

**SOUTH GRANVILLE WATER
AND SEWER AUTHORITY**

Butner, North Carolina

Financial Statement

Year Ended June 30, 2025

Board of Directors

Jimmy Gooch, Chairman
Georgana Kicinski, Vice-Chair
Vicky Daniels
Russ May
Kenneth McLamb
Robert Way

Staff

Scott N Schroyer, Executive Director
Richard Balmer, Finance Officer

South Granville Water and Sewer Authority
Financial Statement
June 30, 2025

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Winston, Williams, Creech, Evans, & Company, LLP

Certified Public Accountants



America Counts on CPAs

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Independent Auditor's Report

To the Board Members
South Granville Water and Sewer Authority
Butner, North Carolina

Opinions

We have audited the accompanying financial statements of the South Granville Water and Sewer Authority, as of and for the year ended June 30, 2025, 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, based on our audit, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the South Granville Water and Sewer Authority as of June 30, 2025, and the respective changes in financial position, and cash flows where applicable, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. 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 South Granville Water and Sewer 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 opinions.

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Responsibilities of Management for the Audit of the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the South Granville Water and Sewer 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 Responsibilities 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 opinions. 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 *Governmental 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 *Governmental 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 South Granville Water and Sewer'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 South Granville Water and Sewer Authority's ability to continue as a going concern for a 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 on pages 7-13 and the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability and Contributions, on pages 41 and 42, respectively 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 auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the South Granville Water and Sewer Authority's basic financial statements. The Schedule of Revenues and Expenses-Budget and Actual and the Schedule of Revenues and Expenses-Budget and Actual-Capital Projects, as well as the accompanying schedule of expenditures of federal and state awards as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the State Single Audit Implementation Act are presented for purposes of additional analysis and are not a required part of the basic financial statements. 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 information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit, the financial statements, budgetary schedules, and other schedules and the schedule of expenditures of federal and state awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2025 on our consideration of the South Granville Water and Sewer 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 to describe the scope of 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 South Granville Water and Sewer 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 South Granville Water and Sewer Authority's internal control over financial reporting and compliance.

Winston, Williams, Creech, Evans & Company, LLP

Winston, Williams, Creech, Evans & Company, LLP

Oxford, North Carolina

December 12, 2025

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of South Granville Water and Sewer Authority (SGWASA) offers to the readers of SGWASA's Financial Statements the following discussion and analysis of the Authority's financial performance for the fiscal year ended June 30, 2025. We encourage the 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.

BACKGROUND

A Memorandum of Understanding (MOU) created SGWASA in February 2005, with the first financial transaction taking place after July 2005. Granville County collected amounts for SGWASA and paid bills for SGWASA until December 31, 2005. Subsequent Transitional Operating Agreement and Memorandum of Understanding (MOU) by and between SGWASA and the North Carolina Department of Health and Human Services (NCDHHS), made SGWASA responsible for complete operation and governance of the Butner utilities beginning January 1, 2006. January 1, 2006, SGWASA received the water and sewer system previously owned and operated by the State and a cash reserve for operation and maintenance expenses. In Return, SGWASA issued a \$9,200,000 Non-General Obligation Bond to enable it to retire the prior debt issued by the State that was secured by the System. The bonds were issued in response to a July 13, 2006 Session Law 2006-159, Senate Bill 491 of the 2005-2006 Legislative Session.

During a regular meeting on January 7, 2008, and after holding the required public hearing, the Granville County Board of Commissioners approved a resolution abolishing the Lyon Station and Cozart Water and Sewer Districts effective June 30, 2008. The Board also authorized the Chairman to sign the Asset Transfer Agreement between the County and SGWASA. The Asset Transfer Agreement was signed on January 8, 2008, transferring all assets and 3 employee positions to SGWASA retroactive to January 1, 2008.

On January 31, 2008, the Town of Stem signed an Asset Transfer Agreement effectively transferring all assets to SGWASA.

On March 25, 2015, the City of Creedmoor signed an Asset Transfer Agreement effectively transferring all assets to SGWASA at midnight on March 27, 2015.

FINANCIAL HIGHLIGHTS

At year-end, SGWASA's net position totaled \$85.5 million, which reflects a \$10.2 million increase over prior year and includes \$5.2 million designated for capital improvement.

Customer revenue of \$17.4 million and related expenses resulted in an operating income of \$5.7 million. Non-operating income and expenses combined with contributed capital created a net income (increase in net assets) of \$10.2 million.

Existing bond debt had a year-end balance of \$10.9 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

SGWASA's primary mission is to provide water and sewer services to portions of southern Granville County. SGWASA does not provide other general-purpose government services or programs. SGWASA operations, capital expansion program and debt payments are funded almost entirely through rates, fees and other charges for these water and sewer services. As such, SGWASA is considered to be, and therefore presents its financial report as a stand-alone enterprise fund.

As a stand-alone enterprise fund, SGWASA's basic financial statements consist of a *Statement of Net Position*, a *Statement of Revenues, Expenses and Changes in Net Position* (Equity) and *Statement of Cash Flows*. These statements, together with the *Management's Discussion and Analysis*, provide both short-term and long-term financial information about, and implications for, financial position. To further illuminate the information contained in these statements, *Notes to the Financial Statements*, *Statement of Revenues and Expenditures – Budget and Actual (Non-GAAP)*, *Statement of Revenues and Expenditures – Budget and Actual (Non-GAAP) Capital Projects*, and *Schedule of Federal and State Awards* appear immediately following the basic financial statements.

The *Statement of Net Position* similar to a balance sheet, presents SGWASA's basic financial position through disclosure of information about SGWASA's assets and liabilities. Net position represents the difference between total assets and total liabilities. Net position may serve over time as one useful indicator of SGWASA's financial condition.

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

The *Statement of Cash Flows* deals specifically with the flow of cash and cash equivalents arising from operating, capital and related financing and investing activities. Because SGWASA'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 accounting principals generally accepted in the United States of America, a reconciliation of cash and cash equivalents is also presented in this statement.

The *Notes to the Financial Statements* provide additional information to the understanding of the basic financial statements.

Revenues

SGWASA is not empowered to levy or collect taxes, nor does SGWASA receive funding from the taxing authorities within our service area. SGWASA's operations and debt service are funded almost entirely from fees charged to our customers for water and sewer services and other related services. As such, SGWASA's revenue stream is impacted by fluctuations in demand for our services and other economic factors.

Operating Revenues

Revenues derived from water and sewer services are comprised of two components: a fixed monthly service charge based on the size of the installed water meter and a monthly volume usage (commodity) charge per thousand gallons of water consumed. The commodity charge for sewer, although based on water consumption, incorporates the assumption that not all water consumed is returned to the sewer system. All rates, fees and charges are calculated under the cost-of-service rate making methodology.

	2025	2024	2023
Operating Revenues			
Water service	\$6,608,155	\$6,090,635	\$5,777,754
Waste Water service	10,067,811	9,630,975	8,937,681
Service Initiation & Other	756,898	365,100	456,093
Total Operating Revenues	\$17,432,864	\$16,086,710	\$15,171,528

Non-Operating Revenues

	2025	2024	2023
Non-Operating Revenues			
Investment Income	\$1,429,986	\$1,471,953	\$716,172
Grants	4,085,861	2,964,392	1,892,633
Contributed Capital	152,377	152,377	152,377
Gain (Loss) on Sale of Capital Assets	-	(20,036)	-
Total non-operating revenues	\$5,668,224	\$4,568,686	\$2,761,182

Total Revenues

Total revenue of \$17,432,864 was higher than originally projected. The Authority's largest customer, a federal institution, had higher than expected usage throughout the year. Total non-billing revenue resulting from allocation fees and customer penalties was higher than anticipated due to conservation budget practices and unpredictability of those revenue streams. Investment revenue for the fiscal year was higher than originally expected due to interest rates remaining steady during the fiscal year in contrast to the projected decline in interest rates estimated for the adopted budget. Grant revenue provided from American Rescue Plan Act (ARPA) funding was received for engineering services related to the Sewer Collection System I-85 Project. Asset Infrastructure Assessment (AIA) grant revenue provided by Department of Environmental Quality (DEQ) was received for engineering services related to a water project and a sewer project

Expenses

Operating Expenses

	2025	2024	2023
General and administrative	\$2,803,457	\$2,415,209	\$2,103,430
Water supply, treatment and distribution	1,788,078	1,730,704	1,807,011
Waste Water treatment and collections	2,110,096	1,940,602	1,973,647
Meter reading and Maintenance	1,604,485	1,465,794	1,415,368
Pump and lift stations	1,010,827	649,318	660,007
Amortization	94,926	75,312	55,161
Depreciation	2,240,408	2,234,819	2,255,682
Total operating expenses	\$11,652,277	\$10,511,758	\$10,270,306

Non-Operating Expenses

	2025	2024	2023
Debt related expense-Town of Butner	\$ 500,000	\$ 500,000	\$ 500,000
Interest Expense	690,276	749,174	807,176
Total non-operating expenses	\$1,190,276	\$ 1,249,174	\$1,307,176

Total expenses of \$12,842,553 were comparable to projections.

