REVIEWED
By SLGFD at 10:44 am, Nov 23, 2021

Water & Sewer Authority
TUCKASEIGEE
SERVING JACKSON COUNTY

FINANCIAL STATEMENTS

For the Year Ended June 30, 2021

TUCKASEIGEE WATER AND SEWER AUTHORITY

Sylva, North Carolina

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TUCKASEIGEE WATER AND SEWER AUTHORITY

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BURLESON & EARLEY, P.A.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Tuckaseigee Water and Sewer Authority
Sylva, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and major funds of the Tuckaseigee Water and Sewer Authority 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 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 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 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 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 accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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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 upon our audit, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and major funds of the Tuckaseigee Water and Sewer Authority as of June 30, 2021 and the respective changes in financial position and cash flows, thereof, for the year then ended in conformity 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 Management's Discussion and Analysis on pages 4 – 9, the Schedule of Changes in Total OPEB Liability and Related Ratios on page 32, and the Local Government Employee's Retirement System's Schedules of the Proportionate Share of the Net Pension Liability (Asset) and Contributions on pages 33 and 34, respectively, 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 the 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 Tuckaseigee Water and Sewer Authority. The Schedule of Operating Expenses, Schedule of Revenues and Expenditures – Budget and Actual (Operating Fund), and Schedule of Revenues and Expenditures – Budget and Actual (Capital Improvements Fund) are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Operating Expenses, Schedule of Revenues and Expenditures – Budget and Actual (Operating Fund), and Schedule of Revenues and Expenditures – Budget and Actual (Capital Improvements Fund) are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial

statements and certain additional procedures; including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us. In our opinion, based on our audit and the procedures performed as described above, the Schedule of Operating Expenses, Schedule of Revenues and Expenditures – Budget and Actual (Operating Fund), and the Schedule of Revenues and Expenditures – Budget and Actual (Capital Improvements Fund) 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 November 1, 2021, on our consideration of the Tuckaseigee Water and Sewer Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Tuckaseigee Water and Sewer Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Tuckaseigee Water and Sewer Authority's internal control over financial reporting and compliance.

Burleson & Earley, P.A.
Certified Public Accountants
November 1, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management Discussion and Analysis (MD&A) of the Tuckaseigee Water and Sewer Authority's activities and financial performance provides the reader with an overview to the financial statements of the Tuckaseigee Water and Sewer Authority for the fiscal year ended June 30, 2021. We encourage users to read the information presented here in conjunction with the financial information contained in the various sections of this audit report.

THE REPORTING ENTITY

The Tuckaseigee Water and Sewer Authority (TWSA) was formed by adoption of a "Water and Sewer Consolidation Agreement" in 1992 by the following political subdivisions: Town of Sylva, Town of Dillsboro, Town of Webster, and County of Jackson. The Authority was created for the purpose of providing water and sewer distribution and service to the citizens of these political subdivisions.

TWSA operates around the clock, each day of the year, to provide operations through a water treatment plant, four wastewater treatment plants, over one hundred miles of distribution and collection lines and to generate and collect over 3,300 monthly bills.

FINANCIAL HIGHLIGHTS

Over the last decade, the Authority customer base has increased by over thirty-percent. Total assets and revenues have doubled during that same decade. A summary of the more significant financial details for the fiscal year ended June 30, 2021 is as follows:

- The assets and deferred outflows of resources of the Tuckaseigee Water and Sewer Authority exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by $38,713,910 (*net position*).
- The Tuckaseigee Water and Sewer Authority's total net position *decreased* by ($132,014), due to net nonoperating expenses of $445,000 exceeding operating income of $44,382 and capital contributions of $268,604.
- The following actual operating results as compared to budgeted amounts generated positive results for the Authority: operating revenues were less than the approved budget by ($74,309), nonoperating revenues were less than the approved budget by ($56,399), operating expenses (net of depreciation and amortization) for the fiscal year were below budget by $353,509 and operating net income exceeded budget by $222,801.

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 two components: 1) the financial statements, and 2) notes to the financial statements. 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 Tuckaseigee Water and Sewer Authority.

The basic financial statements are prepared using the full accrual basis of accounting. They consist of three statements. The first is the Statement of Net Position. Assets and liabilities are classified between current and long-term. This statement provides a summary of the Authority's investments in assets,

deferred outflows of resources, obligations to creditors and deferred inflows of resources. Liquidity and financial flexibility can be evaluated using the information contained in this statement.

The next statement is the Statement of Revenues, Expenses, and Changes in Net Position. This statement is used in evaluating whether the Authority has recovered all of its costs through revenues. Its information is used in determining credit worthiness.

The final required statement is the Statement of Cash Flows. This statement reports cash inflows and outflows in the following categories: operating, investing, and financing activities. Based on this data, the user can determine the sources of cash, and the change in cash.

The Notes to the Financial Statements provide more detail information and should be read in conjunction with the statements.

FINANCIAL POSITION SUMMARY

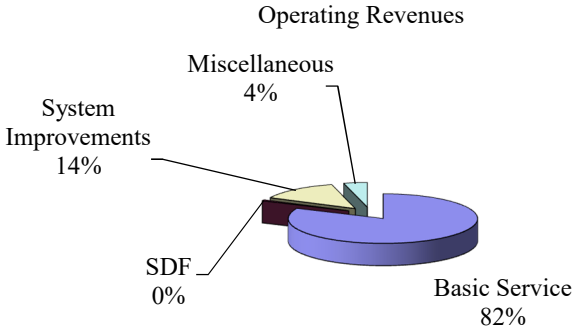
Net position may serve over time as one useful indicator of the Authority's financial condition. The Authority's assets and deferred outflows exceeded liabilities and deferred inflows by $38.7 million at June 30, 2021, a *decrease* of ($132,014) from June 30, 2020.

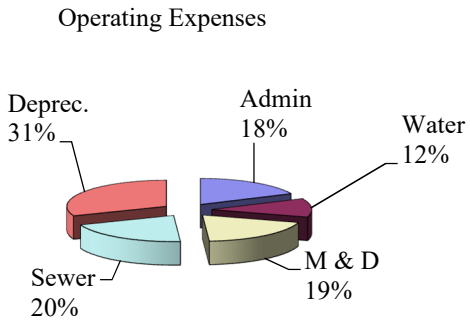
At June 30	2021	2020	$ Change	% Change
Assets				
Current and Other Assets	$ 16,128,146	$ 16,223,484	$ (95,338)	-0.6%
Capital Assets	35,680,213	35,723,505	(43,292)	-0.1%
Total Assets	51,808,359	51,946,989	(138,630)	-0.3%
Deferred Outflows of Resources	885,077	550,295	334,782	60.8%
Liabilities	13,888,697	13,525,085	363,612	2.7%
Deferred Inflows of Resources	90,829	126,275	(35,446)	-28.1%
Net Position				
Net Investment in Capital Assets	25,493,442	25,277,068	216,374	0.9%
Restricted for Capital Projects	617,330	553,297	64,033	11.6%
Unrestricted	12,603,138	13,015,559	(412,421)	-3.2%
Total Net Position	$ 38,713,910	$ 38,845,924	$ (132,014)	-0.3%

SUMMARY OF OPERATIONS AND CHANGES IN NET POSITION

For the Fiscal Year Ended June 30	2021	2020	$ Change	% Change
Operating Revenues	$ 5,245,885	$ 5,508,357	$ (262,472)	-4.8%
Operating Expenses	5,201,503	5,390,588	(189,085)	-3.5%
Operating Income (Loss) Before Nonoperating Revenues and Expenses	44,382	117,769	(73,387)	-62.3%
Nonoperating Revenues and Expenses, net	(445,000)	(499,179)	54,179	-10.9%
Capital Contributions	268,604	465,448	(196,844)	-42.3%
Increase in Net Position	(132,014)	84,038	(216,052)	-257.1%
Net Position, July 1	38,845,924	38,761,886	84,038	0.2%
Net Position, June 30	$ 38,713,910	$ 38,845,924	$ (132,014)	-0.3%

The daily operations of the Tuckaseigee Water and Sewer Authority are funded through the collection of water and sewer revenues. The customer base includes a mixture of single and multi-family residential, commercial, institutional, and industrial.





