

**FINANCIAL STATEMENTS**  
**WHITLEY HEIGHTS SANITARY DISTRICT**  
**SMITHFIELD, NORTH CAROLINA**  
**June 30, 2021**

**FINANCIAL SECTION**

WHITLEY HEIGHTS SANITARY DISTRICT  
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JUNE 30, 2021

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**Independent Auditors' Report**

To the Board of Directors  
Whitley Heights Sanitary District  
Smithfield, North Carolina

**Opinion**

We have audited the accompanying financial statements of the business-type activities, each major fund of Whitley Heights Sanitary District, which collectively comprise the Whitley Heights Sanitary District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund of the Whitley Heights Sanitary District as of June 30, 2022, and the respective changes in net position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

**Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibility section of our report. We are required to be independent of Whitley Heights Sanitary District and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Whitley Heights Sanitary District's ability to continue as a going concern within one year after the date that the financial statements are to be issued.

**Auditor's Responsibility**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive

to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit 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 Whitley Heights Sanitary District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Whitley Heights Sanitary District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

### ***Other Matters***

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 8 through 14 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Whitley Heights Sanitary District's basic financial statements. The budgetary schedules and other schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The budgetary schedules and other schedules 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. In our opinion, the budgetary schedules and other schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Petway Mills & Pearson, PA*

PETWAY MILLS & PEARSON, PA  
Certified Public Accountants  
Zebulon, North Carolina

December 23, 2023

## **MANAGEMENT DISCUSSION AND ANALYSIS**

## Management's Discussion and Analysis

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

### Financial Highlights

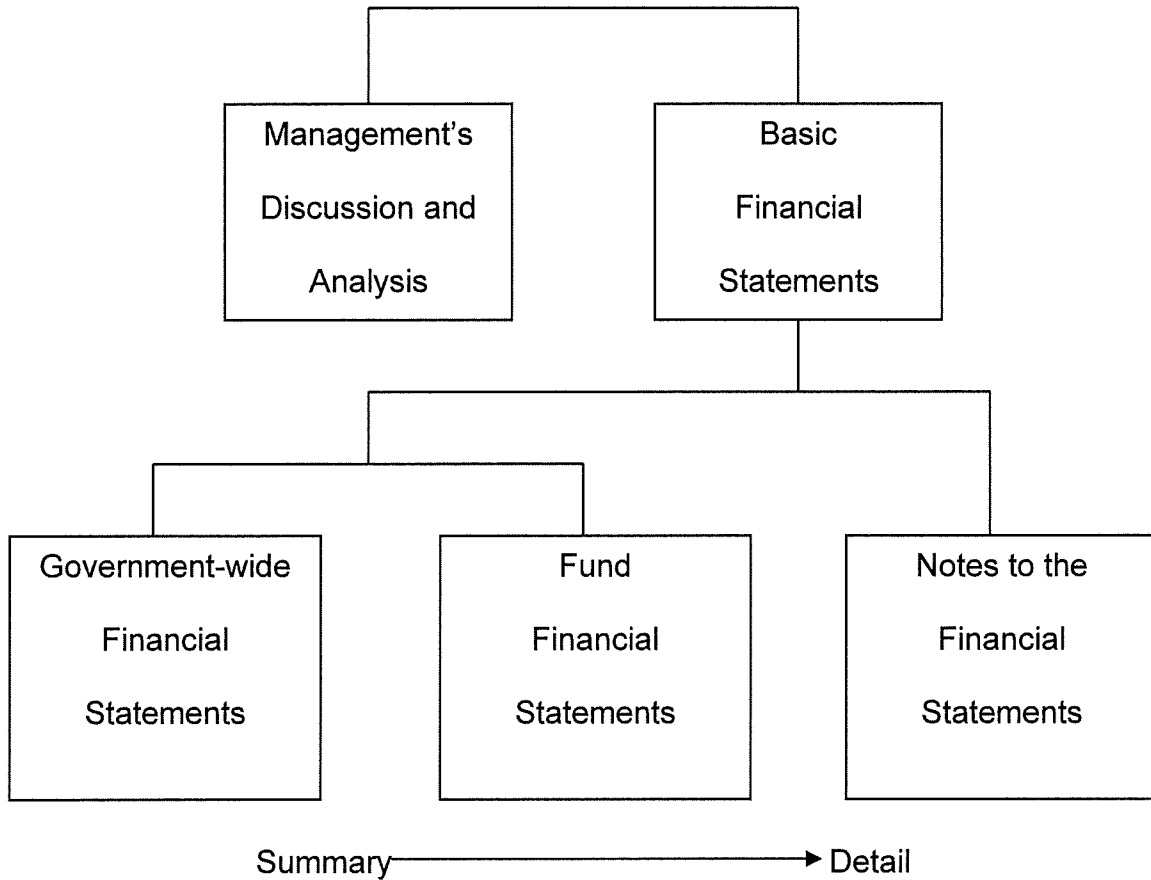
- The assets and deferred outflows of resources of the Whitley Heights Sanitary District exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$53,460 (*net position*).
- The government's total net position *increased* by \$3,881, primarily due to increases in the business-type activities net position.
- The Whitley Heights Sanitary District's total debt decreased by \$6,000 (8%) during the current fiscal year.
- The Whitley Heights Sanitary District has transferred the operation of the water system to Johnston County and the County handles all billing and collection of the water activities. The District still maintains the taxing authority to service the debt requirements.

### Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to Whitley Heights Sanitary District's basic financial statements. The District's basic financial statements consist of two components; 1) fund 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 Whitley Heights Sanitary District.

## Required Components of Annual Financial Report

Figure 1



### Basic Financial Statements

The first statements in the basic financial statements are the Fund Financial Statements. These statements focus on the activities of the Water Fund of the District.

The next section of the basic financial statements is the notes. The notes to the financial statements explain in detail some of the data contained in those statements.

### Fund Financial Statements

The fund financial statements (see Figure 1) provide a more detailed look at the District's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Whitley Heights Sanitary District, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the District's budget ordinance.



**Proprietary Funds** – Whitley Heights Sanitary District has one proprietary fund. Enterprise Funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Whitley Heights Sanitary District uses an enterprise fund to account for its water and sewer activity operations. These funds are the same as those functions shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

**Notes to the Financial Statements** – The notes provide additional information that is essential to a full understanding of the data provided in the fund financial statements. The notes to the financial statements are on pages 20-26 of this report.

## Government-Wide Financial Analysis

### The Whitley Heights Sanitary District's Net Position

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Current and other assets	\$ -	\$ -	\$ 43,592	\$ 42,178	\$ 43,592	\$ 42,178
Capital assets	-	-	70,190	73,755	70,190	73,755
Total assets	-	-	113,782	115,933	113,782	115,933
Long-term liabilities outstanding	-	-	60,000	60,000	60,000	60,000
Other liabilities	-	-	322	6,354	322	6,354
Total liabilities	-	-	60,322	66,354	60,322	66,354
Net assets:						
Invested in capital assets, net of related debt	-	-	10,190	7,755	10,190	7,755
Restricted	-	-	-	-	-	-
Unrestricted	-	-	43,270	41,824	43,270	41,824
Total net assets	\$ -	\$ -	\$ 53,460	\$ 49,579	\$ 53,460	\$ 49,579

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the Whitley Heights Sanitary District exceeded liabilities and deferred inflows by \$53,460 as of June 30, 2021. The District's net position increased by \$3,881 for the fiscal year ended June 30, 2021. However, a portion (18.5%) reflects the District's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The Whitley Heights Sanitary District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Whitley Heights Sanitary District's net 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. The remaining balance of \$49,579 is unrestricted.