Capital Asset & Debt Administration

Capital Assets – SGWASA’s capital assets as of June 30, 2025 totaled \$74,521,966 (net of accumulated depreciation and amortization). These assets included buildings, machinery and equipment, right to use assets, land, water distribution system, wastewater collection system, vehicles and right to use assets for leases and IT subscriptions.

LONG TERM DEBT

Changes in Long-Term Liabilities - A summary of changes in long-term liabilities for the year is presented as follows:

	Balance July 1, 2024	Additions	Reductions	Balance June 30, 2025	Current Portion
<u>Bonds Payable</u>					
Truist	\$ 1,454,690	\$ -	\$ 572,563	\$ 882,127	\$ 584,936
USDA	4,108,000	-	89,000	4,019,000	92,000
USDA	5,357,000	-	104,000	5,253,000	107,000
Truist	1,137,216	-	366,181	771,035	378,924
<u>Loans Payable</u>					
DENR-DWSRF					
(ARRA)	28,304	-	4,717	23,587	4,717
DENR (ISF)	394,406	-	43,823	350,583	43,823
DENR (ISF)	14,799,017	-	1,345,365	13,453,652	1,345,365
DENR (ISF)	252,699	-	42,117	210,582	42,117
Net pension liability	2,086,604	-	163,397	1,923,207	-
Accrued Vacation Leave	223,669	25,030	-	248,699	248,699
Accrued Sick Leave	52,350	12,321	-	64,671	64,671
Lease Liability	395,407	-	53,613	341,794	54,543
IT Subscription Liability	45,800	133,169	90,154	88,815	42,600
	<u>\$30,335,162</u>	<u>\$ 170,520</u>	<u>\$2,874,930</u>	<u>\$27,630,752</u>	<u>\$3,009,395</u>

Bonds Payable - At June 30, 2025, the System had bonds outstanding as follows:

<u>Purpose</u>	<u>Series</u>	<u>Final Maturity Date</u>	<u>Original Amount of Issue</u>	<u>Principal Paid Through June 30, 2025</u>	<u>Principal Outstanding June 30, 2025</u>
Redemption of State of NC Series 2001 Butner Water and Sewer System Revenue Bonds	2006	10/15/2026	\$ 9,200,000	\$8,317,873	\$ 882,127
USDA Bond (assumed from City of Creedmoor)	2012	6/1/2052	4,846,000	827,000	4,019,000
USDA Bond (to acquire City of Creedmoor system)	2015	6/1/2054	6,220,000	967,000	5,253,000
BB&T Bond (to acquire City of Creedmoor system)	2015	3/1/2027	<u>3,935,136</u>	<u>3,164,101</u>	<u>771,035</u>
			<u>\$24,201,136</u>	<u>\$13,275,974</u>	<u>\$10,925,162</u>

The 2006 bonds were issued in response to the July 23, 2006 Session Law 2006-159, Senate Bill 491 of the 2005-2006 Legislative Session. SGWASA received the water and sewer system previously owned and operated by the state and a cash reserve for operation and maintenance expenditures. In return, SGWASA issued this Non-General Obligation Bond to enable it to retire the prior debt issued by the State that was secured by the System. The bonds were modified on March 15, 2013 reducing the interest rate from 4.30% to 2.14% and saving a projected \$1.2 million over the remaining term.

The 2012 bonds were issued by USDA to City of Creedmoor for water/sewer projects. On March 27, 2015 south Granville Water and Sewer Authority purchased the water and sewer system from the City of Creedmoor. As part of that acquisition, USDA allowed an assumption of the existing debt by South Granville Water and Sewer Authority. This debt is reflected above with a 2015 issuance date and the amount assumed by the Authority at the time of acquisition. The original date of issue was 2012 with an original issue amount of nearly \$4.965 million. An additional \$10.1 million in new revenue bonds were issued to fund the purchase as reflected above.

The 2015 bonds were issued by USDA and BB&T Bank to finance the purchase of the water and sewer system from the City of Creedmoor.

Budgetary Highlights for the Coming Year

Water revenue and sewer revenues are projected to increase for the 2025-2026 fiscal year by approximately \$400,000. Interest revenue is projected to increase \$400,000. The Authority's governing Board approved the budget without a rate increase effective July 1, 2025. Rates are projected to fund 95% of depreciation and the capital improvement plan.

The budget for fiscal year 2025-2026 includes a implementation of a pay study, a 3% wage adjustment for those not receiving an increase in the pay study, an average merit pay increase of 2%, and a matching option for 401k up to 4% of pay which represents an increase of the 401k matching by 1%. Additional increases include changes in personnel resulting from a revised Organization Chart adding three (3) new positions. Other employee benefit related increases were included for medical insurance and retirement.

Expenses related to supplies, fuel, chemicals, maintenance, contract labor, professional services, software, technology, and repairs are projected to increase significantly. Capital outlay has been budgeted at \$1,269,801 to renovate, replace, or upgrade existing equipment, infrastructure, and/or vehicles. Repairs are also included for both general repairs and specified large repairs. The budget includes a projected use of operating fund balance of \$1,345,076.

Requests for Information

This report is designed to provide an overview of the South Granville Water and Sewer 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 South Granville Water and Sewer Authority, 415 Central Avenue, Suite B, Butner, North Carolina 27509.

BASIC FINANCIAL STATEMENTS

**SOUTH GRANVILLE WATER AND SEWER AUTHORITY
BUTNER, NORTH CAROLINA
STATEMENT OF NET POSITION
JUNE 30, 2025**

Assets	
Current Assets	
Cash and cash equivalents	\$ 35,494,968
Receivables:	
Trade accounts	2,648,520
Receivable from other governments	3,349,881
Other receivables (vendor deposits and interest)	110,295
Inventory	626,328
Prepaid Expenses	91
Total Current Assets	42,230,083
Non-current Assets	
Capital Assets	
Land and construction in progress	12,782,120
Depreciable (Net of accumulated depreciation)	61,112,975
Right to use assets, net of amortization	626,871
Total Capital Assets	74,521,966
Total Non-current Assets	74,521,966
Total Assets	116,752,049
Deferred Outflows of Resources	
Contributions to pension plan in current fiscal year	1,001,033
Total Assets and Deferred outflows of resources	117,753,082
Liabilities and Net Assets	
Current Liabilities	
Trade Payables	3,684,157
Customer deposits and advances	732,314
Accrued interest payable	82,829
Payroll liabilities	5,618
Current portion of long term liabilities	3,009,395
Total Current Liabilities	7,514,313
Non-Current Liabilities	
Net Pension Liability	1,923,207
Due in more than one year	22,698,150
Total Non-Current Liabilities	24,621,357
Total Liabilities	32,135,670
Deferred Inflows of Resources	148,016
Net Position	
Net investment in capital assets	49,558,400
Unrestricted	35,910,996
Total Net Position	85,469,396
Total Liabilities, Deferred Inflows and Net Position	\$ 117,753,082

The notes to the Financial Statements are an integral part of the financial statements.

**SOUTH GRANVILLE WATER AND SEWER AUTHORITY
BUTNER, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2025**

Operating Revenues	
Water	\$ 6,608,155
Wastewater	10,067,811
Other	756,898
Total Operating Revenues	<u>17,432,864</u>
Operating Expenses	
Administration	980,755
Human Resources	132,606
Engineering	228,697
Billing/Collections	435,182
Water Supply, distribution, and treatment	1,788,078
Wastewater treatment and collection	2,110,096
Utilities:	
Meter reading	131,271
Maintenance: water line	615,952
Maintenance: sewer line	857,262
Pump stations, lift stations, water towers	1,010,827
Board/clerk and non-departmental expenses	833,866
Insurance	192,351
Amortization	94,926
Depreciation	2,240,408
Total Operating Expenses	<u>11,652,277</u>
Operating Income	5,780,587
Non-operating revenues (expenses)	
Investment income	1,429,986
Legislative ARPA Grant (Collection System)	3,696,665
Legislative Grant (PFAS)	332,870
DEQ AIA Grants (Water)	23,233
DEQ AIA Grants (Sewer)	33,093
Debt related expense-Town of Butner	(500,000)
Interest expense	(690,276)
Total Non-operating Revenues (Expenses)	<u>4,325,571</u>
Income (Loss) Before Contributions and Change in Net Position	10,106,158
Contributions:	
Contributed Capital - Local Governments (IAIA Agreement)	<u>152,377</u>
Change in Net Position	10,258,535
Net position - July 1, 2024, as previously reported	75,263,211
Restatement - change in accounting principle	(52,350)
Net position - July 1, 2024, as restated	<u>75,210,861</u>
Net Position - June 30, 2025	<u><u>\$ 85,469,396</u></u>

The accompanying notes are an integral part of the financial statements.

