

COASTAL REGIONAL SOLID WASTE MANAGEMENT AUTHORITY

NEW BERN, NORTH CAROLINA



COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2019



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INTRODUCTION SECTION

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 - GFOA Certificate of Achievement
 - List of Principal Officials
 - Municipal Committee Members
 - Organizational Chart
 - Location Map
-



THE
COASTAL
ENVIRONMENTAL
PARTNERSHIP

COASTAL REGIONAL SOLID WASTE MANAGEMENT AUTHORITY

• **Administrative Offices:**

7400 Old Highway 70 West
New Bern, NC 28562

• **Mailing Address:**

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PO Box 128
Cove City, NC 28523



• **Telephone:** 252-633-1564

• **Facsimile:** 252-633-6515

• **Website:** www.cswma.com

Serving Carteret, Craven and Pamlico Counties

December 26, 2019

Citizens of Carteret, Craven and Pamlico Counties, and
The Board of Directors, Coastal Regional Solid Waste Management Authority

Ladies and Gentlemen:

This Comprehensive Annual Financial Report (CAFR) for the Coastal Regional Solid Waste Management Authority (the Authority) containing the results of financial transactions occurring during the year ended June 30, 2019 is hereby presented for your review. The North Carolina Local Government Finance Act, North Carolina General Statute (NCGS) 159 Article 34 requires that the Authority have its accounts audited annually by a certified public accountant or by an accountant certified by the Local Government Commission (LGC) as qualified to audit local governments.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Barrow, Parris & Davenport, PA, Certified Public Accountants, have issued an unmodified (“clean”) opinion on the Authority’s financial statements for the year ended June 30, 2019. The independent auditor’s report is located at the front of the financial section of this report.

Management’s discussion and analysis (MD&A) immediately follows the independent auditor’s report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

DESCRIPTION OF THE AUTHORITY

The Authority is a municipal partnership chartered in 1990 by Carteret, Craven and Pamlico Counties pursuant to NCGS 153A-421. Its purpose is to develop and operate a municipal solid waste (MSW) disposal system to meet the long-term needs of the partner counties in an environmentally sound and cost effective manner. The Authority has continuously operated its disposal system since October 9, 1993.

Board of Directors. The Authority is governed by a seven (7) member Board of Directors who are appointed by the Boards of Commissioners of the three (3) partner counties. Carteret County and Pamlico County each appoint two (2) Directors and Craven County appoints three (3) Directors. In addition to the seven (7) regular Directors, each County appoints one (1) Alternate Director to serve in the absence of a regular Director.

The Board of Directors is supplemented by a Municipal Advisory Committee that has the potential for twenty-six members. This committee is comprised of one (1) member appointed by each of the local municipalities served by the Authority. Municipal committee members have all the privileges of regular members except the right to vote. A complete list of the Directors appears at the end of this Introductory section at page 10.

Executive Director and Staff. An Executive Director, who serves at the Board's pleasure, is the Chief Executive Officer of the Authority and is responsible for implementing its policy decisions. The Director's immediate staff includes a Finance Officer, Operations Manager, Planner/Outreach Coordinator and Administrative Secretary. A complete chart of personnel organization appears at the end of this Introductory section at page 10.

Budgetary Information. The budget is an integral part of the Authority's accounting system and daily operations. An annual or project budget ordinance, as amended by the Board of Directors, creates a legal limit on spending authorizations. Appropriations in all funds are made at the departmental level. However, for internal reporting purposes, budgetary control is maintained by object class (line item account). Purchase orders that would create an over encumbrance at that level are not written until additional appropriations are available through budget amendments or intradepartmental transfers approved by the Executive Director. The Finance Officer may transfer up to \$5,000 of functional appropriations within a fund as long as total appropriations are not changed and the budgetary transfers are reported to the Board of Directors at its next regular monthly meeting.

The Authority's FY 2018-19 budget was formulated by the staff and presented to the Board of Directors for consideration. The budget is subjected to a public hearing and ultimately adopted by the Board of Directors. During the year the budget was monitored closely by the Executive Director and Finance Officer who reported the status with any recommended adjustments to the Board on a regular basis. The same procedure, including a "zero-base" approach, was followed for the FY 2019-20 budget. The budget is executed in conformance with the policy established by the Board of Directors and the North Carolina Local Government Budget and Fiscal Control Act.

