

YADKIN VALLEY SEWER AUTHORITY

FINANCIAL STATEMENTS

JUNE 30, 2021

YADKIN VALLEY SEWER AUTHORITY

FINANCIAL STATEMENTS

June 30, 2021

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FINANCIAL SECTION



GIBSON & COMPANY, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

To the Board of Directors
Yadkin Valley Sewer Authority
Elkin, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Yadkin Valley Sewer Authority (the Authority) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

Opinion

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 of the Yadkin Valley Sewer Authority as of June 30, 2021, and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 9 and the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability (Asset) and Contributions, on pages 37 and 38, respectively, 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 Yadkin Valley Sewer Authority. The individual fund statements, budgetary schedules, other schedules, and Schedule of Expenditures of Federal and State Awards, as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and the State Single Audit Implementation Act, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The individual fund statements, budgetary schedules, other schedules, and the Schedule of Expenditures of Federal and State Awards 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. In our opinion, based on our audit, the procedures performed as described

above, the individual fund statements, budgetary schedules, other schedules, and the Schedule of Expenditures of Federal and State Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2021 on our consideration of Yadkin Valley Sewer Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Yadkin Valley Sewer Authority's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Johnson + Company, P.A." The signature is written in a cursive, flowing style.

Winston-Salem, North Carolina
December 20, 2021

Management Discussion and Analysis

Management's Discussion and Analysis

As management of the Yadkin Valley Sewer Authority (the Authority), we offer readers of the Yadkin Valley Sewer Authority's financial statements this narrative overview and analysis of the financial activities of the Yadkin Valley Sewer Authority 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 Authority's financial statements, which follow this narrative.

Financial Highlights

- The assets and deferred outflows of resources of the Yadkin Valley Sewer Authority exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$21,827,072 (*net position*).
- The Authority's total net position increased by \$2,659,824, primarily due to capital contributions and increased sewer revenues.
- The Yadkin Valley Sewer Authority's total debt increased by \$498,577 during the current fiscal year.

Overview of the Financial Statements

Yadkin Valley Sewer Authority's primary mission is to provide waste and wastewater treatment services to the citizens of the Towns of Elkin, Jonesville and Ronda. The Authority does not provide other general government types of services or programs. The Authority's operations, capital expansion program and debt payments are funded almost entirely through rates, fees, and other charges for wastewater treatment services. As such, the Authority is considered to be, and therefore, presents its financial report as a stand-alone enterprise fund.

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statements consist of a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Net Position and a Statement of Cash Flows and 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 Yadkin Valley Sewer Authority.

The **Statement of Net Position** presents the Authority's assets and liabilities classified between current and long-term. Net Position represents the difference between total assets and deferred outflows of resources and total liabilities and deferred inflows of resources.

The **Statement of Revenues, Expenses and Changes in Net Position** provides information regarding the Authority's total economic resource inflow and outflow (accrual method of accounting). The difference between these inflows and outflows represents the change in Net Position, which links this statement to the Statement of Net Position.

The **Statement of Cash Flows** deals specifically with the flow of cash and cash equivalents arising from operating, capital, noncapital financing and investing activities. Because the Authority's Statement of Revenues, Expenses and Changes in Net Position is a measurement of the flow of total economic resources, operating income usually differs from net cash flow from operations. To enhance the reader's understanding of this difference, the Statement of Cash Flows also includes reconciliation between these two

Management Discussion and Analysis
Yadkin Valley Sewer Authority

amounts. In accordance with the accounting principles generally accepted in the United States of America, a reconciliation of cash and cash equivalents is also presented in this statement.

Notes to the Financial Statements – 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 begin on page 14 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Yadkin Valley Sewer Authority's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 37 of this report.

Financial Analysis

Yadkin Valley Sewer Authority's Net Position

Figure 1

	2021	2020
Current and other assets	\$ 2,971,286	\$ 2,173,227
Capital assets	25,793,979	23,162,449
Deferred outflows of resources	158,022	106,702
Total assets and deferred outflows of resources	28,923,287	25,442,378
Long-term liabilities outstanding	6,043,786	5,546,090
Other liabilities	1,051,926	726,670
Deferred inflows of resources	503	2,370
Total liabilities and deferred inflows of resources	7,096,215	6,275,130
Net position:		
Net investment in capital assets	19,851,697	17,670,568
Unrestricted	1,975,375	1,496,680
Total net position	\$ 21,827,072	\$ 19,167,248

As noted earlier, net position may serve over time as one useful indicator of the authority's financial condition. The assets and deferred outflows of the Yadkin Valley Sewer Authority exceeded liabilities and deferred inflows by \$21,827,072 as of June 30, 2021. The Authority's net position increased by \$2,659,824 for the fiscal year ended June 30, 2021. However, the largest portion (90.95%) reflects the Authority's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The Yadkin Valley Sewer Authority uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Yadkin Valley Sewer Authority's net investment in 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 \$1,975,375 is unrestricted.

Management Discussion and Analysis
Yadkin Valley Sewer Authority

Yadkin Valley Sewer Authority's Changes in Net Position
Figure 2

	2021	2020
Revenues:		
Charges for services	\$ 2,886,121	\$ 2,557,295
Connection fees and other	49,754	78,933
Capital grants and contributions	702,630	1,217,044
Grants and contributions not restricted to specific programs	-	-
Transfer from Surry county - Weyerhaeuser project	1,150,118	-
Gain on disposal of equipment	1,200	-
Forgiveness of debt	494,833	439,242
Interest earnings	3,815	17,473
Total revenues	5,288,471	4,309,987
Expenses:		
Operating expenses	2,570,474	2,580,770
Interest expense	58,173	121,572
Total expenses	2,628,647	2,702,342
Increase (decrease) in net position before transfers	2,659,824	1,607,645
Transfers	-	-
Increase (decrease) in net position	2,659,824	1,607,645
Net position, beginning	19,167,248	17,559,603
Net position, June 30	\$ 21,827,072	\$ 19,167,248

The primary factor that positively influenced the increase in net position is highlighted below:

- The YVSA Board reviews annually the cost of operation and existing debt service schedules and estimates the expected revenue for the coming year. The rates are adjusted to ensure that all debt and operation cost are met. The schedule below shows the rate adjustments made since the inception of YVSA:

EFFECTIVE DATE	MINIMUM RATE (up to 2,000 gallons)	VOLUMETRIC RATE
JULY 1, 2010	\$14.00	\$6.75
JULY 1, 2011	\$14.00	\$6.75
JULY 1, 2012	\$15.00	\$7.50
JULY 1, 2013	\$16.00	\$8.25
JULY 1, 2014	\$19.00	\$8.75
JULY 1, 2015	\$20.00	\$9.00
JULY 1, 2016	\$21.00	\$9.50
JULY 1, 2017	\$22.00	\$10.00
JULY 1, 2018	\$22.50	\$11.00
JULY 1, 2019	\$22.75	\$11.50
JULY 1, 2020	\$23.25	\$12.25
JULY 1, 2021	\$23.50	\$12.50

Capital Asset and Debt Administration

Capital assets. The Yadkin Valley Sewer Authority's investment in capital assets as of June 30, 2021, totals \$25,793,979 (net of accumulated depreciation). These assets include land, construction in progress, buildings, sewer lines, equipment, and vehicles.

Major capital asset transactions during the year include the following:

- ABS Submersible Pump (for Memorial Park PS), Lenovo Thinksystem ST550 Server with Windows Server Software upgrade, Dorsett Infoscana SCADA upgrade for new server, Harris ICS software migration to new server, Pacific Tek PV500 Vacuum on Trailer, 3-Flygt Submersible Pumps (spare pumps for River Road, Intermediate, and Dutchman Creek #2 PS's), and Kubota RTV500 Utility Vehicle (used 2010 model with 600 hours).
- Construction Completed on Weyerhaeuser Collection System Extension and 2017 WWTP Improvements Projects
- Construction in Progress included continued work on 2017 Collection System Rehabilitation Project, 2018 Collection System Rehabilitation Project, 2018 Pump Station Rehabilitation Project, High Priority Areas Collection System Assessment (AIA Grant), Dutchman Creek Pump Station Elimination Project, WWTP Blower Replacement Project, 2020 Collection System Rehabilitation Project Part 1, Streambank Stabilization Project (FEMA), and Regional Pump Station Control Panel Replacement Project.

