

REVIEWED

By SLGFD at 3:08 pm, Mar 09, 2022

WESTERN BAY RIVER METROPOLITAN
SEWERAGE DISTRICT
BAYBORO, NORTH CAROLINA

ANNUAL FINANCIAL REPORT
Year Ended June 30, 2021

WESTERN BAY RIVER METROPOLITAN SEWERAGE DISTRICT

BOARD OF DIRECTORS

KEN BENNET
Chairman

STEVE PIPKIN, III
Vice Chairman

ANDREW PRESTON

FREDERICK BUCK

**Western Bay River Metropolitan Sewerage District
Table of Contents
June 30, 2021**

<u>Exhibit</u>		Page(s)
	Financial Section:	
	Independent Auditor's Report	1-3
	Management's Discussion and Analysis	4-8
	Basic Financial Statements:	
1	Statement of Fund Net Position	9
2	Statement of Revenues, Expenses, and Changes in Fund Net Position Accumulated During the Development Stage	10
3	Statement of Cash Flows	11-12
	Notes to Financial Statements	13-17
	Supplementary Financial Information	
	Schedule of Revenues and Expenditures, Budget and Actual, From Inception, Capital Project Fund	18

FINANCIAL SECTION



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Independent Auditor's Report

To the Chairperson and
Members of the Board
Western Bay River Metropolitan Sewerage District
Bayboro, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities, each major fund, and the aggregate remaining fund information of the Western Bay River Metropolitan Sewerage District, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal 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. 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 financial statement presentation of the financial statements.

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

Opinions

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, each major fund, and the aggregate remaining fund information of the Western Bay River Metropolitan Sewerage District as of June 30, 2021, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which 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 Western Bay River Metropolitan Sewerage District. The individual fund statements and budgetary schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The individual fund statements and budgetary schedules are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us. In our opinion, based on our audit, the procedures performed as described above, the

individual fund statements and budgetary schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Thompson, Price, Scott, Adams & Co., PA

Wilmington, North Carolina

November 11, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

As management of the Western Bay River Metropolitan Sewerage District (MSD or the District), we offer readers of the Western Bay River Metropolitan Sewerage District's financial statements this narrative overview and analysis of the financial activities of the Western Bay River Metropolitan Sewerage District for the fiscal year ended June 30, 2021. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the District's financial statements, which follow this narrative.

Financial Highlights

- The assets of the Western Bay River Metropolitan Sewerage District exceeded its liabilities at the close of the fiscal year by \$10,915,271. (net position).
- The government's total net position decreased by \$55,622.
- There was no debt as of June 30, 2021.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to Western Bay River Metropolitan Sewerage District's basic financial statements. The District's basic financial statements consist of three components. They are as follows:

- Basic Financial Statements
- Notes to the financial Statements
- Supplementary Information

The Basic Financial Statements are prepared using the accrual basis of accounting. They consist of three statements as required for utilities engaged only in business-type activities. The first statement is the statement of fund net position. Assets and liabilities are classified between current and long-term. In the District's case, all amount of receivables and payables relate to the engineering and construction of approved sewer projects and so there are no current operating assets or liabilities. This statement provides a summary of the District's investment in assets and obligations to creditors as of a particular point in time (usually a fiscal period end or a fiscal year end). Liquidity and financial flexibility may be evaluated using the information contained in this statement.

The next statement is the statement of revenues, expenses, and changes in fund net position which reports financial activity over a period of time such as fiscal month, quarter, or year. This statement tabulated the net increase or decrease in net position from the previous year end and will tie back to the statement of net position. The District may use this statement to evaluate whether it has recovered all of its costs through revenues. Its information is used in determining credit worthiness.

The next statement is the statement of cash flows. This statement reports cash inflows and outflows in the following categories: operating, capital and related financing, noncapital financing, and investing, as applicable. Based on this data, the user may determine the sources of cash, the uses of cash, and the change in cash.

The Notes to the Basic Financial Statements explain in detail some of the data contained in the financial statements. The notes should be read in conjunction with the statements.