SUMMARY OF CASH FLOW ACTIVITIES

The following shows a summary of the major sources and uses of cash and cash equivalents. Cash equivalents are considered cash-on-hand, bank deposits and highly liquid investments with an original maturity of three months or less.

For the Fiscal Year Ended June 30	2021	2020	$ Variance	% Variance
Cash Flows from Operating Activities	$ 1,839,883	$ 2,080,690	$ (240,807)	-11.6%
Cash Flows from Capital and Related Financing Activities	(1,652,847)	(1,718,954)	66,107	-3.8%
Cash Flows from Investment Activities	15,286	201,589	(186,303)	-92.4%
Net Increase (Decrease) in Cash and Cash Equivalents	202,322	563,325	(361,003)	-107.8%
Cash and Cash Equivalents, beginning of year	15,115,019	14,551,694		
Cash and Cash Equivalents, end of year	$ 15,317,341	$ 15,115,019		

CAPITAL ACQUISITIONS AND CONSTRUCTION ACTIVITIES

During fiscal year 2021, the Authority expended approximately $1.7 million on capital activities. Acquisitions are funded using a variety of techniques, including State and Federal loans and grants, bond issuance and operating revenues. The following includes some of the more significant capital outlay purchases, excluding capital projects:

- SCADA system upgrade at lift stations
- Security system, including gate, at the administration office
- Ford Ranger truck
- Various distribution systems equipment upgrades

Capital Assets (net of depreciation)

	2021	2020	$ change	% Change
Land	$ 1,645,763	$ 1,645,763	$ -	0.0%
Capital projects	2,665,694	1,921,301	744,393	38.7%
Administrative buildings	376,122	388,709	(12,587)	-3.2%
Plant and distribution systems	30,189,941	30,896,644	(706,703)	-2.3%
Furniture and fixtures	63,185	68,577	(5,392)	-7.9%
Computer equipment	627,710	660,528	(32,818)	-5.0%
Equipment	74,495	64,279	10,216	15.9%
Vehicles	37,303	77,704	(40,401)	-52.0%
Total	$ 35,680,213	$ 35,723,505	$ (43,292)	-0.1%

DEBT ADMINISTRATION

The Authority has outstanding debt associated with the construction of capital improvements. At June 30, 2021, long term debt totals $10,132,755.

	Balance 6/30/2020	Borrowings	Repayments	Balance 6/30/2021
Direct Placement Installment Purchase	$ 987,005	$ -	$ 82,250	$ 904,755
Water and Sewer System Revenue Bonds	9,376,000	-	148,000	9,228,000
	$ 10,363,005	$ -	$ 230,250	$ 10,132,755

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Tuckaseigee Water and Sewer Authority's FY 2020-21 began with much uncertainty. The COVID-19 pandemic had taken focus and almost all decisions and issues included a new deciding factor. The year began with an Executive Order from NC Governor, Roy Cooper, preventing all public utilities from charging late fees or performing disconnections for nonpayment. The impact of this Order ceased within the first quarter of FY 2020-21 and most standard procedures were back in place. Financially preparing for the year was challenging due to many businesses being impacted and the uncertainty of whether public schools and colleges would return to normal business (a major portion of the transient population served by TWSA). Projections for new construction were drastically reduced from previous year trends as there were minimal discussions of any new development. A major change from the explosive student housing increase of recent past.

It should be noted that Western Carolina University will continue to grow, with additional development in the Cullowhee service area. Part of this development is not only student housing as mentioned above, but also includes institutional academic and community-use facilities specified in their "Millennial Initiative" plan. With this plan, WCU is able to partner with private industry and government entities to further develop training facilities. This is particularly applicable to their "West Campus", an area comprised of 344 acres that is currently part of the TWSA service area. In the coming years, with little room to grow within the main WCU campus area, the West Campus area will expand to address the additional academic and clinical needs. In recognition and preparation for this growth, the Little Savannah Water & Sewer Improvements Project began and was nearly completed within FY 2020-21.

With the exception of vacation or secondary housing which is experiencing a major increase in new construction, Jackson County continues to see low demand levels for new commercial and residential construction. Jackson County recognizes this and has several different economic development and housing related committees that TWSA is involved with. A major area of focus has been with small business and low-income housing. In response to feedback from these committees and other input received by the TWSA Board of Directors, reductions in System Development Fees (SDFs) continued from the previous year for the lower tiers of the user categories. This reduction reduced system development fees by half for many small businesses and housing projects including the removal of SDFs for a 3-bedroom home or smaller. The larger tier fees were unchanged from the previous year.

The new wastewater treatment plant (Horsepasture River WWTP) project in the Cashiers community experienced delays in FY 2020-21. The design for the project was completed; however, a regulatory permitting delay created a new expected construction start date for early 2022. For the southern system,

this project is anticipated to prompt new growth when the first phase is completed. It is anticipated that this project will be completed by the end of 2023 and facilitate a capacity of 100,000 gallons per day.

The Jackson Paper Pump Station Project and the Wastewater Treatment Plant #2 Project, two of the largest approved CIP projects, progressed in the design and permitting phases and are expected to be bid and started in FY 2021-22. Both of these projects were bid previously and required project redesigns for budget purposes.

All phases of the Asset Inventory and Assessment Project for both water and wastewater were completed during this fiscal year with great success. These projects provided an updated inventory of most all of TWSA's linear assets and provided a detailed assessment of improvements or replacements needed, with a recommended timeline and estimated cost. A 10-year Capital Improvement Plan was identified and will provide a planning and implementation tool for years to come.

While TWSA did not increase rates in FY 2020-21, it recognized that a rate increase was needed in future years to address projected increases in operating and capital expenses. For this reason, the TWSA Board of Directors increased user rates by 6% in almost all rate categories and increased System Improvement Charges by 15% in the FY 2021-22 Budget. These adjustments will accommodate increased operating expenses and additional debt service for future projects. Additionally, they will provide the ability to maintain a budget without fund balance transfers and a more defined revenue stream for Capital Improvements that is not dependent on new construction. These changes were put in place due to the uncertainty the current pandemic would have on projected revenues.

TWSA must continue to evaluate and make decisions regarding rate adjustments for future years. Sustained increases in cash flow for this type of utility, typically are the result of proper control of expenses, appropriate rate increases, and growth in customer base. These factors and sound fiscal management by the TWSA department supervisors yielded another year with realized expenses below budget. TWSA must continue to budget carefully, plan accurately, and execute the Capital Improvement Plan in a deliberate manner to maintain control of its cash flow position.

A new factor that will affect future capital revenues is the current initiative to reduce System Development Fees. The impact from changes to the capital revenue stream produced by the reduction of these fees must be supplemented with a future increases in other fees that contribute to capital reserves. This will be addressed with rate increases to monthly System Improvement Charges (SICs); however, this was not implemented in FY 2020-21 due to the aforementioned COVID-19 pandemic, but was implemented in FY 2021-22. Projects supported by these fees must move forward in a timely manner as construction expenses continue to increase.

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 Executive Director, Tuckaseigee Water and Sewer Authority, 1246 W. Main Street, Sylva, NC 28779.

