

**Swan Quarter Sanitary District
Swan Quarter, North Carolina**

**FINANCIAL STATEMENTS
&
INDEPENDENT AUDITOR'S REPORT**

Year Ended June 30, 2021

District Board Members

Wayne Hodges – Chairman

Viola Williams – Clerk

Directors

**Sally C. Midget
J.C. Williams**

**Seldon Taylor
Jeffrey Stotesberry**

**Swan Quarter Sanitary District
Swan Quarter, North Carolina**

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June 30, 2021**

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Independent Auditor's Report

To the Honorable Chairman and Members of the District Board
Swan Quarter Sanitary District
Swan Quarter, North Carolina

Report on the Audit of Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to express an opinion on these financial statements based on the audit. We conducted the audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, 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 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 obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinions

In our opinion, based on the audit the financial statements referred to above present fairly, in all material respects, the respective financial position of the District as of June 30, 2021, and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. 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 consist 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 obtained during the 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 sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

The audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements of the District. The budgetary schedule is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The budgetary schedule is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements 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, based on our audit, the procedures performed as described above, the budgetary schedule is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory information and the statistical sections have not been subjected to the auditing procedures applied in the audit of basic financial statements, and accordingly, we do not express an opinion or provide assurance on them.



Johnson, McLean & Company, CPA's
December 20, 2023

Management's Discussion and Analysis

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

Financial Highlights

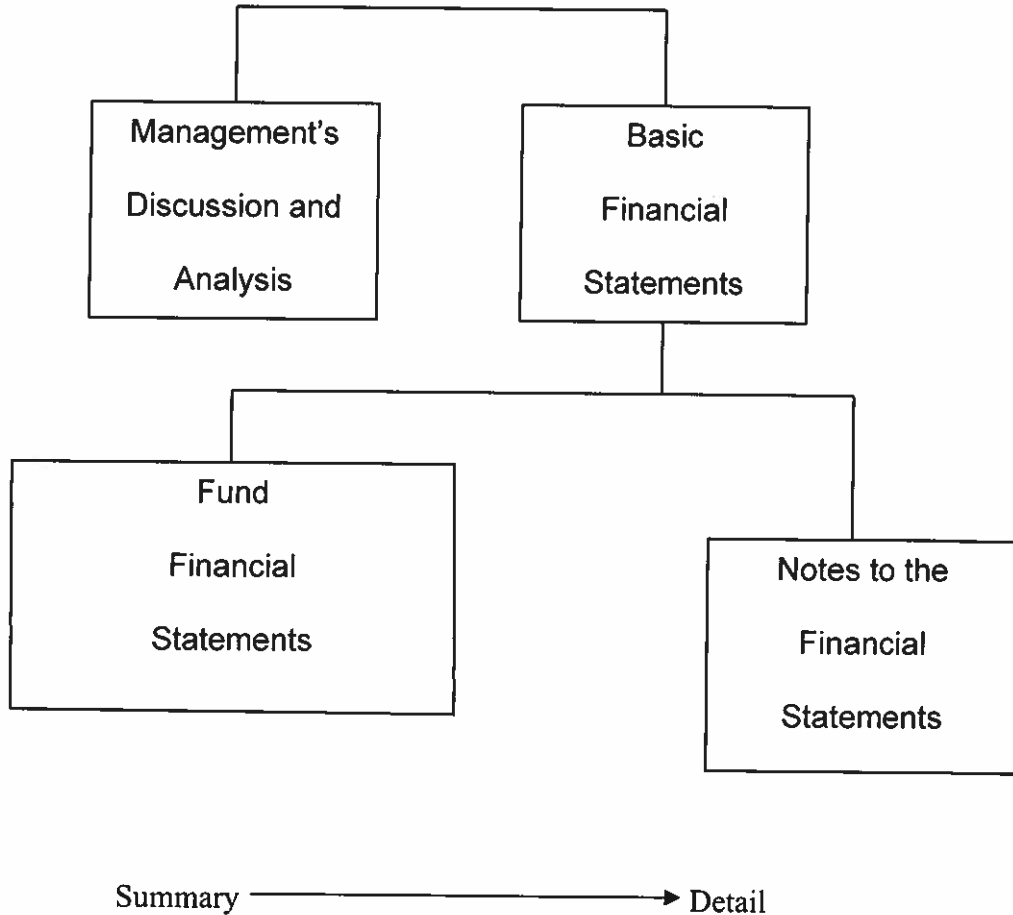
- The assets of the Swan Quarter Sanitary District exceeded its liabilities at the close of the fiscal year by \$3,484,095 (*net position*).
- The Sanitary District's total net position decreased by \$131,587 during the year.
- The Sanitary District's unrestricted part of *net position* is \$94,531 the remaining amount is Net investment in capital assets.