The Supplementary Financial information shows all revenues and expenditures using modified accrual basis of accounting. Budgetary information required by N.C. General Statutes is included in this statements. The results of this report are converted to full accrual basis allowing the reader to compare this report with the statements of revenues, expenses, and changes in fund net assets accumulated during the development stage.

Financial Analysis

**Western Bay River Metropolitan Sewerage District Condensed Statement of Net Position
 Figure 1**

	Business-type Activities	
	2021	2020
Restricted Assets	\$ -	\$ -
Capital Assets including CIP	10,915,271	10,970,893
Total assets	10,915,271	10,970,893
Restricted Liabilities	-	-
Net position accumulates during the development stage:		
Net investment in capital assets	10,915,271	10,970,893
Restricted	-	-
Unrestricted	-	-
Total net position accumulated during the development stage	\$ 10,915,271	\$ 10,970,893

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets of the District exceeded its liabilities by \$10,915,271 as of June 30, 2021. The District's net position decreased by \$55,622 for the fiscal year ended June 30, 2021. However, the largest portion \$10,915,271 reflects the District's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities.

Net position accumulated during the development stage has decreased since the prior year due to the completion of the sewer collection system in the Reelsboro, North Carolina area and construction in progress of an Oriental waste water treatment facility (WWTF) and related projects. Capital assets and net investment in capital assets as of June 30, 2021 are comprised of construction in progress and the Reelsboro sewer collection system and related projects. The Reelsboro system was financed mainly by state grants. The Oriental WWTF and related projects are being financed by a combination of state grants and funding from a private developer. The District anticipates transferring the Capital Assets to Bay River Metropolitan Sewerage District during the next fiscal year.

A comparison of the statement of net position to the prior year reveals some weakening of the financial position primarily due to the negative change in net position caused by depreciation. There is no long term debt as of June 30, 2021. The District's plan is to merge with Bay River MSD as soon as possible.

The new sewer collection and WWTF systems are important to the orderly growth of Pamlico County in terms of providing needed additional capacity. The completed systems constructed by the District will eventually be merged into Bay River Metropolitan Sewerage District and will generate increased utility revenue. Western Bay River Metropolitan Sewerage District has developed strong relationships with granting agencies and is in good standing for subsequent grant consideration.

**Western Bay River Metropolitan Sewerage District's Condensed Statement of Revenue, Expenses,
 and Changes in Fund Net Position Accumulates During the Development Stage
 Figure 2**

	Business-type Activities	
	2021	2020
Revenues:		
Program Revenues		
Charges for Services	\$ -	\$ -
General Revenues:	-	-
Local Match	-	-
Interest Income	-	-
Total revenues	-	-
Expenses:		
Administrative Services	-	-
Depreciation	55,622	55,622
Total expenses	55,622	55,622
Loss before capital contributions		
Capital Contributions		
Capital Contributions	-	-
Total capital contributions	-	-
Increase/(decrease) in net position	(55,622)	(55,622)
Net Position Accumulated during the development stage, July 1	10,970,893	11,026,515
Net Position Accumulated during the development stage, June 30	\$ 10,915,271	\$ 10,970,893

The statement of revenues, expenses, and changes in fund net position accumulated during the development stage shows the revenues and capital contributions more than covered expenses. The change in net position accumulated during the development stage from the previous year is \$55,622 due primarily to depreciation.

Western Bay River MSD uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District’s Board of Directors and its management are committed to closely overseeing its activities and maintaining control over costs. This is especially important during these times of inflationary building costs for raw materials such as steel and concrete.

Good oversight and control must be maintained in order to effectively meet the financial challenges on the horizon. The District must stay aware of and plan for construction costs that may be disallowed by the granting agencies. Some of these costs are inevitable such as the cost to connect the houses to the holding tanks for the collection system.