BASIC FINANCIAL STATEMENTS

TUCKASEIGEE WATER AND SEWER AUTHORITY

Statement of Net Position
June 30, 2021

Assets	
Current assets:	
Unrestricted assets:	
Cash and cash equivalents	$ 14,372,154
Accounts receivable	744,187
Capital project receivables	2,649
Other receivables	55,094
Prepaid expenses	8,875
Total unrestricted assets	15,182,959
Restricted assets:	
Cash and cash equivalents	945,187
Total current assets	16,128,146
Noncurrent assets:	
Capital assets:	
Land and construction in progress	4,311,457
Other capital assets, net of depreciation	31,368,756
Capital assets	35,680,213
Total noncurrent assets	35,680,213
Total assets	51,808,359
Deferred outflows of resources	
Pension deferrals	386,737
OPEB deferrals	498,340
Total deferred outflows of resources	885,077
Liabilities	
Current liabilities:	
Current portion long term debt	237,250
Accounts payable	69,977
Construction contracts payable	54,016
Accrued payroll and related taxes	27,400
Customer deposits	327,857
Accrued interest	32,406
Total current liabilities	748,906
Noncurrent liabilities:	
Accrued vacation pay	123,595
Net pension liability	598,906
Total OPEB liability	2,521,785
Long term debt	9,895,505
Total noncurrent liabilities	13,139,791
Deferred inflows of resources	
Pension deferrals	-
OPEB deferrals	90,829
Total deferred inflows of resources	90,829
Net position:	
Net investment in capital assets	25,493,442
Restricted for capital projects	617,330
Unrestricted	12,603,138
Total net position	$ 38,713,910

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

TUCKASEIGEE WATER AND SEWER AUTHORITY

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

Operating revenue:	
Water:	
Basic service	$ 1,710,215
System development fee	9,834
Reconnects	6,300
Tap fees	10,830
Sewer:	
Basic service	2,576,521
System development fee	20,278
Tap fees	18,270
Other:	
Late fees	60,994
Miscellaneous	59,885
System improvement charges	719,700
System availability charges	22,522
Special charges	9,536
Operating grants	21,000
Total revenue	5,245,885
Operating expenses:	
Administration	943,887
Water	600,247
Maintenance and distribution	1,000,243
Sewer	1,048,510
Depreciation and amortization	1,608,616
Total expenses	5,201,503
Operating income (loss)	44,382
Nonoperating revenues (expenses):	
Investment earnings	15,286
Cumulative costs of parked projects	-
Interest on indebtedness	(411,813)
Gain (loss) on disposal of assets	(48,473)
Total nonoperating revenues (expenses)	(445,000)
Capital contributions	268,604
Net position	
Increase (decrease) in net position	(132,014)
Total net position, beginning of year	38,845,924
Total net position, end of year	$ 38,713,910

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

TUCKASEIGEE WATER AND SEWER AUTHORITY

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

Cash flows from operating activities:	
Cash received from customers	$ 5,084,772
Cash paid for goods and services	(1,773,458)
Cash paid to employees for services	(1,552,316)
Other operating revenues	80,885
Net cash provided by operating activities	1,839,883
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	(1,686,847)
Insurance recovery proceeds	30,041
Proceeds from sale of assets	8,274
Grant proceeds	638,293
Interest payments on debt maturities	(412,357)
Principal payments on debt maturities	(230,251)
Net cash used by capital and financing activities	(1,652,847)
Cash flows from investing activities:	
Interest on investments	15,286
Net increase in cash and cash equivalents	202,322
Cash and cash equivalents, beginning of year	15,115,019
Cash and cash equivalents, end of year	$15,317,341
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	$ 44,382
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	1,608,616
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	(90,179)
(Increase) decrease in other receivables	(748)
(Increase) decrease in prepaid expenses	24,217
(Increase) decrease in deferred outflows of resources-pensions	(45,552)
(Increase) decrease in deferred outflows of resources-OPEB	(289,230)
Increase (decrease) in accounts payable	2,806
Increase (decrease) in accrued payroll and related taxes	2,422
Increase (decrease) in customer deposits	9,951
Increase (decrease) in net pension liability	105,975
Increase (decrease) in OPEB liability	511,325
Increase (decrease) in deferred inflows of resources-pensions	-
Increase (decrease) in deferred inflows of resources-OPEB	(35,446)
Increase (decrease) in accrued vacation pay	(8,656)
Total adjustments	1,795,501
Net cash provided by operating activities	$ 1,839,883

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

TUCKASEIGEE WATER AND SEWER AUTHORITY

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

Note 1 - Summary of Significant Accounting Policies

The accounting policies of the Tuckaseigee Water and Sewer Authority conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

The Tuckaseigee Water and Sewer Authority (Authority) is a public body and a body politic and corporate created under the authority of Chapter 162A-1 of the General Statutes of North Carolina. The Authority was formed by resolution by the following political subdivisions: Authority of Sylva, Authority of Dillsboro, Authority of Webster, and County of Jackson. The Authority was created for the purpose of providing water and sewer distribution and service to the citizens of the aforementioned political subdivisions.

In accordance with GASB Statement 14, the basic criterion of separate legal standing and fiscal independence were used to determine that the Authority was a separate reporting entity. The seven-member Board of Directors is appointed to their terms by each political subdivision on the following appointment:

Authority of Sylva - three members
Authority of Dillsboro - one member
Authority of Webster - one member
County of Jackson - two members

In addition, one ex-officio non-voting member representing Western Carolina University is appointed by the Chancellor of WCU. Three members of the initial board were given varied terms as authorized by G.S. 162A-5, not exceeding three years. A member shall, however, only be eligible to serve three consecutive three year terms. The Board of Directors appoints an Executive Director to oversee the daily operations of the Authority and the management of the employees. The political subdivisions provide no financial support, beyond the terms of the consolidation and transfer agreements, and are not responsible for the debts or entitled to the surpluses of the Authority. The Authority has the power to approve its own budget, and it maintains its own accounting system.

B. Basis of Presentation

Fund financial statements provide information about the Authority's funds. Statements for the proprietary fund category are presented.

Proprietary Funds include the following fund type:

Enterprise Funds – Enterprise Funds account for those operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that costs (expenses, including depreciation) of providing goods or services to the

general public on a continuing basis be financed or recovered primarily through use 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 Authority has one Enterprise Fund for their water and sewer operations. For financial reporting purposes, the Capital Project Fund has been consolidated with the Enterprise Fund.

C. Measurement Focus and Basis of Accounting

The proprietary fund financial statements are reported using the economic resources measurement focus. These 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. 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 enterprise funds 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 and sewer system. Operating expenses for enterprise funds 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 operating budget is adopted for the enterprise fund. All annual appropriations lapse at the fiscal-year end. Project ordinances are adopted for the Capital Improvements Funds. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the departmental level for all annually budgeted funds and at the object level for the multi-year funds. All amendments must be approved by the governing board. During the year, several amendments to the original budget were necessary, the effects of which were not material. 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. Estimates

The preparation of financial statements in conformity with U.S. 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.

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

1. Deposits and Investments

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 deposits.

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. Non-participating interest earning contracts are accounted for at cost. The NCCMT Government Portfolio, a SEC-registered (2a-7) external investment pool, is measured at fair value. The NCCMT-Term Portfolio is bond fund, has no rating and is measured at fair value. As of June 30, 2021, the Term portfolio has a duration of .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 Authority pools money from several funds to facilitate disbursement and investment and to maximize investment income. The Authority considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash and cash equivalents.

3. Restricted Assets

Capital revenue contributions or remaining bond proceeds are classified as restricted assets because they are designated capital projects and cannot be expended for any other item. Customer deposits held by the Authority, before any services are supplied, are restricted to the service for which the deposit was collected.

Tuckaseigee Water and Sewer Authority Restricted Cash		
Water and Sewer Fund		
Customer Deposits	$	327,857
Debt service		617,330
Total Restricted Cash	$	945,187

4. Accounts Receivable

Trade receivables represent uncollected revenue that was earned and billed in the year ended June 30, 2021.