Overview of the Financial Statements

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

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

The first three statements are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Sanitary District's government. The Fund Financial Statements are for the proprietary fund statements.

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

Fund Financial Statements

The fund financial statements provide a more detailed look at the Sanitary District's most significant activities. A fund is a grouping of related accounts that is used to maintain

Management Discussion and Analysis
Swan Quarter Sanitary District

control over resources that have been segregated for specific activities or objectives. The Swan Quarter Sanitary District, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the Sanitary District’s budget ordinance. All of the funds of the Swan Quarter Sanitary District are business-type funds.

Proprietary Funds

Swan Quarter Sanitary District has one type of proprietary fund. *Enterprise Funds* are used to report the same functions presented as business-type activities in the financial statements. Swan Quarter Sanitary District uses enterprise funds to account for its sewer operations. These funds are the same as the functions shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

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

The Swan Quarter Sanitary District’s Net Position

Figure 2

	Business Type Activities	
	2021	2020
Assets:		
Current and other assets	\$ 117,181	\$ 170,920
Capital assets	3,389,564	3,474,369
Total Assets	3,506,745	3,645,289
Liabilities:		
Other liabilities	22,650	29,607
Total Liabilities	22,650	29,607
Net position:		
Invested in capital assets, net of related debt	3,389,564	3,474,369
Restricted	-	-
Unrestricted	94,531	141,313
	\$ 3,484,095	\$ 3,615,682

As noted earlier, net position may serve over time as one useful indicator of a government’s financial condition. The assets of the Swan Quarter Sanitary District exceeded liabilities by \$3,484,095 as of June 30, 2021. The Sanitary District’s net position decreased by \$131,587 for the fiscal year ended June 30, 2021. The Sanitary District’s investment in capital assets (e.g., land, machinery, and equipment); less any related debt still outstanding that was issued to acquire those items was \$3,389,564, or 97.3% at year end. The Swan Quarter Sanitary District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Swan Quarter Sanitary District’s investment in its capital assets is reported net of the outstanding

Management Discussion and Analysis
Swan Quarter Sanitary District

related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. The remaining balance of the Swan Quarter Sanitary District's net position \$94,531 (2.7%) is unrestricted.

Swan Quarter Sanitary District Changes in Net Position

Figure 3

	Business Type Activities	
	2,021	2,020
Revenues:		
Charges for services	\$ 116,020	\$ 125,960
Non-operating revenues	14,720	14,722
Total revenues	<u>130,740</u>	<u>140,682</u>
Expenses:		
Operating expenses	262,327	245,728
Total expenses	<u>262,327</u>	<u>245,728</u>
Increase (decrease) in net position	(131,587)	(105,046)
Net position, July 1	3,615,682	3,720,728
Net position, June 30	<u>\$ 3,484,095</u>	<u>\$ 3,615,682</u>

Business-type Activities. Business-type activities decreased the Sanitary District's net position by \$131,587. Revenues were \$9,942 less than the previous year. Expenses were \$16,599 more than the previous year.