LOCAL ECONOMY

The Authority's member counties are located in the central coast of North Carolina, an area diverse in its physical characteristics, demographics and economic base. As well as being a prime tourist and retirement destination, drawn by the area's beaches and rivers, the counties are also rich with historical attractions and other cultural opportunities. The estimated 2018 census population estimate for the Authority's service area was 187,649 as reported by the North Carolina Office of State Budget and Management. The three county region's average per capita income for 2018, as reported by the Federal Bureau of Economic Analysis, was \$45,801, which is just below the State average of \$46,117. The traditional industries - fishing, farming and forestry, have been supplemented by manufacturing, retail, and tourism. Unlike other regions of the State, the Authority's service area is not dependent on the industries that have been heavily impacted by the economic downturn and exportation of jobs. The manufacturing jobs in the area are not those generally subject to threat from low-cost imports. The unemployment rate for the area remains comparable than that of the State of North Carolina and the United States in general. The economic health of the service area as indicated by the upward trend in population and per capita income is generally better than that of the State of North Carolina and the United States as a whole, due to a large military and retiree presence.

The economy of the area has recovered from the economic recession of the mid-2000's, but now faces a new challenge in the aftermath of Hurricane Florence. The area experienced storm surge flooding, hurricane-force winds, and torrential rainfall. Over a year later, while most of the region has recovered,

there are still some residential and commercial structures that remain uninhabitable.

Unemployment rates have declined and remain similar to national and state levels. The State Port in Morehead City is one of the deepest ports on the East Coast and handled a total tonnage of almost 1.6 million in FY 2018. The area's economy is also supplemented by several industrial parks, including Jarrett Bay Marine Industrial Park near Beaufort, the Crystal Coast Business Park in Morehead City, and the Craven County Industrial Park near New Bern. Employment at businesses such as Hatteras Yachts, BSH and Moen has stabilized and some have increased in recent years. In the Craven County Industrial Park, recent major expansions include Moen and a Pepsi-Cola distribution facility. Carteret County's top employers include government services, health services, and retail. Carteret also has one of the nation's largest and most diverse concentration of marine related institutions, most of which are affiliated with universities, State agencies, and the federal government. Pamlico County's economy is based in agriculture, tourism, and seafood.

Government is the largest employer in the area. Marine Corps Air Station Cherry Point and the Fleet Readiness Center East continue to provide a positive economic impact on the Authority's service area. These two facilities combine to employ almost 14,000 civilian and military personnel. For their FY 2017, MCAS Cherry Point's economic impact in the area was estimated to be over \$2.0 billion with over \$1.2 billion in salaries. Also, construction and service contracts totaled almost \$120 million in FY 2017. Other State and local governments rank in the top 10 employers in each of the three counties.

With many attractions in the area, such as Fort Macon State Park, Cape Lookout National Seashore, Tryon Palace, Croatan National Forest, the North Carolina History Center, and multiple historic districts, as well as sailing, fishing, and other watersports, tourism remains a very viable sector of the local economy. According to the North Carolina Department of Commerce, tourism generated approximately \$546 million in economic impact and created over 4,800 jobs in the three-county region of Carteret, Craven, and Pamlico Counties during 2018. The economic impact of the tourism industry has increased by 80% in the region since 2008. Highway improvements to US 17, US 70, and NC 55 have assisted in the growth of tourism and the overall local economy as well. Future improvements for US 17 and US 70 will only enhance the importance of tourism, in addition to other facets of the economy.

The area is served by two award-winning hospitals that continue to expand their services. CarolinaEast Health System recently completed a \$64 million renovation and expansion project of the New Bern hospital facility and is nearing completion of a \$56 million Comprehensive Cancer Center serving eastern North Carolina. Carteret Health Care has completed a \$53 million expansion for a multi-disciplinary cancer center. These improvements will serve to assist in the efforts to entice residents to the area by providing high quality health care usually found only in metropolitan areas.

The attraction of water access and a favorable retirement climate is still a strong draw to the area, and despite the setbacks from Hurricane Florence, the growth to the area is improved. Residential real estate development in the service area has substantially improved in recent years. The building permit data for residential construction reflects the increase as well. Retail and commercial development is also more noticeable in recent years.

LONG-TERM FINANCIAL PLANNING AND MAJOR INITIATIVES

The Authority continues to focus on providing environmentally responsible waste disposal services in a fiscally responsible manner. In so doing, the Authority is looking to provide its services in a cost competitive manner, while focusing on the need to be customer-friendly. During the past year, the Authority has accomplished operational improvements, improved access and other important elements of its goals.

