

**ONslow WATER AND SEWER AUTHORITY
JACKSONVILLE, NORTH CAROLINA
ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

Prepared by:

Finance Department of Onslow Water and Sewer Authority

ONslow WATER AND SEWER AUTHORITY

FOR THE FISCAL YEAR ENDED JUNE 30, 2023

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ONslow WATER AND SEWER AUTHORITY

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onwasa.com

November 10, 2023

To the ONWASA Board of Directors, Bondholders, and Customers:

We are pleased to present our Annual Comprehensive Financial Report for the Fiscal Year from July 1, 2022 through June 30, 2023 (FY 2023). This report conforms with the reporting and accounting standards of the Governmental Accounting Standards Board (“GASB”) and the Government Finance Officers Association’s (“GFOA’s”) *Governmental Accounting, Auditing and Financial Reporting* document.

ONWASA is responsible for the accuracy, completeness and fairness of the information presented, including all disclosures.

The financial reporting entity of ONWASA consists of a single enterprise fund.

For financial reporting purposes GASB Statement No. 14 and 61 have been considered and there are no agencies or entities which should be presented with the Authority. Also, the Authority is not included in any other reporting entity. The Authority is a jointly governed organization, i.e. an entity governed primarily by representatives from other governments. The participants do not retain any ongoing financial interest in or financial responsibility for the Authority.

BACKGROUND

Creation and Governance of ONWASA

Onslow Water and Sewer Authority (the “Authority” or “ONWASA”) was created pursuant to Chapter 162A of the North Carolina General Statutes by the governing bodies of Onslow County, the Towns of Richlands, Holly Ridge, Swansboro and North Topsail Beach and the City of Jacksonville for the purpose of providing water and sewer services to all residents of Onslow County. The Authority is empowered to set rates, fees and charges without oversight, supervision, or direction from any other state or local entity or agency. The Governing Board consists of eight directors who hold office for staggered terms. The directors are appointed by the governing bodies of the County of Onslow, Town of Richlands, Town of Holly Ridge, Town of Swansboro, City of Jacksonville, and the Town of North Topsail Beach.

While we do not serve all residents of Onslow County, ONWASA serves approximately 155,125 people. Our 57,242 meters makes us the 3rd largest water and sewer authority in North Carolina. We serve a unique community, one that consists of a large military base and a high number of seasonal visitors to the coastal areas. This is a highly transient population, and we are expecting a substantial increase in residents in the coming years, partly due to military base realignment that will bring additional military members and their families to Onslow County. In addition to preparing for the increase in demand for utility services, we are dealing with areas that do not presently have sewer systems in place or have outdated/undersized systems that need updating and expansion. Last year, our operating and capital budgets were just over \$135 million, and the upcoming budget year will be approximately \$144 million.

Starting July 1, 2005, ONWASA assumed full control including billing and collections, capital maintenance and general operations of the water operations from Onslow County, Town of Richlands, and the Town of Holly Ridge in Onslow County, North Carolina. ONWASA also assumed the wastewater operations of Onslow County and Town of Richlands as of July 1, 2005. The Town of Holly Ridge's wastewater operations were assumed by ONWASA on January 1, 2006. The Town of Swansboro's water and wastewater operations were assumed by ONWASA on January 1, 2007.

As a Water and Sewer Authority, ONWASA has no taxing power, nor land use or zoning regulatory functions. These powers continue to reside with Onslow County and the local governments in their corporate limits and zoning jurisdictions.

ONWASA is a regional water and sewer utility based upon the self-proposed cooperative merger of the systems of local governments who desire to achieve the economies of scale and obtain the ability to negotiate and operate as one unified entity. This innovative achievement has been supported by federal, state and military officials throughout ONWASA's formation and is a testament to the inter-local government cooperation and a spirit of unity for progressive public service to all these citizens of Onslow County.

Water System

Our raw water supply comes from three underground aquifer sources: Castle Hayne Aquifer which can supply up to 14.4 million gallons per day (MGD); and, the combined Black Creek, PeeDee and Beaufort aquifers which can supply up to an additional 4.8 MGD. ONWASA utilizes four ground storage tanks that have a total capacity of 12.0 million gallons and 10 elevated tanks with a total capacity of 4.05 million gallons.

The raw water from the Castle Hayne aquifer is processed into drinking water at the Hubert Water Treatment Plant and the Dixon Water Treatment Plant; they are able to treat 6 MGD and 4 MGD, respectively. Both plants utilize a pressure filtration and softening system with iron removal, disinfection and corrosion control, and the Dixon plant also has the capability to treat up to 3.0 MGD via reverse osmosis. The raw water from the Black Creek and PeeDee aquifers only requires minimal treatment processing, consisting of disinfection and orthophosphate feed at the well heads, to be suitable for use. The finished drinking water is then pumped to the water storage and distribution system, which has a storage capacity of approximately 14.4 million gallons and 1,239 miles of water lines serving approximately 155,125 people in the ONWASA service area.

Wastewater System

ONWASA maintains approximately 205 miles of sewer lines and 76 pump stations to collect and transport wastewater to one of three ONWASA-operated wastewater treatment facilities. The wastewater treatment process and permitted daily capacity vary for each of the four treatment plants. The Holly Ridge Wastewater Treatment Plant can process up to 0.224 MGD utilizing a treatment lagoon and spray field irrigation disposal process. The Summerhouse Wastewater Reclamation Facility can treat an average of .070 MGD and is permitted at 0.180 MGD utilizing a membrane bioreactor (MBR) biological nutrient removal process with infiltration basins for disposal. Both of these plants make up the Southeast Regional Wastewater Treatment system and offer a combined treatment capacity of 0.294 MGD and permitted capacity of 0.404 MGD. The Northwest Regional Water Reclamation Facility can process up to 1.273 MGD using a Sequential Batch Reactor (SBR) process with infiltration basins for disposal. The Swansboro's Wastewater Treatment Plant can process up to 0.600 MGD using an activated sludge extended air treatment process with tertiary treated effluent and infiltration basins for disposal.

In addition to our own treatment facilities, wastewater is also conveyed through the collection system to the French Creek Wastewater Treatment Facility aboard Marine Corps Base Camp Lejeune and the City of Jacksonville's Land Treatment Site (LTS). The French Creek Wastewater Treatment Facility is an activated sludge tertiary plant, which accepts up to 3.5 MGD from ONWASA for treatment through a long-term agreement. The City of Jacksonville LTS, which consists of an aerated lagoon and wooded spray irrigation site, accepts an average flow of .06 MGD to be sent from ONWASA for treatment.

Economic Condition and Outlook

The economy of Onslow County continues to grow, mainly due to the steady growth and support of Marine Corps Base Camp Lejeune. The current local unemployment rate is 4.2%, which is slightly higher than the current state-wide rate of 3.6%. The approximate population of Onslow County in 2023 was 212,616.

Major Initiatives and Accomplishments

Below is a summary of priority issues and items for the coming fiscal year. Some are continuations of previous projects and others are new.

Water Supply Planning and Development

This project is the result of a combination of various independent efforts to develop and implement near-term, intermediate and long-term approaches to increase ONWASA's raw and potable water supplies. This includes the evaluation of existing raw water sources, development of new raw water sources, and the construction of upgrades to existing or new water treatment facilities. Specific tasks now underway include well and treatment plant site assessments, review of prior studies and system information, test well siting, and preliminary process/facility designs.

Piney Green Phase 2 Elimination of Hickory Grove WWTP and Webb Apartments WWTP

The major components of this project, construction of two new pump stations and associated gravity/force main sewer lines in order to decommission the existing Webb Apartments and Hickory Grove wastewater treatment facilities, was completed in 2015 and both pump stations are fully operational. A plan for the remaining item of work, formal closure of the active permit for an approximately three-acre treatment lagoon at the Hickory Grove site, has also been prepared and approved by NCDEQ. Plans and specifications for a small construction project to demolish legacy treatment equipment and stabilize the lagoon water level will be ready to solicit bids by the end of 2022, with construction completion by the end of 2023.

Onslow Regional Water Resources Group Regional Aquifer Study

The purpose of the Regional Aquifer Study is to provide an improved understanding of the nature and dynamics of the groundwater aquifers beneath Onslow County, which is essential for the sustainable use and management of the limited resources available. This effort is supported by the three primary water users in the county: The City of Jacksonville (COJ), Marine Corps Base Camp Lejeune (MCBCL), and ONWASA. This group forms a foundation for cooperative groundwater resource management among all 3 entities. Work is now underway on establishing a county-wide system of groundwater monitoring wells, to help determine the extent of saltwater intrusion into various aquifers and the need for future mandatory reductions. Funding will be used in a cooperative effort with the COJ to complete design and construction of additional monitoring well sites through cost-sharing agreements. While two locations have been identified, a schedule for design, bidding and construction has not been established at this time.

Roof Replacements

An independent field evaluation of existing conditions and materials at more than 30 different structures owned/maintained by ONWASA was completed in 2017; several sites were identified where the existing roofing material was well past its expected service life and replacement warranted. With the pending completion of a project to replace the existing roof on the administration building at the ONWASA Central Operations complex, the original evaluations will be revisited in early 2023 and work begun on design and construction documents for additional priority sites, based on available funding.

Water Main Interconnections, Phase III

ONWASA Water Distribution System staff have identified multiple locations where existing water mains were intentionally severed some time ago to facilitate roadway culvert or bridge replacement projects, and where aerial crossings (i.e., exposed mains on wooden piers) were installed to span streams and drainage ditches. Through this project (and two previous phases), new water mains are installed using horizontal directional drilling methods that reconnect the existing dead-end mains or replace the exposed aerial crossings entirely. Design for this phase of work should begin in late-2023; the number of sites to be addressed will be based on available funding.

Summerhouse WWTP Interim Capacity Improvements

This project consists of existing facility assessments, design, permitting and construction necessary to temporarily increase the treatment and effluent disposal capacities at the Summerhouse WWTP. The purpose of this work is to ensure sufficient capacity is available to support anticipated residential/commercial development in the service area until the proposed new Southeast WWTP is constructed and made fully operational. Completion of a Technical Memorandum on the facility assessments and alternatives for capacity upgrades is anticipated in November 2022, with design work on the selected alternative(s) starting in late 2023. To aid in increased capacity ONWASA is looking into purchasing Pluris North Topsail Plant and Pluris Webb Creek Plant. The purchase of these plants is expected to be completed in November 2023.

Shore Drive Pump Station Rehabilitation

This project will address ongoing problems with this wastewater pumping station, which serves a significant portion of the center of the Town of Swansboro. Based on preliminary investigations already completed, work to be performed includes rehabilitation and protective coating of the interior of the existing masonry wet well and an adjacent brick manhole, along with replacement of deteriorated discharge piping and repairs or replacement of other pump station controls and equipment as necessary. Completion of design and bidding of the project for construction is anticipated by late-2023.

Hargett Street Pump Station Rehabilitation

This project will address ongoing problems with a wastewater pumping station that serves a significant portion of the Town of Richlands. The existing station is in very poor condition, has excessive groundwater infiltration and does not meet current ONWASA requirements. Based on previous investigations, work to be performed includes removal of existing pump station and replacement with gravity sewer lines/manholes that will direct influent flow to another nearby ONWASA pump station. Design work has been completed, however competitive bidding and construction have been delayed pending acquisition of easements required for the new gravity sewer and an existing gravity sewer main to which this will connect.

Permanent/Standby Power Upgrades with ATS

To provide enhanced capability to maintain water distribution system operations during power interruptions, funding is being used to initiate a multi-year program to purchase and install on-site generators and automatic transfer switches (ATS's) at key facilities, primarily raw water wells and booster pumping stations. This will include the replacement of portable (trailer-mounted) diesel generators with fixed units and greater fuel storage capacity, and the use of liquefied propane (LP)-fueled equipment where appropriate. Work at multiple sites has already been completed and additional projects will be identified for design and bidding in 2023.

Southwest Service Area Upgrades, Phase III

Completion of additional water modelling and preliminary design services necessary to refine the scope of work and extent of distribution system upgrades needed to improve water system pressure/flow characteristics in the Southwest Service Area. This includes the potential replacement of the trunk water main from the Dixon WTP to the Verona booster station. A schedule for final design and construction of the necessary improvements has not been determined at this time but will be developed as part of this process.

Kenwood/Bishop's Ridge Sewer Service Extension

As part of an initiative to extend sewer service within Onslow County, funding will be used to complete design and construction of a project to provide sewer service connections at approximately 80 homes in the Kenwood and Bishop's Ridge developments, within the Southwest Service Area. Roughly half of the homes in the Kenwood subdivision are already served by ONWASA for both water and sewer, and there has been considerable interest from the remaining residents to tie-in to an expanded collection system. Work will include new gravity sewer mains and manholes, a wastewater pumping station and force main to convey wastewater to the Northwest Regional Water Reclamation Facility via an existing pump station and force main within the Kenwood area. Design work is approximately 50% completed and bidding/construction is anticipated in early 2024.

Swansboro WWTP Renovation or Replacement

Based on current influent flow and anticipated new connections, the Swansboro WWTP will soon exceed 80% of its permitted capacity. Previous work on this project has included assessing the condition of the existing plant, estimating future sewer flow from the service area over the next 20 years, and developing alternatives to increase capacity to accept future flow rates. Design work for the selected alternative, new pumping stations and a sewer force main system to transmit wastewater influent from the Swansboro area to Marine Corps Base Camp Lejeune (MCBCL) for treatment, is currently 90% complete and bidding of construction contracts is anticipated in early 2023 with final completion by mid-2024. Once the new system is operable, the existing treatment facility will be closed.

Pumping Station Assessment/Rehabilitation

Funding will be used to compete a multi-year program to conduct field inspections, perform condition assessments and prioritize rehabilitation projects for the 76 sewage pumping stations currently operated by ONWASA. The data gathered will be used to estimate future capital improvement project needs and will serve as the first phase for a potential future asset management program. The second round of site visits and inspections (40 locations) will be completed in late 2023.

Southeast Regional Wastewater Treatment Plants – Capacity Improvements

Based on current influent flow and anticipated new connections, both wastewater treatment facilities serving this area (the Summerhouse WRF and the Holly Ridge WWTP) have already or will soon exceed 80% of their permitted capacity. Previous work on this project has included assessing the condition of both existing plants, estimating future

sewer flow from their service areas over the next 20 years, and developing alternatives to increase capacity to accept these future flow rates. Design work for the selected alternative, building a new treatment plant and effluent disposal site to replace the two existing facilities, is now underway and it is anticipated the project will be ready to bid for construction in late 2023. Once the new treatment plant is operable, the existing treatment facilities will be closed.

Highway 24 Regional Trunk Main Replacement

Funding will be used to complete design, permitting, easement acquisition and construction of a new water transmission main connecting the Hubert Water Treatment Plant with a booster pumping station in the Piney Green area. The existing transmission main has experienced failures in recent years and this condition (along with its size) effectively limits the amount of water that can be moved from the plant to other portions of the distribution system. The replacement main will be a larger diameter to facilitate this water transfer. In addition to this work, an adjacent section of existing water distribution main along Hubert Boulevard will be abandoned due to its poor physical condition and frequent failures. Design work is approximately 90% complete. A schedule for design completion, bidding and construction has not been established pending the securing of easements from Marine Corps Base Camp Lejeune (MCBCL) on which a large portion of the new water main will be constructed.

Topsail Island Booster Pumping Station

Due to the seasonal/transient nature of the population on this popular vacation destination, the ONWASA water distribution system on Topsail Island experiences significant fluctuations in system pressure that frequently result in customer concerns, especially at the furthest extents of the system. Funds will be used to determine the optimal location, design and construct a booster pumping station on the primary water main feeding the island. This installation would monitor system conditions and run the booster pump to maintain a higher system pressure during periods of heavy demand. Design work is scheduled for completion in late 2023, with bidding and construction to follow immediately after that.

Disaster Recovery Response Contracts

Funding under this “project” will be utilized to support emergency response after natural disasters under two (2) separate competitive bid construction contracts. These two-year contracts establish unit and/or lump sum pricing for various activities associated with recovery from a major storm event and will be activated on an as-needed basis in the event recovery efforts exceed the ability of ONWASA repair crews to address in a timely manner.