Financial Analysis of the Sanitary District's Funds

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

Proprietary Funds. The Swan Quarter Sanitary District's proprietary funds provide the same type of information found as you would find in a government-wide statements but in more detail. Unrestricted net position of the Sanitary District's Fund at the end of the fiscal

Management Discussion and Analysis
Swan Quarter Sanitary District

year amounted to \$94,531. Other factors concerning the finances of this fund have already been addressed in the discussion of the Swan Quarter sanitary District's business-type activities.

Capital Asset and Debt Administration

Capital assets. The Swan Quarter Sanitary District's investment in capital assets for its governmental type activities and total activities as of June 30, 2021, totals \$3,389,564 (net of accumulated depreciation). These assets include land and sewer system.

The Sanitary District did not have any capital asset additions or disposals during the year.

Swan Quarter Sanitary District's Capital Assets

Figure 4
(net of depreciation)

	Governmental Activities	Business-Type Activities
	2021	2020
Land	\$ 637,546	\$ 637,546
Sewer System	2,752,018	2,836,823
Total	<u>\$ 3,389,564</u>	<u>\$ 3,474,369</u>

Additional information on the Sanitary District's capital assets can be found in notes of the Basic Financial Statements.

Long-term Debt. As of June 30, 2021, the Swan Quarter Sanitary District did not have any long-term debt.

Economic Factors

The Sanitary District receives its support from users of the sewer system location in the Swan Quarter Sanitary District. Reductions in the number of users or level of collection from users could influence the district's operations.

Management Discussion and Analysis
Swan Quarter Sanitary District

Requests for Information

This report is designed to provide an overview of the Sanitary 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:

Swan Quarter Sanitary District
PO Box 21
Swan Quarter, NC 27885

BASIC FINANCIAL STATEMENTS

**Swan Quarter Sanitary District
Swan Quarter, North Carolina
Statement of Net Position
June 30, 2021**

Assets

Current assets

Cash	\$ 97,032
Accounts receivable (net)	13,167
Inventory	6,982
Total current assets	<u>117,181</u>

Capital Assets

Land	637,546
Other capital assets, net of depreciation	2,752,018
Total capital assets	<u>3,389,564</u>

Total assets	<u>\$ 3,506,745</u>
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Liabilities

Current liabilities

Accounts payable & accrued liability	\$ 5,598
Customer deposits	17,052
Total current liabilities	<u>22,650</u>

Net position

Net investment in capital assets	3,389,564
Unrestricted	94,531
Total net position	<u>\$ 3,484,095</u>

**Swan Quarter Sanitary District
Swan Quarter, North Carolina
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2021**

Operating revenues:	
Charges for services:	
Sewer fees	<u>\$ 116,020</u>
Operating expenses:	
Expense	177,522
Depreciation	<u>84,805</u>
Total expense	<u>262,327</u>
Operating income (loss)	<u>(146,307)</u>
Non-operating revenues (expenses)	
Investment earnings	-
Farm rent	<u>14,720</u>
Total non-operating revenues (expenses)	<u>14,720</u>
Change in net position	<u>(131,587)</u>
Net position, beginning of year	<u>3,615,682</u>
Net position - end of year	<u><u>\$ 3,484,095</u></u>

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

Swan Quarter Sanitary District
Swan Quarter, North Carolina
Statement of Cash Flows
June 30, 2021

Cash flows from operating activities:	
Cash received from customers	\$ 122,439
Payments for operating expenses	(184,631)
Customer deposits (net)	152
Net cash provided (used) by operating activities	<u>(62,040)</u>
Cash flows from capital and other financing activities:	
Farm rent	14,720
Capital outlay	-
Net cash provided (used) by capital and related financing activities	<u>14,720</u>
Cash flows from investing activities:	
Interest on investments	-
Net Increase (decrease) in cash and cash equivalents	(47,320)
Cash at beginning of the year	144,352
Cash at end of the year	<u><u>97,032</u></u>
 Reconciliation of income (loss) from operations to net cash provided (used) by operating activities	
Income (loss) from operations	(146,307)
Adjustments to reconcile income from operations to cash provided (used) by operating activities	
Depreciation	84,805
(Increase) decrease in accounts receivable	6,419
(Increase) decrease in inventories	-
Increase (decrease) in security deposit liabilities	152
Increase (decrease) in accounts payable	<u>(7,109)</u>
Net cash (used) provided by operating activities	<u><u>\$ (62,040)</u></u>