Unbilled revenue represents revenues that were earned in the year ended June 30, 2021, but not billed in that year.

Grants receivable represents amounts that were earned during the year and not received that are associated with capital improvements projects.

Other receivables represent the sales tax refund due from the North Carolina Department of Revenue for the sales tax paid during the fiscal year ended June 30, 2021.

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.

5. Prepaid Expense

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements and expenses as the expenses are incurred.

6. Capital Assets

The Authority's capital assets are defined as assets with an initial, individual cost of more than a certain amount. Minimum capitalization costs are as follows: office furniture and equipment, $1,000; all other capital assets, $5,000. Donated capital assets, including the contributions by the organizing political subdivisons, received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 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. Assets are depreciated on a straight-line basis over the following years:

Non-dwelling structures	40 years
Plant and distribution systems	10 - 50 years
Furniture and fixtures	7 - 25 years
Office equipment	5 years
Computer equipment	5 - 15 years
Maintenance equipment	5 - 50 years
Vehicles	5 years

7. Customer Deposits

Customer deposits represent the liability of the Authority for the deposits placed by customers at the opening of their account. The required deposit can vary, depending on several factors, but is most often $100 per customer, payable to the Authority prior to the installation of service. This deposit is refundable at the time service is discontinued assuming there is no outstanding balance in the customer's account.

8. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflow of Resources*; represents a consumption of net position that applies to

a future period and so will not be recognized as an expense or expenditure until then. The Authority has two items that meet this criterion for this category - pension and OPEB deferrals for the 2021 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Authority has two items that meet the criterion for this category – pension and OPEB deferrals.

9. Long-Term Obligations

In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities. 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. Bonds payable are reported net of the applicable bond premiums or discount. 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.

10. Compensated Absences

The Authority allows its full time employees to accrue vacation leave using a board-approved scale based upon years of service. The maximum accrual is 240 hours and is payable up to such maximum amount upon termination. At the end of the calendar year hours accrued in excess of 240 are converted to sick leave. The current portion of accumulated vacation pay and salary related payments are not considered to be material. Compensated absences are presented as a non-current liability in these financial statements.

Employees can accumulate an unlimited amount of sick leave at a rate of 8 hours per month or 12 days per year. Sick leave does not vest but unused sick leave accumulated at the time of retirement may be used in determination of length of service for retirement benefits purposes. Since the Authority has no obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

11. 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.

12. Defined Benefit Cost-Sharing Plans

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental Employees' Retirement System (LGERS) and additions to/deductions from LGERS' fiduciary net position have been determined on the same basis as they are reported by LGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are

due. The Tuckaseigee Water and Sewer Authority's employer contributions are recognized when due and the Tuckaseigee Water and Sewer Authority has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERS. Investments are reported at fair value.

Note 2 - Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

All of the Authority's deposits are either insured or collateralized by using the Pooling method. 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 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. 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 does not have a deposit policy for custodial credit risk.

At June 30, 2021, the Authority's deposits had a carrying amount of $15,291,079, and a bank balance of $15,314,756. Of the bank balance, $250,000 was covered by Federal Depository Insurance and $15,064,756 was covered by collateral held under the Pooling Method.

The Authority maintains $400 in petty cash on hand.

At June 30, 2021, the Authority had $25,862 invested with the North Carolina Capital Management Trust's Government Portfolio, which carried a credit rating of AAAm by Standard and Poor's. The Authority has no policy regarding credit risk.

2. Receivables

The receivables consist of the following at June 30, 2021:

Customers billed	$ 516,161
Unbilled revenues	252,567
Allowance for doubtful accounts	(24,541)
Total accounts receivable	$ 744,187
Sales tax receivable	$ 55,006
Other	88
	$ 55,094
Grants receivable	$ 2,649

3. Capital Assets

The capital assets of the Tuckaseigee Water and Sewer Authority at June 30, 2021 consist of the following:

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets not being depreciated:				
Land	$ 1,645,763	$ -	$ -	$ 1,645,763
Capital projects	1,921,301	1,478,924	734,531	2,665,694
Total capital assets not being depreciated	3,567,064	1,478,924	734,531	4,311,457
Capital assets being depreciated:				
Administrative buildings	766,359	11,780	-	778,139
Plant and distribution systems	52,513,744	825,565	103,776	53,235,533
Furniture and fixtures	189,133	-	-	189,133
Computer equipment	1,148,210	34,974	-	1,183,184
Equipment	589,939	26,149	15,118	600,970
Vehicles	530,743	9,251	62,558	477,436
Total capital assets being depreciated	55,738,128	907,719	181,452	56,464,395
Less accumulated depreciation for:				
Administrative buildings	377,650	24,367	-	402,017
Plant and distribution systems	21,617,100	1,470,274	41,782	23,045,592
Furniture and fixtures	120,556	5,392	-	125,948
Computer equipment	487,682	67,792	-	555,474
Equipment	525,660	15,933	15,118	526,475
Vehicles	453,039	24,858	37,764	440,133
Total accumulated depreciation	23,581,687	1,608,616	94,664	25,095,639
Total capital assets being depreciated, net	32,156,441	(700,897)	86,788	31,368,756
Business-type activities capital assets, net	$ 35,723,505	$ 778,027	$ 821,319	$ 35,680,213

Construction Commitments

At June 30, 2021, the Authority has active construction projects. At year end, the Authority's commitments related to these projects total $69,846.

Grant Awards

The Authority has the following outstanding grant awards for specific capital asset projects:

Grantor/Project		Award Amount	Amount Earned to Date	Amount Remaining
State of North Carolina - Division of Water Infrastructure				
Water Merger/Regionalization Study		$ 50,000	$ -	$ 50,000
Valhalla Water System Consolidation	*(1)*	$ 499,985	$ 390,914	$ 109,071
Jackson Paper Lift Station Improvements		$ 378,800	$ -	$ 378,800
Golden Leaf Foundation				
WWTP - Horseshoe Pasture River		$ 460,800	$ -	$ 460,800
United States Department of Agriculture				
WWTP - Horseshoe Pasture River		$ 1,745,000	$ -	$ 1,745,000

(1) the remaining balance of this grant award will not be used.

On August 1, 2017, the Authority received, from the North Carolina Division of Water Infrastructure, a letter of intent to fund in amounts totaling $1,515,200 for the Jackson Paper and Dollar General Lift Station Improvements project. These funds consist of a grant of $378,800 and a state loan, with zero interest, in the amount of $1,136,400. The Local Government Commission approved this loan on August 6, 2019.

On January 25, 2018, the Authority received, from the United States Department of Agriculture, notification that their application for Water and Environmental Program funds has been approved for the Horsepasture River WWTP and Collections System Improvements project. The funds requested include a loan amount of $4,832,000, with interest of 2.125%, and a grant amount of $1,745,000. Additionally, in April 2016, the Authority was awarded a grant from the Golden Leaf Foundation in the amount of $460,800 for this project.

On March 1, 2018, the Authority received, from the North Carolina Division of Water Infrastructure, a letter of intent to fund in the amount of $323,040 for the Cowan Valley Homeowner Association Water System Consolidation project. These funds consist of a state reserve project loan, with a maximum interest rate of 1.82%. The Local Government Commission approved this loan on September 10, 2019.

On March 1, 2018, the Authority received, from the North Carolina Division of Water Infrastructure, a letter of intent to fund in the amount of $2,576,600 for the WWTP #2 Improvements project. These funds consist of a state reserve project loan, with a maximum interest rate of 1.82%. The Local Government Commission approved this loan on September 10, 2019.

On March 6, 2020, the Authority received, from the North Carolina Division of Water Infrastructure, a letter of offer and acceptance for a State Loan in the amount of $4,595,300 for the WWTP #2 Improvements project. These funds consist of a state revolving loan, with a zero percent interest rate.