Yadkin Valley Sewer Authority's Capital Assets

(net of depreciation)

Figure 3

	2021	2020
Land	\$ 16,858	\$ 16,858
Buildings	367,557	379,116
Equipment	20,934,740	19,169,700
Vehicles	56,019	87,845
Construction in progress	4,418,805	3,508,930
Total	<u>\$ 25,793,979</u>	<u>\$ 23,162,449</u>

Additional information on the Authority's capital assets can be found in Note II.A.3 of the Basic Financial Statements.

Management Discussion and Analysis
Yadkin Valley Sewer Authority

Long-term Debt. As of June 30, 2021, the Yadkin Valley Sewer Authority had total debt outstanding of \$51,824 for compensated absences, \$228,342 for net pension liability, \$375,000 for Inter-local Post Start-up Contributions, \$1,119,435 for Inter-local notes payable, and \$4,822,847 for notes payable. These are backed by the full faith and credit of the Authority.

Yadkin Valley Sewer Authority's Outstanding Debt
Figure 4

	June 30,	
	2021	2020
Compensated absences	\$ 51,824	\$ 38,888
Net pension liability (LGRS)	228,342	141,462
Inter-local post start-up contributions	375,000	400,000
Inter-local loan payments and expenses	-	26,640
Inter-local notes payable	1,119,435	1,328,913
Notes payable - Memorial Park pump station	33,401	65,994
Notes payable - YSVA operations center	198,333	226,667
Notes payable - Pump station	163,684	214,355
Clean water revolving loan	394,069	422,216
Clean water revolving loan	1,568,986	1,661,279
State revolving loan	481,281	515,658
Construction loan payable	725,132	639,959
Construction loan payable	628,306	416,840
Construction loan payable	536,069	-
Construction loan payable	93,586	-
	<u>\$ 6,597,448</u>	<u>\$ 6,098,871</u>

The Yadkin Valley Sewer Authority's total debt increased by \$498,577 (8.18%) during the past fiscal year, primarily due to the draws on the construction loan.

The Yadkin Valley Sewer Authority is not a taxing authority and is not subject to any legal debt margin.

Additional information regarding the Yadkin Valley Sewer Authority's long-term debt can be found in Note II.B.6 of this report.

Economic Factors and Next Year's Budgets and Rates

The following key economic indicators reflect the growth and prosperity of the Authority:

- YVSA has existing commercial customers who are expanding. This has allowed their discharges to the YVSA Collection System and WWTP to steadily grow. As a result, the revenue from these customers are increasing. This along with the growth in residential development has given YVSA a reliable customer base. The Director and Staff will continue to evaluate the cost for upcoming years, including any debt increase or decrease. Based on such evaluations, the YVSA Board will continue to receive recommendations regarding any necessary rate changes to meet budgetary needs.

Management Discussion and Analysis
Yadkin Valley Sewer Authority

Budget Highlights for the Fiscal Year Ending June 30, 2022

Highlights of the fiscal year June 30, 2022 budget are as follows:

- YVSA has actively obtained multiple grants and zero percent interest loans for the upgrade or replacement of antiquated wastewater utility infrastructure. For this year, we are continuing work on rehabilitation and replacement of such infrastructure in Jonesville and Elkin and the WWTP.

Requests for Information

This report is designed to provide an overview of the Authority's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to Nicole Johnston, Executive Director, Yadkin Valley Sewer Authority, 500 NC Hwy 268 West, Elkin, NC 28621, or by calling (336) 835-9819.

Basic Financial Statements

Yadkin Valley Sewer Authority
Statement of Fund Net Position
Proprietary Fund
June 30, 2021

ASSETS

Current assets:

Cash and cash equivalents	\$ 1,882,631
Accounts receivable, net	665,364
Due from other governments	374,592
Inventories	48,699
Restricted cash and cash equivalents	-
Total current assets	<u>2,971,286</u>

Noncurrent assets:

Capital assets:

Land and other non-depreciable assets	4,435,663
Other capital assets, net of depreciation	21,358,316
Total capital assets	<u>25,793,979</u>
Total noncurrent assets	<u>25,793,979</u>

Total assets	<u>28,765,265</u>
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DEFERRED OUTFLOWS OF RESOURCES

Pension deferrals	<u>158,022</u>
Total deferred outflows of resources	<u>158,022</u>

LIABILITIES

Current liabilities:

Accounts payable and accrued liabilities	498,264
Construction loans - current	141,802
Notes payable - current	403,969
Compensated absences - current	7,891
Total current liabilities	<u>1,051,926</u>

Noncurrent liabilities:

Net pension liability	228,342
Due to other municipalities	375,000
Municipality reimbursements payable	-
Construction loans - noncurrent	1,841,291
Notes payable - noncurrent	3,555,220
Compensated absences - noncurrent	43,933
Total noncurrent liabilities	<u>6,043,786</u>

Total liabilities	<u>7,095,712</u>
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DEFERRED INFLOWS OF RESOURCES

Pension deferrals	<u>503</u>
Total deferred inflows of resources	<u>503</u>

NET POSITION

Net investment in capital assets	19,851,697
Unrestricted	1,975,375
Total net position	<u>\$ 21,827,072</u>

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

Yadkin Valley Sewer Authority
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Fund
For the Fiscal Year Ended June 30, 2021

OPERATING REVENUES	
Charges for services	\$ 2,886,121
Connection fees	14,500
Miscellaneous	35,254
Total operating revenues	<u>2,935,875</u>
OPERATING EXPENSES	
Salaries and benefits	859,088
Operating expenses	851,857
Depreciation	859,529
Total operating expenses	<u>2,570,474</u>
Operating income	<u>365,401</u>
NONOPERATING REVENUES (EXPENSES)	
Investment earnings	3,815
Gain on disposal of equipment	1,200
Debt forgiveness - CWSRF loan	494,833
Interest expense	(58,173)
Total nonoperating revenue (expenses)	<u>441,675</u>
Income before capital contributions	807,076
Transfer from Surry County - Weyerhaeuser project	1,150,118
Capital contributions	<u>702,630</u>
Change in net position	2,659,824
Total net position, beginning	19,167,248
Total net position, ending	<u><u>\$ 21,827,072</u></u>

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

Yadkin Valley Sewer Authority
Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended June 30, 2021

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from customers	\$ 2,842,957
Cash paid for goods and services	(928,725)
Cash paid to or on behalf of employees for services	(808,503)
Other revenues	35,254
	<u>1,140,983</u>
Net cash provided (used) by operating activities	<u>1,140,983</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Due to (from) other funds	-
Transfers from other funds	-
Total cash flows from (used) noncapital financing activities	<u>-</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Acquisition and construction of capital assets	(1,945,689)
Proceeds from sale of capital assets	1,200
Proceeds from construction loans	1,488,247
Proceeds from installment notes	-
Principal paid on notes	(594,655)
Capital contributions	572,438
Interest paid	(58,173)
	<u>(536,632)</u>
Net cash provided (used) by capital and related financing activities	<u>(536,632)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest	<u>3,815</u>
Net increase in cash and cash equivalents	608,166
Balance, beginning	1,274,465
Balance, ending	<u><u>\$ 1,882,631</u></u>

NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES

Acquisition of capital assets by accounts payable	<u>\$ 445,594</u>
Capital contributions made by grant receivables	<u>\$ 374,592</u>
Capital assets acquired by capital contribution - Weyerhaeuser project	<u>\$ 1,150,118</u>
Forgiveness of debt - Clean Water State Revolving Fund loan (CWSRF)	<u>\$ 494,833</u>
	continued

Yadkin Valley Sewer Authority
Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended June 30, 2021

Reconciliation of operating income to net cash provided by operating activities

Operating income	\$ 365,401
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	859,529
Changes in assets and liabilities:	
(Increase) in accounts receivable	(57,664)
(Increase) in inventory	(2,037)
(Increase) in deferred outflows of resources - pensions	(51,320)
Increase in net pension liability	86,880
(Decrease) in deferred inflows of resources - pensions	(1,867)
(Decrease) in accounts payable and accrued liabilities	(57,939)
Total adjustments	<u>775,582</u>
Net cash provided by operating activities	<u>\$ 1,140,983</u>

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

Yadkin Valley Sewer Authority

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2021

I. Summary of Significant Accounting Policies

The accounting policies of the Yadkin Valley Sewer Authority (the Authority) conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

The Yadkin Valley Sewer Authority was created pursuant to Chapter 162A of the North Carolina General Statutes by the governing bodies of the Town of Elkin, Town of Jonesville, and the Town of Ronda for the purpose of maintaining and operating the sewer treatment facility and sewer collection systems in each of the Towns. The existing sewer treatment facility of the Town of Elkin and the sewer collection systems of each of the Towns have been transferred to the Authority. The Authority charges customers within its political subdivisions for sewer services, which are billed and collected by each municipality and remitted to the Authority. The Authority is governed by a five-member Board of Directors whose members are appointed by each of the Towns. The Authority is not included in any other reporting entity.