The Authority opened Phase 3 of the Tuscarora Long-Term Regional Landfill in 2013 and which was still in use in FY 2019. The Authority's engineers have determined that the currently-permitted site will provide landfill space for an additional 25+ years based on current disposal levels and the historical annual rate of increase, trended across several years. An additional 115 acres is owned and reserved for future disposal needs, but has not yet been permitted. The Authority began construction of Phase 4 of the landfill in FY 2019 and opened Phase 4 in the first quarter of FY 2020.

The Authority continues selling landfill gas to Ingenco, LLC for the production of electricity. The Authority completed the expansion of the landfill gas collection system into Phase 3 of the landfill in 2019. Ingenco had previously expanded their 4 megawatt generating facility to 6 megawatts to take advantage of the increased gas flow. The electricity produced is sufficient to meet the needs of approximately 2,000 homes, according to the US Environmental Protection Agency. This facility is the first landfill gas-to-energy facility in eastern North Carolina.

The Authority continued to conduct a series of Household Hazardous Waste collection events in the three counties. Participation by citizens is very good, with an average of 80,000 pounds of materials being collected annually. Disposal of these materials, which includes paints, electronics, and household chemical, is contracted with a major hazardous waste disposal company, with an emphasis on recycling and reuse wherever possible. Because many of these materials would otherwise find their way to improper disposal sites, the Authority was pleased to see these materials removed to a safe and environmentally responsible location.

The Authority continues to emphasize maintenance and customer convenience at its facilities. The investments in paving roads and public access areas in past years has resulted in lower maintenance costs on an annual basis and better customer satisfaction in using the Authority's facilities. With over 500 acres of property, the Authority maintains extensive storm water management systems, sedimentation and erosion control features and drainage features in accordance with various state permits. A significant portion of the Authority's operating budget is devoted to maintenance of these facilities.

During the year, the Authority continued to produce and market CoastalGrow, a composted yard waste product in bulk form, to homeowners, gardeners and professional landscapers. This product was developed with the assistance of the N.C. Cooperative Extension Service and is tested for nutrients and other essential elements by the N.C. Department of Agriculture. CoastalGrow is considered to be one of the premier yard-waste compost products available in North Carolina.

The Authority recognizes that for the foreseeable future, landfilling solid waste is the most economically viable option for the service area. For that reason, additional land has been purchased for future expansion. Consideration of alternative methods of solid waste disposal, and improvements in landfill techniques, will continue as the Authority seeks to make certain that its methodology of waste disposal is the best combination both fiscally and environmentally.

The Authority's Board of Directors updated a Strategic Plan for the future during FY 2018-19 and continues to review the Plan on a regular basis as the needs of the Authority change. The Board identified goals in several strategic areas: expansion of the Carteret County Transfer Station, succession planning for key staff members, operational improvements to the Pamlico County Transfer Station, acquisition of additional land for the Tuscarora Landfill, enhanced outreach to the areas around the Tuscarora Landfill, and hurricane preparation. Teams were developed to pursue tasks associated with each of the goals and progress continues on an on-going basis towards these goals. Accomplishing these goals will position the Authority to be well prepared for the challenges of the future.

Waste Collections. Total waste collections have exceeded projections contained in the 1992 Official Statement (although individual categories have varied). Waste volume for FY 2018-19 drastically increased by 63% compared to the prior fiscal year. Hurricane Florence devastated Eastern North Carolina in September of 2018. The flooding and rain damage caused pro-longed construction repair efforts in the region, causing a significant amount of solid waste to be delivered to our facilities throughout the fiscal year. Detailed data is presented in the Statistical Section as Table 11 and Graph 4.