B. Liabilities

1. Local Governmental Employees' Retirement System

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

Benefits Provided. LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

LGERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15 years of service as a LEO and have reached age 50, or have completed five years of creditable service as a LEO and have reached age 55, or have completed 15 years of creditable service as a LEO if

killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The Authority does not have LEO employees.

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Tuckaseigee Water and Sewer Authority employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Tuckaseigee Water and Sewer Authority's contractually required contribution rate for the year ended June 30, 2021, was 10.23% for employees, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Tuckaseigee Water and Sewer Authority were $158,821 for the year ended June 30, 2021.

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

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2021, the Authority reported a liability of $598,906 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019. The total pension liability was then rolled forward to the measurement date of June 30, 2020 utilizing update procedures incorporating the actuarial assumptions. The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2020, the Authority's proportion was 0.01676%, which was a decrease of 0.00129% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the Authority recognized pension expense of $219,244. At June 30, 2021, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 75,631	$ -
Changes of assumptions	44,570	-
Net difference between projected and actual earnings on pension plan investments	84,280	-
Changes in proportion and differences between Authority contributions and proportionate share of contributions	23,435	-
Authority contributions subsequent to the measurement date	158,821	-
Total	$ 386,737	$ -

$158,821 reported as deferred outflows of resources related to pensions resulting from Authority contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2022	$ 66,882
2023	85,060
2024	51,033
2025	24,943
2026	-
Thereafter	-
	$ 227,918

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

Inflation	3.0 percent
Salary increases	3.50 to 8.10 percent, including inflation and productivity factor
Investment rate of return	7.00 percent, net of pension plan investment expense, including inflation

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

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

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	6.0%	4.0%
Total	100%	

The information above is based on 30 year expectations developed with the consulting actuary for the 2019 asset, liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

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

Sensitivity of the Authority's proportionate share of the net pension liability to changes in the discount rate. The following presents the Authority's proportionate share of the net pension liability calculated using the discount rate of 7.00 percent, as well as what the Authority's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent) or one percentage point higher (8.00 percent) than the current rate:

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Authority's proportionate share of the net pension liability (asset)	$ 1,215,115	$ 598,906	$ 86,793

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

2. Supplemental Retirement Plan

The Authority provides employees with the opportunity to participate in a 401(k) Plan through a private carrier. Employee contributions to the plan are voluntary. The Authority does not match contributions to this plan.

3. Other Postemployment Benefits

Healthcare Benefits

Plan Description. Under the terms of an Authority resolution, the Authority administers a single-employer defined benefit Healthcare Benefits Plan (the HCB Plan). No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

Benefits Provided. The Authority provides postemployment healthcare benefits to retirees of the Authority that were hired before June 30, 2005 and are sixty-two years of age and have accumulated ten years of service covered by the North Carolina Local Governmental Employees' Retirement System (System) and are eligible for early retirement or have thirty years of service with the System or have ten years of service with the system and are approved for disability retirement with the System. The Authority pays the full cost of coverage for these benefits. Upon attaining age 65 or becoming eligible for Medicare disability retirement, the retiree must switch to a Medicare Supplement plan in order to continue to receive lifetime benefits. A separate report was not issued for the plan.

Membership of the HCB Plan consisted of the following at June 30, 2020, the date of the latest actuarial valuation:

Retirees and dependents receiving benefits	5
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	11
Total	16

Total OPEB Liability

The Authority's total OPEB liability was measured as of June 30, 2020 and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs. The total OPEB liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.5 percent
Salary increases	3.5–7.75 percent, average, including wage inflation
Discount rate	2.21 percent
Healthcare cost trend rates	Pre-Medicare – 7.0% Medicare – 5.0% Dental – 4.0%

The discount rate is based on the June average of the Bond Buyer General Obligation 20-year Municipal Bond Index published weekly by the Bond Buyer.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at July 1, 2020	$ 2,010,460
Changes for the year:	
Service cost	41,378
Interest	71,289
Changes of benefit terms	-
Differences between expected and actual experience	(14,181)
Changes in assumptions or other inputs	443,118
Benefit payments	(30,279)
Net changes	511,325
Balance at June 30, 2021	$ 2,521,785

Mortality rates were based on the RP-2014 Total Data Set for Healthy Annuitants Mortality Table.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period January 2010 through December 2014.

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the Authority, as well as what the Authority's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.21 percent) or 1-percentage-point higher (3.21 percent) than the current discount rate:

	1% Decrease (1.21%)	Discount Rate (2.21%)	1% Increase (3.21%)
Total OPEB liability	$ 2,963,863	$ 2,521,785	$ 2,167,875

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the total OPEB liability of the Authority, as well as what the Authority's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Current	1% Increase
Total OPEB liability	$ 2,120,709	$ 2,521,785	$ 3,028,684

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2021, the Authority recognized OPEB expense of $219,367. At June 30, 2021, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 124,842	$ 12,817
Changes of assumptions	340,780	78,012
Benefit payments and administrative costs made subsequent to the measurement date	32,718	-
Total	$ 498,340	$ 90,829

$32,718 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2022. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2022	$ 106,356
2023	125,099
2024	110,650
2025	32,689
2026	-
Thereafter	-
	$ 374,794

4. Deferred Outflows and Inflows of Resources

The Authority has several deferred outflows of resources. Deferred outflows of resources is comprised of the following:

Source		Amount
Contributions to pension plan in current fiscal year	$	158,821
Benefit payments and administrative expenses for OPEB made subsequent to measurement date		32,718
Differences between expected and actual experience		200,473
Net difference between projected and actual earnings on pension plan investments		84,280
Changes of assumptions		385,350
Changes in proportion and differences between employer contributions and proportionate share of contributions		23,435
Total	$	885,077

Deferred inflows of resources at year-end is comprised of the following:

Source		Amount
Changes in assumptions	$	78,012
Differences between expected and actual experience		12,817
Total	$	90,829

5. Commitments

Leasing Arrangements

The Authority leases a copier under a 60 month noncancelable lease, expiring in October 2023, with monthly payments of $331. The Authority leased a postage meter under a noncancelable lease, which has expired. This lease continues on a month-to-month basis, with quarterly payments of $106. The following is a schedule of future minimum rental payments required under the operating lease as of June 30, 2021:

Year Ending June 30	Minimum Rental Payments
2022	$ 3,972
2023	$ 3,972
2024	$ 993

6. Long Term Obligations

Direct Placement Installment Purchase

On February 14, 2011, the Authority executed a direct placement installment purchase with the State of North Carolina for loans made by the Department of Environment and Natural Resources to fund the water plant expansion. These funds were primarily funded by the American Recovery Revitalization Act of 2009. One note, with an original balance of $145,008, bears interest at 2.48% and the remaining $1,500,000 is non-interest bearing. The loan balances are amortized over a 20 year term.

The future payments of the note for the years ending June 30th, are as follows:

Year Ending June 30	Principal	Interest	Total
2022	$ 82,250	$ 1,978	$ 84,228
2023	82,250	1,798	84,048
2024	82,250	1,618	83,868
2025	82,250	1,438	83,688
2026	82,250	1,259	83,509
2027-2031	411,250	3,596	414,846
2032	82,255	180	82,435
	$ 904,755	$ 11,867	$ 916,622

USDA Water and Sewer Revenue Bonds

On December 8, 2009, the Authority issued $10,250,000 in revenue bond anticipation notes. The proceeds of these bonds were used for the wastewater treatment plant #1 upgrade. This note matured on June 15, 2011 and was replaced with USDA Water and Sewer Revenue Bonds in the amounts of $9,000,000 and $1,250,000. These revenue bonds bear interest at 4.375%.