B. Basis of Presentation

Business-type activities are financed in whole or in part by fees charged to external parties. All activities of the Authority are considered business-type activities.

Fund Financial Statements: The fund financial statements provide information about the Authority's funds.

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 result from non-exchange transactions. Other non-operating revenues are ancillary activities such as investment earnings.

Enterprise Fund. This fund is used to account for those operations that (a) 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 the periodic determination of revenue earned, expenses incurred and/or net income is appropriate for capital maintenance, public safety, public policy, management control, accountability, or other purposes. The Authority operates as a singular enterprise fund. For financial statement purposes, a Sewer Capital Projects Fund has been consolidated with the Sewer Fund.

Yadkin Valley Sewer Authority

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2021

C. Measurement Focus and Basis of Accounting

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

Proprietary Fund Financial Statements. The proprietary fund financial statements are reported using the economic resources measurement focus. The proprietary fund financial 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. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Authority enterprise funds are charges to customers for sales and services. The Authority also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the 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. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

D. Budgetary Data

The Authority'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 object level 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 Outflows/Inflows of Resources, and Fund Equity

1. Deposits and Investments

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

Yadkin Valley Sewer Authority

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2021

State law [G.S. 159-30(c)] authorizes the Authority to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States, obligations of the State of North Carolina, bonds and notes of any North Carolina local government or public authority, obligations of certain non-guaranteed federal agencies, certain high quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT). The Authority's investments are reported at fair value. Non-participating interest earning contracts are accounted for at cost. The NCCMT – Government Portfolio, a SEC-registered (2a-7) external investment pool, is measured at amortized cost, which is the NCCMT's share price. The NCCMT-Term portfolio's securities are valued at fair value.

2. Cash and Cash Equivalents

The Authority considers all cash and investments to be cash and cash equivalents.

3. Accounts Receivable

All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. This amount is estimated by analyzing the percentage of receivables that were written off in prior years.

4. Inventory

The inventories of the Authority are valued at the lower of cost (first-in, first-out) or market. The inventory consists of materials and supplies held for subsequent use. The cost of this inventory is expensed when consumed rather than when purchased.

5. Capital Assets

Capital assets are defined by the Authority as assets with an initial, individual cost of more than \$500. Donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Yadkin Valley Sewer Authority

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2021

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

Asset Class	Estimated Useful Lives
Land improvements, buildings, and infrastructure	20 to 50 years
Furniture, fixtures, equipment, heavy equipment, and vehicles	5 to 10 years
Computer equipment and software	5 to 7 years

6. Long-Term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the statement of net position net of applicable premiums and discounts which are deferred and amortized over the life of the notes using the straight-line method that approximates the effective interest method.

7. Deferred outflows/inflows of resources

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

8. Compensated Absences

The vacation policy of the Authority provides for the accumulation of up to 240 hours earned vacation leave with such leave being fully vested when earned. An expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The Authority has assumed a first-in, first-out method of using accumulated compensated time. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the financial statements.

The Authority's sick leave policy provides for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the Authority does not have any obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

Yadkin Valley Sewer Authority

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2021

9. Net Position/Fund Balances

Net Position

Net position in proprietary fund financial statements are classified as net investment in capital assets; restricted; and unrestricted.

Net position classified as net investment in capital assets represents the amounts invested in capital assets less any outstanding debt used in the acquisition of those assets.

Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed through state statute.

Unrestricted net position consists of net position that does not meet the definition of invested in capital assets or restricted.

10. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and 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.

11. Defined Benefit Cost-Sharing Plans

For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental Employees' Retirement System (LGERS) and additions to/deductions from LGERS' fiduciary net position have been determined on the same basis as they are reported by LGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The Yadkin Valley Sewer Authority's employer contributions are recognized when due and the Yadkin Valley Sewer Authority has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERS. Investments are reported at fair value.

Yadkin Valley Sewer Authority

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2021

II. Detail Notes on All Funds

A. Assets

1. Deposits

All the deposits of the Authority 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 Authority's agents in the unit'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 Authority, these deposits are considered to be held by the Authority'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 Authority, or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Authority under the Pooling Method, the potential exists for under-collateralization. This risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Authority has no formal 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 Authority complies with provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2021, the Authority's deposits had a carrying amount of \$1,882,275 and a bank balance of \$1,890,333. Of the bank balance, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2021, the Authority's petty cash fund totaled \$356.

2. Receivables

Receivables, net of allowances for doubtful accounts, at June 30, 2021 were as follows:

Utility accounts receivable	\$	776,483
Sales tax receivable		44,690
Other receivables		7,347
Total		828,520
Allowance for doubtful accounts		(163,156)
Total	\$	665,364

Yadkin Valley Sewer Authority

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2021

3. Capital Assets

A summary of changes in the Authority's capital assets for the year ended June 30, 2021 were as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 16,858	\$ -	\$ -	\$ 16,858
Construction in progress	3,508,930	2,152,058	1,242,183	4,418,805
Total capital assets not being depreciated	3,525,788	2,152,058	1,242,183	4,435,663
Capital assets being depreciated:				
Buildings	461,135	-	-	461,135
Equipment	32,023,172	2,581,184	-	34,604,356
Vehicles	217,660	-	-	217,660
Total capital assets being depreciated	32,701,967	2,581,184	-	35,283,151
Less accumulated depreciation for:				
Buildings	82,019	11,559	-	93,578
Equipment	12,853,472	816,144	-	13,669,616
Vehicles	129,815	31,826	-	161,641
Total accumulated depreciation	13,065,306	859,529	-	13,924,835
Total capital assets being depreciated, net	19,636,661			21,358,316
Capital assets, net	<u>\$ 23,162,449</u>			<u>\$ 25,793,979</u>

Construction commitments

The Authority has active construction projects as of June 30, 2021. At year-end, authority's commitments with contractors are as follows:

Project	Spent-to-date	Remaining Commitment
Sewer Capital Projects Fund	\$ 1,217,562	\$ 981,195
	<u>\$ 1,217,562</u>	<u>\$ 981,195</u>

B. Liabilities

1. Pension Plan Obligations

a. Local Governmental Employees' Retirement System

Plan Description. The Yadkin Valley Sewer Authority is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is

Yadkin Valley Sewer Authority

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2021

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

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

LGERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15 years of service as a LEO and have reached age 50, or have completed five years of creditable service as a LEO and have reached age 55, or have completed 15 years of creditable service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Yadkin Valley Sewer Authority employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Yadkin Valley Sewer Authority's contractually required contribution rate for the year ended June 30, 2021, was

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For the Fiscal Year Ended June 30, 2021

10.15% for general employees, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Yadkin Valley Sewer Authority were \$52,602 for the year ended June 30, 2021.