Capital Assets Activity

Western Bay River MSD’s investment in capital assets as of June 30, 2021, represents no construction in progress project-to-date on the Oriental WWTF and related projects and the completed Reelsboro sewer collections system:

**Capital Assets Summary
 Figure 3**

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Construction in progress	\$ -	\$ -	\$ -	\$ -
Capital assets being depreciated:				
Reelsboro sewer collection system	11,823,021	-	-	11,823,021
Less accumulated depreciation for:				
Reelsboro sewer collection system	852,128	55,622	-	907,750
Total capital assets being depreciated, net	10,970,893	(55,622)	-	10,915,271
Capital assets, net	\$ 10,970,893	\$ (55,622)	\$ -	\$ 10,915,271

Long-term Debt Activity

As of June 30, 2021, there was no long-term debt outstanding for Western Bay River Metropolitan Sewerage District.

Next Year's Activities

The projects are all now complete and the District will merge with Bay River MSD during fiscal year 2022.

Requests for Information

This report is designed to provide an overview of the District's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to:

Superintendent
Western Bay River Metropolitan Sewerage District
P.O. Box 758
Bayboro, NC 28515

BASIC FINANCIAL STATEMENTS

**Western Bay River Metropolitan Sewerage District
(A Development Stage Enterprise)**

**Statement of Net Position
June 30, 2021**

Assets

Restricted assets:

Cash and cash equivalents	\$	-
Accounts receivable (net)		-
Total restricted assets		-

Noncurrent assets:

Land, improvements, and construction in progress		-
Capital assets (net of depreciation)		10,915,271
Total capital assets		10,915,271

Total assets		10,915,271
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Liabilities

Current liabilities associated with restricted assets:

Accounts payable and accrued liabilities		-
Total		-

Net Position:

Net investment in capital assets		10,915,271
Restricted - System Improvements		-
Total net position	\$	10,915,271

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

**Western Bay River Metropolitan Sewerage District
(A Development Stage Enterprise)
Statements of Revenues, Expenses, and
Changes in Fund Net Position
Accumulated During the Development Stage**

	Year Ended June 30, 2021	Period from July 1, 2002, Date of Inception, To June 30, 2021
Operating revenues:		
Charges for services	\$ -	\$ 416,950
Other operating revenues	-	39,448
Total operating revenues	<u>-</u>	<u>456,398</u>
Operating expenses:		
Administrative expense	-	10,457
Local engineering expense	-	44,608
Professional fees	-	67,982
Rent	-	29,600
Supplies	-	2,836
Service	-	11,076
Insurance	-	2,916
Other expenses	-	670,264
Depreciation and amortization	55,622	907,748
Total operating expenses	<u>55,622</u>	<u>1,747,487</u>
Operating income	<u>(55,622)</u>	<u>(1,291,089)</u>
Nonoperating revenues (expenses):		
Investment earnings	-	12,774
Local Match	-	47,694
Interest and fees	-	-
Total nonoperating revenues (expenses)	<u>-</u>	<u>60,468</u>
Net Income/Loss before contributions and transfers	<u>(55,622)</u>	<u>(1,230,621)</u>
Capital Contributions	-	12,145,892
Transfer in (out)	-	-
Total contributions and transfers	<u>-</u>	<u>12,145,892</u>
Change in net position	(55,622)	10,915,271
Total net position, beginning	10,970,893	-
Total net position, ending	<u>\$ 10,915,271</u>	<u>\$ 10,915,271</u>

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

Western Bay River Metropolitan Sewerage District
(A Development Stage Enterprise)
Statements of Cash Flows
Accumulated During the Development Stage

	Year Ended June 30, 2021	Period from July 1, 2002, Date of Inception, To June 30, 2021
Cash flows from operating activities:		
Cash received from customers	\$ -	\$ 655,055
Cash paid for goods and services	-	(1,863,916)
Net cash provided by operating activities	<u>-</u>	<u>(1,208,861)</u>
Cash flows from capital and related financing activities:		
Capital Contributions	-	12,120,672
Miscellaneous income	-	49,971
Lease proceeds	-	-
Acquisition and construction of capital assets	-	(10,974,561)
Net cash used by capital and related financing activities	<u>-</u>	<u>1,196,082</u>
Cash flows from investing activities:		
Interest on investments	<u>-</u>	<u>12,779</u>
Cash and cash equivalents:		
Beginning of year, July 1	<u>-</u>	<u>-</u>
End of year, June 30	<u>\$ -</u>	<u>\$ -</u>