The future payments of the note for the years ending June 30th, are as follows:

Year Ending June 30	Principal	Interest	Total
2022	$ 155,000	$ 403,725	$ 558,725
2023	161,000	396,944	557,944
2024	169,000	389,900	558,900
2025	175,000	382,506	557,506
2026	183,000	374,850	557,850
2027-3031	1,042,000	1,746,981	2,788,981
2032-2036	1,293,000	1,498,000	2,791,000
2037-2041	1,602,000	1,189,213	2,791,213
2042-2046	1,984,000	807,013	2,791,013
2047-2051	2,464,000	332,544	2,796,544
	$ 9,228,000	$ 7,521,676	$16,749,676

The Authority has been in compliance with the covenants as to rates, fees, rentals and charges in Article V and VII of the Bond Order, authorizing the issuance of the Water and Sewer Revenue Bonds, Series 2011-A and 2011-B, since its adoption in 2011.

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

Operating revenues	$ 5,245,885
Operating expenses*	3,592,887
Operating income	1,652,998
Nonoperating revenues (expenses)**	(33,187)
Income available for debt service	$ 1,619,811
Debt service, principal and interest paid (Revenue bond only)	$642,608
Debt service coverage ratio	252.07%

** Per rate covenants, this does not include the depreciation and amortization expense of $1,608,616.*
*** Per rate covenants, this does not include interest expense of $411,813.*

The Authority has pledged future water and sewer customer revenues, net of specified operating expenses, to repay $10,250,000 in water and sewer system revenue bonds issued in June 2011. Proceeds from the bonds provided financing for the wastewater treatment plant #1 upgrade. The bonds are payable solely from water and sewer customer net revenues and are payable through 2051. Annual principal and interest payments on the bonds are expected to require less than 50 percent of net revenues. In the event of a default, the authority agrees to pay to the purchase, on demand, interest on any and all amounts due and owing by the Authority under the related agreement. The total principal and interest remaining to be paid on the bonds is $16,749,675. Principal and interest paid for the current year and total customer net revenues were $558,200 and $1,619,811, respectively.

The Authority expensed interest totaling $411,813 for the year ended June 30, 2021.

Changes in Long Term Liabilities

	Balance 6/30/2020	Increases	Decreases	Balance 6/30/2021	Current Portion
Water and Sewer System Revenue Bonds	$ 9,376,000	$ -	$ 148,000	$ 9,228,000	$ 155,000
Direct Placement Installment Purchase	987,005	-	82,250	904,755	82,250
Accrued vacation pay	132,251	79,177	87,833	123,595	-
Total OPEB liability	2,010,460	511,325	-	2,521,785	-
Net pension liability (LGERS)	492,931	105,975	-	598,906	-
	$ 12,998,647	$ 696,477	$ 318,083	$ 13,377,041	$ 237,250

7. Net Investment in Capital Assets

Net investment in capital assets at June 30, 2021, are computed as follows:

Capital assets, net of accumulated depreciation	$ 35,680,213
Less: construction contracts payable	54,016
capital debt	10,132,755
Capital assets, net of related debt	$ 25,493,442

8. 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 participates in self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the Authority obtains general liability, and auto liability coverage of $5 million per occurrence, building, personal property, municipal equipment and computer equipment coverage up to the total insured values of the property, workers' compensation coverage up to statutory limits, employee benefit liability of $5 million per occurrence and in the aggregate, public officials coverage of $1 million per claim and in the aggregate, government crime coverage of $25,000 for employee dishonesty, forgery and alteration and $5,000 for inside and outside theft. The liability and property exposures are reinsured through commercial carriers for claims in excess of retentions as selected by the Board of Trustees each year. Specific information on the limits of the reinsurance, excess and stop loss policies purchased by the Board of Trustees can be obtained by contacting the Risk Management Services Department of the NC League of Municipalities. The pools are audited annually by certified public accountants, and the audited financial statements are available to the Authority upon request. The Authority provides health insurance to its employees through Blue Cross/Blue Shield of North Carolina.

Claims have not exceeded coverage in any of the past three fiscal years. 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 and executive director are each individually bonded for $50,000.

C. Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

The Authority has received proceeds from several Federal and State grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies 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 monies.

D. Subsequent Events

Subsequent events have been reviewed through November 1, 2021, which is the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTAL FINANCIAL DATA

Tuckaseigee Water and Sewer Authority
Schedule of Changes in the Total OPEB Liability and Related Ratios
June 30, 2021

	2021	2020	2019	2018
Total OPEB Liability				
Service cost	$ 41,378	$ 85,946	$ -	$ 49,795
Interest	71,289	125,577	-	52,978
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience	(14,181)	227,252	-	845
Changes of assumptions	443,118	(88,044)	-	(155,112)
Benefits payments	(30,279)	(19,273)	(17,953)	(23,063)
Net change in total OPEB liability	511,325	331,458	(17,953)	(74,557)
Total OPEB liability - beginning	2,010,460	1,679,002	1,696,955	1,771,512
Total OPEB liability - ending	$ 2,521,785	$ 2,010,460	$ 1,679,002	$ 1,696,955
Covered payroll	$ 560,708	$ 560,708	$ 634,887	$ 634,887
Total OPEB liability as a percentage of covered payroll	449.75%	358.56%	264.46%	267.28%

Notes to Schedule

Changes of assumptions - Changes of assumptions and other inputs reflect the effects of changes in the discount rate of each period. The following are the discount rates used in each period:

Fiscal year	Rate
2021	2.21%
2020	3.50%
2019	3.89%
2018	3.56%

Tuckaseigee Water and Sewer Authority
Tuckaseigee Water and Sewer Authority's Proportionate Share of Net Pension Liability (Asset)
Required Supplementary Information
Last Eight Fiscal Years *

Local Government Employees' Retirement System

	2021	2020	2019	2018	2017	2016	2015	2014
Tuckaseigee's proportion of the net pension liability (asset) (%)	0.01676%	0.01805%	0.01859%	0.01907%	0.02012%	0.01919%	0.01989%	0.02000%
Tuckaseigee's proportion of the net pension liability (asset) ($)	$ 598,906	$ 492,931	$ 441,018	$ 291,337	$ 427,014	$ 86,124	$ (117,300)	$ 241,077
Tuckaseigee's covered-employee payroll	$1,529,040	$1,545,715	$1,427,757	$1,393,013	$1,377,792	$1,262,651	$1,219,273	$1,191,974
Tuckaseigee's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	39.17%	31.89%	30.89%	20.91%	30.99%	6.82%	(9.62%)	20.23%
Plan fiduciary net position as a percentage of the total pension liability**	88.61%	90.86%	91.63%	94.18%	91.47%	98.09%	102.64%	94.35%

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

** This will be the same percentage for all participant employers in the LGERS plan.

Tuckaseigee Water and Sewer Authority
Tuckaseigee Water and Sewer Authority's Contributions
Required Supplementary Information
Last Eight Fiscal Years

Local Government Employees' Retirement System

	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	$ 158,821	$ 138,072	$ 121,029	$ 108,225	$ 102,247	$ 93,138	$ 89,270	$ 86,203
Contributions in relation to the contractually required	158,821	138,072	121,029	108,225	102,247	93,138	89,270	86,203
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Tuckaseigee's covered-employee payroll	$ 1,552,503	$1,529,040	$1,545,715	$1,427,757	$1,393,013	$1,377,792	$1,262,651	$1,219,273
Contributions as a percentage of covered-employee payroll	10.23%	9.03%	7.83%	7.58%	7.34%	6.76%	7.07%	7.07%