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

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

At June 30, 2021, the Authority reported a liability of \$228,342 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2019. The total pension liability was then rolled forward to the measurement date of June 30, 2020 utilizing update procedures incorporating the actuarial assumptions. The Authority's proportion of the net pension asset was based on a projection of the Authority's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2020, the Authority's proportion was 0.00639%, which was an increase of 0.00121% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the Authority recognized pension expense of \$86,295. At June 30, 2021, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 28,836	\$ -
Changes of assumptions	16,993	-
Net difference between projected and actual earnings on pension plan investments	32,133	-
Changes in proportion and differences between Authority contributions and proportionate share of contributions	27,458	503
Authority contributions subsequent to the measurement date	52,602	-
Total	<u>\$ 158,022</u>	<u>\$ 503</u>

\$52,602 reported as deferred outflows of resources related to pensions resulting from Authority contributions subsequent to the measurement date will be recognized as a decrease of the net

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Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2021

pension liability in the year ended June 30, 2022. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2022	\$	31,330
2023		37,953
2024		26,124
2025		9,510
2026		-
Thereafter		-

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

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

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

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

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

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

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Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2021

of arithmetic real rates of return for each major asset class as of June 30, 2020 are summarized in the following table:

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

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

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

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

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For the Fiscal Year Ended June 30, 2021

	<u>1% Decrease (6.00%)</u>	<u>Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
Authority's proportionate share of the net pension liability (asset)	\$ 463,281	\$ 228,342	\$ 33,091

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

2. Supplemental Retirement Income Plan 401(k)

Plan Description. The Authority contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to full-time employees of the Authority. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan 401(k). That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy. Article 12E of G.S. Chapter 143 requires the Authority to contribute each month an amount equal to five percent of each employee's salary. All amounts contributed are vested immediately. All employees may make voluntary contributions to the plan. Contributions for the year ended June 30, 2021 were \$35,896 which consisted of \$25,912 from the Authority and \$9,984 from the employees.

Yadkin Valley Sewer Authority

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2021

3. Deferred Outflows and Inflows of Resources

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

Source	Amount
Contributions to pension plan in current fiscal year	\$ 52,602
Differences between expected and actual experience	28,836
Changes of assumptions	16,993
Net difference between projected and actual	32,133
Changes in proportion and differences between employer contributions and proportionate share of contributions	27,458
Total	<u>\$ 158,022</u>

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

Differences between expected and actual experience	\$ -
Changes in proportion and differences between employer contributions and proportionate share of contributions	503
Total	<u>\$ 503</u>

4. Accounts Payable

Payables at June 30, 2021, were as follows:

Vendors	Salaries and Benefits	Total
<u>\$ 454,065</u>	<u>\$ 44,199</u>	<u>\$ 498,264</u>

Yadkin Valley Sewer Authority

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2021

5. Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority carries commercial coverage for all 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 Authority does not carry flood insurance.

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

6. Long-Term Obligations

a. Inter-local Agreement – Post-Startup Contributions

The Authority entered into an inter-local agreement with the Town of Elkin, Town of Jonesville, and the Town of Ronda on July 13, 2009 and was amended on July 1, 2010. The Terms of the agreement state that each Town will make cash contributions to the Authority for the purpose of helping facilitate the augmentation of the Authority's fund balance (collectively, the "Town Post-Startup Contributions".) The contributions were to be paid no later than the end of July of the Town's fiscal year beginning in fiscal year 2010-2011 and ending in fiscal year 2012-2013.

These contributions were made in the amounts as follows:

Year Ending June 30	Elkin	Jonesville	Ronda	Totals
2011	\$ 100,000	\$ 50,000	\$ 10,000	\$ 160,000
2012	100,000	50,000	10,000	160,000
2013	50,000	25,000	5,000	80,000
Total	\$ 250,000	\$ 125,000	\$ 25,000	\$ 400,000
Less: payments in current year	(15,625)	(7,813)	(1,562)	(25,000)
	\$ 234,375	\$ 117,187	\$ 23,438	\$ 375,000

The Authority will reimburse each municipality for its "Town Post-Startup Contributions" as per the inter-local agreement from the Excess Fund Balances, if any, of the Authority. The Authority's priority will be to stay at or above a 50% unrestricted fund balance. Once the 50% is reached, and beginning in the year ended June 30, 2016 and not exceeding year ended June 30, 2026, monies will be returned to the municipalities at a pro-rata share of the current year's expenditures as agreed upon by the municipalities and the Authority. However, the Authority may expedite or increase payments to the municipalities to satisfy the debt. The 50% Reserve Fund balance will not be increased by the Authority until the municipalities are repaid in full for the post-startup monies

Yadkin Valley Sewer Authority

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2021

contributed to the Authority. During the year ended June 30, 2021, the Authority paid \$25,000 on the outstanding post-startup contributions.

b. Inter-local Agreement – Loan payments and expenses

The Board for the Authority approved the repayment of the contribution by the Town of Jonesville for the expenses incurred by them for the operations of the Jonesville waste water treatment plant for the period of July through October, 2011. This amount was not to be repaid until the fund balance of the Authority reached 50%. The amounts due to each Town are as follows:

Reimbursement of Loan Payments and Expenses

Town of Jonesville

Contribution by Town of Jonesville of expenses incurred
by the Jonesville WWTP for the period July through
October 2011.

\$ 26,640

Less: payments in current year

(26,640)

Balance at June 30, 2021

\$ -

Yadkin Valley Sewer Authority

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2021

c. Inter-local Agreement – Notes Payable

The Authority has outstanding notes payable in the amount of \$1,119,435 for prior sewer related debt and debt incurred by the Town of Elkin and Town of Jonesville on the Authority's behalf during the startup phase. Per inter-local agreement, the Authority will service the debt as it becomes due by making the principal and interest payments. The commitment will be paid in installments beginning in April 2011 and continuing through October 2029.

Town of Elkin

\$1,141,851 Note payable - Capital Bank for waste treatment improvements (2), payable in annual installments of \$86,674 including interest at 2.95%, with a final payment October 2029. (Refinanced loan to Yadkin Valley Bank).

\$ 675,102

Town of Jonesville

\$930,000 Note payable - BB&T for sanitary sewer improvements, payable in annual installments of \$82,540 including interest at 3.19%, with a final payment June 2027. (Refinanced Jonesville's USDA note for \$930,000).

444,333

Total Notes Payable

\$ 1,119,435

Year Ending June 30	Principal	Interest
2022	\$ 134,849	\$ 34,366
2023	139,015	30,200
2024	143,317	25,899
2025	147,710	21,505
2026	152,316	16,900
2027-2030	402,228	27,028
Total	<u>\$ 1,119,435</u>	<u>\$ 155,898</u>

Yadkin Valley Sewer Authority

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2021

d. Notes Payable

\$300,000 Note payable to BB&T for the construction of the Memorial Park Pump Station, issued February 27, 2012, was paid down to and refinanced for a \$97,803 Note Payable to BB&T on June 11, 2019, payable in annual installments of \$34,225 including interest at 2.69% with a final payment February 2022. \$33,401

	Year Ending June 30	Principal	Interest
	2022	33,401	825
Total		<u>\$ 33,401</u>	<u>\$ 825</u>

\$425,000 Note payable to BB&T for the purchase of the Henderson Wood Building to serve as the new site of the Authority's administrative and operations center, issued September 26, 2012, payable in annual principal installments of \$28,333 plus interest at 2.91% with a final payment September 2027. \$198,333

	Year Ending June 30	Principal	Interest
	2022	\$ 28,333	\$ 5,771
	2023	28,333	4,947
	2024	28,333	4,123
	2025	28,333	3,298
	2026	28,333	2,474
	2027-2028	56,668	2,473
Total		<u>\$ 198,333</u>	<u>\$ 23,086</u>

\$361,000 Note payable to BB&T for the construction of the Sanitary Pump Station, issued June 11, 2019, payable in semi-annual installments of \$29,079 including interest at 3.71% with a final payment June 2024. \$163,684

	Year Ending June 30	Principal	Interest
	2022	\$ 52,568	\$ 5,590
	2023	54,537	3,621
	2024	56,579	1,579
Total		<u>\$ 163,684</u>	<u>\$ 10,790</u>

Yadkin Valley Sewer Authority

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2021

In June 2015, the Authority issued a \$1,050,000 promissory note to the Clean Water Revolving Fund to help with construction of the Sewer Collection System Rehabilitation and Pump Station Rehabilitation and Elimination project. The unpaid principal (total of \$1,050,000) was to be immediately reduced by one-half of the loan amount as principal forgiveness of \$525,000 bringing the unpaid amount of the note to \$525,000. The note was revised during 2016 bringing the unpaid amount to \$562,955. Interest will accrue at the rate of 0% on the unpaid principal. The principal is to be repaid, and presented in these financial statements, in 20 annual installments of \$28,148 beginning May 1, 2016.