Flow Control. Since the United States Supreme Court ruled that municipalities' attempts to regulate the flow of solid waste violates the Inter-State Commerce clause of the United States Constitution, *C & A Carbone, Inc. V. Town of Clarkstown*, 1145.Ct.16.77 (1994), the solid waste industry has focused much attention on the ramifications of that decision. The Authority has continuously monitored any and all developments in the area of solid waste flow control since adopting its original flow control ordinance. During FY 2002, the Authority significantly revised its approach to flow control, after reviewing decisions such as United Haulers Association, Inc et al vs. Oneida-Herkimer Solid Waste Management Authority, et al decided by the 2nd Circuit Court of Appeals on July 22, 2001. The 2nd Circuit decision was upheld by the United States Supreme Court on April 30, 2007 that county ordinances directing locally generated wastes to publicly owned waste facilities do not discriminate against interstate commerce. (*United Haulers Association v. Oneida-Herkimer Solid Waste Management Authority*, No. 05-1345). A four-member plurality of justices cited "compelling reasons" to treat these regulations different from laws favoring particular private businesses over their competitors. In addition to considering the impact of this ruling, the Authority has carefully analyzed potential non-Authority waste disposal sites and concluded that any attempted waste diversion would likely come from facilities located within North Carolina. As a result, the Authority has amended and re-stated its flow control ordinance to address only intrastate aspects and attempts to only regulate municipal solid waste that is generated within the Authority's designated geographic area and intended for disposal within the State of North Carolina. The Authority believes its current flow control ordinance addresses the issues of greatest consequence to the Authority, while removing the more legally challenging issues of interstate flow control. In addition, the Authority continues to utilize a web of voluntary agreements reinforced by competitive pricing to insure the delivery of waste to its facilities. The Authority's hierarchy of flow control is:

1. **Competitively Priced Disposal.** The Authority's facilities are the area's lowest cost alternative, considering disposal cost and transportation cost.
2. **Inter-county & Inter-local Service Agreements.** The Authority's three (3) partner counties and twenty-six (26) local municipalities have contracted to deliver or cause to be delivered to Authority facilities all municipal solid waste collected by them or on their behalf.
3. **Hauler License Agreements.** As a condition of their license to use Authority facilities, haulers agree to deliver all waste they collect within the tri-county service area and destined for disposal in North Carolina, to the Authority's designated facilities.
4. **Availability Fee.** The Board of County Commissioners of the member counties may implement a fee to be levied on the residents and businesses of the service area to partially or fully fund the Authority's obligations.
5. **Local Ordinance.** The Authority's flow control ordinance prohibits only intrastate export and specifically permits interstate export of municipal solid waste, thus it seeks to avoid a challenge on constitutional grounds.

RELEVANT FINANCIAL POLICIES

The Authority operating budget was fully funded by operating revenues. This was accomplished with tipping fees that continue to be at or below projections made at the time of the Authority's 1992 Solid Waste System Bond issuance. The Authority's base tipping fee during the fiscal year for municipal solid

waste and construction and demolition material was \$38.00 per ton at the landfill and \$50.50 per ton at the transfer stations.

The Authority collected average monthly revenues of \$1,330,977. This average was approximately \$500,000 over the FY 17-18 average due to Hurricane Florence. Revenues over and above the operating needs of the Authority are transferred into capital reserve funds for the replacement of assets, including landfill space and equipment. Future closure costs are also funded through a capital reserve fund.

Computerized financial management information systems combined with a strict policy of denying disposal service to any customer whose payment is overdue has resulted in a 99.99% collection rate. All accounts receivable are established through an automated scale data management system operated by one Authority division and collected by another. Similarly, virtually all accounts payable are established and paid for by different divisions through a computerized system. All purchases and payments require two (2) authorized signatures. Thus, despite its small size, the Authority has implemented a system of internal controls that conserves and safeguards its financial resources.

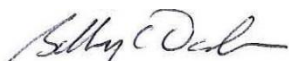
The Authority's deposits were collateralized or insured as required by NCGS 159-31. Cash temporarily idle during the year was invested in demand deposits, certificates of deposit, federal government securities, or the North Carolina Capital Management Trust and repurchase agreements secured by federal government securities. At all times, consideration was given to earning the highest yields on investments while maintaining the safety and liquidity of investments. Total investment earnings during the year were \$283,382 on an average balance of \$12,999,780 for an average rate of return of 2.2%.

AWARDS & ACKNOWLEDGEMENTS

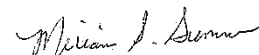
The Government Finance Officer's Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Authority for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2018. This was the twenty-fifth consecutive year that the Authority has achieved this prestigious award. In order to be awarded a Certificate of Achievement, the Authority had to publish an easily readable and efficiently organized comprehensive annual financial report that satisfied both generally accepted accounting principles and applicable program requirements. A Certificate of Achievement for Excellence in Financial Reporting is valid for a period of one year only. However, we believe our current CAFR continues to conform to the Certificate of Achievement for Excellence in Financial Reporting Program's requirements and we are submitting it to GFOA to determine its eligibility for another certificate.

