

REVIEWED

By SLGFD at 12:57 pm, Oct 07, 2021

Whittier Sanitary District
Financial Statements
June 30, 2021

Turner & Company CPAs P.A.

31 Peachtree Street • Murphy, NC 28906 • Phone (828) 837-8188 • Fax (828) 837-5313

**Whittier Sanitary District
Board of Directors
June 30, 2021**

Board of Directors

Mitchell Jenkins, Chairman

Bridgit Nations, Finance Officer

Randy Nations, Member

Whittier Sanitary District
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June 30, 2021

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Financial Section

Turner & Company CPAs P.A.

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INDEPENDENT AUDITORS' REPORT

Board of Directors of Whittier Sanitary District
Whittier, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activity of the Whittier Sanitary 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.

Auditors' Responsibility

Our responsibility is to express an opinion 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall 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.

Opinion

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 - 6 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.

Other Information

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

The budgetary schedule is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary schedule is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

A handwritten signature in cursive script that reads "Turner & Company CPAs P.A.".

Turner & Company CPAs P.A.
Murphy, North Carolina
September 20, 2021

Management's Discussion and Analysis

Whittier Sanitary District
Management's Discussion and Analysis
June 30, 2021

As management of the Whittier Sanitary District, we offer readers of the Whittier Sanitary District's financial statements this narrative overview and analysis of the financial activities of the Whittier 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 Whittier Sanitary District's financial statements, which follow this narrative.

Financial Highlights

- At the close of the current fiscal year, Whittier Sanitary District reported ending net position of \$128,115, a increase of \$3,366 in comparison with the prior year.
- The operating revenues were \$42,169 for the fiscal year.
- Total operating expenses of all the District's programs were \$38,803 for the fiscal year.

Overview of the Financial Statements

The District's basic financial statements consist of three components; 1) the MD&A, 2) fund financial statements, and 3) notes to the financial statements. Because the District is a special-purpose government engaged in business-type activities only, the financial statements are presented in accordance with paragraph 138 of GASB Statement 34. In addition to the financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the District. In addition to the management's discussion and analysis, management has prepared the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position, and the Statement of Cash Flows.

Overview of the District

The Whittier Sanitary District's primary mission is to provide water services to the residents of the Town of Whittier. The District's operations are funded almost entirely through water sales and tap fees.

Fund Financial Statements

The financial statements are presented on the fund basis. The fund financial statements provide a more detailed look at the District's most significant activities by focusing on the individual activities of the major funds. 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 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 (G.S.) and the District's budget ordinance. The focus is now on the activities of the major funds, and not on the type of fund. The District maintains a fund based on its activities for accountability and control. The fund is an enterprise fund which uses the full accrual basis of accounting and accounts for the District's activities in a manner similar to a for-profit business.

The District adopts an annual budget as required by the North Carolina General Statutes. The budget is a legally adopted document that incorporates input from the citizens and the management of the District and the decisions of the Board about the services provided and how to pay for them. The budgetary statements demonstrate how well the District complied with the budget ordinance and whether or not the District succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statements use the budgetary basis of accounting and are presented using the same format, language, and classifications as the legal budget document. The budgetary statements are presented as supplementary information to demonstrate compliance with applicable state laws. To account for the difference between the budgetary basis of accounting and the full accrual basis, a reconciliation showing the differences in the reported activities is shown at the end of the budgetary statement.

The next section of the basic financial statements is the notes. The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements are on pages 11-17 of this report. After the notes, supplemental information is provided to show details about the District's budgetary information.