At June 30, 2021, the amount of the draws on the note was \$1,125,910, of which \$562,955 has been forgiven. Six principal payments have been made bringing the unpaid balance to \$394,069.

	Year Ending June 30	Principal	Interest
	2022	\$ 28,148	\$ -
	2023	28,148	-
	2024	28,148	-
	2025	28,148	-
	2026	28,148	-
	2027-2031	140,740	-
	2032-2035	112,589	-
Total		<u>\$ 394,069</u>	<u>\$ -</u>

In August 2015, the Authority issued a \$610,000 promissory note to the State Revolving Loan Fund to help with construction of the Southwest Elkin Rehabilitation project. The note was revised during 2017 bringing the unpaid amount to \$687,544. Interest will accrue at the rate of 0% on the unpaid principal. The principal is to be repaid, and presented in these financial statements, in 20 annual installments of varying payments beginning May 1, 2016.

At June 30, 2021, the amount of the draws on the note was \$687,544. Six principal payments have been made bringing the unpaid principal to \$481,281.

	Year Ending June 30	Principal	Interest
	2022	\$ 34,377	\$ -
	2023	34,377	-
	2024	34,377	-
	2025	34,377	-
	2026	34,377	-
	2027-2031	171,886	-
	2032-2035	137,510	-
Total		<u>\$ 481,281</u>	<u>\$ -</u>

Yadkin Valley Sewer Authority

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In March 2017, the Authority issued a \$2,284,104 promissory note to the North Carolina Infrastructure Finance Section Revolving Fund to help with construction of the 2015-WWTP Improvements project. During 2019 the note was amended for \$65,841 bringing the note to \$2,349,945. The unpaid principal (total of \$2,349,945) was immediately reduced by \$500,000 of the loan amount as principal forgiveness, and an unused amount of \$4,079, bringing the unpaid amount of the note to \$1,845,866. Interest will accrue at the rate of 0% on the unpaid principal. The principal is to be repaid, and presented in these financial statements, in 20 annual installments of beginning May 1, 2019.

Three principal payments have been made bringing the unpaid balance to \$1,568,986.

Year Ending June 30	Principal	Interest
2022	\$ 92,293	\$ -
2023	92,293	-
2024	92,293	-
2025	92,293	-
2026	92,293	-
2027-2031	461,467	-
2032-2036	461,467	-
2037-2038	184,587	-
Total	<u>\$ 1,568,986</u>	<u>\$ -</u>

e. Construction Loans Payable

In August 2018, the Authority issued a \$966,000 promissory note to the Clean Water Revolving Fund to help with construction of the 2017 Wastewater Treatment Plant Rehabilitation project. The unpaid principal (total of \$966,000) was to be immediately reduced by one-half of the loan amount as principal forgiveness of \$483,000 bringing the unpaid amount of the note to \$483,000. The note was revised during 2019 to provide for an additional amount of \$198,014 bringing the unpaid amount to \$681,014. Interest will accrue at the rate of 0% on the unpaid principal. The principal is to be repaid, and presented in these financial statements, in 20 annual installments of \$34,051 beginning May 1, 2021.

At June 30, 2021, the amount of the draws on the note was \$1,242,183, of which \$483,000 has been forgiven. One principal payment has been made bringing the unpaid balance to \$725,132.

Yadkin Valley Sewer Authority

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2021

Year Ending June 30	Principal	Interest
2022	\$ 41,868	\$ -
2023	37,959	-
2024	37,959	-
2025	37,959	-
2026	37,959	-
2027-2031	189,795	-
2032-2036	189,795	-
2037-2040	151,838	-
Total	<u>\$ 725,132</u>	<u>\$ -</u>

In July 2019, the Authority issued a \$661,375 promissory note to the State Reserve Program to help with construction of the 2017 Collection System Rehabilitation project. Interest will accrue at the rate of 0% on the unpaid principal. The principal is to be repaid, and presented in these financial statements, in 20 annual installments of \$33,069 beginning May 1, 2021.

At June 30, 2021, the amount of the draws on the note was \$661,375. One principal payment has been made bringing the unpaid balance to \$628,306.

Year Ending June 30	Principal	Interest
2022	\$ 33,069	\$ -
2023	33,069	-
2024	33,069	-
2025	33,069	-
2026	33,069	-
2027-2031	165,345	-
2032-2036	165,345	-
2037-2039	132,271	-
Total	<u>\$ 628,306</u>	<u>\$ -</u>

In May 2021, the Authority issued a \$1,031,000 promissory note to the State Reserve Program to help with construction of the 2017 Pump Stations Rehabilitation project. The unpaid principal (total of \$1,031,000) was to be immediately reduced by principal forgiveness of \$500,000 bringing the unpaid amount of the note to \$531,000. The note was revised during 2021 bringing the unpaid amount to \$677,451. Interest will accrue at the rate of 0% on the unpaid principal. The principal is to be repaid, and presented in these financial statements, in 20 annual installments of \$33,873 beginning May 1, 2022.

At June 30, 2021, the amount of the draws on the note was \$1,030,902 of which \$494,833 has been forgiven. No principal payments have been made bringing the unpaid balance to \$536,069.

Yadkin Valley Sewer Authority

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2021

Year Ending June 30	Principal	Interest
2022	\$ 33,873	\$ -
2023	33,873	-
2024	33,873	-
2025	33,873	-
2026	33,873	-
2027-2031	169,365	-
2032-2036	169,365	-
2037	27,974	-
Total	<u>\$ 536,069</u>	<u>\$ -</u>

In October 2021, the Authority issued a \$659,842 promissory note to the State Reserve Program to help with construction of the 2018 Collection System Rehabilitation project. Interest will accrue at the rate of 0% on the unpaid principal. The principal is to be repaid, and presented in these financial statements, in 20 annual installments of \$32,992 beginning May 1, 2022.

At June 30, 2021, the amount of the draws on the note was \$93,586. No principal payments have been made bringing the unpaid balance to \$93,586.

Year Ending June 30	Principal	Interest
2022	\$ 32,992	\$ -
2023	32,992	-
2024	32,992	-
2025	32,992	-
2026	32,992	-
2027-2031	164,960	-
2032-2036	164,960	-
2037-2040	164,962	-
Total	<u>\$ 659,842</u>	<u>\$ -</u>

Yadkin Valley Sewer Authority

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2021

f. Changes in Long-Term Liabilities

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion of Balance
Inter-local agreement - Post-Startup Contributions	\$ 400,000	\$ -	\$ 25,000	\$ 375,000	\$ -
Inter-local agreement - Loan payments and expenses	26,640	-	26,640	-	-
Inter-local agreement - Notes Payable	1,328,913	-	209,478	1,119,435	134,849
Notes payable - Memorial Park Pump Station	65,994	-	32,593	33,401	33,401
Notes payable - YSVA Operations Center	226,667	-	28,334	198,333	28,333
Notes payable - Pump Station	214,355	-	50,671	163,684	52,568
Clean Water Revolving loan	422,216	-	28,147	394,069	28,148
Clean Water Revolving loan	1,661,279	-	92,293	1,568,986	92,293
State Revolving loan	515,658	-	34,377	481,281	34,377
Construction loan payable	639,959	119,224	34,051	725,132	41,868
Construction loan payable	416,840	244,535	33,069	628,306	33,069
Construction loan payable	-	536,069	-	536,069	33,873
Construction loan payable	-	93,586	-	93,586	32,992
Compensated absences	38,888	12,936	-	51,824	7,891
Net pension liability (LGRS)	141,462	86,880	-	228,342	-
Business-type activity long-term liabilities	<u>\$ 6,098,871</u>	<u>\$ 1,093,230</u>	<u>\$ 594,653</u>	<u>\$ 6,597,448</u>	<u>\$ 553,662</u>

C. Net Investment in Capital Assets

Capital assets	\$ 25,793,979
less: long-term debt	<u>(5,942,282)</u>
Net investment in capital asset	<u>\$ 19,851,697</u>

Yadkin Valley Sewer Authority

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2021

III. Related Party and Major Customers

As of June 30, 2021, the Authority's major customers included the Towns of Elkin, Jonesville and Ronda.