Customer Service

ONWASA offers several methods of payment options to better serve their customers. Customers can pay in person at any of our 4 locations, 3 kiosks, pay by mail, pay by check or with credit card online, pay by bank draft or recurring credit card draft or pay over the phone with a credit card. The ONWASA website allows customers to view their account balance and make payments. The Integrated Voice Response (IVR) service allows customers to make payments through an automated system 24 hours a day and seven days a week. Customers can receive their bill either through the mail or electronically. ONWASA utilizes a notification system to send customers important information by phone, email or text. ONWASA's bills have a water usage chart which shows 13 months of consumption to assist our customers with tracking their consumption and assisting with conservation. The website gives customers the ability to email customer service representatives to obtain information regarding their existing account or to open a new account. Kiosks allow customers to make payments 24 hours a day and seven days a week by cash, check or credit card. Newsletters are inserted in the bills monthly to inform customers of changes, to answer frequently asked questions and to update the status of ongoing projects.

Credit Ratings

In January 2008, ONWASA sold Revenue Bonds in the amount of \$37,025,000. The Combined Enterprise System Revenue Bonds, Series 2008A, were issued to pay the cost of the Piney Green Sewer connection, Marine Corps Air Station Waterline connection, various waterline extensions, land and the Swansboro reimbursement loan, plus bond issuance expenses.

ONWASA's most recent revenue bond sale, Series 2016 was issued a credit rating of:

Standard & Poor's	A+
Moody's Investors Service	Aa3

Financial Information

The annual budget is an integral part of ONWASA's accounting system and financial operations. Appropriations are set at the division level. The annual budget and capital project ordinances are adopted by the ONWASA Board of Directors, creating a legal limit on annual spending. Multi-year project ordinances may be adopted for capital projects. ONWASA's operations are accounted for, and reported as, an enterprise fund because our operations are currently funded with user fees.

ONWASA's management is responsible for the accounting system and for establishing and maintaining internal financial controls. The internal control system is designed to provide reasonable, but not absolute, assurance regarding (1) the safeguarding of assets against loss from unauthorized use or disposition and (2) the reliability of financial records for preparing financial statements in conformity with the accounting principles generally accepted in the United States of America and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of a control should not exceed its likely benefits and the evaluation of costs and benefits requires estimates and judgments by management.

Management believes that ONWASA's system of internal controls adequately protects assets and provides reasonable assurance of the proper recording of financial transactions.

Because ONWASA is a self-supporting and self-sustaining entity, the measurement focus of its financial accounting systems is on the flow of total economic resources. With this measurement focus, all assets and liabilities associated with our operations are included in the Statement of Net Position. Closely related to the measurement focus is the basis of accounting, which determines when transactions are recognized. ONWASA uses the accrual basis of accounting, in which revenues are recognized in the period in which they are earned, and expenses are recognized in the period in which they are incurred, regardless of the actual date of receipt or disbursement of cash.

During the budget process for FY 2024, water and sewer rate increases of 8.0% were included.

Please refer to Management's Discussion and Analysis and the basic financial statements for detailed information on ONWASA's financial performance in FY 2023.

Independent Audit

ONWASA is required by State Law (G.S. 159-34) to have an annual independent financial audit. ONWASA's auditor, Mauldin & Jenkins, LLC, was retained following an open, competitive qualifications-based selection process. The auditor's report on the Basic Financial Statements is included in the Financial Section of this report.

Certificate of Achievement for Excellence in Financial Reporting

ONWASA prepared this Annual Comprehensive Financial Report for the fiscal year ended June 30, 2023, using the GFOA's guidelines. To receive a Certificate of Achievement, a government must publish an easily readable and efficiently organized annual comprehensive report. This report must satisfy both generally accepted accounting principles and legal requirements. Onslow Water and Sewer Authority applied for its sixteenth Certificate of Achievement for FY 2022 and was awarded the certificate.

We believe that our current annual comprehensive financial report meets the Certificate of Achievement program's requirements and we are submitting it to the GFOA to determine its eligibility for our seventeenth certificate.

Memberships

ONWASA maintains an active membership in the following organizations: American Water Works Association, North Carolina Rural Water Association, North Carolina Waterworks Operators Association, North Carolina One Water, North Carolina Utility Coordinating Commission, North Carolina Water Warn, National 811, North Carolina Local Government Information Systems Association, Government Finance Officers Association, North Carolina Government Finance Officers Association and Carolina Association of Government Purchasing.

Acknowledgements

Preparation of this report could not have been accomplished without the efficient and dedicated work of the ONWASA staff.

We thank the ONWASA Board of Directors for their guidance in financial management and of ONWASA's overall services to our existing and future customers.

Conclusion

We believe the accompanying financial statements fairly present ONWASA's financial position as of June 30, 2023, and the financial results of its operations and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Respectfully submitted,


Franky J. Howard
Chief Executive Officer


J. Eric Adams
Chief Financial Officer



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

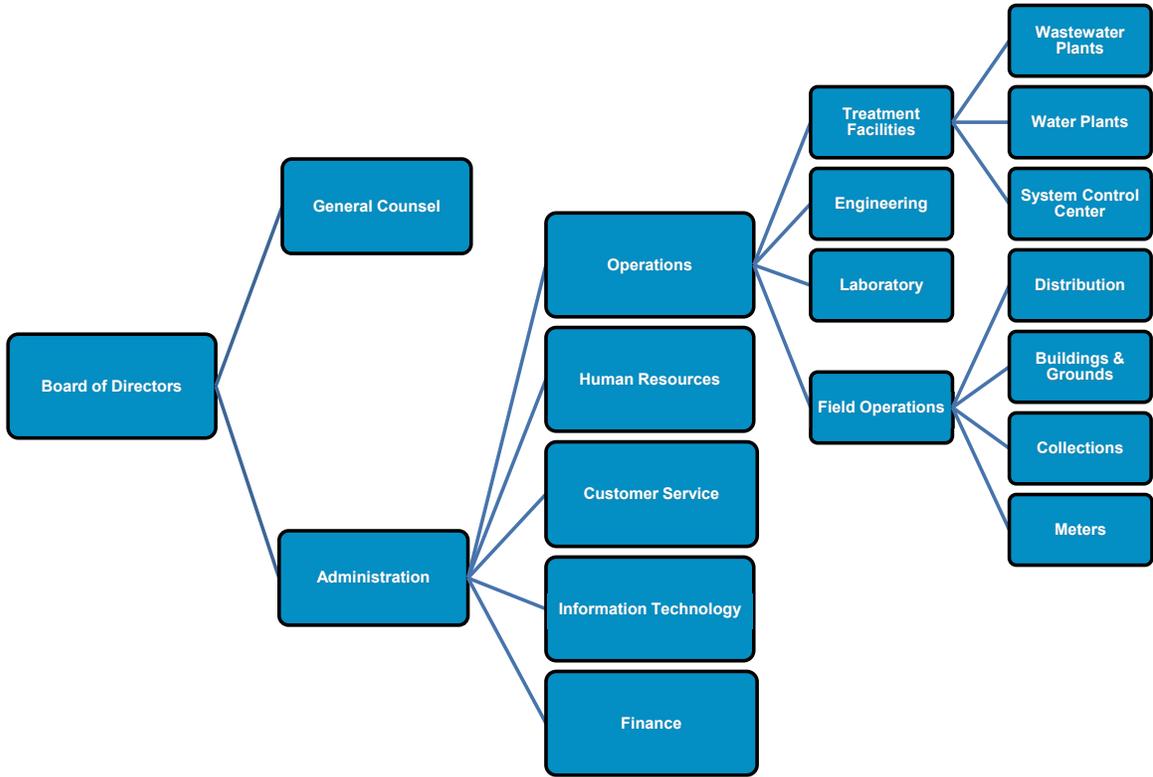
**Onslow Water and Sewer Authority
North Carolina**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2022

Christopher P. Morill

Executive Director/CEO



ONSLow WATER AND SEWER AUTHORITY

FISCAL YEAR 2022-2023

OFFICERS

Royce Bennett, Chairman – Commissioner, Onslow County
Paul Conner, Vice Chairman – Alderman, Richlands
Patricia Turner, Secretary/Treasurer – Commissioner, Town of Swansboro

BOARD OF DIRECTORS

Member	Appointed By	Term Expiration
Jerry Bittner, Mayor Pro Tem	Jacksonville	2025
Paul Conner, Alderman	Richlands	2024
Royce Bennett, Commissioner	Onslow County	2024
Timothy Foster, Vice Chairman	Onslow County	2024
Jeff Wenzel, Mayor	Holly Ridge	2024
Patricia Turner, Commissioner	Swansboro	2024
Robert Warden, Councilman	Jacksonville	2025
Joann McDermon, Mayor	North Topsail Beach	2024

SENIOR MANAGEMENT TEAM

Franky J. Howard, Executive Director/CEO
J. Eric Adams, Chief Financial Officer
David Bergman, Chief Information Officer
David Mohr, Chief Operations Officer
Joetta Guist, Chief Human Resources Officer
Christina Ryle, Chief Customer Officer
Matthew Padgett, Field Operations Administrator
Seth Brown, Treatment Facilities Administrator
Heather Norris, Clerk/Public Information Officer

GENERAL COUNSEL

Kitchen Law, PLLC

INDEPENDENT AUDITOR'S REPORT



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Onslow Water and Sewer Authority
Jacksonville, North Carolina

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the **Onslow Water and Sewer Authority** (the "Authority") as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of June 30, 2023, and the changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibility for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedules related to the Authority's pension and other post-employment benefits, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, 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 Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's financial statements. The Schedule of Revenues and Expenditures – Budget and Actual (Modified Accrual Basis) – Operating Fund, the Schedule of Revenues and Expenditures – Budget and Actual (Modified Accrual Basis) – Capital Projects Fund – Various Projects, and the Schedule of Revenue and Expenditures – Budget and Actual (Modified Accrual Basis) – Capital Projects Fund – Water and Sewer Expansion Projects (collectively, “the supplementary information”) are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the title pages, introductory section, and statistical section, but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2023, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Authority's internal control over financial reporting and compliance.

Mauldin & Jenkins, LLC

Raleigh, North Carolina
November 10, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis – Unaudited (Onslow Water and Sewer Authority)

The management of Onslow Water and Sewer Authority (the "Authority") offers the readers of Onslow Water and Sewer Authority's financial statements this narrative overview and analysis of the financial activities of Onslow Water and Sewer Authority for the fiscal year ended June 30, 2023. 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 Authority exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$198,444,739.
- The Authority's total net position increased by \$15,080,089 primarily due to increases in usage and rates during the year ended June 30, 2023.
- The Authority's total long-term debt decreased by \$4,177,814 (7.0%) during the current fiscal year.

Overview of the Financial Statements

Onslow Water and Sewer Authority's primary mission is to provide our customers with high-quality water and wastewater services through responsible, sustainable, and creative stewardship of the resources and assets we manage. We will do this with a productive, empowered, talented, and diverse work force that strives for excellence. The Authority's administration, operations, capital expansion programs and debt payments are funded entirely through rates, fees and other charges for these water and wastewater services. With this, 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 Basic Financial Statements are prepared on the accrual basis. 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 (see Figure 1). In addition to the Basic Financial Statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition and activities of the Authority.

The Statement of Net Position presents the Authority's assets and liabilities classified between current and long-term and deferred outflows of resources and deferred inflows of resources. Net position represents the difference between total assets plus deferred outflows of resources and total liabilities plus deferred inflows of resources. This statement provides a summary of the Authority's investments in assets and obligations to creditors. Liquidity and financial flexibility can be evaluated using the information contained in this statement.

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. This statement is used in evaluating whether the Authority has recovered all of its costs through revenue during a fiscal period. Its information is used in determining credit worthiness.

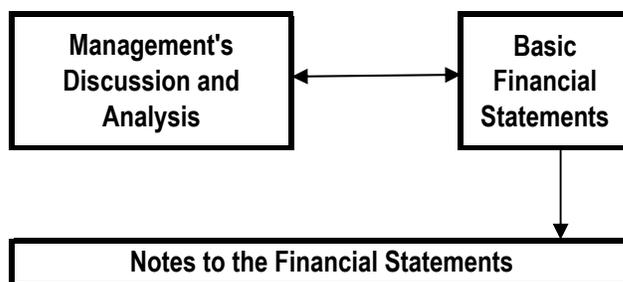
The Statement of Cash Flows deals specifically with the flow of cash and cash equivalents arising from operating, capital, noncapital financing and investing activities. Because the Authority's Statement of Revenues, Expenses and Changes in Net Position is a measurement of the flow of total economic 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 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.

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

**Management's Discussion and Analysis – Unaudited
(Onslow Water and Sewer Authority)**

Required Components of Annual Financial Report

Figure 1



Financial Analysis

Onslow Water and Sewer Authority's net position increased by \$15,080,089 or 8%, between June 30, 2022 and June 30, 2023, with significant changes in the various categories of assets and liabilities.

The Onslow Water and Sewer Authority's Condensed Statement of Net Position

Figure 2

	June 30,	
	2023	2022
Current and other assets	\$ 59,650,073	\$ 55,916,480
Capital assets	206,085,435	199,530,536
Total assets	265,735,508	255,447,016
Deferred outflows of resources	5,004,652	4,341,353
Current liabilities	9,996,672	10,493,856
Noncurrent liabilities	60,425,979	62,440,173
Total liabilities	70,422,651	72,934,029
Deferred Inflows of Resources	1,872,770	3,489,690
Net Position		
Net investment in capital assets	150,901,763	140,082,727
Restricted by bond order for Replacement Fund	903,961	2,504,151
Restricted by bond order for Reserve Funds	2,504,151	773,230
Unrestricted	44,134,864	40,004,542
Total net position	\$ 198,444,739	\$ 183,364,650

**Management's Discussion and Analysis – Unaudited
(Onslow Water and Sewer Authority)**

A comparison of the statement of net position to the prior year reveals some strengthening of the Authority's financial position primarily due to a positive change in net position during the year ended June 30, 2023. Assets increased 4% due to increase in construction in progress and capital contributions. Total liabilities decreased 3% mainly due to debt payments. Deferred inflows of resources decreased by \$1,616,920 due to decreases in deferrals related to other post-employment benefits and pensions.

The statement of revenues, expenses, and changes in net position shows revenues more than covered expenses. When the statement of revenues, expenses and changes in net position is compared to the previous year the change in net position increased significantly more due to an increase in revenue and capital contributions.

Condensed Statement of Revenues, Expenses and Change in Net Position

Figure 3

	Years Ended June 30,	
	2023	2022
Revenue		
Operating revenue		
Water	\$ 24,954,099	\$ 22,588,521
Waste water	5,892,250	5,259,179
Service initiation fees	1,167,941	1,141,292
Miscellaneous income	1,212,074	554,084
Nonoperating revenue		
System Development Fees	3,915,328	4,401,195
Interest income	1,799,367	75,697
Grant proceeds	22,738	329,262
Total revenue	38,963,797	34,349,230
Expenses		
Operating expenses: operations	19,060,951	16,818,360
Operating expenses: general and administrative expenses	2,279,674	1,213,612
Operating expenses: depreciation	6,678,871	6,401,746
Interest expense	1,285,619	1,554,774
Total expenses	29,305,115	25,988,492
Increase in net position before capital contributions:	9,658,682	8,360,738
Capital contributions from non-related parties	5,421,407	5,852,017
Increase in net position	15,080,089	14,212,755
Net position, July 1, restated	181,522,660	167,309,905
Restatement for error correction	1,841,990	-
Net position, as restated, July 1	183,364,650	167,309,905
Net position, June 30	\$198,444,739	\$181,522,660

**Management’s Discussion and Analysis – Unaudited
(Onslow Water and Sewer Authority)**

Total operating revenue is up 12% from the prior year because of the increase in water processed and wastewater treated and rate increases. Total operating expenses increased in this fiscal year (15%) due to increases in costs from water processing and wastewater treatment as well as increased depreciation and amortization expense on the Authority’s capital assets. Net position increased \$15 million.

As noted earlier, the Authority uses fund accounting to ensure and demonstrate compliance with finance-related legal and budgetary requirements.