**Whitley Heights Sanitary District Changes in Net Position  
Figure 3**

	Governmental Activities	Governmental Activities	Business Type Activities	Business Type Activities	Total	Total
	2021	2020	2021	2020	2021	2020
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Operating grants and contributions	-	-	-	-	-	-
Capital grants and contributions	-	-	-	-	-	-
General revenues:						
Property taxes	-	-	-	-	-	-
Other taxes	-	-	-	-	-	-
Grants and contributions not restricted to specific programs	-	-	-	-	-	-
Other	-	-	20,133	20,045	20,133	20,045
Total revenues	-	-	20,133	20,045	20,133	20,045
<b>Expenses:</b>						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Highways/streets	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-
Economic development	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Interest on long-term debt	-	-	4,714	4,828	4,714	4,828
Water and sewer	-	-	11,538	10,552	11,538	10,552
Electric	-	-	-	-	-	-
Total expenses	-	-	16,252	15,380	16,252	15,380
Increase in net position before transfers	-	-	3,881	4,665	3,881	4,665
Transfers	-	-	-	-	-	-
Increase in net position	-	-	3,881	4,665	3,881	4,665
Net position, July 1	-	-	49,579	44,914	49,579	44,914
Net position, June 30	\$ -	\$ -	\$ 53,460	\$ 49,579	\$ 53,460	\$ 49,579

**Business-type activities:** Business-type activities increased the Whitley Heights Sanitary District's net position by \$3,881, accounting for 100% of the total increase in the government's net position. Key elements of this increase are as follows:

Water operations are being operated by Johnston County.

### **Financial Analysis of the District's Funds**

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

#### **Proprietary Funds.**

The Whitley Heights Sanitary District's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to \$49,579. The total change in net position for the Water and Sewer Fund was \$3,881. Other factors concerning the finances of this fund have already been addressed in the discussion of the Whitley Heights Sanitary District's business-type activities.

#### **Capital Asset and Debt Administration**

**Capital assets.** The Whitley Heights Sanitary District's investment in capital assets for its business-type activities as of June 30, 2021, totals \$70,190 (net of accumulated depreciation). These assets include the water system.

Major capital asset transactions during the year include the following: None.

**Whitley Heights Sanitary District's Capital Assets**  
**Figure 4**

(net of depreciation)

	Governmental Activities 2021	Governmental Activities 2020	Business-type Activities 2021	Business-type Activities 2020	Total 2021	Total 2020
Land	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Buildings and systems	-	-	-	-	-	-
Improvements other than buildings	-	-	70,190	73,755	70,190	73,755
Machinery and equipment	-	-	-	-	-	-
Infrastructure	-	-	-	-	-	-
Vehicles and motorized equipment	-	-	-	-	-	-
Construction in progress	-	-	-	-	-	-
<b>Total</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 70,190</b>	<b>\$ 73,755</b>	<b>\$ 70,190</b>	<b>\$ 73,755</b>

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

**Long-term Debt.** As of June 30, 2021, the Whitley Heights Sanitary District's had total bonded debt outstanding of \$60,000. Of this, \$60,000 is debt backed by the full faith and credit of the District.

**Whitley Heights Sanitary District's Outstanding Debt  
General Obligation and Revenue Bonds**

**Figure 5**

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
General obligation bonds	\$ -	\$ -	\$ 60,000	\$ 66,000	\$ 60,000	\$ 66,000
Revenue bonds					-	-
<b>Total</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 60,000</b>	<b>\$ 66,000</b>	<b>\$ 60,000</b>	<b>\$ 66,000</b>

The Whitley Heights Sanitary District's total debt decreased by \$6,000 during the past fiscal year by the amount of the principal payments made during the year.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for Whitley Heights Sanitary District's is \$1,285,999.

Additional information regarding the Whitley Heights Sanitary District's long-term debt can be found in the notes beginning on page 25 of this report.

**Economic Factors and Next Year's Budgets and Rates**

The following key economic indicators reflect the growth and prosperity of the Whitley Heights Sanitary District.

- Housing vacancy in the District remains less than 5%.

**Budget Highlights for Next Year's Budgets and Rates**

**Business – type Activities:** The water and sewer rates are set and operations are handled by Johnston County. Property taxes are levied at \$.11 per hundred dollars valuation to cover operating costs and debt service.