The Town of Elkin is related to the Authority as one of its governing members. Charges for services of \$2,090,495 are attributable to the Town of Elkin. Customer receivables of \$420,685 were due from the Town of Elkin as of June 30, 2021.

The Town of Jonesville is related to the Authority as one of its governing members. Charges for services of \$655,883 are attributable to the Town of Jonesville. Customer receivables of \$148,733 were due from the Town of Jonesville as of June 30, 2021.

The Town of Ronda is related to the Authority as one of its governing members. Charges for services of \$92,432 are attributable to the Town of Ronda. Customer receivables of \$43,909 were due from the Town of Ronda as of June 30, 2021.

IV. Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

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

V. Other Matters

During the year ended June 30, 2021, as a result of an Inter-local agreement between the Authority and Surry County, sewer capital assets constructed as part of the Weyerhaeuser Collection System Project by the County have been transferred to the Authority in the amount of \$1,150,118.

VI. Subsequent Events

Subsequent events have been evaluated through December 20, 2021, which is the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTAL FINANCIAL DATA

Yadkin Valley Sewer Authority
Yadkin Valley Sewer Authority's Proportionate Share of Net Pension Liability (Asset)
Required Supplementary Information
Last Eight Fiscal Years

Local Government Employees' Retirement System

	2021	2020	2019	2018	2017	2016	2015	2014
Authority's proportion of the net pension liability (asset) (%)	0.00639%	0.00518%	0.00431%	0.00492%	0.00423%	0.00545%	0.00413%	0.00410%
Authority's proportion of the net pension liability (asset) (\$)	\$ 228,342	\$ 141,462	\$ 102,248	\$ 75,164	\$ 89,775	\$ 24,459	\$ (24,357)	\$ 49,921
Authority's covered payroll	\$ 510,758	\$ 378,718	\$ 337,625	\$ 277,061	\$ 239,275	\$ 263,810	\$ 271,864	\$ 299,917
Authority's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	44.71%	37.35%	30.28%	27.13%	37.52%	9.27%	(8.96%)	16.64%
Plan fiduciary net position as a percentage of the total pension liability**	88.61%	90.86%	91.63%	94.18%	91.47%	98.09%	102.64%	94.35%

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

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

Yadkin Valley Sewer Authority
Yadkin Valley Sewer Authority's Contributions
Required Supplementary Information
Last Eight Fiscal Years

Local Government Employees' Retirement System

	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 52,602	\$ 45,713	\$ 29,351	\$ 25,322	\$ 20,087	\$ 16,692	\$ 19,429	\$ 19,224
Contributions in relation to the contractually required contribution	52,602	45,713	29,351	25,322	20,087	16,692	19,429	19,224
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's covered payroll	\$ 518,249	\$ 510,758	\$ 378,718	\$ 337,625	\$ 277,061	\$ 239,275	\$ 263,810	\$ 271,864
Contributions as a percentage of covered payroll	10.15%	8.95%	7.75%	7.50%	7.25%	6.98%	7.36%	7.07%

Supplementary Schedules

Yadkin Valley Sewer Authority
Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Fiscal Year Ended June 30, 2021

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Operating revenues:			
Charges for services		\$ 2,886,121	
Connection fees		14,500	
Miscellaneous		35,254	
Total	<u>\$ 2,734,615</u>	<u>2,935,875</u>	<u>\$ 201,260</u>
Nonoperating revenues:			
Investment earnings	3,350	3,815	465
Total revenues	<u>2,737,965</u>	<u>2,939,690</u>	<u>201,725</u>
Expenditures:			
Salaries and benefits	843,643	825,395	18,248
Other operating expenditures	906,185	851,857	54,328
Capital Outlay	162,575	188,884	(26,309)
	<u>1,912,403</u>	<u>1,866,136</u>	<u>46,267</u>
Debt service:			
Interest and other charges	58,402	58,173	229
Principal retirement	594,655	594,655	-
Total Debt service	<u>653,057</u>	<u>652,828</u>	<u>229</u>
Total Expenditures	<u>2,565,460</u>	<u>2,518,964</u>	<u>46,496</u>
Revenues over (under) expenditures	172,505	420,726	248,221
Other financing sources (uses):			
Proceeds from disposal of equipment	-	1,200	1,200
Transfer from Surry county - Weyerhaeuser project	-	1,150,118	1,150,118
Transfers to other funds:			
Sewer capital projects fund	(171,860)	(171,804)	56
Total other financing sources (uses)	<u>(171,860)</u>	<u>979,514</u>	<u>1,151,374</u>
Fund balance appropriated	(645)	-	645
Revenues and other sources over expenditures and other uses	<u>\$ -</u>	<u>1,400,240</u>	<u>\$ 1,400,240</u>
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Reconciling items:			
Capital outlay		188,884	
Increase in deferred outflows of resources - pensions		51,320	
Increase in net pension liability		(86,880)	
Decrease in deferred inflows of resources - pensions		1,867	
Principal retirement		594,655	
Forgiveness of debt - CWSRF loan		494,833	
Depreciation		(859,529)	
Capital contributions		-	
Capital contributions - capital projects		702,630	
Transfer to sewer capital projects		171,804	
Capitalized interest on borrowings during construction:			
Interest costs		-	
Investment earnings on borrowed funds		-	
Total reconciling items		<u>1,259,584</u>	
Change in net position		<u>\$ 2,659,824</u>	

Yadkin Valley Sewer Authority
Sewer Capital Projects Fund
Schedule of Revenues and Expenditures - Budget and Actual (Non - GAAP)
For the Fiscal Year Ended June 30, 2021

	Project Author - ization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
2017 Collection System Rehabilitation					
WWSRP Loan	\$ 661,375	\$ 416,840	\$ 244,535	\$ 661,375	\$ -
WWSRP Grant	1,984,125	1,347,422	402,421	1,749,843	(234,282)
Total Revenues	2,645,500	1,764,262	646,956	2,411,218	(234,282)
Expenditures:					
2017 Collection System Rehabilitation					
Construction	2,186,328	1,647,515	576,912	2,224,427	(38,099)
Engineering	127,500	123,209	5,555	128,764	(1,264)
Administration	140,000	96,701	34,684	131,385	8,615
Inspections	97,391	10,863	-	10,863	86,528
Legal	16,000	3,143	2,626	5,769	10,231
Contingency	78,281	-	-	-	78,281
Total Expenditures	2,645,500	1,881,431	619,777	2,501,208	144,292
Revenue over (under) expenditures	-	(117,169)	27,179	(89,990)	(89,990)
Revenues:					
2017 WWTP Improvements Project					
State Revolving Loan	759,183	639,959	119,224	759,183	-
Total Revenues	759,183	639,959	119,224	759,183	-
Expenditures:					
2017 WWTP Improvements Project					
Construction	1,117,879	1,069,922	47,957	1,117,879	-
Engineering	82,500	82,500	-	82,500	-
Administration	40,000	32,856	7,144	40,000	-
Legal	1,804	267	1,537	1,804	-
Contingency	-	-	-	-	-
Total Expenditures	1,242,183	1,185,545	56,638	1,242,183	-
Revenue over (under) expenditures	(483,000)	(545,586)	62,586	(483,000)	-
2018 Collection System Rehabilitation Project					
State Revolving Loan	659,842	-	93,586	93,586	(566,256)
State Reserve Project Grant	1,015,875	147,500	216,854	364,354	(651,521)
Total Revenues	1,675,717	147,500	310,440	457,940	(1,217,777)
Expenditures:					
2018 Collection System Rehabilitation Project					
Construction	1,577,416	46,872	302,087	348,959	1,228,457
Engineering	87,000	88,412	3,093	91,505	(4,505)
Administration	15,000	6,660	4,844	11,504	3,496
Legal	10,309	5,556	416	5,972	4,337
Contingency	18,484	-	-	-	18,484
Total Expenditures	1,708,209	147,500	310,440	457,940	1,250,269
Revenue over (under) expenditures	(32,492)	-	-	-	32,492

cont.