EXHIBIT 3

**SOUTH GRANVILLE WATER AND SEWER AUTHORITY
BUTNER, NORTH CAROLINA
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2025**

Cash Flows From Operating Activities	
Receipts from customers	\$ 16,554,699
Payments for goods and services	(2,261,766)
Payments to employees and fringe benefits	(4,029,637)
Customer deposits	4,547
Other receipts	756,842
Net cash provided by operating activities	11,024,685
Cash Flows From Capital and Related Financing Activities	
Interest paid on bond maturities	(700,254)
Principal paid on long term debt	(2,567,766)
Principal paid on capital lease	(53,613)
Principal paid on subscription agreements	37,506
Proceeds from grants	1,134,724
Debt related expense-Town of Butner	(500,000)
Capital Contributions	152,377
Investment in subscription agreements	(229,510)
Purchase of Capital Assets	(8,315,730)
Net cash provided by (used in) capital and related financing activities	(11,042,266)
Cash flows From Investing Activities	
Investment income	1,429,986
Net increase (decrease) in cash and cash equivalents	1,412,405
Cash and cash equivalents at beginning of year	34,082,563
Cash and cash equivalents at end of year	\$ 35,494,968
Reconciliation of Net Operating Revenues (Expenses) to Net Cash Provided (Used) by Operating Activities	
Operating income	\$ 5,780,587
Adjustments to reconcile operating income to net cash Provided (used) by operating activities:	
Depreciation	2,240,408
Amortization	94,926
Changes in assets and liabilities:	
(Increase) Decrease in Trade Receivables	(121,267)
(Increase) Decrease in Other Receivables/Prepays	(243)
(Increase) Decrease in Receivable from other Governments	(103,339)
(Increase) Decrease in Vendor Deposits	(110,239)
(Increase) Decrease in Inventory	(59,489)
(Increase) Decrease in Prepaid Expenses	(91)
(Increase) Decrease in Deferred Outflows of resources for Pensions	241,812
Increase (Decrease) in Customer Deposits	4,547
Increase (Decrease) in Net Pension Liability	(163,397)
Increase (Decrease) in Deferred Inflows of resources for Pensions	74,711
Increase (Decrease) in Accounts payable	3,107,967
Increase (Decrease) in Other accrued liabilities	441
Increase (Decrease) in Compensated absences	37,351
Total adjustments	5,244,098
Net cash provided by operating activities	\$ 11,024,685

The notes to the Financial Statements are an integral part of the financial statements

NOTES TO THE FINANCIAL STATEMENTS

South Granville Water and Sewer Authority
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Note 1. Summary of Significant Accounting Policies

The accounting policies of South Granville Water and Sewer Authority conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies:

A. Reporting Entity

South Granville Water and Sewer Authority (SGWASA or the Authority) was created February, 2005, pursuant to Chapter 162A of the North Carolina General Statutes by a Transitional Operating Agreement and Memorandum of Understanding (MOU) by and between SGWASA and the North Carolina Department of Health and Human Services. A subsequent Transitional Operating Agreement and MOU made SGWASA responsible for complete operation and governance of the Butner Utilities, effective January 1, 2006. The Authority is a separate governmental unit granted independent authority by the North Carolina General Statutes to allow the Authority's board members to set rates, fees and charges.

On July 23, 2006, session Law 2006-159, Senate Bill 491 of the 2005-2006 Legislative Session was signed into law. During the 2006-2007 fiscal year, SGWASA received the water and sewer system previously owned and operated by the State and a cash reserve for operation and maintenance expenses. SGWASA retired the debt issued by the State that was secured by the System.

B. Basis of Presentation, Measurement Focus - Basis of Accounting

The basic financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The Authority's operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as grants and subsidies, result from non-exchange transactions. Other non-operating items such as investment earning are ancillary activities.

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The Authority distinguishes 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 the Authority's principal ongoing operations. The principal operating revenues of the Authority 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 sewer system. Operating expenses for the Authority include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

C. Budgetary Data

The Authority's budget is adopted as required by the North Carolina General Statutes. All annual appropriations lapse at the fiscal year-end. All budgets are prepared using the accrual basis of accounting except that capital outlay and debt retirement are budgeted to effect better budgetary control. Expenditures may not legally exceed appropriations at the functional level. Amendments are required for any revisions that alter total expenditures or change functional expenditures. The Executive Director is granted the authority to reallocate appropriations between line items, except for salary and benefits, within a department up to a maximum of \$10,000. The governing board must approve all other amendments. During the year, several amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position

1. Deposits and Investments

The Authority's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of twelve months or less from the date of acquisition.

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

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North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; and the North Carolina Capital Management Trust (NCCMT). The Authority's investments are reported at fair value. The NCCMT Government Portfolio, a SEC-registered (2a-7) money market mutual fund, is measured at fair value. Because the NCCMT Government has a weighted average maturity of less than 90 days, it is presented as an investment with a maturity of less than 6 months.

The Authority's investments with a maturity of more than one year at acquisition and non-money market investments are reported at cost or amortized cost, which approximates their fair value as determined by quoted market prices. The NCCMT Cash Portfolio's securities, a SEC-register (2a7) money market mutual fund, are valued at fair value, which is the NCCMT's share price. Money market investments that have a remaining maturity at the time of purchase of one year or less are reported at amortized cost.

2. Allowance for Uncollectible Accounts

All water and sewer service receivables are shown net of an allowance for uncollectible accounts. Uncollectible Trade Receivables are determined by SGWASA based on their knowledge of collection history for similar customers.

3. Inventory and Prepaid Items

Inventory consists of materials and supplies held for subsequent use. The cost of these inventories is expensed when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements and expensed as the items are used.

4. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets, are defined by the Authority as assets with an initial, individual cost of more than \$5,000 for equipment or \$100,000 for infrastructure and an estimated useful life in excess of one year. Donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at

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the date of donation. Donated capital assets received after June 15, 2015, are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

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.

Depreciation is computed using the straight-line method over the following useful lives: buildings range from 20-50 years, other structures and improvements from 10-40 years, and equipment from 3-15 years.

The Authority's capital assets also include certain right to use assets. These right to use assets arise in association with agreements where the Authority reports a lease or where the Authority reports an Information Technology (IT) Subscription in accordance with the requirements of GASB 87 and GASB 96, respectively.

The right to use lease assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made at or prior to the start of the lease term, less lease incentives received from the lessor at or prior to the start of the lease term, and plus ancillary charges necessary to place the lease asset into service. The right to use lease assets are amortized on a straight-line basis over the life of the related lease.

The right to use IT subscription assets are initially measured at an amount equal to the initial measurement of the subscription liability plus any subscription payments made at the start of the subscription term, if applicable, plus capitalizable initial implementation costs at the start of the subscription term, less any incentives received from the IT subscription vendor at the start of the subscription term. Subscription payments, as well as payments for capitalizable implementation costs made before the start of the subscription term should be reported as a prepayment (asset). Such prepayments should be reduced by any incentives received from the same vendor before the start of the subscription term if a right of offset exists. The net amount of the prepayments and incentives should be reported as an asset or liability, as appropriate, before the start of the subscription term at which time the amount should be included in the

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initial measurement of the subscription asset. The right to use subscription assets should be amortized on a straight-line basis over the subscription term.

5. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Authority has one item that meets this criterion, pension deferrals for the 2025 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Authority has one item that meets the criterion for this category – pension deferrals.

6. Compensated Absences

The Authority recognizes a liability for compensated absences for leave time that (1) has been earned for services previously rendered by employees, (2) accumulates and is allowed to be carried over to subsequent years, and (3) is more likely than not to be used as time off or settled (for example, paid in cash to the employee or paid to an employee flex spending account) during or upon separation from employment. Based on the criteria above, two types of leave qualify for liability recognition for compensated absences – vacation and sick leave. The liability for compensated absences is recorded as incurred in the financial statements. The liability for compensated absences includes salary-related benefits where applicable.

All vacation pay is limited to thirty days. At June 30, 2025, the Authority had recorded a liability for accrued vacation and the salary-related payments of \$248,669.