Financial Statement Analysis

Whittier Sanitary District's Net Position

Figure 1

	2021	2020
Assets		
Current and other assets	\$ 40,545	\$ 32,219
Capital assets	89,417	93,160
Total assets	<u>129,962</u>	<u>125,379</u>
Liabilities		
Other liabilities	<u>1,847</u>	<u>630</u>
Total liabilities	<u>1,847</u>	<u>630</u>
Net position:		
Net investment in capital	89,417	93,159
Unrestricted	<u>38,698</u>	<u>31,590</u>
Total net position	<u>\$ 128,115</u>	<u>\$ 124,749</u>

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 District exceeded liabilities and deferred inflows by \$128,115 as of June 30, 2021. The District's net position increased by \$3,366 for the fiscal year ended June 30, 2021. However, the largest portion (69.79%) reflects the District's net investment in capital assets (e.g. land, buildings, and equipment). The District uses these capital assets to provide water services to the residents of the Town of Whittier; consequently, these assets are not available for future spending. The remaining balance of \$38,698 is unrestricted.

Whittier Sanitary District's Changes in Net Position

Figure 2

	2021	2020
Revenues:		
Charges for services	\$ 41,570	\$ 35,733
Other revenue	<u>599</u>	<u>-</u>
Total revenue	42,169	35,733
Expenses:		
Operations	<u>38,803</u>	<u>40,507</u>
Total expenses	<u>38,803</u>	<u>40,507</u>
Increase (decrease) in net position	3,366	(4,774)
Net position, beginning	<u>124,749</u>	<u>129,523</u>
Net position, ending	<u>\$ 128,115</u>	<u>\$ 124,749</u>

Charges for services increased by \$5,837, or 16.3%, during the current year. During this same period operating expenses decreased by \$1,704.

Capital Asset and Debt Administration

Capital Assets. Whittier Sanitary District's investment in capital assets as of June 30, 2021, totaled \$89,417 (net of accumulated depreciation). These assets included buildings, land, machinery and equipment.

**Whittier Sanitary District's Capital Assets
(net of depreciation)**

Figure 3

	<u>2021</u>	<u>2020</u>
Capital Assets		
Land	\$ 15,059	\$ 15,059
Buildings	70,367	75,338
Pumps and equipment	2,348	2,762
Meters	1,643	-
Total	<u>\$ 89,417</u>	<u>\$ 93,159</u>

Additional information on the District's capital assets can be found in Note III, A.2 of the Basic Financial Statements.

Economic Factors and Next Year's Budgets and Rates

Water revenue is expected to increase slowly or remain constant with no anticipated increase in the population served. The Board had considered an increase for the current fiscal year, but due to the coronavirus (COVID-19) pandemic, the increase was delayed because of any potential hardship to customers. At this time, no significant increase in general operating expenditures is expected.

Impact of Coronavirus on the District

As of June 30, 2021, the District had endured several months of the COVID-19 pandemic. The District has taken a number of measures to monitor and mitigate the effects of COVID-19. The length or severity of this pandemic cannot be reasonably estimated. In addition, it is not possible to determine the extent to which the pandemic may materially impact the financial position, results of activities, and cash flows of the District in subsequent years. Therefore, the Board will continue to monitor current market conditions as the pandemic continues and will make further adjustments if considered necessary.

Budget Highlights for the Fiscal Year Ending June 30, 2022

The District budgeted \$37,167 for the operation of the Water program which represents a minimal increase compared to the prior year.

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:

Bridgit Nations, Finance Officer
Whittier Sanitary District
P.O. Box 368
Whittier, NC 28789

Basic Financial Statements

Whittier Sanitary District
Statement of Net Position
June 30, 2021

ASSETS

Current assets:

Cash and cash equivalents	\$ 38,493
Restricted cash and cash equivalents	630
Accounts receivable (net)	1,422
Total current assets	<u>40,545</u>

Noncurrent assets:

Capital assets:

Land	15,059
Other capital assets, net of depreciation	74,358
Total capital assets	<u>89,417</u>
Total assets	<u><u>\$ 129,962</u></u>

LIABILITIES

Current liabilities:

Customer Prepaid	1,217
Payable from restricted assets	630
Total current liabilities	<u>1,847</u>

Total liabilities	<u>1,847</u>
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NET POSITION