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

**Western Bay River Metropolitan Sewerage District
(A Development Stage Enterprise)
Statements of Cash Flows
Accumulated During the Development Stage**

Reconciliation of operating income to net cash provided by operations:

Operating income	\$ (55,622)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	55,622
Noncash expenses	-
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	-
Increase (decrease) in accounts payable and accrued liabilities	-
Total adjustments	<u>55,622</u>
Net cash provided by operating activities	<u>\$ -</u>

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

NOTES TO THE FINANCIAL STATEMENTS

WESTERN BAY RIVER METROPOLITAN SEWERAGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2021

Note 1: Nature of Operations, Reporting Entity, and Significant Accounting Policies

Nature of Operations:

The District was formed on May 6, 2002. For the fiscal year ended June 30, 2006, the District completed the construction of the Reelsboro wastewater collection system and began construction of the Oriental waste water treatment facility. This facility will replace the existing sewer plant that has been in use for over 30 years.

Substantially all revenues to date have been restricted for construction of the wastewater collection and the Oriental WWTF. As explained in Note 5, the District has entered into an agreement with Bay River Metropolitan Sewerage District to (1) assist during construction of the system, (2) assist with the operation of this system when completed and (3) move toward merger of the two districts. The merger of the two Districts will take place in the next fiscal year.

Reporting Entity:

The District is a political subdivision of the State of North Carolina created under Article 5 of General Statute 162A of the State of North Carolina. The District is a developmental stage enterprise that is in the process of constructing sewerage collection and treatment systems for customers in the Reelsboro and Oriental, North Carolina areas. The District is governed by a Board of four directors appointed by the Pamlico County Commissioners. It is a special purpose government engaged only in business type activities, but as yet has earned no operating revenues as operations have not yet commenced.

Accounting principles generally accepted in the United States require that the reporting entity include (1) the primary government, (2) organizations for which the primary government is financially accountable and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The criteria provided in Government Accounting Standards Board Statement No. 14 have been considered and there are no agencies or entities which should be presented with the District. Also, the District is not included in any other reporting entity. The District is a primary government and is neither a component unit of another entity nor does it have any component units.

Summary of Significant Accounting Policies:

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

Basis of Presentation - Fund Accounting

The Western Bay River Metropolitan Sewerage District is a single business-type activity with a single proprietary (enterprise) fund which utilizes a capital project sub fund to track activities in accordance with management objectives.

Enterprise Funds may be used to account for any activity for which a fee is charged to external users for goods or services and is required to be used in specific circumstances. The District single enterprise fund currently maintains one sub fund, the Capital Project fund.

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Enterprise activities are accounted for on the flow of economic resources measurement focus and accrual basis of accounting. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the statement of fund net position. Operating statements for these funds present increases (e.g. revenue) and decreases (e.g. expenses) in net total assets. The Board recognizes capital contributions as revenue.

The basis of accounting determines when the revenue and expenses and the related assets and liabilities are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. Enterprise funds are presented in the financial statements on the accrual basis of accounting. Under this basis, revenue is recognized in the accounting period when earned and expenses are recognized in the period they are incurred regardless of when the related cash flows take place.

In accordance with North Carolina General Statutes, the District maintains its accounts during the year using the modified accrual basis of accounting and, at year-end, they are converted to the accrual basis for financial statement purposes. Under the modified accrual basis of accounting, revenues are recognized in the period when they become susceptible to accrual (i.e., when they are “measurable” and “available”) to pay the liabilities of the current period. In addition, expenditures are recorded when the related fund liability is incurred, if measurable, except for unmatured principal and interest on general long-term debt, claims and judgments and compensated absences, which are recognized as expenditures to the extent they have matured.

