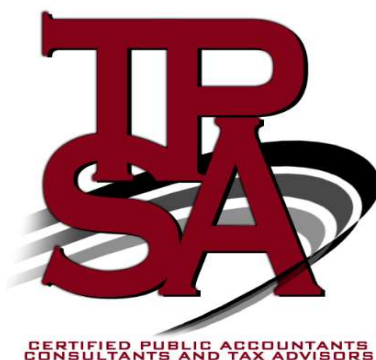
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2020)

	2021			2020
	Final Budget	Actual	Variance Positive (Negative)	Actual
Revenues				
Operating Revenues:				
Charges for Service	\$ 543,600	\$ 664,954	\$ 121,354	\$ 633,779
Total Operating Revenues	543,600	664,954	121,354	633,779
Non-Operating Revenues:				
Investment Earnings	3,900	464	(3,436)	4,467
Miscellaneous Income	2,500	9,725	7,225	3,236
Total Non-Operating Revenues	6,400	10,189	3,789	7,703
Total Revenues	550,000	675,143	125,143	641,482
Expenditures				
Operating Expenditures				
Administration:				
Operating Expenditures	47,100	43,587	3,513	67,603
Total Administration	47,100	43,587	3,513	67,603
Water Operations:				
Operating Expenses	86,210	82,918	3,292	67,874
Repairs and Maintenance Expenses	24,725	10,023	14,702	7,161
Total Water Operations	110,935	92,941	17,994	75,035
Debt Service:				
Principal	141,990	147,275	(5,285)	142,838
Interest Expense	249,975	237,359	12,616	241,769
Total Capital Outlay	391,965	384,634	7,331	384,607
Total Expenditures	550,000	521,162	28,838	527,245
Revenue Over (Under) Expenditures	-	153,981	153,981	114,237
Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	\$ -	\$ 153,981	\$ 153,981	\$ 114,237
Reconciliation from Budgetary Basis (modified accrual) to Full Accrual				
Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses		\$ 153,981		
Reconciling Items:				
Depreciation		\$ (321,208)		
Principal Payments on Revenue Bonds		125,000		
Transfers from Primary Government (Schedule 3)		1,247,827		
Principal Payments on Loan from Stanly County		22,275		
Change in net position		\$ 1,227,875		

Stanly Water & Sewer Authority
(A Component Unit of Stanly County, North Carolina)
East Side Phase IV Water Extension
Schedule of Revenue and Expenditures
Budget & Actual - (Non - GAAP)
From Inception and For the Fiscal Year Ended June 30, 2021

		Actual				
	Project Authorization	Prior Years	Current Year	Closed Out Projects	Total to Date	Variance Positive (Negative)
Revenues:						
Restricted						
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total	-	-	-	-	-	-
Expenditures:						
Professional Services	1,247,827	-	12,891	-	12,891	1,234,936
Total	1,247,827	-	12,891	-	12,891	1,234,936
Other Financing Sources:						
Transfer from Primary						
Government	1,247,827		1,247,827	-	1,247,827	-
Total	1,247,827	-	1,247,827	-	1,247,827	-
Other Financing Sources over expenditures	\$ -	\$ -	\$ 1,234,936	\$ -	\$ 1,234,936	\$ (1,234,936)

COMPLIANCE SECTION



Thompson, Price, Scott, Adams & Co, P.A.

**P.O Box 398
1626 S. Madison Street
Whiteville, NC 28472
Telephone (910) 642-2109
Fax (910) 642-5958**

**Alan W. Thompson, CPA
R. Bryon Scott, CPA
Gregory S. Adams, CPA**

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

Independent Auditors' Report

**To the Members of the Authority's Board of Directors
Albemarle, North Carolina**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Stanly Water & Sewer Authority, North Carolina, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprises the Authority's basic financial statements, and have issued our report thereon dated October 11, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Stanly Water & Sewer Authority's internal control over financial reporting (internal control) to determine the 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 Stanly Water & Sewer Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Thompson, Price, Scott, Adams & Co., P.A.

Thompson, Price, Scott, Adams & Co., P.A.
Whiteville, North Carolina
October 11, 2021

Stanly Water & Sewer Authority
(A Component Unit of Stanly County, North Carolina)

Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2021

Section I. Summary of Auditors' Results

Financial Statements

Type of Auditors' report issued: Unmodified

Internal control over financial reporting:

- Material weakness (es) identified? Yes X No
- Significant Deficiency(s) identified that are not considered to be material weaknesses Yes X None reported

Noncompliance material to financial statements noted Yes X No

Stanly Water & Sewer Authority
(A Component Unit of Stanly County, North Carolina)

Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2021

Section II. Financial Statement Findings

None reported

Stanly Water & Sewer Authority
(A Component Unit of Stanly County, North Carolina)

Corrective Action Plan
For the Year Ended June 30, 2021

Section II. Financial Statement Findings

None reported

Stanly Water & Sewer Authority
(A Component Unit of Stanly County, North Carolina)

Summary Schedule and Prior Year Findings
For the Year Ended June 30, 2021

None noted.