Capital Asset and Debt Administration

Capital assets. The Authority’s investment in capital assets as of June 30, 2023, totals \$206,085,435 (net of accumulated depreciation/amortization). These assets include buildings, water lines, wells, booster stations, lift stations, wastewater treatment plants, land, machinery, equipment, vehicles, construction in process, and right to use leased assets.

Onslow Water and Sewer Authority's Capital Assets

Figure 4

	June 30,	
	2023	2022
Land	\$ 18,990,811	\$ 18,990,811
Other improvements	164,916,225	160,689,351
Buildings	1,497,979	1,868,057
Equipment	1,057,990	876,042
Vehicles	928,649	631,602
Construction in progress	18,669,200	16,433,704
Lease asset	24,581	40,696
Total	\$ 206,085,435	\$ 199,530,263

Assets acquired from member governments are operated by the Authority under 30-year lease agreements with member governments. The agreements include successive 15-year options to renew. Assets purchased and constructed by the Authority are depreciated according to the Authority’s capital asset policy. Additional information on the Authority’s capital assets can be found in Note 4 of the Basic Financial Statements.

Long-term Debt. As of June 30, 2023, the Authority had total debt outstanding of \$55,800,578. Revenue bonds, which are secured by specified revenue sources, total \$47,304,000.

The Authority’s total debt has decreased by \$4,177,814 (7%) during the current fiscal year. The net decrease was mainly due to payment of principal for revenue bonds.

**Management’s Discussion and Analysis – Unaudited
(Onslow Water and Sewer Authority)**

Onslow Water and Sewer Authority's Long-Term Debt

Figure 5

	June 30,	
	2023	2022
Revenue bonds held by bondholders	\$ 47,304,000	\$ 50,375,000
Unamortized revenue bond premium	2,230,089	2,766,812
Lease payable	25,705	41,803
Loans payable	6,240,784	6,794,777
Total	\$ 55,800,578	\$ 59,978,392

The Authority’s total debt has decreased by \$4,177,814 (7%) during the current fiscal year. The net decrease was mainly due to payment of principal for revenue bonds. Additional information regarding the Authority’s long-term debt can be found in Note 8 of the Basic Financial Statements.

Economic Factors

ONWASA serves customers in Onslow County, North Carolina. The Marine Corps Base Camp Lejeune is the largest employer in the county and has a substantial impact on the economy.

- Property taxes levied in 2023 totaled \$121.9 million, up 55.1% from the year 2014.
- Estimated real estate values have increased at an annual rate of 4.3% since 2014.
- The population of Onslow County was 212,616 in 2023 up 2.0% from 2014.
- The per capita income has increased at an annual rate of 1.7% since 2014.
- The unemployment rate at June 30, 2023, was 4.2%.

Onslow County’s growth should continue over the coming years but at a slower pace. Due to federal interest rates being incrementally increased over the last few months, the housing market is beginning to slow down. However, there are still new developments being built throughout Onslow County. For most of 2023, Onslow County has been experiencing a housing shortage, which had raised the prices of homes substantially but with the increasing interest rates home purchases are slowly decreasing. Commercial growth in the county remains strong as new hotels, restaurants, manufacturing and retail stores come into the area.

Budget Highlights for Fiscal Year Ending June 30, 2024

Fiscal year 2022-2023 was the eighteenth year of full operations for the Authority. General operating expenses will have an increase to cover personnel costs and general operating expenses. Highlights of fiscal year 2024’s budget are as follows:

- Increase in personnel salaries due to an 4.0% COLA effective July 1.
- Salary step plan was implemented effective July 1.
- Sixteen new positions were approved.
- Water and sewer rate increases of 8% were approved.
- Decrease in annual debt service payment.

Requests for Information

This report is designed to provide an overview of the Authority’s finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Eric Adams, Chief Finance Officer, 228 Georgetown Road, Jacksonville, North Carolina 28540, (910) 455-0722, eadams@onwasa.com, or www.onwasa.com

BASIC FINANCIAL STATEMENTS

ONSLow WATER AND SEWER AUTHORITY

STATEMENT OF NET POSITION

JUNE 30, 2023

ASSETS	
Current assets	
Cash and cash equivalents	\$ 47,438,715
Receivables, net	6,347,616
Lease receivable	20,904
Inventories	1,434,726
Total current assets	<u>55,241,961</u>
Noncurrent assets	
Restricted cash and cash equivalents	3,408,112
Certificate of deposit	1,000,000
Capital assets :	
Land and nondepreciable assets	37,660,011
Other capital assets, net of accumulated depreciation	168,400,843
Lease asset, net of accumulated amortization	24,581
Total capital assets	<u>206,085,435</u>
Total noncurrent assets	<u>210,493,547</u>
Total assets	<u>265,735,508</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources	
Pension and OPEB deferrals	4,240,829
Deferred charge from refunding	763,823
Total deferred outflows of resources	<u>\$ 5,004,652</u>

LIABILITIES

Current liabilities

Revenue bonds, lease liability, and construction loans payable	\$ 3,767,760
Accrued interest payable	135,475
Customer deposits	3,549,861
Accounts payable and accrued liabilities	2,198,768
Retainage payable	154,823
Total OPEB liability due in one year	<u>189,985</u>
Total current liabilities	<u>9,996,672</u>

Long-term Liabilities

Revenue bonds, lease liability, and construction loans payable	52,032,818
Net pension liability	4,364,209
Total OPEB liability	<u>4,028,952</u>
Total long-term liabilities	<u>60,425,979</u>

Total liabilities	<u>70,422,651</u>
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DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources

Pension and OPEB deferrals	1,851,864
Leases	<u>20,906</u>
Total deferred inflows of resources	<u>1,872,770</u>

NET POSITION

Net investment in capital assets	150,901,763
Restricted by bond order for Reserve Funds	2,504,151
Restricted by bond order for Replacement Funds	903,961
Unrestricted	<u>44,134,864</u>
Total net position	<u>\$ 198,444,739</u>

ONSTLOW WATER AND SEWER AUTHORITY

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION FOR THE FISCAL YEAR ENDED JUNE 30, 2023

Operating revenue	
Water	\$ 24,954,099
Wastewater	5,892,250
Service initiation fees	1,167,941
Miscellaneous income	1,212,074
Total operating revenue	33,226,364
Operating expenses	
Hubert water treatment plant	1,734,411
Dixon water treatment plant	1,304,003
Meters	1,184,077
Distribution	1,784,426
Collections	1,043,256
Northwest Regional Water Reclamation Facility	669,473
Southeast Regional wastewater plant	537,600
Swansboro wastewater treatment plant	262,965
SCC	475,558
General and administrative	2,279,674
Information technology	1,785,439
Engineering	705,199
Customer service	1,661,019
Laboratory	407,225
Facilities Maintenance	771,564
Water purchases	47,845
Wastewater purchases	886,299
Nondepartmental	973,495
Repairs and maintenance	2,827,097
Depreciation and amortization	6,678,871
Total operating expenses	28,019,496
Operating income	5,206,868
Nonoperating revenue (expense)	
System development fees	3,915,328
Interest income	1,799,367
Interest expense	(1,285,619)
Total nonoperating revenue, net	4,429,076
Income before capital contributions	9,635,944
Capital contributions from non-related parties	5,421,407
Goldenleaf Foundation grant	22,738
Increase in net position	15,080,089
Net position	
Beginning, as restated	183,364,650
Ending	\$ 198,444,739

See Notes to Financial Statements.

ON SLOW WATER AND SEWER AUTHORITY

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2023

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers and users	\$ 32,688,447
Payments to suppliers	(15,266,391)
Payments to employees	(6,605,791)
Net cash provided by operating activities	10,816,265

CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES

System Development Fees	3,915,328
Net cash provided by non-capital financing activities	3,915,328

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Purchase of capital assets	(7,967,160)
Proceeds from grants	22,738
Proceeds from sale of capital assets	5,377
Principal payments on long-term debt	(3,641,082)
Interest paid	(1,762,261)
Net cash used in capital and related financing activities	(13,342,388)

CASH FLOWS FROM INVESTING ACTIVITIES

Payments received on leases receivable	22,158
Interest received	1,799,367
Net cash provided by investing activities	1,821,525

Net increase in cash and cash equivalents 3,210,730

Cash and cash equivalents, beginning of year 47,636,097

Cash and cash equivalents, end of year 50,846,827

Classified as:

Unrestricted cash and cash equivalents	47,438,715
Restricted cash and cash equivalents	3,408,112
	\$ 50,846,827

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES

Operating income	\$ 5,206,868
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization expense	6,678,871
Change in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:	
Increase in accounts receivable	(315,679)
Increase in inventory	(229,342)
Decrease in accounts payable	(464,662)
Decrease in customer deposits	(222,238)
Increase in compensated absences payable	39,250
Increase in pension and related items	123,197
Net cash provided by operating activities	\$ 10,816,265

SCHEDULE OF NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES

Contributions of capital assets from developers	\$ 5,421,407
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See Notes to Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

ONSTLOW WATER AND SEWER AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2023

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Onslow Water and Sewer Authority (“Authority”) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing accounting and financial reporting principles. The more significant of the Authority’s accounting policies are described below.

Reporting Entity

The Authority was created pursuant to Chapter 162A of the North Carolina General Statutes by the governing bodies of Onslow County, the Towns of Richlands, Holly Ridge, Swansboro and North Topsail Beach and the City of Jacksonville for the purpose of providing water and wastewater services to residents of Onslow County. The Authority is empowered to set rates, fees and charges without oversight, supervision, or direction from any other state or local entity or agency. The Governing Board consists of eight directors who hold office for staggered terms. The directors are appointed by the governing bodies of the County of Onslow, Town of Richlands, Town of Holly Ridge, Town of North Topsail Beach, Town of Swansboro, and the City of Jacksonville.

The Authority completed its eighteenth year of operations of providing water and wastewater services. The Authority assumed the operations of the Holly Ridge Water System on July 1, 2005, and their Wastewater System on January 1, 2006. The Authority assumed the operations of the Swansboro Water System on January 1, 2007, and the Swansboro Wastewater System on July 1, 2007.

GAAP requires that the reporting entity include (1) the primary government, (2) organizations for which the primary government is financially accountable and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete. The criteria provided in GASB Statement Nos. 14 and 61 have been considered and there are no agencies or entities which should be presented with the Authority. Also, the Authority is not included in any other reporting entity. The Authority is a jointly governed organization, i.e., an entity governed primarily by representatives from other governments. The participants do not retain any ongoing financial interest in or financial responsibility for the Authority.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation

All activities of the Authority are accounted for within a single business-type activity and within a single proprietary (enterprise) fund. Enterprise Funds are used to account for any activity for which a fee is charged to external users for goods or services. Activities are required to be reported as enterprise funds if any one of the following criteria is met. (a) The activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity. Debt that is secured by a pledge of net revenues from fees and charges and the full faith and credit of a related primary government or component unit—even if that government is not expected to make any payments—is not payable solely from fees and charges of the activity. (Some debt may be secured, in part, by a portion of its own proceeds but should be considered as payable “solely” from the revenues of the activity), (b) Laws or regulations require that the activity’s costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues, or (c) The pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Concurrent with the commencement of providing water/wastewater services on July 1, 2004, the Authority elected to be treated as a “special-purpose government engaged only in business-type activities” as described in GAAP. The Authority’s business-type activities are considered to be undertaken in a single enterprise fund. Enterprise activities are accounted for on the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenue is recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the Authority gives or (receives) value without directly receiving (or giving) equal value in exchange, include grants and donations. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the Authority’s funds are charges to customers for sales and services. The Authority also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water and wastewater system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation and amortization on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets

Budgets are adopted utilizing the modified accrual basis of accounting as required by State statute. An annual budget ordinance is adopted for the operating fund. All annual appropriations lapse at fiscal year-end.

Expenditures may not legally exceed appropriations at the expenditure object level for the operating fund. The budget may be amended as necessary by the governing board. During the year, several amendments to the original budget became necessary. A budget calendar is included in the North Carolina General Statutes which prescribes the last day on which certain steps of the budget procedure are to be performed. The following schedule lists the tasks to be performed and the date by which each is required to be completed.

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

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

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

Deposits and Investments

All deposits of the Authority are made in board-designated official depositories and are collateralized as required by State statute. Official depositories may be established with any bank or savings and loan association whose principal office is located in North Carolina. Also, the Authority may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts and certificates of deposits.

State statute [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 nonguaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; and the North Carolina Capital Management Trust (NCCMT). The NCCMT Government Portfolio, a SEC registered (2a-7) external investment pool, is measured at fair value which is the NCCMT's share price. The NCCMT - Term Portfolio was a bond fund, that did not have a rating and was measured at fair value. Because the NCCMT Government Portfolio has a weighted average maturity of less than 90 days, it is presented as an investment with a maturity of less than 6 months.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

The Authority considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash and cash equivalents.

Allowance for Doubtful Accounts

All trade receivables are shown net of an allowance for doubtful accounts. The allowance for doubtful accounts is determined by management based on their knowledge of collection history for similar customers.

Restricted Assets

The Authority's Series 2014A, 2014B, and 2014C Revenue Bonds require a fund (the Reserve Fund) to be established to help ensure that sufficient monies are available for payment of bond principal and interest. The Reserve Fund at June 30, 2023, totaled \$903,961.

The Authority's Series 2016 Revenue Bonds require a fund (the Replacement Fund) to be established to hold monies for paying the cost of extensions, additions and capital improvements to, or the renewal and replacement of capital assets of, or purchasing and installing new equipment for, the Combined Enterprise System, or for paying any extraordinary maintenance and repair or any expenses which are not current expenses. Additionally, monies in this reserve can be used for certain transfers or payment of certain indebtedness. Amounts deposited in the Replacement Fund are determined pursuant to certain provisions of the bond indenture, but amounts can also be deposited at the discretion of the Board. The Replacement Fund at June 30, 2023, totaled \$2,504,151. The Authority also has \$7,906 in unspent bond proceeds from the Series 2016 Revenue Bonds.

Lease Receivable

The Authority's lease receivable is measured at the present value of lease payments expected to be received during the lease term. Under the lease agreement, the Authority will receive annual fixed lease payments. The payments are recorded as an inflow of resources in the period the payment is received.

A deferred inflow of resources is recorded for the lease. The deferred inflow of resources is recorded at the initiation of the lease in an amount equal to the initial recording of the lease receivable. The deferred inflow of resources is amortized on a straight-line basis over the term of the lease.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventories

Materials and supplies are valued at the lower of cost (first-in, first-out basis) which approximates market value, or net realizable value. Expendable supplies are recorded as expenses when used rather than when purchased.

Capital Assets

Capital assets are defined by the Authority as assets with an initial, individual cost of more than \$5,000 and estimated useful life in excess of one year. All purchased capital assets are valued at original cost at the time of acquisition. The cost of normal maintenance and repairs which do not add to the value of the asset or materially extend assets' lives are not capitalized.

Onslow County, the Town of Richlands, the Town of Holly Ridge, and the Town of Swansboro have entered into lease agreements with the Authority whereby their water and wastewater system assets were constructively leased in perpetuity to the Authority. At the time of the execution of these agreements, the Authority funded the lease payments by issuing revenue bonds. Currently, no further payments are due under these agreements. The agreements specified the value of assets and liabilities to be assumed. The difference between the specified value of the leased assets and the specified lease payments (i.e., the debt assumed or issued) is recognized as a capital contribution. Since the assets are leased from the member governments and not titled in the name of the Authority, the carrying values of the lessor/member government are used to record the assets under these leases. As the agreements do not have an end date and will continue as long as the Authority continues to operate and/or replace the assets, GASB Statement No. 87 does not apply.

Capital assets contributed by developers totaled \$5,421,407 for the year ended June 30, 2023. 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 the acquisition value, which is generally the cost to construct these assets. All other purchased or constructed capital assets are reported at cost or estimated historical cost.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued)

Capital assets, which include property, plant, equipment and infrastructure assets, are depreciated using the straight-line method by groups or classes of property over the following expected service lives (including the lives at the member government who leases the assets to the Authority):

	Years
Buildings and other improvements	2 - 50
Equipment, heavy equipment and vehicles	3 - 20

The Authority may consider capital assets impaired if both (a) the decline in service utility of the capital asset is large in magnitude and (b) the event or change in circumstances is outside the normal life cycle of the capital asset. Impaired assets will be appropriately reduced in value or discarded if idle.