The District recognizes assets of nonexchange transactions in the period when the underlying transaction occurs, when an unenforceable legal claim has arisen, or when all eligibility requirements are met. Nonexchange transactions occur when one government provides (or receives) value to (from) another party without receiving (or giving) equal or nearly equal value in return. Grants and donations are examples of nonexchange transactions. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been met. The District’s policy is first to apply restricted resources to meet qualifying expenses or construction costs.

Budgetary Data

Budgets are adopted utilizing the modified accrual basis of accounting as required by State Statute. The Capital Project Grant Ordinance was last amended in April 2012 for the construction project.

Expenditures may not legally exceed appropriations at the object level for the capital projects subfund. The budget may be amended as necessary by the governing board. A budget calendar is included in the North Carolina General Statutes which prescribes the last day on which certain steps of the budget procedure are to be performed. The following schedule lists the tasks to be performed and the date by which each is required to be completed.

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 Town enterprise funds are charges to customers for sales and services. The Town 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.

April 30 Each department head will transmit to the budget officer the budget requests as estimates for their department for the budget year.

June 1 The budget and the budget message shall be submitted to the governing board. The public hearing on the budget should be scheduled at this time.

July 1 The budget ordinance shall be adopted by the governing board.

Excess of Expenditures over Appropriations: None.

Deposits and Investments

All deposits of the District are made in board-designated official depositories and are secured as required by State Statute. Official depositories may be established with any bank or savings and loan association whose principal office is located in North Carolina. Also, the District may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts and certificates of deposits. The District maintained one bank account with a local bank where deposits of up to \$250,000 are insured by the Federal Deposit Insurance Corporation. All receipts and withdrawals including checks written were transacted through this account.

State Law [G. S. 159-30(c)] authorizes the District to make only specified investments. The District has no outstanding investments as of June 30, 2021.

Cash and Cash Equivalents

The District pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents.

Capital Assets: All purchased capital assets are valued at original cost at the time of acquisition. Donated capital assets are valued at their estimated fair value on the date received. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable. The District's capitalization threshold policy is \$3,500 for different types of assets such as sewer systems and equipment. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Some expenditures have been classified, at cost, as construction in progress in the capital asset activity table in Note 3. These expenditures relate to pre-acquisition stage engineering, legal services, consulting and construction of the Oriental waste water treatment system and related projects.

The estimated useful life for the Reelsboro sewer collection system is 40 years.

The District evaluates prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. A capital asset is generally considered impaired if both (a) the decline in service utility if a capital asset is large in magnitude and (b) the event or change in circumstance is outside the normal lifecycle of the capital asset. Impaired capital assets that will no longer be used by the government are reported at the lower of carrying value or fair value. Impairment losses on capital assets that will continue to be used by the government are measured using the method that best reflects the diminished service utility of the capital asset. Any insurance recoveries received as a result of impairment events or changes in circumstance resulting in the impairment of a capital asset are netted against the impairment loss.

Net Position:

Net Investment in capital assets - This component of net position consists of amounts expended for capital assets.

Restricted net position - This component of net assets consists of net assets with constraints 1) externally imposed by creditors, grantors, contributors or laws and regulations of other governments or 2) imposed by law or enabling legislation.

Unrestricted net position - This component represents resources with no constraints.

Use of estimates: The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosures of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The primary accounting estimate used by the District's management having financial significance is the lives of the assets.

Note 2: Stewardship, Compliance, and Accountability

Significant Violations of Finance-Related Legal and Contractual Provision

1. Noncompliance with North Carolina General Statutes

No material instances of noncompliance with North Carolina Statutes were noted during the audit.

2. Contractual Violations

None.

3. Deficit in Fund Balance or Net Assets of Individual Funds

None.

4. Excess of Expenditures over Appropriations

None.