**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 Chairman, PO Box 2209 Smithfield NC 27577.

## **Management Discussion and Analysis**

**BASIC FINANCIAL STATEMENTS**

**Whitley Heights Sanitary District**  
**Statement of Fund Net Position Proprietary Fund/ Statement of Net Position**  
**June 30, 2021**

	<b>Major Fund</b>	
	<b>Water and Sewer</b>	<b>Statement of Net</b>
	<b>Fund</b>	<b>Position</b>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 43,504	\$ 43,504
Taxes receivables (net)	88	88
Total current assets	<u>43,592</u>	<u>43,592</u>
Capital assets:		
Land, non-depreciable assets	-	-
Other capital assets, net of depreciation	70,190	70,190
Total capital assets	<u>70,190</u>	<u>70,190</u>
Total noncurrent assets	<u>70,190</u>	<u>70,190</u>
Total assets	<u>113,782</u>	<u>113,782</u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable and accrued liabilities	322	322
General obligation bonds payable-current	6,000	6,000
Total current liabilities	<u>6,322</u>	<u>6,322</u>
Noncurrent liabilities:		
General obligation bonds payable-noncurrent (net)	54,000	54,000
Total noncurrent liabilities	<u>54,000</u>	<u>54,000</u>
Total liabilities	<u>60,322</u>	<u>60,322</u>
<b>NET POSITION</b>		
Net investment in capital assets	10,190	10,190
Unrestricted	43,270	43,270
Total net position	<u>\$ 53,460</u>	<u>53,460</u>
Net position of business-type activities		<u>\$ 53,460</u>

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



**Whitley Heights Sanitary District**  
**Statement of Revenues, Expenses, and Changes in Fund Net Position Proprietary Fund / Statement of**  
**Activities**  
**For the Year Ended June 30, 2021**

	<b>Major Fund Water and Sewer Fund</b>	<b>Statement of Activities</b>
<b>OPERATING REVENUES</b>		
Other operating revenues	\$ 20,133	\$ 20,133
Total operating revenues	<u>20,133</u>	<u>20,133</u>
<b>OPERATING EXPENSES</b>		
Administration	7,973	7,973
Finance	-	-
Water treatment and distribution	-	-
Waste collection and treatment	-	-
Depreciation	3,565	3,565
Total operating expenditures	<u>11,538</u>	<u>11,538</u>
Operating income (loss)	<u>8,595</u>	<u>8,595</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Investment earnings	-	-
Interest and other charges	(4,714)	(4,714)
Total nonoperating revenue (expenses)	<u>(4,714)</u>	<u>(4,714)</u>
Income (loss) before contributions and transfers		
Capital contributions	-	-
Total income (loss) after contributions and transfers	<u>-</u>	<u>-</u>
Change in net position	3,881	3,881
Total net position, beginning	49,579	49,579
Total net position, ending	<u>\$ 53,460</u>	<u>53,460</u>
Net position of business-type activities		<u>\$ 53,460</u>

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

**Whitley Heights Sanitary District  
Statement of Cash Flows  
Proprietary Funds  
For the Fiscal Year Ended June 30, 2021**

<b>Major Fund</b>		
<b>Water and Sewer Fund</b>	<b>Total</b>	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from customers	\$ -	\$ -
Cash paid for goods and services	(32)	(32)
Cash paid to or on behalf of employees for services	(7,973)	(7,973)
Customer deposits received	-	-
Customer deposits returned	-	-
Other operating revenues	20,698	20,698
Net cash provided by operating activities	<u>12,693</u>	<u>12,693</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>		
Interfund activity	-	-
Total cash flows used by non-capital financing activities	<u>-</u>	<u>-</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Bond anticipation notes issued	-	-
Acquisition and construction of capital assets	-	-
Principal paid on bond maturities and equipment contracts	(6,000)	(6,000)
Interest paid on bond maturities and equipment contracts	(4,714)	(4,714)
Bond issuance costs	-	-
Capital contributions- State grant	-	-
Capital contributions- federal grant	-	-
Net cash used by capital and related financing activities	<u>(10,714)</u>	<u>(10,714)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest and dividends	-	-
Net increase (decrease) in cash and cash equivalents	1,979	1,979
Balances, beginning	41,525	41,525
Balances, ending	<u>\$ 43,504</u>	<u>\$ 43,504</u>