The Authority's sick leave policy provides for the unlimited accumulation of sick leave. Any unused sick leave accumulated at the time of retirement may be used in the determination of the length of service for retirement benefit purposes. Any unused sick leave accumulated for employees that leave the Authority before retirement is forfeited. The Authority uses a five-year look-back period to estimate the amount of sick

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leave that has been earned and will be used as sick leave over the employee's service period. The liability for sick leave is based on this estimate. At June 30, 2025, the Authority has recorded a liability for accrued sick leave and the salary-related payments of \$64,671.

7. Long-Term Obligations

In the financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discount. Bond issuance costs, except for prepaid insurance costs, are expensed in the reporting period in which they are incurred. Prepaid insurance costs are expensed over the life of the debt.

Leases

On July 1, 2011, the Authority entered into a 240 month lease as lessee for the use of administrative office space at 415B Central Avenue in Butner, North Carolina. With implementation of GASB 87, as of June 30, 2022, the Authority recorded a value of the lease asset of \$551,610, accumulated amortization of \$55,161, and an end of year liability of \$499,904. At June 30, 2025, the accumulated amortization is \$220,644 with an end of year liability of \$341,794. The Authority is required to make monthly fixed principal and interest payments of \$5,000. The lease has an interest rate of 1.722%. The building's estimated useful life was 480 months as of the contract commencement. The Authority recognized lease expenses of \$53,613 principal and \$6,387 interest during the fiscal year. The Authority has two extension option(s), each for 10 months.

8. Net Position

Net Position is classified as net investment in capital assets; restricted; and unrestricted. Net investment in capital assets consist of capital assets, net of accumulated depreciation reduced by the outstanding balances of any bonds, mortgages, notes or other borrowing attributable to the acquisition, construction or improvement of those assets. Restricted net position represents constraints on resources that are either a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or b) imposed by law by state statute. Unrestricted net position consists of net assets that do not meet the definition of "restricted" or net investment in capital assets."

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9. Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

10. Defined Benefit Cost-Sharing Plans

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

Note 2. Stewardship and Accountability

Excess of Expenditures over Appropriations – During the year, SGWASA did not have any functions with expenditures greater than the budgeted amount (see Exhibit 6).

Note 3. Cash, Cash Equivalents and Investments

Deposits – All of the Authority's deposits are either insured or collateralized by using one of two methods. Under the dedicated method, all deposits exceeding the federal depository insurance coverage level are collateralized with securities held by the Authority's agents in the unit's name. Under the pooling method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Authority, these deposits are considered to be held by the Authority's agent in the Authority's name. The amount of the pledged collateral is based on an approved averaging method for non-interest-bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the pooling method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Authority under the pooling

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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.

At June 30, 2025, the Authority's deposits had a carrying amount of \$4,314,718 and a bank balance of \$4,308,306. Of the bank balance, \$250,000 was covered by federal depository insurance and \$4,058,306 in interest-bearing deposits was covered by collateral held under the pooling method. The Authority had cash on hand of \$1,800 at June 30, 2025.

At June 30, 2025, the Authority had \$31,178,450 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 has no policy regarding credit risk.

Note 4. Receivables

Receivables at June 30, 2025 were as follows:

Trade accounts receivable		\$ 2,648,520
Accounts receivable sales tax refund	188,090	
Accounts receivable other	<u>3,272,086</u>	
		<u>3,460,176</u>
Total receivables		<u>\$ 6,108,696</u>

Note 5. Capital Assets

Capital assets are stated at cost at date of acquisition or construction net of accumulated depreciation. The System capitalizes all assets that have a value or cost greater than or equal to \$5,000 and all infrastructure greater than or equal to \$100,000 at the date of acquisition and an expected useful life of more than one year. Depreciation is computed using the straight-line method over the following useful lives: buildings range from 20-50 years, other structures and improvements from 10-40 years, and equipment from 3-15 years.

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A summary of changes in capital assets is presented as follows:

	Balance July 1, 2024	Increases	Decreases	Balance June 30, 2025
Capital Assets, Non-depreciable				
Land	\$ 33,450	\$ -	\$ -	\$ 33,450
Construction in Progress (CIP)	6,003,426	8,122,308	1,377,064	12,748,670
Total Capital Assets, Non-depreciable	<u>6,036,876</u>	<u>8,122,308</u>	<u>1,377,064</u>	<u>12,782,120</u>
Capital Assets, Depreciable				
Buildings	50,436,840	-	-	50,436,840
Furniture & Fixtures	18,903	-	-	18,903
Machinery & Equipment	1,392,278	155,578	-	1,547,856
Other Improvements	34,817,923	1,414,908	-	36,232,831
Total Capital Assets, Depreciable	<u>86,665,944</u>	<u>1,570,486</u>	<u>-</u>	<u>88,236,430</u>
Less Accumulated Depreciation / Amortization for:				
Buildings	10,156,652	967,623	-	11,124,275
Machinery & Equipment	1,137,097	77,178	-	1,214,275
Other Improvements	13,589,298	1,195,607	-	14,784,905
Total Accumulated Depreciation	<u>24,883,047</u>	<u>2,240,408</u>	<u>-</u>	<u>27,123,455</u>
Total Capital Assets, Depreciable Net	<u>61,782,897</u>			<u>61,112,975</u>
Capital Assets Being Amortized:				
Right to use assets:				
Leased property	551,610	-	-	551,610
IT subscriptions	120,803	229,509	-	350,312
Total Capital Assets being amortized	<u>672,413</u>	<u>229,509</u>	<u>-</u>	<u>901,922</u>
Less Accumulated Amortization for:				
Leased property	165,483	55,161	-	220,644
IT subscriptions	20,151	34,256	-	54,407
Total Accumulated Amortization	<u>185,634</u>	<u>89,417</u>	<u>-</u>	<u>275,051</u>
Total Capital Assets being Amortized, Net	<u>486,779</u>	<u>140,092</u>	<u>-</u>	<u>626,871</u>
Capital Assets, Net	<u>\$ 68,306,552</u>			<u>\$ 74,521,966</u>

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Note 6. Pension Plan Obligations

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 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 Local Governmental Employees' Retirement System is included in the Annual Comprehensive Financial Report for the State of North Carolina. The State's Annual Comprehensive Financial Report includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at www.osc.nc.gov.

Benefits Provided. LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service. 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 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.

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. SGWASA employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. SGWASA's contractually required contribution rate for the year ended June 30, 2025, was 13.6% for general employees, actuarially determined as an amount that, when combined with

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employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from SGWASA were \$402,557 for the year ended June 30, 2025.

Refunds of Contributions – SGWASA 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, 2025, SGWASA reported a liability of \$ 1,923,207 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2023. The total pension liability was then rolled forward to the measurement date of June 30, 2024 utilizing update procedures incorporating the actuarial assumptions. SGWASA’s proportion of the net pension asset was based on a projection of SGWASA’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, 2024 (measurement date), SGWASA’s proportion was .02853%, which was a decrease of 0.00298% from its proportion measured as of June 30, 2023.

For the year ended June 30, 2025, SGWASA recognized pension expense of \$555,683. At June 30, 2025, SGWASA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 337,019	\$ 2,266
Net difference between projected and actual earnings on pension plan investments	261,457	-
Changes in proportion and differences between SGWASA contributions and proportionate share of contributions	-	145,750
SGWASA contributions subsequent to the measurement date	<u>402,557</u>	<u>-</u>
Total	<u>\$ 1,001,033</u>	<u>\$ 148,016</u>

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\$402,557 reported as deferred outflows or resources related to pensions resulting from SGWASA contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2026. Other amounts reported as deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year ended June 30:

2026	\$ 126,243
2027	325,789
2028	27,993
2029	(29,565)
2030	-
Thereafter	-

Actuarial Assumptions. The total pension liability in the December 31, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	3.25 to 8.25 percent, including inflation productivity factor
Investment rate of return	6.5 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2023 valuation were based on the results of an actuarial experience study for the period January 1, 2015 through 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

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established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies; return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2025 are summarized in the following table:

Asset Class	Target <u>Allocation</u>	Long-Term Expected Real <u>Rate of Return</u>
Fixed Income	33.0%	2.4%
Global Equity	38.0%	6.9%
Real Estate	8.0%	6.0%
Alternatives	8.0%	8.6%
Credit	7.0%	5.3%
Inflation Protection	6.0%	4.3%
Total	<u>100.00%</u>	

The information above is based on 30 year expectations developed with the consulting actuary for the 2024 long term capital market assumptions. The long-term nominal rates of return underlying the real rates are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 2.5%. 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.