Through the enthusiastic support of the Board of Directors this Comprehensive Annual Financial Report has been prepared to meet the high standards of the GFOA. The quality and timely preparation of the comprehensive annual financial report was made possible by the dedicated service of the Authority's finance and administrative support staff, and Barrow, Parris & Davenport, PA, the Authority's independent auditors.

Sincerely,



Bobby C. Darden
Executive Director



Miriam S. Sumner
Finance Officer



Government Finance Officers Association

**Certificate of
Achievement for
Excellence in
Financial
Reporting**

Presented to

**Coastal Regional Solid Waste
Management Authority, North Carolina**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2018

Christopher P. Morrill

Executive Director/CEO

**COASTAL REGIONAL SOLID WASTE MANAGEMENT AUTHORITY
LIST OF PRINCIPAL OFFICIALS**

EXECUTIVE DIRECTOR

BOBBY C. DARDEN

BOARD OF DIRECTORS

DOUG BRINSON
Chairman, Pamlico County

PAMLICO COUNTY

DOUG BRINSON

JOE VALINOTI

TIM BUCK, Alternate

CARTERET COUNTY

EUGENE FOXWORTH

JIMMY FARRINGTON

TOMMY BURNS, Alternate

CRAVEN COUNTY

JASON JONES

JOE FOGLEMAN

JOHN KIRKLAND,
Vice Chairman

JACK VEIT, Alternate

**COASTAL REGIONAL SOLID WASTE MANAGEMENT AUTHORITY
MUNICIPAL COMMITTEE MEMBERS**