Right to Use Assets

The Authority has recorded lease assets as a result of implementing GASB 87. The lease assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. The lease assets are amortized on a straight-line basis over the shorter of the life of the related lease or the underlying asset.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net assets that applies to a future period and so will not be recognized as an expense or expenditure until then. The Authority has three items that meet this criterion, pension deferrals, OPEB deferrals, and deferred charge related to debt refinancing. In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial element represents an acquisition of net assets that applies to a future period and so will not be recognized as revenue until then. The Authority has three items that meet the criterion for this category - leases, pension and OPEB deferrals.

Long-term Debt

Long-term debt is reported as a liability in the statement of net position, net of applicable bond premium or discount which are deferred and amortized over the life of the bonds using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position

Net Position is classified as net investment in capital assets, restricted and unrestricted. Net investment in capital assets represents the amounts invested in capital assets less any outstanding debt used in the acquisition of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through state statute. Unrestricted net position consists of net position that does not meet the definition of “net investment in capital assets” or “restricted”.

Compensated Absences

The vacation policy of the Authority provides for the accumulation of up to 30 days earned vacation leave with such leave being fully vested when earned. The Authority had 131 full-time employees as of June 30, 2023. Accrued vacation at year end totaled \$533,743 and is included in accounts payable and accrued liabilities.

The Authority has adopted a last-in, first-out method of using accumulated compensated time. The portion of the accumulated vacation pay which is expected to be liquidated after the next fiscal year is not considered to be material and, therefore, no provision for noncurrent compensated absences has been made 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.

Operating Revenues and Expenses

Operating revenues and expenses generally result from providing services in connection with the Authority’s principal ongoing operations, which is the sale of water and treatment of wastewater for its customers. Operating expenses for the Authority include the cost of services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2. CASH, CASH EQUIVALENTS AND INVESTMENTS

At June 30, 2023, cash, cash equivalents and certificates of deposit were comprised of the following:

Statement of Net Position:

Cash and cash equivalents	\$ 47,438,715
Restricted cash and cash equivalents	3,408,112
	<u>\$ 50,846,827</u>
Cash deposited with financial institutions	\$ 2,643,779
Petty cash	400
Invested in the NCCMT	48,202,648
Total	<u>\$ 50,846,827</u>

Deposits

All the deposits of North Carolina local governments are to be either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are separately collateralized with securities held by the governments' agents in the governments' names. Under the Pooling Method, which is a statewide collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the governments, these deposits are considered to be held by the governments' agents in their name. The amount of the pledged collateral is based on an approved averaging method for non-interest-bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the governments or the escrow agents. Because of the inability to measure the exact amounts of collateral pledged for governments under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash 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 policy regarding custodial credit risk for deposits. The Authority complies with the provisions of G.S. 159-31 when designating official depositories and verifies that deposits are properly secured.

The Authority has a \$1,000,000 certificate of deposit that is noninterest bearing and is a requirement from the bank in return for providing business checking accounts with no service charge. The \$1,000,000 certificate of deposit is valued at amortized cost which approximates fair value and has a three-year term which matures in July 2023.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2. CASH, CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

Investments

At June 30, 2023, the Authority had \$48,202,648 invested with the North Carolina Capital Management Trust's Government Portfolio which carried a credit rating of AAAM by Standard and Poor's. The Authority's investment in the North Carolina Capital Management Trust's Government Portfolio is classified in Level 1 of the fair value hierarchy.

Level of fair value hierarchy: Level 1 debt securities are valued using directly observable, quoted prices (unadjusted) in active markets for identical assets.

Interest Rate Risk: The Authority has no formal investment policy that limits its risk related to rising interest rates.

Credit Risk: The Authority has no formal policy regarding credit risk but has internal management procedures that limit the Authority's investments to the provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated.

NOTE 3. RECEIVABLES

The Authority estimates the revenue value of water consumed by its customers near year end but not billed by the last day of the fiscal year. This is done by multiplying the estimated unbilled water and sewer usage by the appropriate rates. This amount is reported below as Unbilled receivable - customers.

The amounts presented in the Statement of Net Position at June 30, 2023, are as follows:

Sales tax receivables	\$ 459,399
Accounts receivable - customers	2,267,427
Unbilled receivable - customers	4,062,983
Accounts receivable - other	215,384
Total receivables	<u>7,005,193</u>
Allowance for doubtful accounts	(657,577)
Total receivables, net of allowance	<u>\$ 6,347,616</u>

Lease Receivable

On November 23, 2020, the Authority entered into a lease to lease 206 acres of land. The lessee pays the Authority \$21,218 per year through December 31, 2023. The lease receivable is measured as the present value of the future minimum rent payments expected to be received during the lease term at a discount rate of 1.5%. The Authority recognized \$21,219 of lease revenue and \$316 of interest revenue under the lease. The receivable as of June 30, 2023, is \$20,904 and the deferred inflows is \$20,906.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 4. CAPITAL ASSETS

	<u>Balance July 1, 2022</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Balance June 30, 2023</u>
Capital assets, non-depreciable:					
Land	\$ 18,990,811	\$ -	\$ -	\$ -	\$ 18,990,811
Construction in progress	16,433,704	6,133,185	-	(3,897,689)	18,669,200
Total capital assets, non-depreciable	<u>35,424,515</u>	<u>6,133,185</u>	<u>-</u>	<u>(3,897,689)</u>	<u>37,660,011</u>
Capital assets, depreciable:					
Other improvements	248,304,650	5,834,997	-	3,897,689	258,037,336
Buildings	11,883,201	-	-	-	11,883,201
Equipment	6,237,271	653,235	(8,142)	-	6,882,364
Vehicles	2,919,538	612,354	(68,816)	-	3,463,076
Heavy equipment	1,162,367	-	-	-	1,162,367
Total capital assets, depreciable	<u>270,507,027</u>	<u>7,100,586</u>	<u>(76,958)</u>	<u>3,897,689</u>	<u>281,428,344</u>
Less accumulated depreciation for:					
Other improvements	(87,615,300)	(5,505,811)	-	-	(93,121,111)
Buildings	(10,015,144)	(370,078)	-	-	(10,385,222)
Equipment	(5,361,229)	(471,287)	8,142	-	(5,824,374)
Vehicles	(2,287,936)	(315,307)	68,816	-	(2,534,427)
Heavy equipment	(1,162,367)	-	-	-	(1,162,367)
Total accumulated depreciation	<u>(106,441,976)</u>	<u>(6,662,483)</u>	<u>76,958</u>	<u>-</u>	<u>(113,027,501)</u>
Total capital assets, depreciable, net	<u>164,065,051</u>	<u>438,103</u>	<u>-</u>	<u>3,897,689</u>	<u>168,400,843</u>
Total governmental activities capital assets, net	<u>\$ 199,489,566</u>	<u>\$ 6,571,288</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 206,060,854</u>

The Authority has recorded an intangible right to use asset for items under lease agreements that qualify for reporting in accordance with GASB Statement No. 87. The related lease liabilities are discussed in Note 8. These lease assets are amortized on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset.

Lease asset activity for the Authority for the year ended June 30, 2023, was as follows:

	<u>Balance July 1, 2022</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Balance June 30, 2023</u>
Lease assets					
Leased equipment	\$ 57,356	\$ -	\$ -	\$ -	\$ 57,356
Total lease assets	<u>57,356</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>57,356</u>
Less accumulated amortization for:					
Leased equipment	(16,387)	(16,388)	-	-	(32,775)
Total accumulated depreciation	<u>(16,387)</u>	<u>(16,388)</u>	<u>-</u>	<u>-</u>	<u>(32,775)</u>
Lease assets, net	<u>\$ 40,969</u>	<u>\$ (16,388)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 24,581</u>

NOTES TO THE FINANCIAL STATEMENTS

NOTE 4. CAPITAL ASSETS (CONTINUED)

Construction/Engineering Commitments

The Authority has active construction/engineering projects as of June 30, 2023:

Remaining Project	Spent-to-date	Commitment
Water Supply P&D	\$ 390,132	\$ 284,368
Piney Green Phase 2 Elimination of Hickory Grove	1,007,563	13,000
Hargett St and Shore Dr Pump Stations	10,773	53,527
Emergency Power Upgrades	434,178	366,000
Hurricane Florence	10,976,971	849,666
Building Roof Replacements	435,600	22,293
SH WWTP Interim Capacity	90,643	437,924
Disaster Response	-	1,000,000
North Topsail Beach Booster Station	185,519	132,962
W & S Operational Improvements	746,505	535,015
Kenwood/Bishop Ridge Sewer Ext	115,843	196,357
Swansboro WWTP Renovation	1,476,919	545,515
Pumping Station Rehabilitation	190,263	58,337
HRWWTP/SMRHSE Capacity Assess	2,215,266	1,789,669
HWY24 Regional Trunk Main	342,684	436,816
Southwest Svc Upgrades Ph II	50,340	-
	<u>\$ 18,669,199</u>	<u>\$ 6,721,449</u>

At year-end, the Authority's commitments with contractors and professional firms related to these projects are as follows: Piney Green Phase 2 is partially funded by a grant from the NC Department of Environmental Quality and the others will be self-funded.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 5. PENSION PLANS

Local Governmental Employees' Retirement System

Plan Description

The Authority is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost sharing multiple employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members - nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex officio members. The LGERS is included in the Annual Comprehensive Financial Report (ACFR) for the State of North Carolina. The State's ACFR 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 Center Service, 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.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 5. PENSION PLANS (CONTINUED)

Local Governmental Employees' Retirement System (Continued)

Benefits Provided (Continued)

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. The Authority's employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Authority's contractually required contribution rate for the year ended June 30, 2023, was 12.10% 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 Authority were \$948,768 for the year ended June 30, 2023.

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, 2023, the Authority reported a liability of \$4,364,209 for its proportionate share of the LGERS net pension liability. The net pension liability was measured as of June 30, 2022. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2021. The total pension liability was then rolled forward to the measurement date of June 30, 2022, utilizing update procedures incorporating the actuarial assumptions.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 5. PENSION PLANS (CONTINUED)

Local Governmental Employees' Retirement System (Continued)

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

The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2022, the Authority's proportion was .07736%, which was a decrease of .00713% from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the Authority recognized pension expense of \$1,226,694. At June 30, 2023, 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	\$ 188,050	\$ 18,437
Changes in assumptions	435,450	-
Net difference between projected and actual earnings on pension plan investments	1,442,417	-
Changes in proportion and differences between employer contributions	17,681	86,420
Contributions made subsequent to the measurement date	948,768	-
Total	\$ 3,032,366	\$ 104,857

\$948,768 reported as deferred outflow of resources related to pensions resulting from Authority contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ending June 30, 2024. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30:

2024	\$ 621,804
2025	532,203
2026	137,540
2027	687,194
Total	\$ 1,978,741

NOTES TO THE FINANCIAL STATEMENTS

NOTE 5. PENSION PLANS (CONTINUED)

Local Governmental Employees' Retirement System (Continued)

Actuarial Assumptions

The total pension liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	3.25% to 8.25%, including a 3.25% inflation and productivity factor
Investment rate of return	6.5%, 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 the Pub 2010 Mortality tables with adjustments for mortality improvements based on the generational improvement Scale MP-2019. 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, 2021 valuation were based on the results of an actuarial experience investigation prepared as of December 31, 2019. 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.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 5. PENSION PLANS (CONTINUED)

Local Governmental Employees' Retirement System (Continued)

Actuarial Assumptions (Continued)

The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2022, 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%	1.1%
Global Equity	42.0%	6.5%
Real Estate	8.0%	4.9%
Alternatives	8.0%	7.5%
Credit	7.0%	5.0%
Inflation Protection	6.0%	2.7%
Total	<u>100%</u>	

The information above is based on 30-year expectations developed with the consulting actuary for the 2022 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 2.25%. All rates of return and inflation are annualized.

Discount Rate

The discount rate used to measure the total pension liability was 6.5%. 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.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 5. PENSION PLANS (CONTINUED)

Local Governmental Employees' Retirement System (Continued)

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 6.5 percent, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.5 percent) or one percentage point higher (7.5 percent) than the current rate:

	Sensitivity of the Total Net Pension Liability to Changes in the Discount		
	Rate		
	1% Decrease (5.50%)	Current Rate (6.50%)	1% Increase (7.50%)
Authority's proportionate share of the net pension liability (asset)	\$ 7,876,835	\$ 4,364,209	\$ 1,469,601

Pension Plan Fiduciary Net Position:

Detailed information about the pension plan's fiduciary net position is available in the separately issued ACFR for the State of North Carolina.

Supplemental Retirement Income Plan

Plan Description:

The Authority contributes to the Supplemental Retirement Income Plan (the "Plan"), a defined contribution pension plan with services provided by Prudential, administered by the Department of State Treasurer. The Plan provides retirement benefits to all full-time and qualified part-time employees of the Authority. Authority to establish and amend benefit provisions is assigned to the Board of Directors.

Funding Policy:

The adopted plan requires the Authority to match an employees' contribution each pay period by an amount not to exceed three percent (3%) of each employee's salary. The Authority's contributions for each employee (and interest allocated to the employee's account) are fully vested immediately. All covered employees may make voluntary contributions to the plan. Contributions for the year ended June 30, 2023, were \$352,300 which consisted of \$143,782 from the Authority and \$208,518 from the employees.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 6. OTHER POSTEMPLOYMENT BENEFITS

Plan Description

According to the Authority's personnel policy, the Authority provides post-employment health care benefits to retirees of the Authority in a single-employer plan, provided they participate in the North Carolina Local Governmental Employees' Retirement System and have at least ten consecutive years of creditable service with the Authority.

Benefits Provided

Postemployment benefits are provided to employees hired prior to April 17, 2014, or if they are already in the system. Years of service are transferable from participating member governments during the initial transition phase of the Authority. The Authority pays the full cost of coverage for these benefits through private insurers. Also, spouses of Authority retirees can purchase coverage at the Authority's group rates until the spouse is eligible for other health coverage or Medicare. For the fiscal year ended June 30, 2023, the Authority paid \$214,376 in post-employment health benefit premiums. The Board of Commissioners may amend the benefit provisions. A separate report was not issued for the plan. The Authority pays the full cost of coverage for the healthcare benefits paid to qualified retirees under the Authority's personnel policy. The Authority obtains healthcare coverage through private insurers. There were no contributions made by retirees or employees. The Authority has chosen to fund the healthcare benefits on a pay as you go basis. Under the terms of the plan, the Authority administers a single employer defined benefit Healthcare Benefits Plan. The Authority Board has the right to establish and amend the benefit terms and financing requirements. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

Membership of the plan consisted of the following at June 30, 2021, the date of the latest actuarial valuation:

Retirees and dependents receiving benefits	12
Active plan members	53
Total	<u>65</u>

Total OPEB Liability

The Authority's total OPEB liability of \$4,218,937 was measured as of June 30, 2022, and was determined by an actuarial valuation as of June 30, 2021.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 6. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Total OPEB Liability

The total OPEB liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.50%
Salary increases	3.25% to 8.41%
Healthcare cost trend rates	7.00% for 2021 decreasing to an ultimate rate of 4.5% by 2031

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of the measurement date of June 30, 2022.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balances at 6/30/22	<u>\$ 4,807,613</u>
Changes for the year:	
Service cost	154,460
Interest	104,728
Differences between expected and actual experience	(791)
Assumption changes	(618,754)
Benefit payments	(228,319)
Net changes	<u>(588,676)</u>
Balances at 6/30/23	<u>\$ 4,218,937</u>

Changes in assumptions and other inputs reflect a change in the discount rate from 2.16% to 3.54%.

Mortality rates were based on the Pub-2010 mortality tables with adjustments for LGERS experience and generational mortality improvements using Scale MP-2019.