Sensitivity of SGWASA's proportionate share of the net pension asset to changes in the discount rate. The following presents SGWASA's proportionate share of the net pension asset calculated using the discount rate of 6.5 percent, as well as what SGWASA's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.5 percent) or one percentage point higher (7.5 percent) than the current rate:

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	1% Decrease (<u>5.5%</u>)	Discount Rate (<u>6.5%</u>)	1% Increase (<u>7.5%</u>)
SGWASA's proportionate share of the net pension liability (asset)	\$ 3,407,979	\$ 1,923,207	\$ 701,778

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

Note 7. Other Employment Benefit

The Authority has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000 or be less than \$25,000. All death benefit payments are made from the Death Benefit Plan. The Authority has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. The Authority considers these contributions to be immaterial.

Note 8. Risk Management and Commitments

Risk Management: The Authority is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The Authority has property, general liability, workers' compensation, and employee health coverage. Claims have not exceeded coverage. The Authority has no flood insurance or insurance covering "acts of terrorism" and has determined that it is not needed.

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. All employees are covered for \$100,000. The Executive Director is covered for \$250,000. The Finance Director and Assistant Finance Director are covered for \$1,000,000 each.

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Commitments: The Authority is committed under the Memorandum of Understanding and public legislation to eliminate the Butner Water and Sewer System Revenue Bonds, Series 2001. The Authority is committed to pay the Town of Butner \$41,667 per month. This commitment is in effect until September 2027, twenty years from the Town of Butner's incorporation.

Note 9A. Bonds Payable

At June 30, 2025, the System had bonds outstanding as follows:

<u>Purpose</u>	<u>Series</u>	<u>Final Maturity Date</u>	<u>Original Amount of Issue</u>	<u>Principal paid through June 30, 2025</u>	<u>Principal Outstanding June 30, 2025</u>
Suntrust Bond	2006	10/15/2026	\$ 9,200,000	\$ 8,317,873	\$ 882,127
USDA bond	2012	6/1/2052	4,846,000	827,000	4,019,000
USDA bond	2015	6/1/2054	6,220,000	967,000	5,253,000
BB&T bond	2015	3/1/2027	<u>3,935,136</u>	<u>3,164,101</u>	<u>771,035</u>
Total Revenue Bonds Payable			<u>\$24,201,136</u>	<u>\$ 13,275,974</u>	<u>\$10,925,162</u>

The bonds were issued in response to the July 23, 2006 session Law 200-159, Senate Bill 491 of the 2005-2006 Legislative Session. SGWASA received the water and sewer system previously owned and operated by the State of North Carolina and a cash reserve for operation and maintenance expenses. In return, the Authority issued this Non-General Obligation Bond to enable it to retire the prior debt issued by the State that was secured by the system.

The State bond of \$8,569,136 was assumed by the Authority and paid off as part of the issuance of the \$9,200,000 bond. The bond was modified on March 15, 2013 to reduce the interest rate. These payments averaged \$49,842 for the monthly payments of principal and interest during the fiscal year.

SGWASA purchased the water/sewer system from the City of Creedmoor effective March 27, 2015 at a cost of \$15,675,000 which was funded by assuming \$4.8 million in revenue bond debt from the City and borrowing an additional \$10.2 million in revenue bond debt.

- An existing USDA revenue bond with a remaining principal of \$4,846,000 was assumed with a remaining term of 38 years of a 40 year 3.5% interest bond. Principal and interest payment is due annually in June. SGWASA has an

South Granville Water and Sewer Authority
Butner, North Carolina
Notes to the Financial Statements
June 30, 2025

obligation to pay USDA a \$232,665 annual principal and interest payment in June of 2026.

- A new USDA revenue bond was issued as a \$6,220,000 3.5% interest bond. Principal and interest payment is due annually in June. SGWASA has an obligation to pay USDA a \$290,855 annual principal and interest in June of 2026.
- A new BB&T revenue bond was issued as a \$3,935,136 3.48% interest bond. Payments are due semi-annually with an interest only payment due each September and a principal and interest payment due each March. SGWASA has an obligation to pay Truist (formerly BB&T) a \$13,416 interest only payment in September of 2025 and a \$392,340 principal and interest payment in March of 2026.

The rate covenant in the bond documents requires that the Authority's net operating income (revenues less operating expenses [expenses minus depreciation]) be at least 1.2 times next year's debt service. For the year ended June 30, 2025, the Authority was able to meet that requirement with a ratio of 5.28.

Operating Revenues		\$17,432,864
Total Operating Expenses	\$11,704,627	
Less: Amortization	94,926	
Less: Depreciation	<u>2,240,408</u>	
Current Expenses		<u>9,369,293</u>
Current Revenues - Current Expenses		\$ 8,063,571
Next year's debt		<u>1,527,374</u>
Ratio		<u><u>5.28</u></u>

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

South Granville Water and Sewer Authority
Butner, North Carolina
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Fiscal Year Ending June 30	Bond Payable		Total
	Principal	Interest	
2026	\$ 1,162,860	\$ 364,514	\$ 1,527,374
2027	895,302	333,058	1,228,360
2028	213,000	310,345	523,345
2029	221,000	302,890	523,890
2030	228,000	295,155	523,155
2031-2035	1,269,000	1,350,020	2,619,020
2036-2040	1,508,000	1,111,915	2,619,915
2041-2045	1,790,000	828,905	2,618,905
2046-2050	2,126,000	492,870	2,618,870
2051-2055	1,512,000	118,686	1,630,686
Total Requirements	<u>\$ 10,925,162</u>	<u>\$ 5,508,358</u>	<u>\$ 16,433,520</u>

Note 9B. Loans Payable

At June 30, 2025, the Authority had long-term loans outstanding as follows:

Purpose		Final Payment Date	Original amount of Loan	Principal Paid through June 30, 2025	Principal outstanding June 30, 2025
DWSRF (ARRA)	2011	5/2/2030	\$ 94,346	\$ 70,759	\$ 23,587
DENR (IFS)	2013	5/1/2033	876,458	525,875	350,583
DENR (IFS)	2016	5/1/2030	673,864	463,282	210,582
DENR (IFS)	2016	5/1/2035	26,907,303	13,453,651	13,453,652
Total Loans Payable			<u>\$ 28,551,971</u>	<u>\$14,513,567</u>	<u>\$14,038,404</u>

In July 2009, South Granville Water and Sewer Authority was awarded a grant by the DEQ Public Water Supply. These funds were part of the American Recovery and Reinvestment Act and were for the purpose of installing solar mixers on water tanks to improve water quality. The project was completed in the Spring of 2011 and grant funds received. The total cost of the project was \$188,692 with one-half of this amount, \$94,436, being forgiven. The remaining \$94,436 is to be repaid in twenty annual installments of \$4,717 at 0% interest. SGWASA has an obligation to pay NC DEQ a \$4,717 annual principal loan payment in May 2026.

The sewer line rehabilitation project was completed in June 2013 and was funded by NCDEQ IFS for \$876,458 as a 20 year 2% loan. Payments are due semi-annually with an interest only payment due each November and a principal and interest payment due

South Granville Water and Sewer Authority
Butner, North Carolina
Notes to the Financial Statements
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each May. SGWASA has an obligation to pay NC DEQ a \$3,506 interest only payment in November 2025 and a \$47,329 principal and interest payment in May 2026.

The wastewater treatment plant project construction phase is complete. The \$26,907,303 is a NCDEQ IFS loan originally with 39 payments including interest at 2%. SGWASA has an obligation to pay NC DEQ a \$134,537 interest only payment in November 2025 and a \$1,479,902 principal and interest payment in May 2026.

South Granville Water and Sewer Authority purchased the water/sewer system from the City of Creedmoor effective March 27, 2015 at a cost of \$15,675,000 of which \$823,635 was funded by assuming an existing DENR loan from the City.

- An existing NCDEQ IFS loan with a remaining principal of \$673,864 was assumed with a remaining term of 15 years on a 0% interest loan. Principal payments are due annually in May. SGWASA has an obligation to pay NC DEQ a \$42,117 principal only payment May 2026.