Note 3: Cash

At June 30, 2021 cash was comprised of the following:

Deposits:

All the deposits of North Carolina local governments are to be either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are separately collateralized with securities held by the governments' agents in the governments' names. Under the Pooling Method, which is a statewide 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 governments, these deposits are considered to be held by the governments' agents in their name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the governments or the escrow agents. Because of the inability to measure the exact amounts of collateral pledged for governments under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flow. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling method. The District has no formal policy regarding custodial credit risk for deposits; however, it is the current informal policy to follow State requirements. The District complies with the provisions of G.S. 159-31 when designation official depositories and verifies that deposits are properly secured.

At June 30, 2021, the carrying amount and bank balance of the District's deposits was \$0.

Note 4: Capital Assets

Capital asset activity for the district for the year ended June 30, 2021 was as follows:

	Beginning Balances July 1, 2020	Increases	Decreases	Ending Balances June 30, 2021
Capital assets not being depreciated:				
Construction in Progress	-	-	-	-
Total capital assets not being depreciated	-	-	-	-
Capital assets being depreciated:				
Reelsboro sewer collection system	11,823,021	-	-	11,823,021
Total capital assets being depreciated	11,823,021	-	-	11,823,021
Less accumulated depreciation for:				
Reelsboro sewer collection system	852,128	55,622	-	907,750
Total accumulated depreciation	852,128	\$ 55,622	\$ -	907,750
Total capital assets being depreciated, net	10,970,893			10,915,271
Capital assets, net	<u>\$ 10,970,893</u>			<u>\$ 10,915,271</u>

Note 5: Risk Management

Through June 30, 2021, the District was exposed to the risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. While construction is in process, the District is relying on the coverage of the contractor for risks in the areas of theft, destruction of assets and natural disasters. The District has obtained public officials liability through a local insurance agent. There have been no claims. Coverage for the completed Reelsboro sewer collections system is obtained through Bay River MSD's property and casualty program.

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

Note 6: Related Party Transactions

The District is governed by representatives initially appointed by the Pamlico County Commissioners which created the District with the Environmental Management Commission (EMC) of the North Carolina Department of Environment and Natural Resources. The Pamlico County Commissioners and the EMC also created the Bay River Metropolitan Sewerage District, which operated the treatment lagoon that will be connected to the Western Bay River Metropolitan Sewerage District sewer collection system. According to an interlocal agreement between Western Bay River Metropolitan Sewerage District and Bay River Metropolitan Sewerage District, the sewer collection system constructed by Western Bay River Metropolitan Sewerage District is to be leased to Bay River Metropolitan Sewerage District under an interlocal sewerage system operating lease agreement for one (1) year after the completion of the sewer collection system or upon the earlier merger of Western Bay River Metropolitan Sewerage District and Bay River Metropolitan Sewerage District. Under the terms of the lease, the sewer collection system will be operated by Bay River Metropolitan Sewerage District and all income from the operation of the system will be assigned to Bay River Metropolitan Sewerage District to defray its cost in operating and maintaining the system. Both the interlocal agreement and the lease agreement call for the two districts to merge as soon as is practicable following the completion of the construction project. The merger may take longer than originally anticipated because the scope of the construction project undertaken by the Western Bay River Metropolitan Sewerage District has increased to include a waste water treatment facility for the Oriental area, a reclaimed water treatment and storage system and a raw sewer/reclaimed water transmission system for the planned residential community in eastern Pamlico County. The increase in scope was approved by the Boards of the two districts in an effort to use special grant funding available only to state designated "unsewered communities" such as the Western Bay River Metropolitan Sewerage District to provide an environmentally safe manner for the collection, processing and disposal of sewerage.

In March of 2003, the Division of Water Quality of the North Carolina Department of Environment and Natural Resources awarded a \$3,000,000 grant to Bay River Metropolitan Sewerage District to assist Western Bay River Metropolitan Sewerage District in the construction of the sewer collection system in the Reelsboro, North Carolina area. These funds passed through Bay River Metropolitan Sewerage District to Western Bay River Metropolitan Sewerage District as requests for payments are approved for construction costs. The final expenditure of these funds occurred in June 2006.