CARTERET COUNTY

MARK EAKES
Beaufort

DAVID WHITLOW
Morehead City

DAVID HEATH
Newport

ROBERT DANEHY
Pine Knoll Shores

TED PACE
Atlantic Beach

CHRIS SEABURG
Cedar Point

CRAVEN COUNTY

MARK STEPHENS
New Bern

BILL EBRON
Havelock

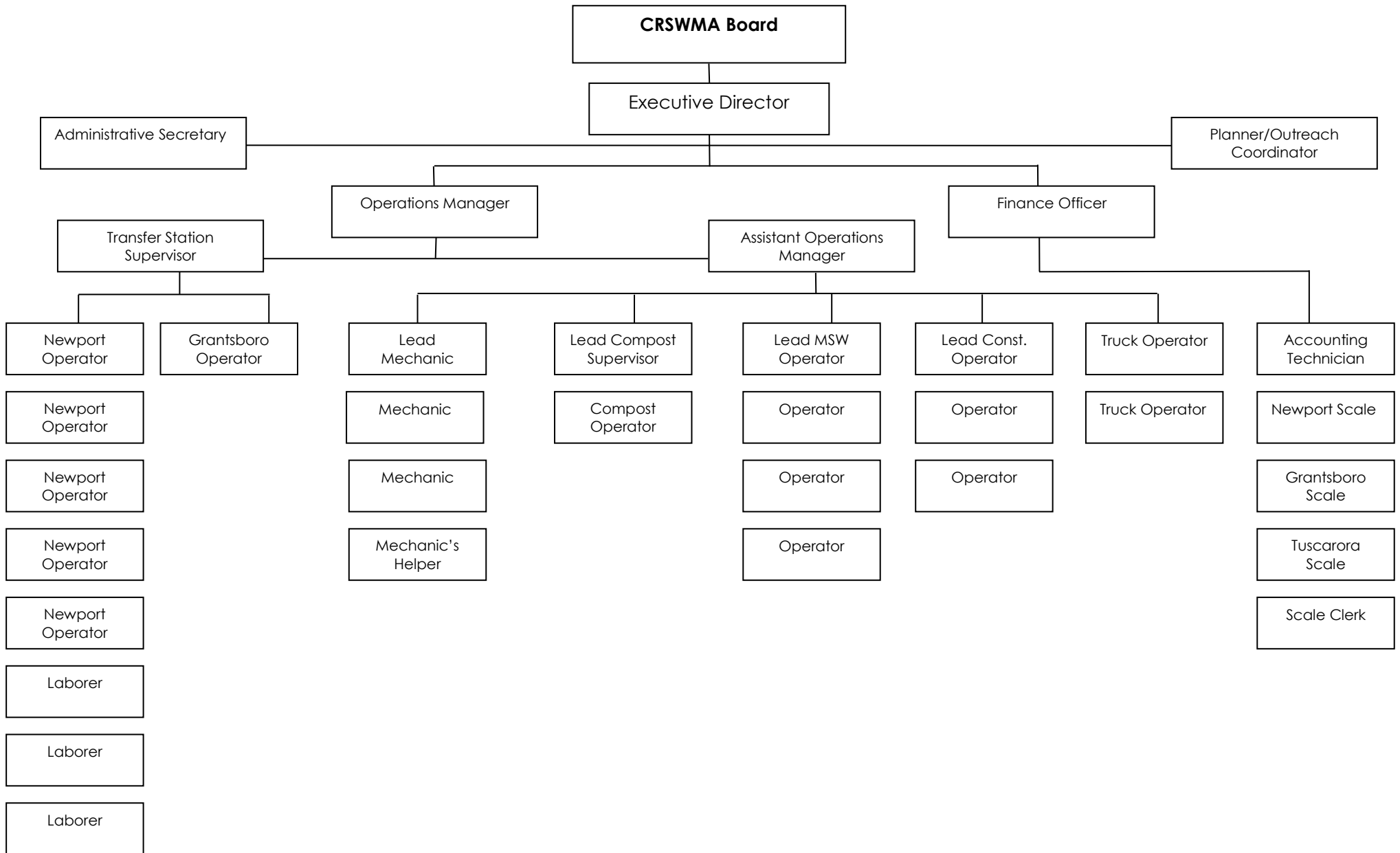
DON FOGLE
River Bend

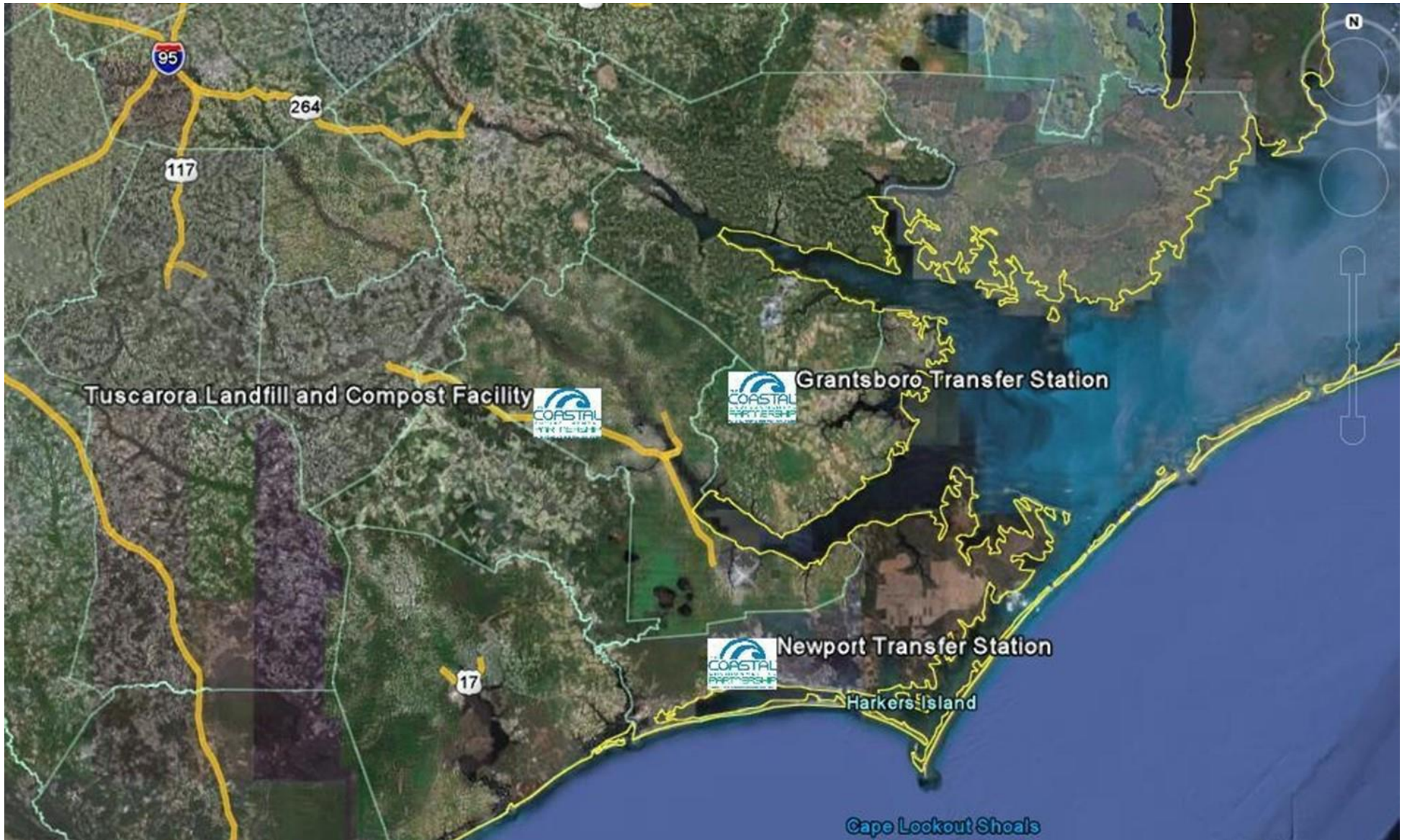
BILL JOINER
Trent Woods

PAMLICO COUNTY

THOMAS FUNN
Vandemere

Coastal Regional Solid Waste Management Authority







FINANCIAL SECTION

- Independent Auditor's Report
 - Management's Discussion and Analysis
 - Basic Financial Statements, including Notes to the Basic Financial Statements
 - Supplementary Information
-



THE

COASTAL

ENVIRONMENTAL

PARTNERSHIP

COASTAL REGIONAL SOLID WASTE MANAGEMENT AUTHORITY

INDEPENDENT AUDITOR'S REPORT



THE

COASTAL

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COASTAL REGIONAL SOLID WASTE MANAGEMENT AUTHORITY



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NORTH CAROLINA ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS
AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Coastal Regional Solid Waste Management Authority
Cove City, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the Coastal Regional Solid Waste Management Authority ("Authority") as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of June 30, 2019, and the respective changes in financial position and cash flows, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 22 through 27 and the Local Government Employees' Retirement System's Schedules of the Proportionate Share of Net Pension Liability and Contributions on pages 62 and 63 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

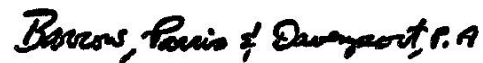
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Authority. The introductory section, budgetary schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The introductory and statistical sections have not been subjected to auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 26, 2019 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.



BARROW, PARRIS & DAVENPORT, P.A.
Kinston, North Carolina

December 26, 2019



MANAGEMENT'S DISCUSSION AND ANALYSIS



Management's Discussion and Analysis Coastal Regional Solid Waste Management Authority

As management of the Coastal Regional Solid Waste Management Authority (the "Authority"), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended June 30, 2019. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 1-6 of this report.