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

Fiscal Year Ending	<u>Loan Payable</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
<u>June 30</u>			
2026	\$ 1,436,022	\$ 276,085	\$ 1,712,107
2027	1,436,022	248,301	1,684,323
2028	1,436,022	220,517	1,656,539
2029	1,436,022	192,733	1,628,755
2030	1,436,022	164,950	1,600,972
2031-2035	<u>6,858,294</u>	<u>408,868</u>	<u>7,267,162</u>
Total Requirements	<u>\$ 14,038,404</u>	<u>\$ 1,511,454</u>	<u>\$ 15,549,858</u>

Note 9C. Long-term Liabilities

Changes in Long-term Liabilities:

	<u>Balance</u>			<u>Balance</u>	<u>Current</u>
	<u>July 1, 2024</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2025</u>	<u>Portion</u>
<u>Bonds Payable</u>					
Truist	\$ 1,454,690	\$ -	\$ 572,563	\$ 882,127	\$ 584,936
USDA	4,108,000	-	89,000	4,019,000	92,000
USDA	5,357,000	-	104,000	5,253,000	107,000
Truist	1,137,216	-	366,181	771,035	378,924

South Granville Water and Sewer Authority
Butner, North Carolina
Notes to the Financial Statements
June 30, 2025

<u>Loans Payable</u>					
DWSRF (ARRA)	28,304	-	4,717	23,587	4,717
DENR (IFS)	394,406	-	43,823	350,583	43,823
DENR (IFS)	14,799,017	-	1,345,365	13,453,652	1,345,365
DENR (IFS)	252,699	-	42,117	210,582	42,117
Net pension liability (LGERS)	2,086,604	-	163,397	1,923,207	-
Accrued Vacation Leave	223,669	25,030	-	248,699	248,699
Accrued Sick Leave	52,350	12,321	-	64,671	64,671
Lease Liability	395,407	-	53,613	341,794	54,543
IT Subscription Liability	<u>45,800</u>	<u>133,169</u>	<u>90,154</u>	<u>88,815</u>	<u>42,600</u>
Total Long-Term Liabilities	<u>\$30,335,162</u>	<u>\$ 170,520</u>	<u>\$2,874,930</u>	<u>\$27,630,752</u>	<u>\$3,009,395</u>

Note 9D. Leases

The Authority leases administrative office space from Town of Butner. The lease payments began on July 1, 2011 for a 20 year term, with two additional ten year renewal options. Rent is \$5,000 per month for the twenty year term, and \$2,300 per month thereafter during any renewal term.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2025, were as follows:

Fiscal Year Ending <u>June 30</u>	Principal <u>Payments</u>	Interest <u>Payments</u>	<u>Total</u>
2026	\$ 54,543	\$ 5,457	\$ 60,000
2027	55,490	4,510	60,000
2028	56,453	3,547	60,000
2029	57,433	2,567	60,000
2030	58,430	1,570	60,000
2031-2035	<u>59,445</u>	<u>555</u>	<u>60,000</u>
	<u>\$ 341,794</u>	<u>\$ 18,206</u>	<u>\$ 360,000</u>

South Granville Water and Sewer Authority
Butner, North Carolina
Notes to the Financial Statements
June 30, 2025

Note 9E. IT Subscriptions

For the year ended June 30, 2025, the Authority recorded liabilities related to GASB Statement No. 96, Subscription-Based Information Technology Arrangements (Subscriptions). The Statement provides a definition of Subscriptions and provides uniform guidance for accounting and financial reporting for such transactions. The guidance will decrease diversity in the accounting and financial reporting for these transactions, thereby, increasing comparability in financial reporting among governments. Further, the reporting of a subscription asset (a right-to-use intangible capital asset) and a subscription liability will enhance the relevance and reliability of the financial statements.

During the current year the Authority made the final payment of an initial term for a web-based asset management solution with Utility Cloud for the Wastewater Treatment Facility which allows the facility to track infrastructure and establish maintenance and replacement schedules. Total payments for the year totaled \$15,000, which includes \$14,939 in liability reduction and \$61 interest expense. The value of the asset at the end of the term is \$29,984 and is fully amortized. The liability balance remaining at June 30, 2025 is \$0.

During the current year the Authority removed a Subscription for a web-based capital budgeting solution with ClearGov. At the time of removal, the value of the asset was \$21,789 with an accumulated amortization of \$3,113. The remaining liability was \$17,496. No payments were made during the year ending June 30, 2025.

During the current year the Authority removed a Subscription for a web-based Strategic Plan solution with ClearGov. At the time of removal, the value of the asset was \$16,781 with an accumulated amortization of \$2,396. The remaining liability was \$13,365. No payments were made during the year ending June 30, 2025.

During the current year the Authority continued implementing a web-based Financial, Billing, and Human Resources solution with Tyler Technologies. The term of the initial agreement is three years. For the fiscal year, the second annual subscription plus implementation costs were paid and captured as an asset. Implementation has not finished; thus the right to use asset is deemed not to be in service at June 30, 2025. No liability has been recorded pending implementation to put the asset in use. Implementation costs of \$134,911 was paid during the fiscal year, with a total implementation cost to date of \$187,859 as of June 30, 2025.

During the current year the Authority entered into a new Subscription for a web-based Human Resources performance evaluation solution with Perform Yard. The term of the agreement is three years. The Subscription does not have a stated interest rate. Accordingly, the Authority estimated incremental borrowing rate of 8.5% was used to

South Granville Water and Sewer Authority
Butner, North Carolina
Notes to the Financial Statements
June 30, 2025

discount the subscription payments. The initial liability for the subscription was \$15,542. The liability balance remaining at June 30, 2025 was \$10,718.

During the current year the Authority entered into a new Subscription for a SCADA notification/alarm system with SmartSights for the Wastewater Treatment Plant. The term of the agreement is three years. The Subscription does not have a stated interest rate. Accordingly, the Authority estimated incremental borrowing rate of 8.5% was used to discount the subscription payments. The initial liability for the subscription was \$6,064. The liability balance remaining at June 30, 2025 was \$4,270.

During the current year the Authority entered into a new Subscription for a premium support services related to the Field Services product from the AMCS Group to help manage the maintenance of company assets. The term of the agreement is three years. The Subscription does not have a stated interest rate. Accordingly, the Authority estimated incremental borrowing rate of 7.5% was used to discount the subscription payments. The initial liability for the subscription was \$111,563. The liability balance remaining at June 30, 2025 was \$73,827.

The future minimum subscription obligations and the net present value of these minimum payments as of June 30, 2025, are as follows:

Year Ending <u>June 30</u>	Principal <u>Payments</u>	Interest <u>Payments</u>	<u>Total</u>
2026	\$ 42,600	\$ 5,225	\$ 47,825
2027	<u>46,215</u>	<u>1,830</u>	<u>48,045</u>
	<u>\$ 88,815</u>	<u>\$ 7,055</u>	<u>\$ 95,870</u>

Note 10. Customer Deposits

Customer deposits are required when opening a new service account and become refundable once an account is closed. The deposit is normally applied to the final bill(s). During the year the deposits increased by \$4,547. Requiring a higher deposit (\$150 instead of \$50) beginning July 1st, 2008 combined with an increase in growth in the number of customers account for the increase. Long-time customers close out accounts that had no deposit or the smaller deposit and new customers open accounts with the higher \$150 deposit requirement, thus causing an annual increase in total deposit liability.

Note 11. Subsequent Events

The Authority has evaluated events and transactions that occurred between June 30, 2025 and December 12, 2025, which is the date that the financials were available to be issued, for possible recognition or disclosure in the financial statements. There were no events that occurred during this time that were deemed to be significant enough to be disclosed.

**South Granville Water and Sewer Authority
Butner, North Carolina
Notes to the Financial Statements
June 30, 2025**

Note 12. Restatement

Change in Accounting Principles

For the year ended June 30, 2025, GASB Statement No. 101, *Compensated Absences*, was implemented. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. This change restated and reduced beginning net position by \$52,350.

SUPPLEMENTARY SCHEDULES

**SOUTH GRANVILLE WATER AND SEWER AUTHORITY
SOUTH GRANVILLE WATER AND SEWER AUTHORITY'S PROPORTIONATE SHARE
OF NET PENSION LIABILITY
REQUIRED SUPPLEMENTARY INFORMATION
LAST TEN FISCAL YEARS ***

LOCAL GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
SGWASA's proportion of the net pension liability (asset) (%)	0.02853%	0.03151%	0.03300%	0.03370%	0.02646%	0.0230%	0.026%	0.0279%	0.0291%	0.0288%
SGWASA's proportion of the net pension liability (asset) (\$)	1,923,207	2,086,604	1,861,671	511,761	945,529	624,016	611,355	425,624	618,236	129,387
SGWASA's covered-employee payroll	2,523,488	2,486,213	2,411,273	2,392,986	1,997,097	1,663,536	1,668,139	1,624,001	1,576,641	1,523,780
SGWASA's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	76.21%	83.93%	77.21%	21.39%	47.35%	37.51%	36.65%	26.21%	39.21%	8.49%
Plan fiduciary net position as a percentage of the total pension liability **	***	83.30%	82.49%	84.14%	95.51%	88.61%	90.86%	91.63%	94.18%	91.47%

* 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.