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

**Whitley Heights Sanitary District  
Statement of Cash Flows  
Proprietary Funds  
For the Fiscal Year Ended June 30, 2021**

	<b>Major Fund Water and Sewer Fund</b>	<b>Total</b>
Reconciliation of operating income to net cash provided by operating activities		
Operating income (loss)	\$ 8,595	\$ 8,595
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	3,565	3,565
Changes in assets and liabilities:		
(Increase) decrease in taxes receivable	565	565
Increase (decrease) in accounts payable and accrued liabilities	(32)	(32)
Total adjustments	4,098	4,098
Net cash provided (used) by operating activities	<u>\$ 12,693</u>	<u>\$ 12,693</u>

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

**Whitley Heights Sanitary District  
Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2021**

**I. Summary of Significant Accounting Policies**

The accounting policies of the Whitley Heights Sanitary District 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 District was formed as a public authority, a legal subdivision of the State and separate from Johnston County. Of the three-member Board of Commissioners, all are separately elected.

**B. Basis of Presentation**

*Government-wide Statements:* The statement of net position and the statement of activities display information about the District. These statements include the financial activities of the overall government.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the District. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program.

*Fund Financial Statements:* The fund financial statements provide information about the District's funds. Separate statements for each fund category – *proprietary* – are presented. The emphasis of fund financial statements is on the major enterprise fund, displayed in a separate column.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

The District reports the following major enterprise fund:

**Water Fund.** The Water Fund is used to account for water operations.

**C. Measurement Focus and Basis of Accounting**

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

*Primary Government and Proprietary.* The primary government and proprietary fund financial statements are reported using the economic resources measurement focus. The primary government and proprietary fund statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

**Whitley Heights Sanitary District  
Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2021**

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund is property taxes. The District also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water and sewer system. Operating expenses for 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 District's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the Enterprise Fund. All annual appropriations lapse at the fiscal-year end. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the project level for the multi-year funds. All amendments must be approved by the governing board and the Board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

**1. Deposits and Investments**

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

State law [G.S. 159-30(c)] authorizes the District to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT).

**2. Cash and Cash Equivalents**

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

**3. Restricted Assets**

None.

**4. Ad Valorem Taxes Receivable**

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the District levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2018.

**Whitley Heights Sanitary District  
Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2021**

**5. Capital Assets**

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value. 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. Certain items acquired before July 1, 1980 are reported at estimated historical cost using deflated replacement costs. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following useful lives to the cost of the assets:

<u>Asset Type</u>	<u>Years</u>
Building and system	30
Infrastructure	50
Equipment and furniture	10
Vehicles and motorized equipment	6
Computer equipment	3
Computer software	5
Substations, lines, and related equipment	40
Other improvements	25

**6. Long-Term Obligations**

In the proprietary fund, the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position. 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.

In fund financial statements the District recognizes bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**7. Net Position**

**Net Position**

Net position in the proprietary fund financial statements is 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, laws or regulations of other governments, or imposed by law through State statute.

The Whitley Heights Sanitary District has also adopted a minimum fund balance policy for the Water and Sewer Fund which instructs management to conduct the business of the District in such a manner that available fund balance is at least equal to or greater than 8% of budgeted expenditures. Any portion of the water and sewer fund balance in excess of 8% of budgeted expenditures may be appropriated for one-time expenditures and may not be used for any purpose that would obligate the District in a future budget.

**Whitley Heights Sanitary District  
Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2021**

**II. Stewardship, Compliance, and Accountability**

**A. Significant Violations of Finance-Related Legal and Contractual Provisions**

**1. Noncompliance with North Carolina General Statutes**

None.

**B. Deficit in Fund Balance or Net Position of Individual Funds**

None.

**C. Excess of Expenditures over Appropriations**

None.

**III. Detail Notes on All Funds**

**A. Assets**

**1. Deposits**

All the deposits of the District are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the District's agents in the District's names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the District, these deposits are considered to be held by the District's agents in its 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 District or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the District under the Pooling Method, the potential exists for undercollateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The District has no policy regarding custodial credit risks for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The District complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2021, the District's deposits had a carrying amount of \$43,504 and a bank balance of \$43,504, all of which was covered by federal depository insurance. The District has no petty cash at year-end.