Net investment in capital assets	89,417
Unrestricted	38,698
Total net position	<u><u>\$ 128,115</u></u>

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

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

OPERATING REVENUES

Water sales and tap fees	\$ 41,570
Other revenue	599
Total operating revenues	<u>42,169</u>

OPERATING EXPENSES

System operator	7,800
Earth environmental services	900
Board member compensation	4,500
Insurance	804
DENR permits and fees	350
NRW permits / dues	165
Postage and delivery	748
Professional fees - accounting	5,030
Supplies	833
Travel	200
Utilities	5,482
Repairs and maintenance	6,544
Other expenses	62
Depreciation	5,385
Total operating expenses	<u>38,803</u>

Operating income (loss)	<u>3,366</u>
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NONOPERATING REVENUES (EXPENSES)

Interest expense	<u>-</u>
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Change in net position	3,366
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Total net position, beginning of year	<u>124,749</u>
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Total net position, end of year	<u><u>\$ 128,115</u></u>
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The notes to the financial statements are an integral part of this statement.

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

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from customers	\$ 44,161
Cash paid for goods and services	<u>(33,418)</u>
Net cash provided (used) by operating activities	<u>10,743</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Net cash provided (used) by noncapital financing activities	<u>-</u>
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CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Acquisition and construction of capital assets	<u>(1,643)</u>
Net cash provided (used) by capital and related financing activities	<u>(1,643)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Net cash provided (used) by investing activities	<u>-</u>
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Net increase (decrease) in cash and cash equivalents	9,100
Cash and cash equivalents at beginning of year	<u>30,023</u>
Cash and cash equivalents at end of year	<u><u>\$ 39,123</u></u>

Reconciliation of operating income (loss) to net cash provided by operating activities

Operating income (loss)	<u>\$ 4,583</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	5,385
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	<u>775</u>
Total adjustments	<u>6,160</u>
Net cash provided by operating activities	<u><u>\$ 10,743</u></u>

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

Whittier 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 Whittier Sanitary District conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

Whittier Sanitary District is a public body and a body politic and corporate created under the authority of Chapter 130A-55 of the General Statutes of North Carolina. The District was formed by resolution of the Boards of Commissioners of Swain County and Jackson County. The District was created to provide water services to the residents of the Town of Whittier.

In accordance with GASB Statement 14, the basic criteria of separate legal standing and fiscal independence were used to determine that the District was a separate reporting entity. The members of the Board are separately elected.

B. Basis of Presentation - Fund Accounting

The accounts of the Whittier Sanitary District are organized and operated on a fund basis. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts recording its assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues, and expenses.

The District accounts for its operations as enterprise funds. An enterprise fund is used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

C. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Enterprise funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets, and all liabilities associated with the operation of this fund are included on the statement of net position. Net position is the result of deducting all the liabilities and deferred inflows of resources from all the assets and deferred outflows of resources. Total net position is segregated into three components: 1) net investment in capital assets, 2) restricted assets, and 3) unrestricted assets. Operating statements present increases (e.g. revenues) and decreases (e.g. expenses) in total net position.

All funds of the District are maintained on the modified accrual basis during the year; however, the financial statements for the District have been reported on the accrual basis. Under this basis, revenues are recorded when earned and expenses are recorded when incurred. In converting from the modified accrual basis to the full accrual basis, the changes required may include adjustments for unpaid interest, depreciation, prepaid income, payments on outstanding debt, and capital outlay.

D. Budgetary Data

The District's budgets are to be adopted as required by North Carolina General Statutes. An annual budget is to be adopted for the operating 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 for all annually budgeted 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 Inflows and Net Position1. 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. All highly liquid investments (including restricted assets) with a maturity of three months or less when purchased are considered cash and cash equivalents.