*** Current year percentage not available.

**SOUTH GRANVILLE WATER AND SEWER AUTHORITY
SOUTH GRANVILLE WATER AND SEWER AUTHORITY'S CONTRIBUTIONS
REQUIRED SUPPLEMENTARY INFORMATION
LAST TEN FISCAL YEARS**

LOCAL GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ 402,557	\$ 323,764	\$ 300,832	\$ 273,680	\$ 242,888	\$ 178,740	\$ 128,924	\$ 125,110	\$ 117,740	\$ 105,162
Contributions in relation to the contractually required contribution	<u>402,557</u>	<u>323,764</u>	<u>300,832</u>	<u>273,680</u>	<u>242,888</u>	<u>178,740</u>	<u>128,924</u>	<u>125,110</u>	<u>117,740</u>	<u>105,162</u>
Contribution deficiency (excess)	<u><u></u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>-</u></u>	<u><u>\$ -</u></u>
SGWASA's covered-employee payroll	2,959,979	2,523,488	2,486,213	2,411,273	2,392,986	1,997,097	1,663,536	1,668,139	1,624,001	1,576,641
Contributions as a percentage of covered-employee payroll	13.60%	12.83%	12.10%	11.35%	10.15%	8.95%	7.75%	7.50%	7.25%	6.67%

The notes to the Financial Statements are an integral part of the financial statements.

EXHIBIT 6

SOUTH GRANVILLE WATER AND SEWER AUTHORITY
BUTNER, NORTH CAROLINA
SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (NON GAAP)
FOR THE YEAR ENDED JUNE 30, 2025

	Original	Final	Actual	Variance Favorable (Unfavorable)
Operating Revenues				
Water	\$ 6,300,000	\$ 6,500,000	\$ 6,608,155	\$ 108,155
Wastewater	9,350,000	9,925,000	10,067,811	142,811
Other	472,800	542,300	756,898	214,598
Total Operating Revenues	<u>16,122,800</u>	<u>16,967,300</u>	<u>17,432,864</u>	<u>465,564</u>
Operating Expenses				
Administration	1,199,435	1,441,635	1,059,183	382,452
Human Resources	144,815	177,881	141,353	36,528
Engineering	516,106	558,886	238,929	319,957
Billing/Collections	530,064	537,764	472,298	65,466
Water Supply, distribution, and treatment	1,991,475	2,026,875	1,753,457	273,418
Wastewater treatment and collection	2,349,742	2,347,235	2,006,630	340,605
Meter reading	170,108	171,108	152,426	18,682
Maintenance: water line	865,819	995,735	757,793	237,942
Maintenance: sewer line	998,661	1,018,661	669,418	349,243
Pump stations, lift stations, water towers	542,800	573,050	474,299	98,751
Miscellaneous non-departmental expenses	2,748,342	3,567,725	2,805,867	761,858
Projects and studies	-	77,357,792	8,122,308	69,235,484
Repairs and maintenance-all departments	728,238	1,327,200	1,160,920	166,280
Total Expenditures	<u>12,785,605</u>	<u>92,101,547</u>	<u>19,814,881</u>	<u>72,286,666</u>
Debt Service				
Bond debt (principal/interest)	1,529,500	1,529,500	1,522,782	6,718
Loan debt (principal/interest)	1,740,235	1,740,235	1,735,260	4,975
Debt related expenses-Town of Butner	500,000	500,000	500,000	-
Total Debt Service	<u>3,769,735</u>	<u>3,769,735</u>	<u>3,758,042</u>	<u>11,693</u>
Non-Operating Revenues (Expenses)				
Investment Earnings	432,540	1,407,540	1,429,986	22,446
Total Non-operating Revenues (Expenses)	<u>432,540</u>	<u>1,407,540</u>	<u>1,429,986</u>	<u>22,446</u>
Excess of revenues over (under) expenses before other financing sources	-	(77,496,442)	(4,710,073)	72,786,369
Other Financing Sources (Uses)				
Legislative ARPA Grant (Collection System)	-	30,147,261	3,696,665	(26,450,596)
Legislative ARPA Grant (PFAS at WTP)	-	500,000	332,870	(167,130)
USDA Loan (Collection System)	-	35,000,000	-	(35,000,000)
DEQ AIA Grants (Water)	-	102,043	23,233	(78,810)
DEQ AIA Grants (Sewer)	-	175,202	33,093	(142,109)
Appropriated Fund Balance	-	11,571,936	-	(11,571,936)
Total other financing sources	-	<u>77,496,442</u>	<u>4,085,861</u>	<u>(73,410,581)</u>
Revenues and other sources over (under) expenses and other uses	<u>\$ -</u>	<u>\$ -</u>	<u>(624,212)</u>	<u>\$ (624,212)</u>
Reconciliation from budgetary basis (modified accrual) to full accrual:				
Reconciling items:				
Capital Outlay			8,315,730	
Contributed Capital-Cash-Local Governments			152,377	
Deferred outflows of resources for contributions made to pension plan in current fiscal year			402,557	
Pension expense			(555,683)	
Principal retirement			2,567,766	
Change in net assets			<u>\$ 10,258,535</u>	

The notes to the Financial Statements are an integral part of the financial statements.

**SOUTH GRANVILLE WATER AND SEWER AUTHORITY
BUTNER, NORTH CAROLINA
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2025**

	<u>WATER</u>	<u>WASTEWATER</u>	<u>TOTAL</u>
Operating Revenues			
Water	\$ 6,608,155	\$ -	\$ 6,608,155
Wastewater	-	10,067,811	10,067,811
Other	378,449	378,449	756,898
Total Operating Revenues	6,986,604	10,446,260	17,432,864
Operating Expenses			
Administration	490,378	490,377	980,755
Human Resources	66,303	66,303	132,606
Engineering	114,349	114,348	228,697
Billing/Collections	217,591	217,591	435,182
Water Supply, distribution, and treatment	1,788,078	-	1,788,078
Wastewater treatment and collection	-	2,110,096	2,110,096
Utilities:			
Meter reading	65,636	65,635	131,271
Maintenance: water line	615,952	-	615,952
Maintenance: sewer line	-	857,262	857,262
Pump stations, lift stations, water towers	131,340	879,487	1,010,827
Board/clerk and non-departmental expenses	416,933	416,933	833,866
Insurance	96,176	96,175	192,351
Amortization	47,463	47,463	94,926
Depreciation	1,120,204	1,120,204	2,240,408
Total Operating Expenses	5,170,403	6,481,874	11,652,277
Operating Income	1,816,201	3,964,386	5,780,587
Non-operating revenues (expenses)			
Investment income	714,993	714,993	1,429,986
Legislative ARPA Grant (Collection System)	-	3,696,665	3,696,665
Legislative Grant (PFAS)	332,870	-	332,870
DEQ AIA Grants (Water)	23,233	-	23,233
DEQ AIA Grants (Sewer)	-	33,093	33,093
Debt related expense-Town of Butner	(250,000)	(250,000)	(500,000)
Interest expense	(209,871)	(480,405)	(690,276)
Total Non-operating Revenues (Expenses)	611,225	3,714,346	4,325,571
Income (Loss) Before Contributions and			
Change in Net Position	2,427,426	7,678,732	10,106,158
Contributions:			
Contributed Capital - Local Governments			
(IAIA Agreement)	-	152,377	152,377
Change in Net Position	2,427,426	7,831,109	10,258,535
Net position - July 1, 2024, as previously reported	28,326,551	46,936,660	75,263,211
Restatement - change in accounting principle	(26,175)	(26,175)	(52,350)
Net position - July 1, 2024, as restated	28,300,376	46,910,485	75,210,861
Net Position - June 30, 2025	\$ 30,727,802	\$ 54,741,594	\$ 85,469,396

The notes to the Financial Statements are an integral part of the financial statements.

SOUTH GRANVILLE WATER AND SEWER AUTHORITY
BUTNER, NORTH CAROLINA
CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE
- BUDGET AND ACTUAL (NON GAAP)
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2025

	PROJECT AUTHORIZATION	PRIOR YEAR	ACTUAL CURRENT YEAR	TOTAL TO DATE	VARIANCE POSITIVE (NEGATIVE)
Revenues					
Sewer Collection System (East of I-85) Project					
ARPA Grant Funding	\$ 46,424,600	\$ 5,021,840	3,696,666	\$ 8,718,506	\$ (37,706,094)
Total Revenues	46,424,600	5,021,840	3,696,666	8,718,506	(37,706,094)
Expenses					
Sewer Collection System (East of I-85) Project					
Engineering	11,592,600	5,021,840	870,200	5,892,040	5,700,560
Construction-Phase I	34,832,000	-	2,826,466	2,826,466	32,005,534
Total Expenses	46,424,600	5,021,840	3,696,666	8,718,506	37,706,094
Revenues and Other Sources Over (Under) Expenses	\$ -	\$ -	\$ -	\$ -	\$ -

The notes to the Financial Statements are an integral part of the financial statements.