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

NOTES TO THE FINANCIAL STATEMENTS

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Swan Quarter Sanitary 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

The Swan Quarter Sanitary District (the District) is a special-purpose government entity governed by an elected five-member board. The District is fiscally independent; therefore, the District issues basic financial statements. All the activities of the District are accounted for and reported using the accrual basis of accounting.

B. Organizational History

The District was organized under North Carolina General Statutes 130A-48 and 130A-50, implemented by the Commission for Health Services, North Carolina Department of Health and Human Services on August 16, 2000 and by the Hyde County Board of Commissioners thereafter.

The District operates a waste collection and treatment system, to include a spray-field, in Swan Quarter, North Carolina. The District serves 272 users. The system was constructed with grants administered by the North Carolina Department of Environmental Health and Natural Resources and the North Carolina Rural Economic Development Center, Inc.

C. Basis for Presentation

All activities of the District are accounted for within a single proprietary (enterprise) fund. Proprietary funds are used to account for operations that are (a) financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost 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 periodic determination of revenues earned, expenses incurred, and/or the change in net assets is appropriated for capital maintenance, public policy, management control, accountability, or other purposes.

D. Measurement Focus and Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting. Under this basis, revenues are recognized in the accounting period when earned and expenses are recognized when incurred. Unbilled receivables are accrued as revenues. As permitted by generally accepted accounting principles, the District elected to apply only applicable FASB statements and interpretations issued before November 30, 1989 in its enterprise operations unless those pronouncements conflict with or contradict GASB pronouncements.

E. Budgetary Data

The District's budgets are adopted as required by North Carolina General Statutes. An annual budget is adopted each year. Annual appropriations lapse at the fiscal-year end. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds. There were no budget amendments during the year. The budget ordinance must be adopted by July 1 of the fiscal year, or the governing board must adopt the interim budget that covers that time until the annual ordinance can be adopted.

F. Assets, Liabilities and Net Assets

1. Deposits and Investments

All deposits of the District 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 non-guaranteed federal agencies; certain high-quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT).

Swan Quarter Sanitary District
Swan Quarter, North Carolina
Notes to the Financial Statements
June 30, 2021

2. Cash and Cash Equivalents

For the purpose of the statement of cash flows, the District considers demand deposits and highly liquid investments with a maturity of six months or less when purchased to be cash and cash equivalents.

3. Allowances for Doubtful Accounts

Receivables for sewer operations are shown net of an allowance for doubtful accounts. For purposes of financial statement reporting all receivables over 90-days old are included in the allowance for doubtful accounts.

4. Inventories

Inventories consist of materials and supplies held for subsequent use. The cost of these inventories is expensed when consumed rather than purchased.

5. Capital Assets

Capital assets (including computer software) are defined by the District as assets with an initial, individual cost of more than a \$1,000 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 are recorded at their estimated fair value of the date of donation. 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>
Sewer system	50
Other improvements	10-25
Equipment & computer software	5-10

6. Compensated Absences

The District has no policy regarding compensated absences as the District does not maintain any employees.

7. Net Position

Net position is classified as net invested 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.

8. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Significant Violation of Finance-Related Legal and Contractual Provisions

1. The District violated State Statute GS 159-34, which requires units to submit audits four-months after end of fiscal year.
2. The District did not adopt the budget according to GS 159-8. There was not a public hearing and the adoption was not recorded in the minutes.