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period January 2015 through December 2019.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 6. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Sensitivity of the Total OPEB Liability to Changes in Discount Rate

The following presents the total OPEB liability of the Authority, as well as what the Authority's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.54 percent) or 1-percentage-point higher (4.54 percent) than the current discount rate.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate		
1% Decrease (2.54%)	Discount Rate (3.54%)	1% Increase (4.54%)
\$ 4,656,939	\$ 4,218,937	\$ 3,831,516

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

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

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates		
1% Decrease	Current	1% Increase
\$ 3,725,674	\$ 4,218,937	\$ 4,805,498

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

For the year ended June 30, 2023, The Authority recognized OPEB expense of \$84,779. At June 30, 2023, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 187,822	\$ 1,148,362
Changes of assumptions	806,265	598,645
Benefit payments and administrative costs made subsequent to measurement date	214,376	-
Total	\$ 1,208,463	\$ 1,747,007

NOTES TO THE FINANCIAL STATEMENTS

NOTE 6. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

\$214,376 reported as deferred outflows of resource related to OPEB resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total OPEB liability in the year ending June 30, 2024. Other amounts reported as net deferred inflows/outflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ending June 30:

2024	\$	(174,409)
2025		(151,436)
2026		(133,509)
2027		(193,776)
2028		(99,790)
Total	\$	<u>(752,920)</u>

NOTE 7. RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority participates in three self-funded risk financing pools administered by the North Carolina League of Municipalities (the "NCLM"). Through these pools, the Authority obtains property and equipment coverage, general liability coverage of \$3 million per occurrence with \$3 million aggregate, and auto liability coverage with a \$2 million limit per occurrence. Public officials' liability coverage of \$2 million per each claim with a \$3 million aggregate and worker's compensation with statutory limits are also obtained from the NCLM. The Authority also has flood insurance of \$5 million per occurrence with \$5 million aggregate.

In accordance with G.S. 159-29, the Authority's employees that have access to \$100 or more at any given time of the Authority's funds are performance bonded through a commercial surety bond. The finance officer is bonded for \$1,000,000. The remaining employees that have access to funds are bonded for \$75,000 per occurrence. Employees' health insurance is provided by a commercial provider.

The Authority's settlements have not exceeded insurance coverage in any of the past four years.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 8. LONG-TERM OBLIGATIONS

Long-term liability activity for the year ended June 30, 2023, is summarized as follows:

	Restated Balance July 1, 2022	Principal Increases	Principal Decreases	Premium Amortized	Balance June 30, 2023	Current Portion of Balance
Revenue bonds	\$ 50,375,000	\$ -	\$ 3,071,000	\$ -	\$ 47,304,000	\$ 3,198,000
Construction loans	6,794,777	-	553,993	-	6,240,784	553,993
Unamortized premiums	2,766,812	-	-	536,723	2,230,089	-
Lease liability	41,803	-	16,098	-	25,705	15,767
Net pension liability (LGERS)	1,295,735	4,512,074	1,443,600	-	4,364,209	-
Other postemployment benefits	4,807,613	259,188	847,864	-	4,218,937	189,985
Totals	<u>\$ 66,081,740</u>	<u>\$ 4,771,262</u>	<u>\$ 5,932,555</u>	<u>\$ 536,723</u>	<u>\$ 64,383,724</u>	<u>\$ 3,957,745</u>

Revenue Bonds

\$9,000,000 Combined Enterprise System Revenue Bonds, Series 2014A, were issued December 2014 to fund the Northwest Water Reclamation Facility. Principal and interest installments are due annually on June 1, at annual interest rate of 2.375%. The bonds are secured by a pledge of the net revenues of the Authority. The remaining balance as of June 30, 2023, is \$7,884,000.

\$8,000,000 Combined Enterprise System Revenue Bonds, Series 2014B, were issued December 2014 to fund the Northwest Water Reclamation Facility. Principal and interest installments are due annually on June 1, at annual interest rate of 2.375%. The bonds are secured by a pledge of the net revenues of the Authority. The remaining balance as of June 30, 2023, is \$7,008,000.

\$7,541,000 Combined Enterprise System Revenue Bonds, Series 2014C, were issued December 2014 to fund the Northwest Water Reclamation Facility. Principal and interest installments are due annually on June 1, at annual interest rate of 2.375%. The bonds are secured by a pledge of the net revenues of the Authority. The remaining balance as of June 30, 2023, is \$6,607,000.

\$41,605,000 Combined Enterprise System Revenue Bonds, Series 2016, were issued April 2016 to refund the Series 2004B, 2006, 2008B Revenue Bonds and a portion of the 2008A Revenue Bonds. Principal installments are due annually on December 1, with semiannual interest payments due on December 1 and June 1, at annual varying interest rates from 2% to 5%. The bonds are secured by a pledge of the net revenues of the Authority. The remaining balance as of June 30, 2023, is \$25,805,000.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 8. LONG-TERM OBLIGATIONS (CONTINUED)

Defeased Debt

In 2016, the Authority defeased various bond issues by creating separate irrevocable trust funds. New debt has been issued and the proceeds have been used to purchase U.S. government securities that were placed in the trust funds. The investments and related fixed earnings are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and therefore removed from the Authority's liabilities. As of June 30, 2023, the amount of prior year defeased debt and removed from the Authority's liabilities amount to \$28,849,418.

The payments of the revenue bonds for the future years are as follows:

Year Ending June 30,	2014A, B and C		2016		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2024	\$ 478,000	\$ 510,601	\$ 2,720,000	\$ 1,080,200	\$ 3,198,000	\$ 1,590,801
2025	488,000	499,249	2,840,000	957,925	3,328,000	1,457,174
2026	500,000	487,659	2,990,000	812,175	3,490,000	1,299,834
2027	512,000	475,784	3,140,000	658,925	3,652,000	1,134,709
2028	524,000	463,624	3,290,000	511,300	3,814,000	974,924
2029 - 2033	2,813,000	2,125,387	10,825,000	951,363	13,638,000	3,076,750
2034 - 2038	3,162,000	1,775,217	-	-	3,162,000	1,775,217
2039 - 2043	3,556,000	1,381,443	-	-	3,556,000	1,381,443
2044 - 2048	3,999,000	938,529	-	-	3,999,000	938,529
2049 - 2054	5,467,000	463,410	-	-	5,467,000	463,410
Total	\$ 21,499,000	\$ 9,120,903	\$ 25,805,000	\$ 4,971,888	\$ 47,304,000	\$ 14,092,791

Construction Loans Payable

The Authority has a \$708,876 direct placement construction loan payable to the State of North Carolina to finance Richland's Sewer Rehabilitation and gravity sewer in Holly Ridge and Hunter's Creek, repayable over a fixed term once construction is completed. The note is payable from water and sewer revenue and bears an annual interest rate of 2.480%.

The Authority has a \$208,442 direct placement construction loan payable to the State of North Carolina to finance the Dixon Raw Waterline and Well, repayable over a fixed term once construction is completed. The note is payable from water and sewer revenue and bears an annual interest rate of 0%.

The Authority has a \$3,282,273 direct placement construction loan payable to the State of North Carolina to finance the Dixon Reverse Osmosis treatment process, repayable over a fixed term once construction is completed. The note is payable from water and sewer revenue and bears an annual interest rate of 0%.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 8. LONG-TERM OBLIGATIONS (CONTINUED)

Construction Loans Payable (Continued)

The Authority has a \$1,251,108 direct placement construction loan payable to the State of North Carolina to finance the Summerhouse WWTP Rehabilitation Project, repayable over a fixed term once construction is completed. The note is payable from water and sewer revenue and bears an annual interest rate of 0%.

The Authority has a \$790,085 direct placement construction loan payable to the State of North Carolina to finance the Western Onslow Trunk Sewer Phase II, repayable over a fixed term once construction is completed. The note is payable from water and sewer revenue and bears an annual interest rate of 0%.

The payments of the loans payable for the future years are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year Ending June 30,			
2024	\$ 553,993	\$ 33,382	\$ 587,375
2025	553,993	29,890	583,883
2026	553,993	26,399	580,392
2027	553,993	22,908	576,901
2028	553,993	19,416	573,409
2029 - 2033	2,489,519	50,236	2,539,755
2034 - 2037	981,300	11,287	992,587
Total	<u>\$ 6,240,784</u>	<u>\$ 193,518</u>	<u>\$ 6,434,302</u>

Rate Covenants

The Series 2016 revenue bonds are secured by a pledge of the net revenues of the Authority. The rate covenant for the Enterprise Revenue Bonds, Series 2016, states, in summary, that the Authority establish rates and charges for the provision of services of the Combined Enterprise Systems as such Revenue plus 20% of the balance in the Operating Fund at the end of the preceding Fiscal Year at least equal to the total of current expenses budgeted plus 120% of the Principal and Interest requirements on outstanding debt and Revenue at least equal to Current Expenses budgeted plus 100% of the Principal and Interest requirements on outstanding debt. The Authority met its covenants for the fiscal year ended June 30, 2023.

The Authority's revenue bonds contain rate covenants as to rates and requires the debt service coverage ratio to be no less than 100% for all debt. The Authority has met its covenants for the year ended June 30, 2023.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 8. LONG-TERM OBLIGATIONS (CONTINUED)

Leases

The Authority entered into agreements to lease certain equipment. The lease agreements qualify as other than short-term leases under GASB 87 and, therefore, have been recorded at the present value of the future minimum payments as of the date of their inception. The lease was executed on February 1, 2020, to lease printer/copiers and requires monthly payments of \$1,485. There are no variable payment components of the lease. The lease liability is measured at the discount rate of 5% which is the incremental borrowing rate. As a result of the lease, the Authority has recorded a right to use asset with a net book value of \$24,581 and a lease liability of \$25,705.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2023, were as follows:

	Principal	Interest	Total
Year Ending June 30,			
2024	\$ 15,767	\$ 901	\$ 16,668
2025	9,938	129	10,067
Total	\$ 25,705	\$ 1,030	\$ 26,735

NOTE 9. COMMITMENTS AND 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. Federal and state financial assistance audits could result in the refund of grant money to the grantor agencies. Management believes that any required refunds from audit of other federal and state financial assistance will be immaterial. No provision has been made in the accompanying financial statements for the possible refund of grant money.

Fines and fees: The Authority is subject to various federal and State agencies oversight for operations of its water and sewer systems. These agencies could impose fines and fees as a result of non-compliance with regulations and permit requirements. Management believes that any required fines and fees to be immaterial as of June 30, 2023.

Litigation: The Authority is involved in certain legal proceedings. Management and the Authority's legal counsel believe these matters are not material and can be successfully defended or prosecuted based on the Authority's status as defendant or claimant in these matters. The Authority has insurance coverage in the event of a negative outcome.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 10. RESTATEMENT OF BEGINNING BALANCES

Management of the Authority has determined that a restatement of beginning net position is necessary to correct amortization of its bond premium that should have occurred in prior periods. Amortization of the premium should have been calculated using the effective interest method instead of being amortized straight-line. The effect of this restatement on beginning balances is as follows:

Net position, as previously reported	\$ 181,522,660
Correction of bond premium amortization	<u>1,841,990</u>
Beginning net position, restated	<u><u>\$ 183,364,650</u></u>

REQUIRED SUPPLEMENTARY INFORMATION

ON SLOW WATER AND SEWER AUTHORITY

OTHER POSTEMPLOYMENT BENEFITS REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Total OPEB Liability			
Service cost	\$ 154,460	\$ 265,552	\$ 196,402
Interest	104,728	130,104	174,542
Changes of benefit terms	-	-	-
Differences between expected and actual experience	(791)	(1,718,989)	(6,990)
Changes of assumptions	(618,754)	601,987	654,367
Benefit payments	<u>(228,319)</u>	<u>(184,110)</u>	<u>(189,917)</u>
Net change in total OPEB liability	(588,676)	(905,456)	828,404
Total OPEB liability - beginning	4,807,613	5,713,069	4,884,665
Total OPEB liability - ending	<u>\$ 4,218,937</u>	<u>\$ 4,807,613</u>	<u>\$ 5,713,069</u>
Covered-employee payroll	\$ 2,935,139	\$ 2,935,139	\$ 3,532,874
Total OPEB liability as a percentage of covered payroll	143.74%	163.80%	161.71%

Notes to Schedule

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

<u>Fiscal Year</u>	<u>Rate</u>
2023	3.54%
2022	2.16%
2021	2.21%
2020	3.50%
2019	3.89%
2018	3.18%

This schedule is intended to show information for ten years, additional years' information will be displayed as it becomes available.

There are no assets accumulated in a trust that meets the GASB codification P22.101 or P52.101 to pay related benefits for the OPEB plan.

2020	2019	2018
\$ 185,688	\$ 191,399	\$ 205,919
160,103	144,539	123,643
18,915	-	-
419,586	28,662	(8,860)
78,778	(135,326)	(230,655)
<u>(186,525)</u>	<u>(161,055)</u>	<u>(114,889)</u>
676,545	68,219	(24,842)
4,208,120	4,139,901	4,164,743
<u>\$ 4,884,665</u>	<u>\$ 4,208,120</u>	<u>\$ 4,139,901</u>
\$ 3,532,874	\$ 3,992,330	\$ 3,992,330
138.26%	105.41%	103.70%

ONslow WATER AND SEWER AUTHORITY

SCHEDULE OF AUTHORITY'S PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET) REQUIRED SUPPLEMENTARY INFORMATION LAST NINE FISCAL YEARS*

LOCAL GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Authority's proportion of the net pension liability (asset) %	0.07736%	0.0845%	0.0806%	0.0874%
Authority's proportionate share of the net pension liability (asset)	\$ 4,364,209	\$ 1,295,735	\$ 3,064,570	\$ 2,387,099
Authority's covered payroll	\$ 6,595,815	\$ 6,736,138	\$ 6,659,888	\$ 6,627,781
Authority's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	66.17%	19.24%	46.02%	36.02%
Plan fiduciary net position as a percentage of the total pension liability**	84.14%	95.51%	88.61%	90.86%

* 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.

This schedule is intended to show information for ten years, additional years' information will be displayed as it becomes available.

2019	2018	2017	2016	2015
0.0886%	0.0903%	0.0846%	0.0981%	0.0963%
\$ 2,101,421	\$ 1,379,687	\$ 1,795,283	\$ 440,312	\$ (567,748)
\$ 6,517,907	\$ 6,215,214	\$ 6,649,985	\$ 6,646,803	\$ 5,383,806
32.24%	22.20%	27.00%	6.62%	(10.55%)
91.63%	94.18%	91.47%	98.09%	102.64%

ONSLOW WATER AND SEWER AUTHORITY

SCHEDULE OF AUTHORITY'S CONTRIBUTIONS REQUIRED SUPPLEMENTARY INFORMATION LAST NINE FISCAL YEARS*

LOCAL GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM

	2023	2022	2021	2020
Contractually required contribution	\$ 948,768	\$ 748,625	\$ 683,718	\$ 596,060
Contributions in relation to the contractually required	948,768	748,625	683,718	596,060
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Authority's covered payroll	\$ 7,841,058	\$ 6,595,815	\$ 6,736,138	\$ 6,659,888
Contributions as a percentage of covered payroll	12.10%	11.35%	10.15%	8.95%

This schedule is intended to show information for ten years, additional years' information will be displayed as it becomes available.