INDIVIDUAL FUND AND OTHER SCHEDULES

TUCKASEIGEE WATER AND SEWER AUTHORITY

Schedule of Operating Expenses
For the Year Ended June 30, 2021

	Administration	Water	Maintenance & Distribution	Sewer	Total
Salaries and wages	$ 375,076	$ 243,918	$ 501,591	$ 425,497	$ 1,546,082
Board member expense	32,001	-	-	-	32,001
Payroll tax	29,685	18,303	37,800	32,748	118,536
Retirement	53,223	35,105	71,180	59,736	219,244
Hospitalization	54,691	38,824	90,279	80,662	264,456
Other postemployment benefits	219,367	-	-	-	219,367
Worker's compensation insurance	713	5,705	8,796	8,558	23,772
Unemployment reimbursement	-	-	277	-	277
Accounting	13,000	-	-	-	13,000
Legal	13,925	-	-	-	13,925
Other professional services	5,635	-	-	-	5,635
Supplies	9,724	1,377	4,371	2,443	17,915
Uniforms	-	4,648	7,104	5,828	17,580
Repairs supplies	-	-	99,638	-	99,638
Hydrant upgrade	-	-	1,763	-	1,763
Vehicle supplies & repairs	168	1,370	7,418	768	9,724
Vehicles tags & tax	39	172	3,151	173	3,535
Fuel and oil	594	2,373	19,513	45,762	68,242
Tires	-	-	3,094	634	3,728
Lab services and supplies	-	106,192	-	107,348	213,540
Travel and transportation	56	575	-	-	631
Communication	5,734	7,469	8,396	3,511	25,110
Postage	16,506	12	31	61	16,610
Utilities	11,606	96,132	37,334	186,423	331,495
Printing and binding	3,341	-	-	-	3,341
Equipment tools	-	706	6,159	788	7,653
Repairs and maintenance	-	11,620	55,871	-	67,491
Equipment maintenance	-	4,372	-	2,675	7,047
Equipment repairs	-	-	3,914	25,672	29,586
Equipment rent	-	-	46	-	46
Building maintenance	-	784	2,560	1,080	4,424
Advertising	3,370	-	-	-	3,370
Data processing	33,500	-	20	813	34,333
Tech provider	27,243	-	-	-	27,243
Cleaning	637	-	-	-	637
Janitorial supplies	-	528	995	959	2,482
Training	569	1,472	60	-	2,101
Other services	-	2,526	-	21,051	23,577
Service contracts	6,115	-	2,680	-	8,795
Insurance and bonding	12,305	12,494	22,502	25,387	72,688
Dues and subscriptions	3,399	2,607	2,295	9,060	17,361
Bad debts written off	8,000	-	-	-	8,000
Miscellaneous	3,665	963	1,405	873	6,906
Total operating expenses	$ 943,887	$ 600,247	$ 1,000,243	$ 1,048,510	$ 3,592,887

TUCKASEIGEE WATER AND SEWER AUTHORITY

Authority Operating Fund
Schedule of Revenues and Expenses - Budget and Actual (Non-GAAP)
For the Year Ended June 30, 2021

	Final Budget	Actual	Variance Favorable (Unfavorable)
Operating revenue:			
Water:			
Basic service	$ 1,740,000	$ 1,710,215	$ (29,785)
System development fee	55,377	9,834	(45,543)
Reconnects	18,000	6,300	(11,700)
Tap fees	12,000	10,830	(1,170)
Sewer:			
Basic service	2,575,000	2,576,521	1,521
System development fee	110,241	20,278	(89,963)
Tap fees	6,000	18,270	12,270
Other:			
Late fees	10,000	60,994	50,994
Miscellaneous	63,076	59,885	(3,191)
System improvement charges	680,000	719,700	39,700
System availability charges	20,000	22,522	2,522
Special charges	9,500	9,536	36
Operating grants	21,000	21,000	-
Total operating revenue	5,320,194	5,245,885	(74,309)
Nonoperating revenue:			
Proceeds from sale of assets	-	8,274	8,274
Insurance recovery proceeds	-	30,041	30,041
Interest earned	110,000	15,286	(94,714)
Total nonoperating revenue	110,000	53,601	(56,399)
Total revenue	$ 5,430,194	$ 5,299,486	$ (130,708)

TUCKASEIGEE WATER AND SEWER AUTHORITY

Authority Operating Fund
Schedule of Revenues and Expenses - Budget and Actual (Non-GAAP)
For the Year Ended June 30, 2021

	Final Budget	Actual	Variance Favorable (Unfavorable)
Administration:			
Salaries and wages	$ 408,000	$ 375,076	$ 32,924
Board member expense	32,000	32,001	(1)
Payroll tax	32,800	29,685	3,115
Retirement	42,800	38,555	4,245
Hospitalization	62,000	54,691	7,309
Other postemployment benefits	32,000	32,718	(718)
Worker's compensation insurance	1,000	713	287
Accounting	13,000	13,000	-
Legal	18,000	13,925	4,075
Other professional services	8,500	5,635	2,865
Supplies	8,500	9,724	(1,224)
Vehicle repairs & supplies	500	168	332
Fuel & oil	750	594	156
Tires	450	-	450
Vehicle tags & tax	50	39	11
Travel and transportation	100	56	44
Communication	6,000	5,734	266
Postage	18,000	16,506	1,494
Utilities	13,000	11,606	1,394
Printing and binding	5,000	3,341	1,659
Advertising	3,800	3,370	430
Data processing	34,000	33,500	500
Tech provider	33,000	27,243	5,757
Cleaning	1,100	637	463
Training	600	569	31
Educational assistance	36	-	36
Service contracts	6,700	6,115	585
Insurance and bonding	12,500	12,305	195
Dues and subscriptions	2,800	3,399	(599)
Miscellaneous	4,000	3,665	335
Capital outlay	17,464	19,529	(2,065)
Debt service	642,611	642,063	548
Bad debts written off	8,000	8,000	-
Contingency	5,574	-	5,574
Total administrative expenses	$1,474,635	$1,404,162	$ 70,473

TUCKASEIGEE WATER AND SEWER AUTHORITY

Authority Operating Fund
Schedule of Revenues and Expenses - Budget and Actual (Non-GAAP)
For the Year Ended June 30, 2021

	Final Budget	Actual	Variance Favorable (Unfavorable)
Water:			
Salaries and wages	$ 307,000	$ 243,918	$ 63,082
Payroll tax	23,000	18,303	4,697
Retirement	31,900	25,430	6,470
Hospitalization	58,000	38,824	19,176
Worker's compensation insurance	8,000	5,705	2,295
Supplies	3,300	1,377	1,923
Uniforms	7,000	4,648	2,352
Fuel and oil	3,000	2,373	627
Tires	850	-	850
Vehicle tags & tax	200	172	28
Lab services and supplies	117,000	106,192	10,808
Travel and transportation	1,200	575	625
Communication	3,500	7,469	(3,969)
Postage	200	12	188
Utilities	100,000	96,132	3,868
Equipment tools	1,000	706	294
Repairs and maintenance	5,000	11,620	(6,620)
Equipment maintenance	4,942	4,372	570
Vehicle repairs	2,000	1,370	630
Building maintenance	4,500	784	3,716
Janitorial supplies	1,000	528	472
Training	2,500	1,472	1,028
Other services	6,000	2,526	3,474
Insurance and bonding	13,000	12,494	506
Dues and subscriptions	3,500	2,607	893
Miscellaneous	3,500	963	2,537
Capital outlay	26,058	26,819	(761)
Total water expenses	$ 737,150	$ 617,391	$ 119,759

TUCKASEIGEE WATER AND SEWER AUTHORITY

Authority Operating Fund
Schedule of Revenues and Expenses - Budget and Actual (Non-GAAP)
For the Year Ended June 30, 2021