Yadkin Valley Sewer Authority
Sewer Capital Projects Fund
Schedule of Revenues and Expenditures - Budget and Actual (Non - GAAP)
For the Fiscal Year Ended June 30, 2021

	Project Author - ization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
2018 Pump Stations Rehabilitation Project					
Clean Water State Revolving Loan	677,451	-	536,069	536,069	(141,382)
Total Revenues	677,451	-	536,069	536,069	(141,382)
Expenditures:					
2018 Pump Stations Rehabilitation Project					
Construction	1,062,154	346	991,963	992,309	69,845
Engineering	86,832	75,000	2,620	77,620	9,212
Administration	25,000	14,965	8,654	23,619	1,381
Easements	14,000	7,933	461	8,394	5,606
Contingency	-	6,700	-	6,700	(6,700)
Total Expenditures	1,187,986	104,944	1,003,698	1,108,642	79,344
Revenue over (under) expenditures	(510,535)	(104,944)	(467,629)	(572,573)	(62,038)
Revenues:					
High Priority Areas Collection System Project					
Asset Inventory and Assessment Grant	150,000	150,000	-	150,000	-
Total Revenues	150,000	150,000	-	150,000	-
Expenditures:					
High Priority Areas Collection System Project					
Inspections and cleaning	87,275	87,275	-	87,275	-
Engineering	62,725	62,725	-	62,725	-
Administration	2,250	2,250	-	2,250	-
Legal	-	-	-	-	-
Contingency	12,750	12,750	-	12,750	-
Total Expenditures	165,000	165,000	-	165,000	-
Revenue over (under) expenditures	(15,000)	(15,000)	-	(15,000)	-
Revenues:					
Dutchman Creek Pump Station Elimination Project					
Clean Water State Revolving Fund	689,472	-	-	-	(689,472)
Total Revenues	689,472	-	-	-	(689,472)
Expenditures:					
Dutchman Creek Pump Station Elimination Project					
Construction	625,259	-	5,371	5,371	619,888
Engineering	20,000	7,120	12,880	20,000	-
Administration	8,500	4,809	1,005	5,814	2,686
Legal	12,700	177	545	722	11,978
Contingency	23,013	-	-	-	23,013
Total Expenditures	689,472	12,106	19,801	31,907	657,565
Revenue over (under) expenditures	-	(12,106)	(19,801)	(31,907)	(31,907)

cont.

Yadkin Valley Sewer Authority
Sewer Capital Projects Fund
Schedule of Revenues and Expenditures - Budget and Actual (Non - GAAP)
For the Fiscal Year Ended June 30, 2021

	Project Author - ization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
WWTP Blower Repl Project					
Clean Water State Revolving Fund	657,500	-	-	-	(657,500)
Total Revenues	657,500	-	-	-	(657,500)
Expenditures:					
WWTP Blower Repl Project					
Construction	657,500	-	-	-	657,500
Engineering	20,000	12,405	11,546	23,951	(3,951)
Administration	7,500	-	-	-	7,500
Total Expenditures	685,000	12,405	11,546	23,951	661,049
Revenue over (under) expenditures	(27,500)	(12,405)	(11,546)	(23,951)	3,549
Revenues:					
2020 Collection System Rehabilitation					
Clean Water State Revolving Fund	670,000	-	-	-	(670,000)
Total Revenues	670,000	-	-	-	(670,000)
Expenditures:					
2020 Collection System Rehabilitation					
Construction	577,500	-	-	-	577,500
Engineering	53,000	-	30,590	30,590	22,410
Administration	37,500	-	180	180	37,320
Legal	2,000	-	25	25	1,975
Total Expenditures	670,000	-	30,795	30,795	639,205
Revenue over (under) expenditures	-	-	(30,795)	(30,795)	(30,795)
Revenues:					
FEMA Streambank Stabilization					
Federal Emergency Management Grant	299,745	-	62,516	62,516	(237,229)
North Carolina Emergency Grant	65,255	-	20,839	20,839	(44,416)
Total Revenues	365,000	-	83,355	83,355	(281,645)
Expenditures:					
FEMA Streambank Stabilization					
Construction	245,000	-	-	-	245,000
Engineering	120,000	-	92,822	92,822	27,178
Administration	-	-	937	937	(937)
Legal	-	-	585	585	(585)
Total Expenditures	365,000	-	94,344	94,344	270,656
Revenue over (under) expenditures	-	-	(10,989)	(10,989)	(10,989)

cont.

Yadkin Valley Sewer Authority
Sewer Capital Projects Fund
Schedule of Revenues and Expenditures - Budget and Actual (Non - GAAP)
For the Fiscal Year Ended June 30, 2021

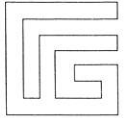
	Project Author - ization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Regional PS Control Panel					
	-	-	-	-	-
Total Revenues	-	-	-	-	-
Expenditures:					
Regional PS Control Panel					
Construction	77,360	-	-	-	77,360
Engineering	8,000	-	1,555	1,555	6,445
Total Expenditures	85,360	-	1,555	1,555	83,805
Revenue over (under) expenditures	(85,360)	-	(1,555)	(1,555)	83,805
Revenues:					
CS I&I Assessment					
State Asset Inventory and Assessment Grant	150,000	-	-	-	(150,000)
Total Revenues	150,000	-	-	-	(150,000)
Expenditures:					
CS I&I Assessment					
Construction	75,005	-	-	-	75,005
Engineering	89,995	-	845	845	89,150
Administration	2,250	-	-	-	2,250
Total Expenditures	167,250	-	845	845	166,405
Revenue over (under) expenditures	(17,250)	-	(845)	(845)	16,405
Revenues:					
2020 Collection System Rehabilitation					
State Reserve Project Loan	310,500	-	-	-	(310,500)
Total Revenues	310,500	-	-	-	(310,500)
Expenditures:					
2020 Collection System Rehabilitation					
Construction	280,500	-	-	-	280,500
Engineering	24,000	-	800	800	23,200
Administration	5,000	-	-	-	5,000
Legal	1,000	-	-	-	1,000
Total Expenditures	310,500	-	800	800	309,700
Revenue over (under) expenditures	-	-	(800)	(800)	(800)

cont.

Yadkin Valley Sewer Authority
Sewer Capital Projects Fund
Schedule of Revenues and Expenditures - Budget and Actual (Non - GAAP)
For the Fiscal Year Ended June 30, 2021

	Project Author - ization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
High Priority Collection System Rehabilitaton					
State Reserve Project Grant	1,762,000	-	-	-	(1,762,000)
Total Revenues	1,762,000	-	-	-	(1,762,000)
Expenditures:					
High Priority Collection System Rehabilitaton					
Construction	1,606,000	-	-	-	1,606,000
Engineering	139,000	-	1,818	1,818	137,182
Administration	15,000	-	-	-	15,000
Legal	2,000	-	-	-	2,000
Total Expenditures	1,762,000	-	1,818	1,818	1,760,182
Revenue over (under) expenditures	-	-	(1,818)	(1,818)	(1,818)
Excess of Revenue over (under) expenditures	(1,171,137)	(807,210)	(456,013)	(1,263,223)	(92,086)
Other financing sources :					
Forgiveness of debt	983,000	483,000	494,833	977,833	(5,167)
Transfers from operating funds	188,137	162,670	171,804	334,474	146,337
Total other sources	1,171,137	645,670	666,637	1,312,307	141,170
Revenues and other sources over (under) expenditures	\$ -	\$ (161,540)	\$ 210,624	\$ 49,084	\$ 49,084

COMPLIANCE SECTION



GIBSON & COMPANY, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

**Report On Internal Control Over Financial Reporting And On Compliance and Other
Matters Based On An Audit Of Financial Statements Performed In Accordance With
*Government Auditing Standards***

Independent Auditor's Report

To the Board of Directors
Yadkin Valley Sewer Authority
Elkin, North Carolina

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the business-type activities of the Yadkin Valley Sewer Authority, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprises the Yadkin Valley Sewer Authority's basic financial statements, and have issued our report thereon dated December 20, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Yadkin Valley Sewer Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Yadkin Valley Sewer Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

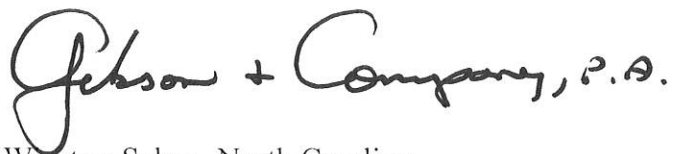
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

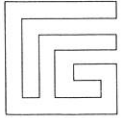
As part of obtaining reasonable assurance about whether the Yadkin Valley Sewer Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

A handwritten signature in black ink that reads "Gibson + Company, P.A." The signature is written in a cursive, flowing style.