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

2019	2018	2017	2016	2015
\$ 513,653	\$ 488,843	\$ 450,603	\$ 443,554	\$ 469,929
513,653	488,843	450,603	443,554	469,929
<u>\$ -</u>				
\$ 6,627,781	\$ 6,517,907	\$ 6,215,214	\$ 6,649,985	\$ 6,646,803
7.75%	7.50%	7.25%	6.67%	7.07%

SUPPLEMENTARY INFORMATION

ONslow WATER AND SEWER AUTHORITY

SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (MODIFIED ACCRUAL BASIS) - OPERATING FUND FOR THE YEAR ENDED JUNE 30, 2023

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues			
Operating revenues			
Water	\$ 24,129,500	\$ 24,954,099	\$ 824,599
Waste water	5,443,991	5,892,250	448,259
Service initiation fees	1,084,500	1,167,941	83,441
Miscellaneous revenue	604,200	1,212,074	607,874
Total operating revenues	<u>31,262,191</u>	<u>33,226,364</u>	<u>1,964,173</u>
Nonoperating revenues			
System development fees	2,700,000	3,915,328	1,215,328
Goldenleaf grant proceeds	-	22,738	22,738
Interest income	20,000	1,799,367	1,779,367
Total nonoperating revenues	<u>2,720,000</u>	<u>5,737,433</u>	<u>3,017,433</u>
Total revenues	<u>33,982,191</u>	<u>38,963,797</u>	<u>4,981,606</u>
Expenditures			
Water Divisions			
Hubert Water Treatment Plant		2,149,329	
Dixon Water Treatment Plant		1,607,726	
Meters		1,586,291	
Capital Outlay		878,413	
Water Purchases		47,845	
Distribution		2,501,976	
Total water divisions	<u>10,438,743</u>	<u>8,771,580</u>	<u>1,667,163</u>
Sewer Divisions			
Northwest Regional Water Reclamation Facility		713,304	
Southeast Regional Wastewater Treatment Plant		613,746	
Swansboro Wastewater Treatment Plant		299,452	
Collections		1,423,404	
Capital Outlay		342,199	
Wastewater Purchases		886,299	
Total sewer divisions	<u>5,165,800</u>	<u>4,278,404</u>	<u>887,396</u>
Administrative Divisions			
General and administration		2,274,154	
Information technology		1,783,843	
Engineering		705,921	
Facilities Maintenance		1,188,495	
Customer Service		1,656,386	
Laboratory		406,356	
Capital Outlay		458,567	
SCC		473,531	
Nondepartmental		838,589	
Total administrative divisions	<u>12,130,057</u>	<u>9,785,842</u>	<u>2,344,215</u>
Total operating expenditures	<u>27,734,600</u>	<u>22,835,826</u>	<u>4,898,774</u>

(Continued)

ONslow WATER AND SEWER AUTHORITY

SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (MODIFIED ACCRUAL BASIS) - OPERATING FUND FOR THE YEAR ENDED JUNE 30, 2023

	Final Budget	Actual	Variance with Final Budget
Debt Service			
Principal on long term debt	\$ 3,624,995	\$ 3,624,993	\$ (2)
Interest	1,755,144	1,735,047	(20,097)
Total debt service	5,380,139	5,360,040	(20,099)
Other Financing Sources (Uses)			
Appropriated fund balance	2,425,605	-	(2,425,605)
Transfers out	(3,293,057)	-	3,293,057
Total financing sources (uses)	(867,452)	-	867,452
Revenue and other financing sources over other financing uses	\$ -	10,767,931	\$ 10,767,931
Reconciliation of modified accrual to full accrual basis			
Depreciation and amortization		(6,678,871)	
Capital outlay		1,679,179	
Contributed capital assets		5,421,407	
Accrued interest expense		(10,913)	
Accrued vacation		(39,250)	
Principal payment on long term debt		3,624,993	
Bond premium and bond refunding amortization		536,723	
Deferred charge for debt		(76,382)	
Pension and OPEB adjustments		(144,728)	
Increase in net position		\$ 15,080,089	

ONslow WATER AND SEWER AUTHORITY

**CAPITAL PROJECTS FUND - VARIOUS PROJECTS
SCHEDULE OF REVENUE AND EXPENDITURES - BUDGET AND ACTUAL
(MODIFIED ACCRUAL BASIS)
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

	Project Ordinance	Actual		Total to Date
		Prior Years	Current Year	
Revenue				
Clean Water Trust Grant	\$ 600,000	\$ 444,131	\$ -	\$ 444,131
Total revenue	<u>600,000</u>	<u>444,131</u>	<u>-</u>	<u>444,131</u>
Expenditures				
Piney Green Sewer Phase 2	1,234,790	1,006,864	700	1,007,564
Regional Aquifer Study	175,000	-	-	-
Building Roof Replacement	760,000	416,840	18,759	435,599
Water Supply P & D	1,988,247	-	390,133	390,133
Hargett St and Shore Dr	390,000	10,773	-	10,773
Summerhouse Infiltration Ponds	1,132,000	40,900	49,743	90,643
W & S Operational Improvements	2,000,000	-	746,505	746,505
Water Main Interconnect Phase I, II and III	300,000	-	-	-
Emergency Power System Upgrades	850,000	424,378	9,800	434,178
Hurricane Florence	11,724,839	8,801,730	2,175,240	10,976,970
Topsail Island Booster Station	1,500,000	55,976	129,544	185,520
Hurricane Florence Disaster Recover Response	1,000,000	-	-	-
Total expenditures	<u>23,054,876</u>	<u>10,757,461</u>	<u>3,520,424</u>	<u>14,277,885</u>
Deficiency of revenues under expenditures	<u>(22,454,876)</u>	<u>(10,313,330)</u>	<u>(3,520,424)</u>	<u>(13,833,754)</u>
Other financing sources				
Transfer from operating fund	7,855,629	17,623,066	-	17,623,066
Insurance proceeds	9,801,000	5,517,572	22,738	5,540,310
Debt Issued	4,798,247	-	-	-
Total other financing sources	<u>22,454,876</u>	<u>23,140,638</u>	<u>22,738</u>	<u>23,163,376</u>
Revenue and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ 12,827,308</u>	<u>\$ (3,497,686)</u>	<u>\$ 9,329,622</u>

ONslow WATER AND SEWER AUTHORITY

**CAPITAL PROJECTS FUND - WATER AND SEWER EXPANSION PROJECTS
SCHEDULE OF REVENUE AND EXPENDITURES - BUDGET AND ACTUAL
(MODIFIED ACCRUAL BASIS)
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

	Project Ordinance	Actual		Total to Date
		Prior Years	Current Year	
Revenue				
Interest Earned	\$ -	\$ 940,913	\$ -	\$ 940,913
Total revenue	-	940,913	-	940,913
Expenditures				
Kenwood/Bishop Ridge Sewer	325,000	115,843	-	115,843
Heather Loop Rd Sewer	150,000	22,881	262,325	285,206
Laboratory	2,700,000	1,976,175	582,359	2,558,534
Warehouse	1,190,000	994,759	59,190	1,053,949
Pumping Station Assess/Rehab	850,000	114,700	75,563	190,263
HRWWTP/SMRHSE Capacity Assess	3,000,000	810,326	1,404,939	2,215,265
Hwy 24 Regional Trunk Main	15,000,000	322,394	20,290	342,684
Southwest Upgrades Phase II	400,000	50,339	-	50,339
Swansboro WWTP Renovation	3,000,000	1,268,825	208,095	1,476,920
Total expenditures	26,615,000	5,676,242	2,612,761	8,289,003
Deficiency of revenues under expenditures	(26,615,000)	(4,735,329)	(2,612,761)	(7,348,090)
Other financing sources				
Debt issued	26,615,000	48,963,383	-	48,963,383
Total other financing sources	26,615,000	48,963,383	-	48,963,383
Revenue and other financing sources over (under) expenditures	\$ -	\$ 44,228,054	\$ (2,612,761)	\$ 41,615,293

STATISTICAL SECTION

STATISTICAL SECTION

Financial Course:

These charts and schedules identify the trends in the changes over time of Onslow Water and Sewer Authority's financial functional effectiveness and financial strength.

- Net Position By Component
- Change In Net Position
- Expenses By Functions

Revenue Capacity:

These schedules contain information to help the reader assess the Authority's revenue sources.

- Revenue By Source
- Principal Water Customers
- Principal Sewer Customers

Debt Capacity:

This schedule represents the ratio of debt to revenues.

- Ratio of Bonded Debt to Operating Revenues and Net Bonded Debt per Customer

Demographic and Economic Information:

These schedules show the demographic and economic picture of the environment in which Onslow Water and Sewer Authority provides its services.

- Onslow County, NC Demographic Statistics Miscellaneous Statistical Data
- Onslow County, NC Property Tax Levies and Collections
- Onslow County, NC Taxable Property Assessed Value
- Onslow County, NC Taxable Property Tax Rates
- ONWASA Full-time Equivalent Employees
- Onslow County, NC Principal Employers

Operating Information:

These schedules contain operating and capital asset data to show how operations and assets have changed as ONWASA grows.

- Water Processed and Wastewater Treated
- Operating Indicators by Function
- Capital Asset Statistics by Function

Sources:

Unless otherwise noted, the information included in these schedules and charts is derived for the annual comprehensive financial reports (ACFR) for GASB 34 in the fiscal year ending June 30, 2022, and is provided for additional analysis purposes only and has not been verified by audit as presented.

Onslow Water and Sewer Authority

**Net Position By Component
Last Ten Fiscal Years
(Accrual Basis of Accounting)**

	Fiscal Year			
	2023	2022	2021	2020
Net investment in Capital Assets	\$ 150,901,763	\$ 138,240,737	\$ 126,458,485	\$ 119,561,144
Restricted by bond order for Replacement Fund	903,961	773,230	673,751	574,826
Restricted by bond order for Reserve Funds	2,504,151	2,504,151	2,504,151	2,504,151
Unrestricted	44,134,864	40,004,542	37,673,519	35,000,539
Total net position	\$ 198,444,739	\$ 181,522,660	\$ 167,309,906	\$ 157,640,660

Source: Onslow Water and Sewer Authority's Accounting Records.

Fiscal Year											
2019		2018		2017		2016		2015		2014	
\$	108,805,794	\$	102,890,915	\$	98,574,910	\$	95,949,138	\$	95,773,968	\$	85,473,214
	465,119		358,134		256,463		2,504,151		2,504,151		2,504,151
	2,504,151		2,504,151		2,504,151		2,729,515		2,572,773		2,572,773
	37,126,077		35,378,241		36,410,683		32,509,928		27,750,357		30,353,222
\$	148,901,141	\$	141,131,441	\$	137,746,207	\$	133,692,732	\$	128,601,249	\$	120,903,360

Onslow Water and Sewer Authority

**Change in Net Position
Last Ten Fiscal Years
(Accrual Basis of Accounting)**

	Fiscal Year				
	2023	2022	2021	2020	2019
Operating revenue					
Water	\$ 24,954,099	\$ 22,588,521	\$ 20,313,493	\$ 19,162,994	\$ 18,021,212
Wastewater	5,892,250	5,259,179	4,803,047	4,374,099	4,057,799
Service initiation fees	1,167,941	1,141,292	1,018,930	875,160	854,621
Miscellaneous income	1,212,074	554,084	508,141	438,579	446,101
Total operating revenue	33,226,364	29,543,076	26,643,611	24,850,832	23,379,733
Operating expenses					
Hubert Water Treatment Plant	1,734,411	1,478,966	1,413,682	1,348,468	1,340,573
Dixon Water Treatment Plant	1,304,003	1,128,757	1,137,694	1,034,959	962,218
Meters	1,184,077	1,798,316	1,064,406	902,793	836,475
Water Distribution	1,784,426	1,303,041	1,302,500	1,127,213	1,065,539
Facilities Maintenance & Collections	-	-	-	-	1,237,430
SCC	475,558	383,000	341,778	330,139	301,954
Kenwood Wastewater Plant	-	-	-	-	-
Northwest Regional Water Reclamation Facility	669,473	520,383	445,800	442,251	451,193
Southeast Wastewater Plants	537,600	361,300	357,717	356,390	360,832
Swansboro Wastewater Plant	262,965	266,285	315,232	379,497	335,525
Hickory Grove Wastewater Plant	-	-	-	-	-
Webb Wastewater Plant	-	-	-	-	-
General Administrative and Finance	2,279,674	1,213,612	2,823,376	2,348,742	2,024,440
Buildings & Grounds	771,564	798,574	721,633	530,571	-
Information Technology Services	1,785,439	1,726,875	1,654,950	1,579,676	803,817
Engineering	705,199	440,031	405,799	860,728	846,560
Customer Service	1,661,019	1,316,631	1,313,387	1,301,800	1,203,449
Wastewater Collections	1,043,256	1,010,869	975,835	964,653	-
Laboratory	407,225	366,938	346,158	365,253	310,596
Nondepartmental	973,495	677,666	621,734	618,767	600,766
Water & Wastewater Purchases	934,144	858,994	878,139	605,522	600,650
Repairs and maintenance	2,827,097	2,381,734	2,689,204	2,133,065	3,021,874
Depreciation	6,678,871	6,401,746	6,174,082	5,794,541	5,749,775
Total operating expenses	28,019,496	24,433,718	24,983,106	23,025,028	22,053,666
Operating income	5,206,868	5,109,358	1,660,505	1,825,804	1,326,067

Fiscal Year

	2018	2017	2016	2015	2014
\$	16,520,153	\$ 16,151,157	\$ 15,854,573	\$ 15,519,240	\$ 15,872,861
	3,685,440	3,543,282	3,404,606	3,278,001	3,003,551
	869,002	755,891	703,561	738,335	756,809
	692,633	844,746	926,649	939,654	861,846
	21,767,228	21,295,076	20,889,389	20,475,230	20,495,067
	1,292,507	1,272,354	1,307,075	1,366,700	1,164,330
	989,998	858,582	957,567	917,126	1,064,154
	839,080	894,305	885,824	897,641	864,512
	1,157,768	1,300,876	1,258,987	1,359,140	1,423,647
	1,208,866	1,243,773	1,311,351	1,280,361	1,158,615
	246,791	262,552	239,617	249,006	232,565
	-	38,312	36,263	26,128	25,850
	369,887	406,474	295,744	377,653	303,136
	316,593	378,027	292,590	265,688	256,716
	307,160	301,600	290,866	333,367	286,482
	-	-	-	1,702	2,434
	-	-	-	15,023	14,116
	1,737,742	1,422,184	1,404,154	1,244,587	1,473,406
	-	-	-	-	-
	766,961	1,071,932	903,987	811,267	788,583
	804,896	754,467	771,132	885,832	884,282
	1,446,946	1,424,442	1,373,686	1,339,446	1,297,398
	-	-	-	-	-
	317,946	321,116	401,630	383,092	366,835
	539,758	593,807	577,869	567,576	605,482
	615,982	527,840	578,415	514,076	439,056
	2,595,966	1,752,210	1,520,826	1,431,467	1,558,649
	5,756,258	5,524,931	4,894,381	4,953,323	4,850,306
	21,311,105	20,349,784	19,301,964	19,220,201	19,060,554
	456,123	945,292	1,587,425	1,255,029	1,434,513

(Continued)

Onslow Water and Sewer Authority

**Change in Net Position (Continued)
Last Ten Fiscal Years
(Accrual Basis of Accounting)**

	Fiscal Year				
	2023	2022	2021	2020	2019
Nonoperating revenue (expense)					
System development fees	\$ 3,915,328	\$ 4,401,195	\$ 3,803,328	\$ 3,638,778	\$ 2,900,491
Interest income	1,799,367	75,697	8,384	579,235	891,549
Interest expense	(1,285,619)	(1,554,774)	(1,691,380)	(1,811,268)	-
Insurance proceeds	-	-	2,500,000	688,309	2,055,003
Amortization	-	-	-	-	-
Loss on land adjustment	-	-	-	-	-
Bond issuance costs	-	-	-	-	-
Piney Green project - Jacksonville's portion	-	-	-	-	-
Contributions from non-related parties	-	-	-	-	-
Total nonoperating revenue (expense)	4,429,076	2,922,118	4,620,332	3,095,054	5,847,043
Income before capital contributions	9,635,944	8,031,476	6,280,837	4,920,858	7,173,110
Clean Water Management Trust Fund Grant	-	-	-	-	-
USDA Rural Development Grant	-	-	-	-	-
FEMA Grant proceeds	-	-	137,011	381,875	402,269
Rural Center Grant proceeds	22,738	329,262	-	-	500,000
Capital contributions from non-related parties	5,421,407	5,852,017	3,251,397	3,466,785	1,624,676
Increase in net position	15,080,089	14,212,755	9,669,245	8,769,518	9,700,055
Net position					
Beginning	181,522,660	167,309,905	157,640,660	148,901,141	141,131,441
Restatement for accounting change	1,841,990	-	-	-	-
Beginning, as restated	183,364,650	167,309,905	157,640,660	148,901,141	141,131,441
Ending	\$ 198,444,739	\$ 181,522,660	\$ 167,309,905	\$ 157,670,659	\$ 150,831,496

Source: Onslow Water and Sewer Authority's Accounting Records.