	Final Budget	Actual	Variance Favorable (Unfavorable)
Maintenance and Distribution:			
Salaries and wages	$ 523,500	$ 501,591	$ 21,909
Payroll tax	40,100	37,800	2,300
Retirement	53,500	51,563	1,937
Hospitalization	105,000	90,279	14,721
Worker's compensation insurance	11,200	8,796	2,404
Unemployment reimbursement	500	277	223
Supplies	6,700	4,371	2,329
Uniforms	10,150	7,104	3,046
Repairs supplies	94,500	99,638	(5,138)
Hydrant upgrade	2,000	1,763	237
Vehicle supplies	7,000	7,418	(418)
Fuel and oil	21,000	19,513	1,487
Tires	3,600	3,094	506
Vehicle tags & tax	3,056	3,151	(95)
Travel and transportation	1,200	-	1,200
Communication	10,300	8,396	1,904
Postage	94	31	63
Utilities	42,800	37,334	5,466
Equipment tools	5,000	6,159	(1,159)
Repairs and maintenance	55,343	55,871	(528)
Equipment repairs	3,000	3,914	(914)
Building maintenance	3,500	2,560	940
Data processing	5,500	20	5,480
Janitorial supplies	2,000	995	1,005
Training	200	60	140
Equipment rent	700	46	654
Service contracts	6,400	2,680	3,720
Insurance and bonding	23,500	22,502	998
Dues and subscriptions	5,100	2,295	2,805
Miscellaneous	2,500	1,405	1,095
Capital outlay	78,637	63,199	15,438
Total maintenance and distribution expenses	$1,127,580	$1,043,825	$ 83,755

TUCKASEIGEE WATER AND SEWER AUTHORITY

Authority Operating Fund
Schedule of Revenues and Expenses - Budget and Actual (Non-GAAP)
For the Year Ended June 30, 2021

	Final Budget	Actual	Variance Favorable (Unfavorable)
Sewer:			
Salaries and wages	$ 444,000	$ 425,497	$ 18,503
Payroll tax	35,400	32,748	2,652
Retirement	46,100	43,273	2,827
Hospitalization	84,600	80,662	3,938
Worker's compensation insurance	9,418	8,558	860
Supplies	3,128	2,443	685
Uniforms	8,250	5,828	2,422
Fuel and oil	47,032	45,762	1,270
Tires	1,296	634	662
Vehicle tags & tax	422	173	249
Lab services and supplies	109,256	107,348	1,908
Communication	4,700	3,511	1,189
Postage	150	61	89
Utilities	204,700	186,423	18,277
Equipment tools	2,650	788	1,862
Equipment maintenance	3,550	2,675	875
Vehicle repairs	1,750	768	982
Equipment repairs	34,651	25,672	8,979
Building maintenance	2,704	1,080	1,624
Data processing	1,500	813	687
Janitorial supplies	1,600	959	641
Training	400	-	400
Other services	22,550	21,051	1,499
Insurance and bonding	26,835	25,387	1,448
Dues and subscriptions	9,910	9,060	850
Miscellaneous	1,450	873	577
Capital outlay	67,208	63,641	3,567
Total sewer expenses	$ 1,175,210	$ 1,095,688	$ 79,522
Total expenses	$ 4,514,575	$ 4,161,066	$ 353,509

TUCKASEIGEE WATER AND SEWER AUTHORITY

Authority Operating Fund
Schedule of Revenues and Expenses - Budget and Actual (Non-GAAP)
For the Year Ended June 30, 2021

	Final Budget	Actual	Variance Favorable (Unfavorable)
Net operating income	$ 915,619	$ 1,138,420	$ 222,801
Other financing sources (uses):			
Increase in net position	(915,619)	-	915,619
Total other financing sources (uses)	(915,619)	-	915,619
Revenues over expenses	$ -	$ 1,138,420	$ 1,138,420

Reconciliation from budgetary basis (modified accrual basis) to full accrual net income (2021):

Revenues over expenses	$ 1,138,420
Reconciling items:	
Depreciation and amortization	(1,608,616)
Acquisition of property and equipment	173,188
Disposal of property and equipment	(86,789)
Capital contributions to capital improvements fund	268,604
Decrease in deferred ouflows of resources-pensions	45,552
Decrease in net pension liability	(105,975)
Decrease in deferred inflows of resources- pensions	-
Decrease in deferred ouflows of resources-OPEB	289,230
Decrease in OPEB liability	(511,325)
Increase in deferred inflows of resources - OPEB	35,446
Debt service principal payments	230,251
Increase (decrease) in net position	$ (132,014)

Tuckaseigee Water and Sewer Authority
Capital Improvements Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
From Inception and for the Year Ended June 30, 2021

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
Revenues					
State Grant Revenues	$ 746,601	$ 454,509	$ 254,207	$ 708,716	$ (37,885)
Federal Grant Revenues	1,745,000	-	-	-	(1,745,000)
Local Grant Revenues	-	10,000	-	10,000	10,000
Other Grant Revenues	461,175	-	-	-	(461,175)
NCDOT Reimbursement	410,473	310,521	14,397	324,918	(85,555)
Total revenues	3,363,249	775,030	268,604	1,043,634	(2,319,615)
Expenditures					
Building-Main Office	40,000	-	-	-	40,000
Clearwell WTP	318,505	19,150	-	19,150	299,355
Cowan Valley Water Consolidation	329,501	30,100	3,881	33,981	295,520
Dillsboro Bridge B-5905 NCDOT	410,473	317,030	3,087	320,117	90,356
Horsepasture River-WWTP	8,693,200	493,208	32,326	525,534	8,167,666
Jackson Paper Lift Station	2,077,745	280,646	32,089	312,735	1,765,010
Little Savannah Growth - Sewer-Advanced Planning	907,008	100,556	803,043	903,599	3,409
Little Savannah Growth - Water-Advanced Planning	432,311	63,896	309,190	373,086	59,225
Rhodes Cove Water	108,675	6,021	-	6,021	102,654
Savannah Drive Sewer Main Replacement	200,000	2,765	-	2,765	197,235
Sewer Asset Inventory - Phase I	75,923	76,969	637	77,606	(1,683)
Sewer Asset Inventory - Phase II	72,826	8,897	68,588	77,485	(4,659)
Valhalla Apartments Water System Study	25,000	24,975	-	24,975	25
Valhalla Water System Consolidation	509,985	397,132	2,175	399,307	110,678
Water Asset Inventory - Phase I	76,353	77,789	247	78,036	(1,683)
Water Asset Inventory - Phase II	72,496	28,786	48,336	77,122	(4,626)
WCU Water Merger Study	50,750	28,625	20,125	48,750	2,000
WWTP#2-Rehabilitation Phase I	177,955	177,955	-	177,955	-
WWTP#2-Rehabilitation Phase II	7,288,444	172,490	155,201	327,691	6,960,753
WWTP#2-Plant Upgrade-Advanced Planning	27,407	27,408	-	27,408	(1)
Total expenditures	21,894,557	2,334,398	1,478,925	3,813,323	18,081,234
Revenue over (under) expenditures	(18,531,308)	(1,559,368)	(1,210,321)	(2,769,689)	15,761,619
Other Financing Sources (Uses):					
Loan proceeds	13,963,325	-	-	-	13,963,325
Transfers from (to) operating fund/capital reserves	4,567,983	3,797,061	1,609,186	5,406,247	(838,264)
Total other sources (uses)	18,531,308	3,797,061	1,609,186	5,406,247	13,125,061
Revenues and other financing sources over (under) expenditures	$ -	$ 2,237,693	$ 398,865	$ 2,636,558	$ 2,636,558

OTHER REPORT

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
Tuckaseigee Water and Sewer Authority
Sylva, 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 and major fund of the Tuckaseigee Water and Sewer Authority, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Tuckaseigee Water and Sewer Authority's basic financial statements, and have issued our report thereon dated November 1, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Tuckaseigee Water and Sewer Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Tuckaseigee Water and Sewer Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Tuckaseigee Water and Sewer 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Tuckaseigee Water and 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, noncompliance 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Burleson & Earley, P.A.
Certified Public Accountants
November 1, 2021