Grant revenue reported since inception exceeds related grant expenditures because early expenditures related to the Reelsboro sewer collection project dating as far back as 1999 were deemed eligible for reimbursement under District grants. These expenditures were incurred and paid for by Pamlico County and Bay River MSD in an effort to initiate planning and engineering for the Reelsboro system. Neither entity expected to be reimbursed by the District.

Note 7: Claims, Judgments and Contingent Liabilities

At June 30, 2021, the District had no claims or judgments.

Note 8: Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

The District 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 moneys to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant moneys.

Note 9: Significant Effects of Subsequent Events

Management has evaluated subsequent events through November 11, 2021, the date on which the financial statements were available to be issued.

Supplementary Statements

The section contains additional statements required by the Local Government Commission
in North Carolina.

Western Bay River Metropolitan Sewerage District
(A Development Stage Enterprise)
Capital Project Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2021

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Connection fees	\$ 9,000	\$ 159,264	\$ -	\$ 159,264	\$ 150,264
DENR - HUCG grant	3,158,000	2,842,831	-	2,842,831	(315,169)
RC - UCG grant	3,073,050	2,688,754	-	2,688,754	(384,296)
NC DOT Relocation	205,000	203,139	-	203,139	(1,861)
River Dunes Corporation impact fees	6,561,122	6,614,837	-	6,614,837	53,715
Miscellaneous revenue	11,200	17,424	-	17,424	6,224
DOT reimbursement	16,906	53,361	-	53,361	36,455
Local match	33,294	47,694	-	47,694	14,400
Investment Income	-	12,770	-	12,770	12,770
Total Revenues	13,067,572	12,640,074	-	12,640,074	(427,498)
Expenditures:					
DENR grant construction	2,434,893	2,224,207	-	2,224,207	210,686
DENR grant contingency	300,303	300,303	-	300,303	-
DENR grant engineering	173,445	44,625	-	44,625	128,820
RC grant engineering	296,875	278,674	-	278,674	18,201
RC grant special services	2,359,471	2,359,471	-	2,359,471	-
RC grant permits	20,200	-	-	-	20,200
RC grant legal/fiscal	71,966	71,966	-	71,966	-
RC grant administrative	15,000	1,018	-	1,018	13,982
River Dunes project engineering	172,415	172,415	-	172,415	-
Oriental WWTF engineering	105,853	105,853	-	105,853	-
Oriental WWTF construction	5,662,269	5,662,269	-	5,662,269	-
Oriental WWTF legal	6,525	6,525	-	6,525	-
Gumthicket engineering	101,352	101,352	-	101,352	-
PER engineering	207,800	138,000	-	138,000	69,800
DOT - engineering	108,255	107,457	-	107,457	798
DOT - construction	33,200	33,200	-	33,200	-
Local - construction	105,207	105,207	-	105,207	-
Local - engineering	148,500	87,993	-	87,993	60,507
Phase II administration	24,179	24,172	-	24,172	7
Accounting	67,862	68,993	-	68,993	(1,131)
Supplies	8,520	1,898	-	1,898	6,622
Insurance	9,200	6,415	-	6,415	2,785
In kind services	18,015	11,077	-	11,077	6,938
In kind rent	28,800	28,800	-	28,800	-
Other administrative expenses	5,600	4,677	-	4,677	923
Miscellaneous	276,002	276,002	-	276,002	-
Capital reserve	7,000	-	-	-	7,000
Contingency	401,665	417,505	-	417,505	(15,840)
Total Expenditures	13,170,372	12,640,074	-	12,640,074	530,298
Revenues Over (Under) Expenditures	(102,800)	-	-	-	102,800
Other financing sources (uses):					
Appropriated fund balance	102,800	-	-	-	(102,800)
Total other financing sources (uses)	102,800	-	-	-	(102,800)
Revenues and other sources over expenditures	\$ -	\$ -	\$ -	\$ -	\$ -