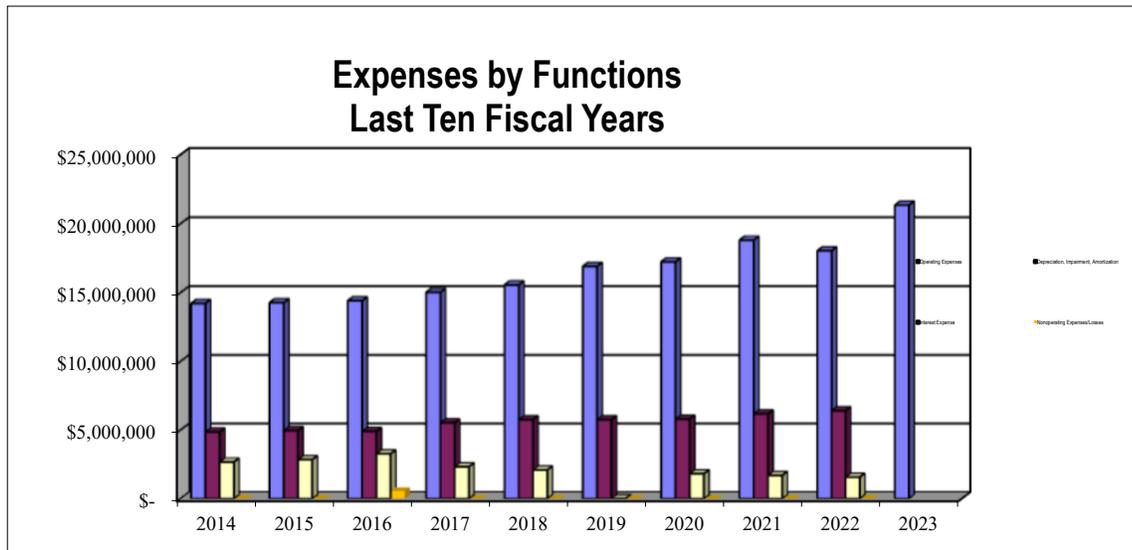
Fiscal Year				
2018	2017	2016	2015	2014
\$ 3,300,836	\$ 2,602,933	\$ 2,266,101	\$ 2,601,426	\$ 3,331,097
522,147	177,088	88,508	7,823	8,915
(2,082,919)	(2,319,432)	(3,263,647)	(2,839,651)	(2,669,841)
-	-	-	-	-
-	-	-	-	-
-	-	(7,000)	-	-
-	-	(547,731)	-	-
-	-	-	(3,130,196)	-
-	-	-	946,938	2,006,527
1,740,064	460,589	(1,463,769)	(2,413,660)	2,676,698
2,196,187	1,405,881	123,656	(1,158,631)	4,111,211
-	-	-	444,131	-
-	-	2,628,031	7,187,969	-
-	-	-	-	-
-	-	-	-	-
3,614,988	2,647,594	2,339,796	1,978,051	1,562,423
5,811,175	4,053,475	5,091,483	8,451,520	5,673,634
137,746,207	133,692,732	128,601,249	120,903,360	115,229,726
(2,425,941)	-	-	(753,631)	-
135,320,266	133,692,732	128,601,249	120,149,729	115,229,726
\$ 141,131,441	\$ 137,746,207	\$ 133,692,732	\$ 128,601,249	\$ 120,903,360

Onslow Water and Sewer Authority

**Expenses By Functions
Last Ten Fiscal Years**

Fiscal Year Ended June 30,	Operating Expenses	Depreciation, Impairment, Amortization	Interest Expense	Nonoperating Expenses/ Losses	Total
2014	\$ 14,210,248	\$ 4,850,306	\$ 2,669,841	\$ -	\$ 21,730,395
2015	14,266,878	4,953,323	2,839,651	-	22,059,852
2016	14,407,583	4,894,381	3,263,647	554,731	22,565,611
2017	15,022,622	5,524,931	2,319,432	-	22,866,985
2018	15,554,847	5,756,258	2,082,919	-	23,394,024
2019	16,904,657	5,749,775	-	-	22,654,432
2020	17,230,486	5,794,541	1,811,268	-	24,836,295
2021	18,809,024	6,174,082	1,691,380	-	26,674,486
2022	18,031,972	6,401,746	1,554,774	-	25,988,492
2023	21,340,625	6,678,871	1,285,619	-	29,305,115

Source: Onslow Water and Sewer Authority's Accounting Records

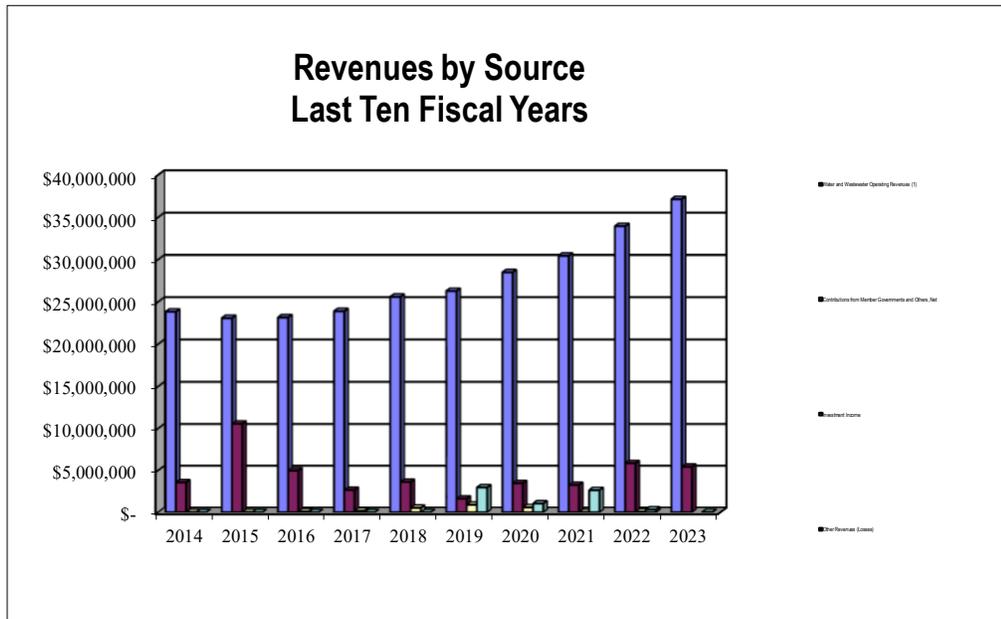


Onslow Water and Sewer Authority

**Revenues By Sources
Last Ten Fiscal Years**

Fiscal Year Ended June 30,	Water and Wastewater Operating Revenues (1)	Contributions from Member Governments and Others, Net	Investment Income	Other Revenues (Losses)	Total
2014	\$ 23,826,166	\$ 3,568,950	\$ 8,915	\$ -	\$ 27,404,031
2015	23,076,656	10,557,089	7,823	-	33,641,568
2016	23,155,490	4,967,827	88,508	-	28,211,825
2017	23,898,009	2,647,594	177,088	-	26,722,691
2018	25,590,211	3,614,988	522,147	-	29,727,346
2019	26,280,224	1,624,676	891,549	2,957,272	31,753,721
2020	28,489,610	3,466,785	579,235	1,040,184	33,575,814
2021	30,446,938	3,251,397	8,384	2,637,011	36,343,730
2022	33,944,271	5,852,017	75,697	329,262	40,201,247
2023	37,141,692	5,421,407	1,799,367	22,738	44,385,204

Source: Onslow Water and Sewer Authority's Accounting Records



Onslow Water and Sewer Authority

**Principal Sewer Customers
Last Ten Fiscal Years**

	Percent of Sewer Sales*									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Onslow County Schools	1.9%	1.9%	1.2%	2.8%	2.8%	3.6%	3.7%	4.3%	3.9%	4.0%
Liberty Pointe LLC	1.5%	1.5%	1.6%	-	-	-	-	-	-	-
J & J Snack Foods	<1%	<1%	1.6%	1.4%	1.5%	1.7%	1.3%	1.4%	1.7%	1.9%
Arnolds	-	-	-	-	-	-	-	-	-	<1%
Speedway (Wilco/Hess)	<1%	<1%	<1%	<1%	<1%	<1%	<1%	1.2%	1.1%	1.5%
BBQ Boro Inc	<1%	<1%	<1%	-	-	-	-	-	-	-
Summerhouse HOA	<1%	<1%	<1%	-	-	-	-	-	-	-
Cameron Moye/Carwash	<1%	<1%	<1%	-	-	-	-	-	-	-
Piggly Wiggly	-	-	-	<1%	<1%	<1%	<1%	<1%	<1%	<1%
Market Rate LLC	-	-	-	<1%	<1%	<1%	<1%	1.6%	1.6%	1.4%
Onslow OPCO Holdings, LLC	<1%	-	-	-	-	-	-	-	-	-
T & J Cleaners	<1%	<1%	<1%	<1%	<1%	<1%	<1%	<1%	<1%	<1%
Blue Water Association	<1%	<1%	<1%	<1%	<1%	<1%	<1%	<1%	<1%	-
Blue Creek Mobile Home Park	-	-	-	<1%	<1%	<1%	<1%	<1%	<1%	<1%
Military/Student Housing	-	-	-	<1%	1.2%	1.4%	1.2%	1.2%	1.1%	1.0%
Swansboro Ventures	<1%	<1%	<1%	<1%	<1%	<1%	<1%	<1%	<1%	<1%

* Approximate

Source: Onslow Water and Sewer Authority's Records.

Onslow Water and Sewer Authority

**Principal Water Customers
Last Ten Fiscal Years**

	Percent of Water Sales*										
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Scientific Water	<1%	<1%	<1%	<1%	<1%	1.2%	1.0%	<1%	<1%	1.2%	1.2%
Commanding General (All MCBL Accot	2.0%	2.0%	2.4%	2.4%	2.3%	2.5%	2.5%	2.5%	2.1%	1.9%	1.7%
Onslow County Schools	<1%	<1%	<1%	<1%	<1%	1.0%	1.0%	1.1%	1.2%	1.1%	1.1%
J & J Snack Foods	<1%	<1%	<1%	<1%	<1%	<1%	<1%	<1%	<1%	<1%	<1%
Gatlins Trailer Park	-	-	-	-	-	-	-	-	<1%	-	-
TRG Royal Valley Holdings, LLC	<1%	-	-	-	-	-	-	-	-	-	-
St. Regis HOA	-	-	<1%	<1%	<1%	<1%	<1%	<1%	<1%	<1%	<1%
Evolve Sneads Ferry, LLC	<1%	<1%	<1%	<1%	<1%	<1%	<1%	<1%	<1%	<1%	<1%
Liberty Pointe, LLC	<1%	<1%	<1%	<1%	<1%	<1%	<1%	<1%	<1%	<1%	<1%
Stanadyne	-	-	-	<1%	<1%	<1%	<1%	<1%	<1%	<1%	<1%
Patriot Place	<1%	<1%	<1%	-	-	-	-	-	-	-	-
Villa Capriani HOA	-	<1%	-	<1%	<1%	<1%	<1%	<1%	<1%	<1%	<1%
Collins Estates	<1%	<1%	<1%	-	-	-	-	-	-	-	-
Military/Student Housing	-	-	-	<1%	<1%	<1%	<1%	<1%	<1%	<1%	<1%
Market Rate, LLC	-	-	-	<1%	<1%	<1%	<1%	<1%	<1%	<1%	<1%
Sherwood MHP	<1%	-	<1%	-	-	-	-	-	-	-	-
Swansboro Ventures	-	-	-	<1%	<1%	<1%	<1%	-	<1%	<1%	<1%
Ramseys Trl Park	-	-	-	-	-	-	-	<1%	-	<1%	<1%
Cameron Moyer/Carwash	<1%	<1%	-	-	-	-	-	-	-	-	-

* Approximate

Source: Onslow Water and Sewer Authority's Records.

Onslow Water and Sewer Authority

**Ratio of Bonded Debt to Net Operating Revenues and Net Bonded Debt Per Customer
Last Ten Fiscal Years**

Fiscal Year Ended June 30,	Customer Estimate	Net Operating Revenues	Debt Service Requirements	Net Bonded Debt	Ratio of Net Operating Revenues to Debt Service Requirements	Net Bonded Debt Per Customer
2014	\$ 43,614	\$ 10,932,799	\$ 5,754,555	\$ 54,933,484	1.90	\$ 1,260
2015	44,267	8,817,601	6,205,702	51,687,211	1.42	1,167.62
2016	45,330	8,836,415	6,150,842	75,728,694	1.44	1,670.61
2017	46,433	8,446,772	5,362,701	72,710,712	1.58	1,565.93
2018	50,472	10,035,364	5,926,752	78,433,479	1.69	1,554.00
2019	50,070	13,825,152	5,845,879	74,451,504	2.36	1,486.95
2020	52,476	14,655,264	5,846,717	70,349,529	2.51	1,340.60
2021	54,200	15,847,294	5,844,456	66,131,555	2.71	1,220.14
2022	54,200	20,618,470	5,831,367	53,141,812	3.54	980.48
2023	54,200	17,600,434	5,360,040	49,534,089	3.28	913.91

Note: "Net Operating Revenues" includes full accrual operating income (loss) plus impact fees plus depreciation plus interest income. "Debt service" includes full accrual interest expense plus principal paid during the year.

Source: Onslow Water and Sewer Authority's Accounting Records

Customer Estimate - June number of accounts billed
 Debt Svc Requirements - principal plus full accrual interest expense
 Net Bonded Debt - Long term debt plus premiums and Construction loans

Onslow Water and Sewer Authority

Miscellaneous Statistical Data For the Year Ended June 30, 2023

Year Founded and Incorporated	2000
Size of Service Area:	
Square Miles	756
Miles of Water Pipe	1,239
Miles of Wastewater Collection Pipe	205
Wastewater Pump Stations	76
Customer Accounts	57,242
Budgeted Full Time Employees	131
Water Treatment Plants Capacity:	
Million gallons per day (MGD)	14.8
Production Peak, FY 2022-2023 (MGD)	12.5
Production Average, FY 2022-2023 (MGD)	9.9
Wastewater Treatment Plants Capacity:	
Million gallons per day (MGD)	2.3
Highest Average Daily Flow, FY 2022- 2023 (MGD)	0.95
Highest Max Daily Flow, FY 2022- 2023 (MGD)	1.5
Number of Water Supply Resources	14.0
Total Capacity of Water Supply Resources:	
Black Creek & PeeDee Aquifers (MGD)	4.8
Castle Hayne Aquifer (MGD)	14.4

Source: Onslow Water and Sewer Authority Records

Onslow Water and Sewer Authority

**Onslow County, North Carolina Demographic Statistics
Last Ten Fiscal Years**

Fiscal Year Ended June 30,	Population (3)	Personal Income (1) thousands of dollars	Per Capita Income (1)	Median Age (3)	Public School Enrollment (2)	Unemployment Rate % (3)
2014	185,220	\$ 8,421,526	\$ 45,953	26.16	25,428	7.20%
2015	196,612	8,342,524	45,041	27.00	25,106	5.90%
2016	198,578	8,481,090	46,602	28.00	25,161	5.50%
2017	200,236	8,680,043	47,262	26.10	25,903	4.60%
2018	203,587	8,719,755	48,162	26.40	26,319	4.60%
2019	203,613	8,894,150	49,125	26.00	26,410	5.30%
2020	193,912	9,121,475	46,142	26.00	26,693	4.60%
2021	197,398	9,764,514	48,761	26.82	29,984	5.40%
2022	205,122	9,075,845	43,381	26.70	26,780	4.70%
2023	212,616	10,696,994	51,886	27.20	27,432	4.20%

(1) Bureau of Economic Analysis, U.S. Department of Commerce.

(2) North Carolina Department of Public Instruction, Average Daily Membership

(3) N. C. Employment Security Commission, AccessNC.

(4) North Carolina Office of State Budget and Management.