Swan Quarter Sanitary District
Swan Quarter, North Carolina
Notes to the Financial Statements
June 30, 2021

III. DETAIL NOTES

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 agent in the District'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 agent in the District's name. 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 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, 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 District has no policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The District complies with the provisions of GS 159-31 when designating official depositories and verifying that deposits are properly secured. At year end, the District's deposits had a carrying amount and bank balance of \$97,032. The entire bank balance was covered by federal depository insurance.

At June 30, 2021 the District's deposits had a carrying amount of \$97,032 and a bank balance of \$97,032. The entire bank balance was covered by federal depository insurance.

2. Investments

The District had no investments at year-end.

3. Receivables – Allowances for Doubtful Accounts

Receivables for sewer operations are shown net of an estimated allowance for doubtful accounts of \$0. Allowances are charged to operations as bad debt expense.

4. Capital Assets

A summary of capital assets is as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not depreciated				
Land	\$ 637,546	\$ -	\$ -	\$ 637,546
Capital assets being depreciated				
Sewer system	4,221,333	-	-	4,221,333
Improvements	19,590	-	-	19,590
Total Capital assets being depreciated	4,240,923	-	-	4,240,923
Less accumulated depreciation				
Sewer system	1,391,959	84,426	-	1,476,385
Improvements	12,141	379	-	12,520
Total accumulated depreciation	1,404,100	\$ 84,805	\$ -	1,488,905
Total Capital assets being depreciated, Net	2,836,823			2,752,018
	<u>\$ 3,474,369</u>			<u>\$ 3,389,564</u>

Swan Quarter Sanitary District
Swan Quarter, North Carolina
Notes to the Financial Statements
June 30, 2021

Depreciation expense for the year was \$84,805.

B. Liabilities

1. Pension Plan Obligations, Employment and Post Employment Benefits

The District did not maintain any employees during the year.

2. Compensated Absences

The District has no policy for vacation or sick pay.

3. Risk Management

The District is exposed to various risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to individuals; and natural disasters. The District considers its exposure to loss to be minimal and maintains minimal insurance coverage.

The District does not maintain flood insurance as the risk of damage is minimal.

The District's finance officer and outside billing clerk are each individually bonded for \$50,000. Board members are covered under a \$10,000 blanket policy.

4. Claims and Judgements

At year end the District had no claims or judgments pending.

IV. SUMMARY DISCLOSURES OF SIGNIFICANT CONTINGENCIES

A. Concentrations

The District receives its support from users of the sewer system location in Swan Quarter, NC. Reductions in the number of users or level of collections from users could have an effect on the District's operations.

SUPPLEMENTARY INFORMATION

**Swan Quarter Sanitary District
Swan Quarter, North Carolina
Schedules of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the Fiscal Year Ended June 30, 2021**

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Charges for services:			
Sewer fees	\$ 150,000	\$ 116,020	\$ (33,980)
Nonoperating revenues			
Investment earnings		-	-
Farm rent	15,000	14,720	(280)
Total non operating revenues	15,000	14,720	(280)
Total revenues	165,000	130,740	(34,260)
Expenditures:			
Accounting	-	70	-
Bank charges	-	101	-
Bonds & insurance	-	4,876	-
Calibration services	-	827	-
Clerk contract	-	16,800	-
Engineering services	-	2,355	-
Environmental testing	-	2,948	-
Gas & electric	-	20,753	-
Legal	-	375	-
License & permits	-	1,310	-
Mowing service	-	3,144	-
Maintenance contract	-	52,690	-
Operator contract	-	16,138	-
Pest control	-	480	-
Postage	-	56	-
Parts & supplies	-	4,932	-
System parts	-	49,410	-
Telephone	-	257	-
Total expenses	-	177,522	(177,522)
Revenues over (under) expenditures	\$ 165,000	\$ (46,782)	\$ (211,782)
Reconciliation to full accrual:			
Revenues over (under) expenditures		(46,782)	
Reconciling items:			
Depreciation		(84,805)	
Change in net position		\$ (131,587)	