3. Restricted Assets

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

Whittier Sanitary District Restricted Cash

Water Service	Customer deposits - rental	\$	630
Total Restricted Cash		\$	<u>630</u>

4. Accounts Receivable

Accounts receivable represents uncollected revenue that was earned for the year ended June 30, 2021. Management closely monitors outstanding accounts receivable and charges off to expense any balances that are determined to be uncollectible. An allowance for doubtful accounts has been estimated by analyzing the percentage of receivables that were written off in prior years.

5. Capital Assets

Purchased or constructed capital assets are recorded at cost at the date of acquisition. Donated capital assets are stated at their fair value on the date donated. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets' lives are not capitalized.

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

	<u>Years</u>
Buildings	30 - 50
Pumps and equipment	5 - 10
Meters	5

6. Long-Term Obligations

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the 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.

7. Deferred Inflows of Resources

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 District has no items that meet the criterion for this category.

II. Stewardship, Compliance, and Accountability**A. Significant Violations of Finance-Related Legal and Contractual Provisions****1. Noncompliance with North Carolina General Statutes**

None noted

2. Contractual Violations

None noted

B. Deficit Fund Balance or Net Position of Individual Funds

None noted

C. Excess of Expenditures over Appropriations

None noted

III. Detailed Notes on All Funds**A. Assets****1. Deposits**

All of the District's deposits are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage are collateralized with securities held by the District's agent in the District's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the District, these deposits are considered to be held by the District's agent in the District's name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the District or the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the District under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The District has no policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The District complies with the provisions of 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 \$39,123 and a bank balance of \$43,617. All of the bank balance was covered by federal depository insurance. The District had no investments during the year ended June 30, 2021. The District has no formal investment policy.

At June 30, 2021, the District did not have a petty cash balance.

2. Capital Assets

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

	Beginning Balances	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 15,059	\$ -	\$ -	\$ 15,059
Total capital assets not being depreciated	15,059	-	-	15,059
Capital assets being depreciated:				
Buildings	268,241	-	-	268,241
Pumps and equipment	80,742	-	-	80,742
Meters	16,663	1,643	-	18,306
Total capital assets being depreciated	365,646	1,643	-	367,289
Less, accumulated depreciation for:				
Buildings	192,903	4,971	-	197,874
Pumps and equipment	77,980	414	-	78,394
Meters	16,663	-	-	16,663
Total accumulated depreciation	287,546	5,385	-	292,931
Total capital assets being depreciated, net	78,100			74,358
Total capital assets, net	\$ 93,159			\$ 89,417

Depreciation expense for the year ended June 30, 2021, was \$5,385.

IV. 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; and natural disasters. The District carries commercial insurance for all risks of loss related to assets and public official dishonesty. There have been no significant reductions in insurance coverage in the prior year, and settled claims have not exceeded commercial insurance coverage in any of the past three fiscal years. The District does not carry flood insurance. All individuals who have access to the District's assets are covered by a \$50,000 blanket bond. In accordance with G.S. 18B-700[i], the Finance Officer is bonded in the amount of \$50,000.

V. Concentrations

Approximately 48% of the District's water sales were generated from water distribution to the Eastern Band of Cherokee Indians (EBCI). These sales are part of an agreement between the District and the EBCI, whereby the EBCI provides maintenance services to the District.

VI. Uncertainties

The District is dependent upon payments for water service from a small, rural community. The population in this community is slowly diminishing, while the fixed costs to provide water service continue to increase. The population's ability to pay increased rates for water service is questionable. The District saw an increase in revenue but also saw a decrease in expenses. The net result was an increase to net position. This trend of increasing net position will need to continue if the District is to remain fiscally sound.

VII. Related Party Transactions

In the normal course of business the District pays board members for services they performed. For the fiscal year ended June 30, 2021, the total amount paid to board members was \$4,500.

VIII. Reclassifications

Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements, with no effect on net position.

IX. New Accounting Pronouncements***Pronouncements effective for the 2021 Financial Statements:***

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

In August 2018, the GASB issued Statement No. 90, *Majority Equity Interests-an amendment of GASB Statements No. 14 and No. 61*. This new standard aims to provide consistency in the reporting of majority equity interests and improve the relevance of information related to certain component units.