Onslow Water and Sewer Authority

**Onslow County, North Carolina Taxable Property Assessed Value
Last Ten Fiscal Years**

Fiscal Year E June 30,	Residential Property	Commercial Property	Industrial Property	Present use Value (1)	Personal Property
2014	\$ 10,235,251,673	\$ 1,742,233,183	\$ 23,753,560	\$ 140,333,245	\$ 1,232,945,777
2015	9,588,509,048	1,818,264,946	21,282,240	129,609,455	570,229,594
2016	9,750,312,188	1,837,274,076	22,555,280	125,104,665	563,994,754
2017	9,901,359,057	1,874,018,606	22,086,340	124,159,175	566,204,184
2018	10,080,032,447	1,886,558,006	23,348,540	121,110,965	567,790,188
2019	9,961,247,837	2,036,604,494	29,444,271	125,910,010	558,775,301
2020	10,279,100,140	2,020,378,745	29,074,682	123,988,410	576,435,594
2021	10,596,922,406	2,080,781,104	32,397,018	123,102,185	608,040,846
2022	10,912,302,198	2,127,013,171	33,490,268	117,920,844	618,320,013
2023	19,249,426,024	2,458,868,349	39,307,870	128,377,759	767,323,551

Source: Onslow County Tax Office

Notes:

(1) Present use value property is agricultural, horticultural and forestland for which the owner has applied for the property to be taxed at its present use. The difference in taxes on the present use basis and the taxes that would have been payable are a lien on the property and are deferred. The taxes become due if the property ceases to qualify for present use value. The preceding three fiscal years taxes are then required to be paid.

(2) Public service companies' valuations are provided to the County by the North Carolina Department of Revenue. These amounts include both real and personal property.

(3) Per \$100 of value.

(4) The estimated market value is calculated by dividing the assessed value by and assessment-to-sales ratio determined by the State Department of Revenue. The ratio is based on actual property sales which took place during the fiscal year. The ratio for the most recent year is not available.

(5) Property in Onslow County is reassessed every four years. The last reassessment was on January 1, 2021 and will be the basis for fiscal 2021 taxes.

Public Service Companies (2)	Exemptions	Total Taxable Assessed Value	Total Direct Tax Rate (3)	Estimated Actual Taxable Value (4)	Assessed Value as a Percentage of Actual Value
\$ 245,936,849	\$ 304,430,612	\$ 13,316,023,675	0.585	\$ 13,316,023,675	100%
243,106,513	295,631,090	12,075,370,706	0.675	12,075,370,706	100%
284,070,687	310,057,493	12,273,254,157	0.675	12,273,254,157	100%
290,126,822	321,003,804	12,456,950,380	0.675	12,456,950,380	100%
315,527,205	342,994,851	12,651,372,500	0.675	12,651,372,500	100%
316,590,295	184,332,780	12,844,239,428	0.705	12,844,239,428	100%
326,924,995	407,483,501	12,948,419,065	0.705	12,948,419,065	100%
339,795,890	432,416,250	13,348,623,199	0.705	13,348,623,199	100%
348,990,329	450,167,367	13,747,495,307	0.705	13,747,495,307	100%
362,845,769	4,453,652,801	18,552,496,521	0.655	18,552,496,521	100%

Onslow Water and Sewer Authority

**Onslow County, NC Taxable Property Tax Rates
Direct and Overlapping Governments
Last Ten Fiscal Years**

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Onslow County	\$ 0.6750	\$ 0.6750	\$ 0.6750	\$ 0.6750	\$ 0.7050	\$ 0.7050	\$ 0.0705	\$ 0.0705	\$ 0.6550	\$ 0.6550
Municipality rates:										
Holly Ridge	0.4150	0.4150	0.4150	0.4150	0.4050	0.3950	0.3900	0.3800	0.3500	0.3400
Jacksonville	0.6420	0.6420	0.6420	0.6420	0.6420	0.6420	0.6420	0.6420	0.6000	0.6000
North Topsail Beach	0.3932	0.3932	0.3932	0.3932	0.3435	0.4100	0.4100	0.4600	0.4300	0.4300
Richlands	0.3800	0.3800	0.3800	0.3800	0.3800	0.4000	0.4000	0.4000	0.3800	0.3800
Surf City (1)	0.4100	0.4100	0.4100	0.4100	0.4100	0.4100	0.4100	0.4100	0.4100	0.4100
Swansboro	0.3500	0.3500	0.3500	0.3500	0.3500	0.3500	0.3500	0.3500	0.3500	0.3500

(1) This municipality became a multi-county town through annexation in 1988

Note:

- a. Property was revalued in 2021
- b. For each government, certain motor vehicles were taxed at the preceding year's rates.

Source: Onslow County Tax Administration

Onslow Water and Sewer Authority

**Onslow County, North Carolina Property Tax Levies and Collections
Last Ten Fiscal Years
(Amounts Expressed in Thousands)**

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collections Within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percent of Levy Collected		Amount	Percent of Levy Collected
2014	\$ 78,566	\$ 77,220	98.29%	\$ 303	\$ 78,263	99.61%
2015	82,177	81,314	98.95%	111	82,066	99.87%
2016	83,697	82,575	98.66%	127	83,570	99.85%
2017	84,551	82,561	97.65%	111	84,439	99.87%
2018	85,825	84,486	98.44%	108	85,717	99.87%
2019	91,165	90,009	98.73%	189	90,976	99.79%
2020	91,948	90,535	98.46%	236	91,712	99.74%
2021	94,652	93,385	98.66%	382	94,270	99.60%
2022	97,839	96,622	98.76%	-	96,914	99.05%
2023	121,883	120,629	98.97%	-	120,629	98.97%

Source: Onslow County Tax Administration.

Onslow Water and Sewer Authority

**Full Time Equivalent Employees
Last Ten Fiscal Years**

Division	Fiscal Year									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
General and Administrative										
Office of the Executive Director	2	2	2	2	2	3	3	3	3	3
Administration/Human Resources	7	7	7	5	5	5	7	7	7	7
Finance	9	9	9	9	9	9	6	6	6	5
Information Technology Services	7	7	7	7	7	7	7	7	6	6
Operations										
Engineering	6	6	6	11	11	11	11	11	11	13
Meters	16	16	16	15	15	15	15	15	15	14
Distribution	24	20	20	18	18	18	18	18	18	18
Customer Service	13	12	12	12	12	12	15	15	15	15
Facilities Maintenance & Collections	14	14	14	14	14	12	12	12	12	12
Water Treatment	12	12	12	12	12	16	16	16	15	16
Wastewater Treatment	11	10	11	11	11	10	9	9	9	9
Laboratory	3	3	3	3	3	5	4	4	4	4
SCADA	7	7	6	6	6	5	5	5	5	5
Total FTE's	131	125	125	125	125	128	128	128	126	127

Source: Onslow Water And Sewer Authority's Records

Onslow Water and Sewer Authority

**Principal Employers
Current Year and Five Years Ago**

<u>2023</u>			<u>2018</u>		
<u>Employer</u>	<u>Employees</u>	<u>Rank</u>	<u>Employer</u>	<u>Employees</u>	<u>Rank</u>
USMC Base, Camp Lejeune	1000+	1	USMC Base, Camp Lejeune	1000+	1
Onslow County Board of Education	1000+	2	Onslow County Board of Education	1000+	2
Camp Lejeune Civil Service	1000+	3	Camp Lejeune Civil Service	1000+	3
Wal-Mart Associates Inc.	1000+	4	Wal-Mart Associates Inc.	1000+	4
Onslow County Government	1000+	5	Onslow County Government	1000+	5
Onslow Memorial Hospital	500-999	6	Onslow Memorial Hospital	1000+	6
Food Lion LLC	500-999	7	Coastal Community College	500-999	7
City of Jacksonville	500-999	8	Food Lion LLC	500-999	8
Coastal Community College	500-999	9	Convergys Customer Mgmt Group	500-999	9
Results Consumer Solutions LLC	500-999	10	City of Jacksonville	500-999	10

Onslow Water and Sewer Authority

**Water Processed and Wastewater Treated
(Thousands of Gallons)
Last Ten Fiscal Years**

Fiscal Year Ended June 30,	Water Processed and Pumped to System	Wastewater Treated (1)
2014	2,920,407	282,702
2015	2,821,879	332,637
2016	2,883,884	373,507
2017	2,882,755	344,774
2018	3,058,781	361,921
2019	3,174,394	416,494
2020	3,230,620	487,649
2021	3,404,650	441,531
2022	3,504,360	348,550
2023	3,645,944	408,065

Onslow Water and Sewer Authority

**Operating Indicators by Function/Program
Last Ten Fiscal Years***

Function/Program	2023	2022	2021
Administrative			
Number of accounts billed for entire FY	642,402	620,469	599,668
Turn on service orders processed	11,746	12,916	12,287
Percentage actual expenditures to budget	75%	75%	76%
Percentage of safety incidents to employees	3.8%	5.6%	5.4%
Number of ITS helpdesk calls	900	950	950
Water			
Number of meters read throughout the year	688,521	659,100	664,730
Number of water line miles maintained	1,239	1,237	1,225
Amount of water from wells to the Dixon/Hubert WPs	2,442,380,239	2,893,515,000	2,793,488,000
Number of quality control analysis performed	56,528	56,528	50,779
Total number of gallons of water treated at Dixon Water Plant	1,118,030,000	1,098,491,000	996,165,000
Number of water quality checks for water treated at Dixon WP	0	26	31
Total number of gallons of water treated at Hubert Water Plant	1,505,678,000	1,511,830,000	1,447,297,000
Number of water quality checks for water treated at Hubert WP	2	30	61
Wastewater			
Number of miles maintained by Wastewater Collections	205	193	189
Number of pump stations maintained	76	76	74
Number of million gallons treated at Southeast Regional Wastewater Plant	88,322,817	74,294,046	95,999,277
Total operation cost per thousand gallons treated at Southeast Regional WWTP	\$6.96	\$6.03	\$6.60
Number of million gallons treated at Kenwood Wastewater Plant	0	0	0
Total operation cost per thousand gallons treated at Kenwood WWTP	\$0.00	\$0.00	\$0.00
Number of million gallons treated at Northwest WRF	137,743,000	124,981,983	172,193,400
Total operation cost per thousand gallons treated at Northwest WRF	\$5.20	\$4.47	\$3.37
Number of million gallons treated at Swansboro Wastewater Plant	146,820,296	117,462,292	134,307,291
Total operation cost per thousand gallons treated at Swansboro WWTP	\$2.04	\$2.44	\$4.27

Source: Onslow Water and Sewer Authority departments

2020	2019	2018	2017	2016	2015	2014
579,446	569,979	599,330	544,080	533,228	523,713	500,787
12,638	12,028	12,199	12,385	12,388	15,727	13,048
79%	85%	98%	96%	100%	95%	99%
2.4%	3.4%	3.4%	2.5%	2.5%	3.0%	2.0%
1000	850	850	800	1,200	1000	1000
629,257	600,000	593,115	591,013	580,000	571,124	564,370
1,200	1,197	1,182	1,169	1,156	1,200	1,147
3,230,620,200	2,352,550,000	2,081,328,000	2,223,948,950	2,180,066,000	2,171,770,000	2,054,136,000
13,482	42,000	42,000	27,285	25,500	17,469	15,000
933,652,000	940,000,000	772,000,000	860,000,000	900,000,000	874,770,000	886,136,000
30	20	0	0	0	0	0
1,324,509,000	1,412,550,000	1,309,328,000	1,363,948,950	1,280,066,000	1,297,000,000	1,168,000,000
31	63	0	0	0	0	0
184	182	175	175	170	146	124
74	73	72	72	67	67	64
83,632,424	89,452,741	89,213,778	98,905,106	89,827,240	86,000,000	83,885,000
\$5.73	\$7.44	\$5.26	\$4.50	\$4.08	\$4.76	\$3.62
0	0	0	0	11,740,850	9,500,000	9,500,000
\$0.00	\$0.00	\$0.00	\$0.00	\$3.36	\$5.53	\$3.47
139,862,600	146,469,135	117,339,766	113,657,184	119,022,804	76,503,056	76,299,270
\$3.73	\$5.19	\$4.16	\$6.58	\$2.72	\$7.30	\$4.02
129,100,430	163,019,619	126,173,457	165,289,070	147,444,775	100,000,000	108,288,000
\$3.38	\$4.61	\$3.50	\$2.13	\$2.83	\$4.15	\$2.93

Onslow Water and Sewer Authority

**Operating Indicators by Function/Program
Last Ten Fiscal Years**

Function/Program	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Administrative										
Number of administrative vehicles	12	13	12	19	19	19	19	21	17	18
Number of buildings maintained	2	2	2	2	2	2	2	2	2	2
Water										
Number of vehicles maintained for water use	54	48	44	53	44	44	44	38	40	37
Miles of water lines	1239	1237	1225	1200	1,197	1,182	1,179	1,156	1200	1147
Number of water treatment plants	2	2	2	2	2	2	2	2	2	2
Wastewater										
Number of vehicles maintained for wastewater use	18	16	18	9	10	10	10	16	15	14
Miles of wastewater lines	205	193	189	184	182	175	175	170	146	124
Number of wastewater treatment plants	4	4	4	4	4	4	4	4	4	7

Source: Onslow Water and Sewer Authority departments

COMPLIANCE SECTION



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

**To the Board of Directors
Onslow Water and Sewer Authority
Jacksonville, 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 financial statements of the **Onslow Water and Sewer Authority** (the “Authority”) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Authority’s basic financial statements and have issued our report thereon dated November 10, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 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 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, and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2023-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

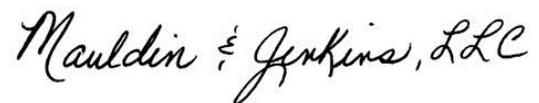
As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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*.

Onslow Water and Sewer Authority's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Authority's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Authority's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.



Raleigh, North Carolina
November 10, 2023

ONSLOW WATER AND SEWER AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2023

SECTION I SUMMARY OF AUDIT RESULTS

Financial Statements

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

Internal control over financial reporting:

Material weakness(es) identified? Yes No

Significant deficiency(ies) identified? Yes None reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

There was not an audit of major federal awards programs for the year ended June 30, 2023, due to the total amount expended being less than the \$750,000 threshold established by the Uniform Guidance.

State Awards

There was not an audit of major state awards programs for the year ended June 30, 2023, due to the total amount expended being less than the \$500,000 threshold established by the State Single Audit Implementation Act.

ON SLOW WATER AND SEWER AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2023

SECTION II

FINANCIAL STATEMENT FINDINGS AND RESPONSES

2023-001 Amortization of Bond Premium

Criteria: In 2016, the Authority issued a revenue refunding bond which was issued with an original issue of a bond premium. This bond premium is required to be amortized each year through maturity of the associated bonds. While accounting principles generally accepted in the United States of America (GAAP) requires the use of the effective interest method for amortizing the bond premium, the straight-line method can be used as long as it approximates the effective interest method. Therefore, the Authority should review their calculation of bond premium amortization to ensure that the method of amortization used (straight-line) approximates the effective interest method.

Condition: Internal controls were not sufficient to detect misstatements in the Authority's calculation of its bond premium amortization expense and corresponding liability.

Cause: During our audit for the year ended June 30, 2023, we noted the Authority was incorrectly using the straight-line method for amortizing bond premiums. In our review and testing of the amortization value and the corresponding liability, it was noted that the amortization expense calculated using the straight-line method was materially different from the calculation using the effective interest method, as required by GAAP. While GAAP does allow for the use of the straight-line method as long as it approximates the effective interest method, the calculation used by the Authority created a material departure from the effective interest method. As such, the liability was materially overstated and the amortization expense was materially understated.

Effect: As a result of the issue identified, an adjusting journal entry was required to correct the reporting of the Authority's unamortized bond premium liability in the amount of \$1,959,731. This entry corrected the liability for the Authority, with \$1,841,990 of the entry correcting the opening net position of the Authority related to the unamortized bond premium liability reported as of June 30, 2022. This portion of the entry is disclosed in the notes to the financial statements as the correction of an error in previously issued financial statements.

Recommendation: We recommend the Authority implement the effective interest method of calculating the amortization of bond premiums to ensure GAAP is followed.

Views of responsible officials: There is no disagreement with the audit finding. Finance staff have implemented the effective interest method for calculation of bond premium amortization and will continue to do so going forward.

ON SLOW WATER AND SEWER AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023

SECTION III
FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Not applicable.

SECTION IV
STATE AWARDS FINDINGS AND QUESTIONED COSTS

Not applicable.

ON SLOW WATER AND SEWER AUTHORITY

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2023**

None reported in the prior year.