Winston-Salem, North Carolina
December 20, 2021



GIBSON & COMPANY, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

**Report On Compliance With Requirements Applicable to Each Major Federal Program
And Internal Control Over Compliance; In Accordance With Uniform Guidance and the
State Single Audit Implementation Act**

Independent Auditor's Report

To the Board of Directors
Yadkin Valley Sewer Authority
Elkin, North Carolina

Report on Compliance for Each Major Federal Program

We have audited the Yadkin Valley Sewer Authority's compliance with the types of compliance requirements described in the OMB *Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the Yadkin Valley Sewer Authority's major federal programs for the year ended June 30, 2021. The Yadkin Valley Sewer Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Yadkin Valley Sewer Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the State Single Audit Implementation Act. Those standards, the Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Yadkin Valley Sewer Authority's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Yadkin Valley Sewer Authority's compliance.

Opinion on Each Major Federal Program

In our opinion, the Yadkin Valley Sewer Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control Over Compliance

Management of the Yadkin Valley Sewer Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Yadkin Valley Sewer Authority's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Johnson & Company, P.A." The signature is written in a cursive, flowing style.

Winston-Salem, North Carolina
December 20, 2021



Report On Compliance For Each Major State Program; Report on Internal Control Over Compliance; In accordance with Uniform Guidance; and the State Single Audit Implementation Act

Independent Auditor's Report

To the Board of Directors
Yadkin Valley Sewer Authority
Elkin, North Carolina

Report on Compliance for Each Major State Program

We have audited the Yadkin Valley Sewer Authority compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the Yadkin Valley Sewer Authority's major state programs for the year ended June 30, 2021. The Yadkin Valley Sewer Authority's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Yadkin Valley Sewer Authority's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and applicable sections of Title 2 US *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the State Single Audit Implementation Act. Those standards, Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the Yadkin Valley Sewer Authority's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However, our audit does not provide a legal determination of the Yadkin Valley Sewer Authority's compliance.

Opinion on Each Major State Program

In our opinion, the Yadkin Valley Sewer Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2021.

Report on Internal Control Over Compliance

Management of the Yadkin Valley Sewer Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Yadkin Valley Sewer Authority's internal control over compliance with the types of requirements that could have a direct and material effect on a major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

The image shows a handwritten signature in black ink that reads "Gibson + Company, P.A.". The signature is written in a cursive, flowing style.

Winston-Salem, North Carolina
December 20, 2021

YADKIN VALLEY SEWER AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2021

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Fed. (Direct & Pass-through) Expenditures</u>	<u>State Expenditures</u>
Federal Grants:				
<u>U.S. Environmental Protection Agency</u>				
Passed-through N.C. Department of Environmental Quality:				
Capitalization Grants for Clean Water State Revolving Funds (note 3)	66.458	CS370541-03	\$ 56,638	\$ -
Capitalization Grants for Clean Water State Revolving Funds (note 3)	66.458	CS370541-05	1,030,902	-
<u>U.S. Department of Homeland Security</u>				
Passed-through N.C. Department of Public Safety				
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	000-U19F6-00	62,516	20,839
Total assistance - federal programs			1,150,056	20,839
State Grants:				
<u>N.C. Department of Environmental Quality</u>				
State Reserve Project Loan (note 3)		E-SRP-W-17-0034	-	244,935
State Reserve Project Loan (note 3)		E-SRP-W-17-0124	-	93,586
State Reserve Project Grant		E-SRP-W-17-0034	-	402,421
State Reserve Project Grant		E-SRP-W-17-0124	-	216,854
			-	957,796
Total assistance - State programs			-	957,796
Total assistance			\$ 1,150,056	\$ 978,635

Notes to the Schedule of Expenditures of Federal and State Financial Awards:

- Basis of Presentation
The accompanying schedule of expenditures of federal and State awards (SEFSA) includes the federal and State grant activity of the Yadkin Valley Sewer Authority under the programs of the federal government and the State of North Carolina for the year ended June 30, 2021. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the schedule presents only a selected portion of the operations of the Yadkin Valley Sewer Authority, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Yadkin Valley Sewer Authority.
- Summary of Significant Accounting Policies
Expenditures reported in the SEFSA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Yadkin Valley Sewer Authority has elected not to use the 10-percent de minimis indirect cost rate as allowed under Uniform Guidance.
- Loans Outstanding
The Yadkin Valley Sewer Authority had the following loan balances outstanding at June 30, 2021. These loan balances outstanding are also included in the federal and State expenditures presented in the schedule.

<u>Program Title</u>	<u>CFDA Number</u>	<u>Pass-through Grantor's Number</u>	<u>Amount Outstanding</u>
Capitalization Grants for State Revolving Funds	66.458	CS370541-03	\$ 1,242,183
Less: Forgiveness of debt			(483,000)
Less: Principal payments			(34,051)
			<u>\$ 725,132</u>
Capitalization Grants for State Revolving Funds	66.458	CS370541-05	\$ 1,030,902
Less: Forgiveness of debt			(494,833)
Less: Principal payments			-
			<u>\$ 536,069</u>
N.C. Clean Water Revolving Loan & Grant Program		E-SRP-W-17-0034	\$ 661,375
Less: Principal payments			(33,069)
			<u>\$ 628,306</u>
Connect NC Bond - State Reserve Program Loan		E-SRP-W-17-0124	<u>\$ 93,586</u>

Yadkin Valley Sewer Authority
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2021

Section I. Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance to GAAP: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ____yes Xno
- Significant Deficiency(s) ____yes Xnone reported

Noncompliance material to financial statements noted ____yes Xno

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? ____yes Xno
- Significant Deficiency(s) identified ____yes Xnone reported

Type of auditor's report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? ____yes Xno

Identification of major federal programs:

<u>CFDA Number</u>	<u>Names of Federal Program or Cluster</u>
66.458	Capitalization Grants for Clean Water State Revolving Funds

Dollar threshold used to distinguish between Type A and Type B Programs \$ 750,000

Auditee qualified as low-risk auditee? ____yes Xno

Yadkin Valley Sewer Authority
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2021

Section I. Summary of Auditor's Results

State Awards

Internal control over major State programs:

- Material weakness(es) identified? ____yes X no
- Significant Deficiency(s) identified ____yes X none reported

Type of auditor's report issued on compliance for major State programs: Unmodified

Any audit findings disclosed that are required
to be reported in accordance with the State
Single Audit Implementation Act

____yes X no

Identification of major State programs:

Program Name

N.C. Clean Water Revolving Loan & Grant Program – State Reserve Program

Yadkin Valley Sewer Authority
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2021

Section II – Financial Statement Findings

None reported.

Section III - Federal Award Findings & Questioned Costs

None reported.

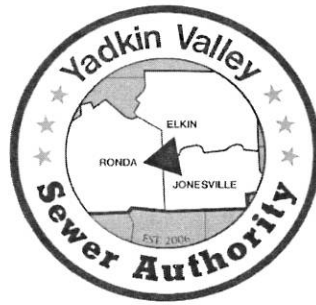
Section IV – State Award Findings & Questioned Costs

None reported.

EXECUTIVE DIRECTOR
Nicole Johnston

SECRETARY
Anita Darnell

TREASURER
Wayne V. Moore



CHAIR
Woody Faulk

VICE-CHAIR
Anita Darnell

BOARD OF DIRECTORS
Wayne V. Moore
Victor Varela
Tommy Wheeler

Corrective Action Plan
For the Fiscal Year Ended June 30, 2021

Section II – Financial Statement Findings

None reported.

Section III - Federal Award Findings & Questioned Costs

None reported.

Section IV – State Award Findings & Questioned Costs

None reported.

Yadkin Valley Sewer Authority
Summary Schedule of Prior Audit Findings
For the Fiscal Year Ended June 30, 2021

None.