In March 2020, the GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. Governments have entered into agreements in which variable payments made or received depend on an interbank offered rate (IBOR). The London Interbank Offered Rate (LIBOR) is the most often used. As a result of global reference rate reform, LIBOR is expected to no longer exist after December 31, 2021. This will cause governments to amend or replace financial instruments to replace LIBOR with other reference rates by either changing the reference rate or adding or changing fallback provisions related to the reference rate.

Pronouncements issued, but not yet effective, which will be adopted by the District in future years. As of the date of this report, the District has not determined the financial impact of implementing the following Statements:

In June 2017, the GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The effective date of this Statement has been postponed for reporting periods beginning after June 15, 2021.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The effective date of this Statement has been postponed for reporting periods beginning after December 15, 2020.

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The effective date of this Statement has been postponed for reporting periods beginning after December 15, 2021.

In January 2020, the GASB issued Statement No. 92, *Omnibus 2020*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements.

The requirements of this Statement are effective as follows:

The requirements related to the effective date of Statement 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance.

The requirements related to intra-entity transfers of assets and those related to the applicability of Statements 73 and 74 are effective for fiscal years beginning after June 15, 2021.

The requirements related to application of Statement 84 to postemployment benefit arrangements and those related to nonrecurring fair value measurements of assets or liabilities are effective for reporting periods beginning after June 15, 2021.

The requirements related to the measurement of liabilities (and assets, if any) associated with asset retirement obligations in a government acquisition are effective for government acquisitions occurring in reporting periods beginning after June 15, 2021.

In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

In June 2020, the GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The requirements of this Statement that (1) exempt primary governments that perform the duties that a governing board typically performs from treating the absence of a governing board the same as the appointment of a voting majority of a governing board in determining whether they are financially accountable for defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans and (2) limit the applicability of the financial burden criterion in paragraph 7 of Statement 84 to defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, respectively, are effective immediately. The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021. For purposes of determining whether a primary government is financially accountable for a potential component unit, the requirements of this Statement that provide that for all other arrangements, the absence of a governing board be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform, are effective for reporting periods beginning after June 15, 2021. Earlier application of those requirements is encouraged and permitted by requirement as specified within this Statement.

IX. Significant Effects of Subsequent Events

Management has evaluated subsequent events through September 20, 2021, the date the financial statements were available to be issued, and found no significant events requiring recording or disclosure in the accompanying financial statements.

Supplementary Information

Whittier Sanitary District
Schedule of Revenues and Expenditures - Budget and Actual (Non - GAAP)
For the Year Ended June 30, 2021

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Operating revenues			
Water sales and tap fees	37,167	41,570	4,403
Other revenue	-	599	599
Total revenues	<u>37,167</u>	<u>42,169</u>	<u>5,002</u>
Expenditures:			
Operating expenditures:			
System operator		7,800	
Earth environmental services		900	
Board members compensation		4,500	
Insurance		804	
Other expenses		62	
DENR		350	
NRW permits / dues		165	
Postage		748	
Accounting		5,030	
Travel		200	
Utilities		5,482	
Repairs and maintenance		6,544	
Supplies		833	
Total operating expenditures	<u>35,524</u>	<u>33,418</u>	<u>2,106</u>
Capital outlay:	<u>1,643</u>	<u>1,643</u>	<u>-</u>
Total expenditures	<u>37,167</u>	<u>35,061</u>	<u>2,106</u>
Revenues over expenditures	-	7,108	7,108
Revenues over expenditures and other financing (uses)	<u>\$ -</u>	<u>\$ 7,108</u>	<u>\$ 7,108</u>
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Reconciling items:			
Capital outlay		1,643	
Depreciation		<u>(5,385)</u>	
Total reconciling items		<u>(3,742)</u>	
Change in net position		<u>\$ 3,366</u>	