**Whitley Heights Sanitary District  
Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2021**

**2. Capital Assets**

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
<b>Water and Sewer Fund</b>				
Capital assets not being depreciated				
Land	\$ -	\$ -	\$ -	\$ -
Construction in progress	-	-	-	-
Total capital assets not being depreciated	-	-	-	-
Capital assets being depreciated				
Plant and distribution systems	178,232	-	-	178,232
Furniture and maintenance equipment	-	-	-	-
Vehicles	-	-	-	-
Total capital assets being depreciated	178,232	-	-	178,232
Less accumulated depreciation for				
Plant and distribution systems	104,477	3,565	-	108,042
Furniture and maintenance equipment	-	-	-	-
Vehicles	-	-	-	-
Accumulated Depreciation	104,477	\$ 3,565	\$ -	108,042
Capital assets, depreciated, net	73,755			70,190
Water and Sewer Fund capital assets	\$ 73,755			\$ 70,190

**B. Liabilities**

**1. Deferred Outflows and Inflows of Resources**

None.

**2. Risk Management**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District participates in three self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the District obtains general liability and auto liability coverage of \$1 million per occurrence, property coverage up to the total insured values of the property policy, workers' compensation coverage up to statutory limits, and employee health coverage. 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. Stop loss insurance is purchased by the Board of Trustees to protect against large medical claims that exceed certain dollar cost levels. 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 District upon request.

The District carries commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage in the prior year, and settled claims have not exceeded coverage in any of the past three fiscal years.

The District does not carry flood insurance.



**Whitley Heights Sanitary District  
Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2021**

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/tax collector is individually bonded for \$50,000. The remaining board members that have access to the funds are bonded under a blanket bond for \$50,000.

**3. Claims, Judgements, and Contingent Liabilities**

None.

**4. Long-Term Obligations**

**a. General Obligation Indebtedness**

In June 1991, The District entered into a direct placement agreement with the U.S. Department of Agriculture to finance the construction of facilities utilized in the operation of the water system and which are being retired by its resources are reported as long-term debt in the water fund. The agreement requires variable principal payments, due June 1, beginning in the fiscal year 1992 and succeeding through June 1, 2031 with interest at 6.75%. All general obligation bonds are collateralized by the full faith, credit, and taxing power of the District. Principal and interest requirements are appropriated when due.

Bonds payable at June 30, 2021 are comprised of the following:

\$169,000 Water Serial Bonds due in annual installments through 2031	<u>\$60,000</u>
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**b. Changes in Long-Term Liabilities**

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
Business-Type Activities:					
Direct Placement	\$ 66,000	\$ -	\$ 6,000	\$ 60,000	\$ 6,000
Total Water and Sewer Fund	<u>\$ 66,000</u>	<u>\$ -</u>	<u>\$ 6,000</u>	<u>\$ 60,000</u>	<u>\$ 6,000</u>

At June 30, 2021, the District had a legal debt margin of \$1,285,999.

Annual debt service requirements to maturity for long-term obligations are as follows:

	June 30	Total	Principal	Interest
2022	\$	10,050	\$ 6,000	\$ 4,050
2023		9,645	6,000	3,645
2024		9,240	6,000	3,240
2025		8,835	6,000	2,835
2026		8,430	6,000	2,430
2027-2031		36,075	30,000	6,075
	<u>\$</u>	<u>82,275</u>	<u>\$ 60,000</u>	<u>\$ 22,275</u>

**Whitley Heights Sanitary District  
Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2021**

**C. Net Investment in Capital Assets**

Capital assets	\$ 70,190
Less: long-term debt	(60,000)
Add: unexpected debt proceeds	-
Net investment in capital assets	\$ 10,190

**IV. 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.

COVID-19 Contingencies

The COVID-19 outbreak in the United States caused business disruption through mandated and voluntary closings. The extent of the impact of COVID-19 on operational and financial performance will depend on certain developments and cannot be reasonably predicted and estimated at this time. The COVID-19 outbreak is ongoing as of June 30, 2021, and additional impact on operational and financial performance may occur.