SOUTH GRANVILLE WATER AND SEWER AUTHORITY
BUTNER, NORTH CAROLINA
ASSET INVENTORY ASSESSMENT WATER
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE
- BUDGET AND ACTUAL (NON GAAP)
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2025

	PROJECT	ACTUAL		TOTAL TO	VARIANCE
	AUTHORIZATION	PRIOR	CURRENT	DATE	POSITIVE
		YEAR	YEAR		(NEGATIVE)
Revenues					
Asset Inventory Assessment Water					
DEQ Grant Funding	\$ 150,000	\$ 47,958	\$ 23,233	\$ 71,191	\$ (78,809)
Total Revenues	150,000	47,958	23,233	71,191	(78,809)
Expenses					
Asset Inventory Assessment Water					
Engineering	150,000	47,958	23,233	71,191	78,809
Total Expenses	150,000	47,958	23,233	71,191	78,809
Revenues and Other Sources Over (Under) Expenses	\$ -	\$ -	\$ -	\$ -	\$ -

The notes to the Financial Statements are an integral part of the financial statements.

SOUTH GRANVILLE WATER AND SEWER AUTHORITY
BUTNER, NORTH CAROLINA
ASSET INVENTORY ASSESSMENT SEWER
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE
- BUDGET AND ACTUAL (NON GAAP)
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2025

	PROJECT AUTHORIZATION	PRIOR YEAR	ACTUAL CURRENT YEAR	TOTAL TO DATE	VARIANCE POSITIVE (NEGATIVE)
Revenues					
Asset Inventory Assessment Sewer					
DEQ Grant Funding	\$ 200,000	\$ 24,798	\$ 33,093	\$ 57,891	\$ (142,109)
Total Revenues	<u>200,000</u>	<u>24,798</u>	<u>33,093</u>	<u>57,891</u>	<u>(142,109)</u>
Expenses					
Asset Inventory Assessment Sewer					
Engineering	<u>200,000</u>	<u>24,798</u>	<u>33,093</u>	<u>57,891</u>	<u>142,109</u>
Total Expenses	<u>200,000</u>	<u>24,798</u>	<u>33,093</u>	<u>57,891</u>	<u>142,109</u>
Revenues and Other Sources Over (Under) Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The notes to the Financial Statements are an integral part of the financial statements.

SOUTH GRANVILLE WATER AND SEWER AUTHORITY
BUTNER, NORTH CAROLINA
PFAS WATER TREATMENT PLANT PILOT TESTING
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE
- BUDGET AND ACTUAL (NON GAAP)
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2025

	<u>PROJECT</u> <u>AUTHORIZATION</u>	<u>PRIOR</u> <u>YEAR</u>	<u>ACTUAL</u> <u>CURRENT</u> <u>YEAR</u>	<u>TOTAL TO</u> <u>DATE</u>	<u>VARIANCE</u> <u>POSITIVE</u> <u>(NEGATIVE)</u>
Revenues					
PFAS Water Treatment Plant Pilot Testing					
DEQ Grant Funding	\$ 500,000	\$ -	\$ 332,870	\$ 332,870	\$ (167,130)
Total Revenues	<u>500,000</u>	<u>-</u>	<u>332,870</u>	<u>332,870</u>	<u>(167,130)</u>
Expenses					
PFAS Water Treatment Plant Pilot Testing					
Engineering	<u>500,000</u>	<u>-</u>	<u>332,870</u>	<u>332,870</u>	<u>167,130</u>
Total Expenses	<u>500,000</u>	<u>-</u>	<u>332,870</u>	<u>332,870</u>	<u>167,130</u>
Revenues and Other Sources Over (Under) Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The notes to the Financial Statements are an integral part of the financial statements.

COMPLIANCE SECTION

Winston, Williams, Creech, Evans, & Company, LLP

Certified Public Accountants



America Counts on CPAs

Gary L. Williams, CPA
Carleen P. Evans, CPA
Jennifer T. Reese, CPA
Tara H. Roberson, CPA

Curtis G. Van Horne, CPA

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

Independent Auditor's Report

Board Members
South Granville Water and Sewer Authority
Butner, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of South Granville Water and Sewer Authority as of and for the year ended June 30, 2025 and the related notes to the financial statements, which collectively comprises South Granville Water and Sewer Authority's basic financial statements, and have issued our report thereon dated December 12, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered South Granville Water and Sewer 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 South Granville Water and Sewer Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency or 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 the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any

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deficiencies in internal control that we consider material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

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

Purpose of this Report

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

Winston, Williams, Creech, Evans & Co., LLP

Oxford, North Carolina
December 12, 2025

Winston, Williams, Creech, Evans, & Company, LLP

Certified Public Accountants



America Counts on CPAs

Gary L. Williams, CPA
Carleen P. Evans, CPA
Jennifer T. Reese, CPA
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Report On Compliance For Each Major Federal Program; Report on Internal Control Over Compliance; With OMB Uniform Guidance and the State Single Audit Implementation Act

Independent Auditor's Report

Board Members
South Granville Water and Sewer Authority
Butner, North Carolina

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited South Granville Water and Sewer Authority, compliance with the types of compliance requirements described in the OMB *Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of South Granville Water and Sewer Authority's major federal programs for the year ended June 30, 2025. South Granville Water and Sewer Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, South Granville Water and Sewer Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2025.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State Single Audit Implementation Act. Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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We are required to be independent of South Granville Water and Sewer Authority and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of South Granville Water and Sewer Authority's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to South Granville Water and Sewer Authority federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on South Granville Water and Sewer Authority's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about South Granville Water and Sewer Authority's compliance with the requirements of each major federal program as a whole.

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

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, 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 South Granville Water and Sewer Authority's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of South Granville Water and Sewer Authority's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of South Granville Water and Sewer Authority's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies or material weaknesses in internal control over compliance. Given these limitations, during our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Winston, Williams, Creech, Evans & Company, LLP

Winston, Williams, Creech, Evans & Company, LLP
Oxford, North Carolina
December 12, 2025

**SOUTH GRANVILLE WATER AND SEWER AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2025**

Section I - Summary of Auditor's Results

Financial Statements

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

Internal control over financial reporting:

Material weakness(es) identified? ☐ Yes ☒ No

Significant deficiency(s) ☐ Yes ☒ None reported

Noncompliance material to financial statements noted? ☐ Yes ☒ No

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified? ☐ Yes ☒ No

Significant deficiency(s) ☐ Yes ☒ None reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? ☐ Yes ☒ No

Identification of major federal program:

Federal Assistance

<u>Listing No.</u>	<u>Name of Federal Program or Cluster</u>
21.027	Coronavirus State and Local Fiscal Recovery Fund

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

Auditee qualified as low-risk auditee? ☒ Yes ☐ No

Section II - Financial Statement Findings

None reported.

Section III - Federal Award Findings and Questioned Costs

None reported.

**SOUTH GRANVILLE WATER AND SEWER AUTHORITY
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2025**

Section II - Financial Statement Findings

None reported.

Section III - Federal Award Findings

None reported.

**SOUTH GRANVILLE WATER AND SEWER AUTHORITY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025**

Prior Year Audit Findings:

Financial Statement Findings

None reported.

Federal Award Findings

None Reported

**SOUTH GRANVILLE WATER AND SEWER AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2025**

	Federal Assistance <u>Listing No.</u>	State/ Pass-through <u>Grantor's No.</u>	Federal (Direct & Pass-through) <u>Expenditures</u>	State <u>Expenditures</u>
Federal Awards				
<u>U. S. Department of Treasury</u>				
Passed-through N C Department of Environmental Quality Coronavirus State and Local Fiscal Recovery Fund	21.027	SRP-W-ARP-0048	\$ 3,696,666	\$ -
State Awards				
<u>North Carolina Department of Environmental Quality (DEQ)</u>				
Asset Inventory Assessment (AIA): Water		AIA-D-ARP-0134		23,233
Asset Inventory Assessment (AIA): Sewer		AIA-W-ARP-0204		33,093
<u>North Carolina Department of Environmental Quality (DEQ)</u>				
PFAS Water Treatment Plant Pilot Testing		SRF-D-EC-0011		332,870
Total Assistance			<u>\$ 3,696,666</u>	<u>\$ 389,196</u>

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

Note 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal and State Awards (SEFSA) includes the federal and State grant activity of SGWASA under the programs of the federal government and the State of North Carolina for the year ended June 30, 2025. The information in this SEFSA is presented in accordance with the requirements of *Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of SGWASA, it is not intended to and does not present the financial position, changes in net position or cash flows of SGWASA.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported in the SEFSA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3 - Indirect Cost rate

SGWASA has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.