**V. Subsequent Events – Date of Management’s Review**

The District has evaluated subsequent events from the date of the balance sheet through the date the report is available to be issued which is the date of the independent auditor’s report. The District has not evaluated subsequent events after that date. There were no subsequent events during this period that require disclosure.

**Whitley Heights Sanitary District  
Water and Sewer Fund  
Schedule of Revenues and Expenditures  
Budget and Actual (Non - GAAP)  
For the Fiscal Year Ended June 30, 2021**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Revenues:</b>			
Operating revenues:			
Operating revenues	\$ 18,500	\$ 20,133	\$ 1,633
Nonoperating revenues:			
Interest earnings	-	-	-
Total revenues	<u>18,500</u>	<u>20,133</u>	<u>1,633</u>
<b>Expenditures:</b>			
Water and Sewer administration:			
Comissioners fees		2,800	
Supplies		-	
Insurance		825	
Accounting and legal		4,150	
Other operating expenditures		198	
Interest and other charges		4,714	
Principal retirement		6,000	
Total expenditures	<u>18,500</u>	<u>18,687</u>	<u>(187)</u>
Revenues over expenditures and other uses	-	1,446	1,446
Other financing sources:			
Appropriated fund balance	<u>-</u>	<u>-</u>	<u>-</u>
Revenues over expenditures and other financing sources	<u>\$ -</u>	<u>\$ 1,446</u>	<u>\$ 1,446</u>
<b>Reconciliation from budgetary basis (modified accrual) to full accrual:</b>			
Revenues and other sources over expenditures and other uses		\$ 1,446	
Reconciling items:			
Principal retirement		6,000	
Depreciation		(3,565)	
Total reconciling items		<u>2,435</u>	
Net income		<u>\$ 3,881</u>	

**OTHER SCHEDULES**

**Whitley Heights Sanitary District  
Water and Sewer Fund  
Schedule of Ad Valorem Taxes Receivable  
For the Fiscal Year Ended June 30, 2021**

Fiscal Year	Uncollected Balance June 30, 2020	Additions	Collections And Credits	Abatements And Adjustments	Uncollected Balance June 30, 2021
2020-2021	\$ -	\$ 18,507	\$ 18,479	\$ -	\$ 28
2019-2020	-	32	-	-	32
2018-2019	-	31	3	-	28
2017-2018	-	-	-	-	-
2016-2017	498	-	498	-	-
2015-2016	84	-	84	-	-
2014-2015	-	-	-	-	-
2013-2014	37	-	37	-	-
2012-2013	17	-	17	-	-
2011-2012	10	-	10	-	-
2010-2011	7	-	7	-	-
	<u>\$ 653</u>	<u>\$ 18,570</u>	<u>\$ 19,135</u>	<u>\$ -</u>	<u>\$ 88</u>

Ad valorem taxes receivable - net \$ 88

Reconcilement with revenues:

Ad valorem taxes	\$ 20,133
Reconciling items:	
Interest collected	-
Adjustments	-
Subtotal	-
Total collections and credits	<u>\$ 20,133</u>

**Whitley Heights Sanitary District  
Analysis of Current Tax Levy  
Town - Wide Levy  
For the Fiscal Year Ended June 30, 2021**

	Town - Wide		Total Levy		
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at					
Current Year Rate	\$ 14,732,460	0.11	\$ 16,206	\$ 16,206	\$ -
Discoveries	2,092,533	0.11	2,301	-	2,301
Releases	-	0.11	-	-	-
Registered motor vehicles	-	0.11	-	-	-
Total Property Valuation	<u>\$ 16,824,993</u>		<u>\$ 18,507</u>	<u>\$ 16,206</u>	<u>\$ 2,301</u>
 Net levy			 \$ 18,507	 \$ 16,206	 \$ 2,301
Uncollected taxes at June 30, 2021			<u>(28)</u>	<u>(28)</u>	<u>-</u>
Current year's taxes collected			<u>\$ 18,479</u>	<u>\$ 16,178</u>	<u>\$ 2,301</u>
Current levy collection percentage			<u>99.85%</u>	<u>99.83%</u>	<u>100.00%</u>