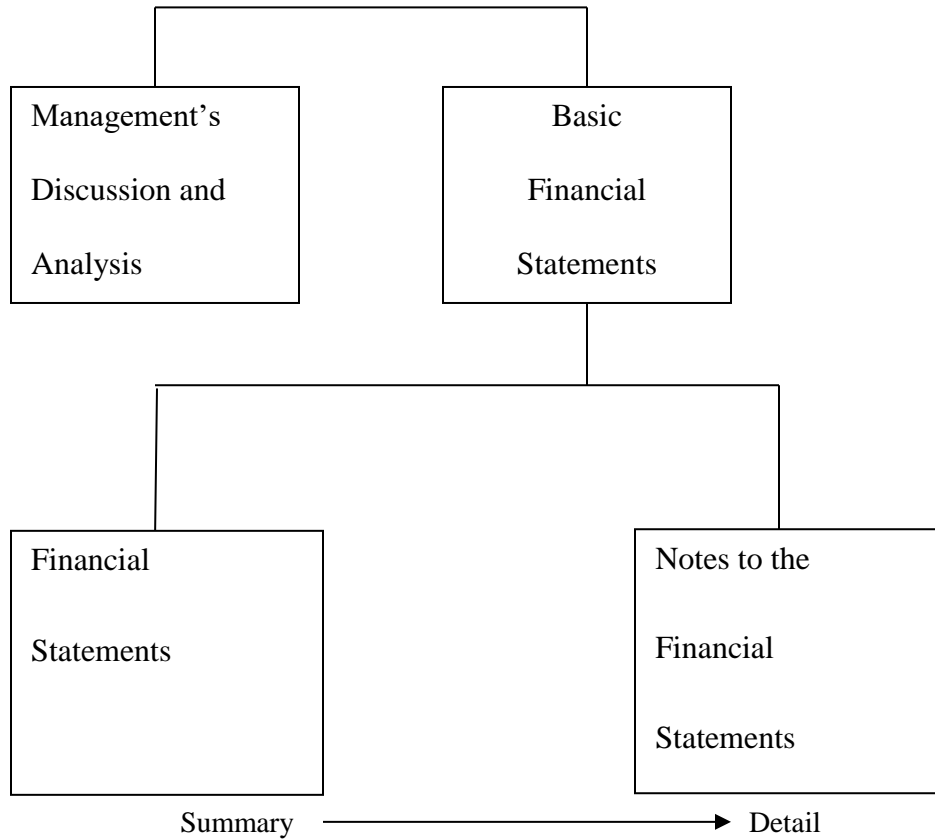
Financial Highlights

- At the close of the current fiscal year, the Authority reported ending net position of \$19,278,501, an increase of \$3,990,117 in comparison with the prior year.
- The Authority's cash and cash equivalents at year end totaled \$10,735,708, a decrease of \$4,821,889 from the previous year's end. The decrease is due to positive operational results offset by the completion of Phase 4 of the landfill.
- The Authority's net capital assets increased from \$13,348,633 to \$22,510,963 during the fiscal year. The primary reason for this increase is the acquisition of new equipment in the amount of \$1,996,687 and construction costs of Phase 4 of the landfill in the amount of \$10,986,517. These additions were offset by a depreciation change of \$3,820,876.
- The Authority experienced drastically increased operating revenues from the previous fiscal year due to the effects of historic tonnage due to Hurricane Florence.
- For the twenty-fifth consecutive year, the Authority received the Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statements consist of two components; 1) financial statements, and 2) notes to the financial statements (see Figure 1). The Authority operates completely as an "Enterprise" or business-type activity and its financial statements reflect that activity on one set of financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the Authority.

**Required Components of Annual Financial Report
Figure 1**



Basic Financial Statements

The **statement of net position** presents information on all of the Authority's assets, liabilities and deferred inflows/outflows of resources with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The **statement of activities** presents information showing how the Authority's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The next section of the basic financial statements is the **notes**. The notes to the financial statements provide additional information that is necessary to acquire a full understanding of the data contained in those statements. The notes to the financial statements can be found on pages 41-59 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning the Authority's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on pages 62-63 of the report.

Also, additional supplementary information is provided to show details about the Authority's individual funds. Budgetary information required by the General Statutes also can be found in this part of the statements.

Financial Analysis

Because the Authority operates completely as an Enterprise or business-type fund, there is no need for consolidated statements. The entire financial picture of the Authority is presented in one set of financial statements.

The Authority's Net Position
Figure 2

	2019	2018	
Current and other assets	\$ 12,790,151	\$ 16,898,340	
Capital assets	22,510,963	13,348,633	
Total assets	35,301,114	30,246,973	
Total deferred outflows of resources	606,046	382,040	
Current liabilities	2,116,286	1,234,729	
Noncurrent liabilities	14,507,680	14,091,087	
Total liabilities	16,623,966	15,325,816	
Deferred inflows of resources	4,693	14,813	
Net position:			
Net investment in capital assets	22,510,963	13,348,633	
Unrestricted	(3,232,462)	1,939,751	
Total net position	\$ 19,278,501	\$ 15,288,384	

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of resources of the Authority exceeded liabilities and deferred inflows of resources by \$19,278,501 as of June 30, 2019. The Authority's net position increased by \$3,990,117 for the fiscal year ended June 30, 2019. The increase in net position is due to the increase in depreciation and the closure and post-closure care costs while being mitigated by continual positive operations and adherence to budgeted expenditures and historic fees due to Hurricane Florence. The net investment in capital assets portion reflects the Authority's investment in land, buildings, machinery, and equipment, net of accumulated depreciation. The Authority uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. The remaining balance of (\$3,232,462) is unrestricted. The Authority's current assets of \$12,790,151 include \$4,441,649 (34.73%) reserved for the construction of future landfill cells, closure of the current landfill cell, and future equipment replacement. The Authority's long-term liabilities of \$14,507,680 include \$13,655,430 (94.13%) representing long-term post-closure care liabilities that would only be realized if the Authority were to discontinue its operations.

The reason for the negative unrestricted net position is as follows. First, as part of the Authority's strong financial policy, funds are built into the rate structure so that as a current cell is filled with waste, money is accumulated over that cell's lifespan such that new cells can be constructed in a timely manner and be paid for with cash versus debt funding. Secondly, as the new cell is constructed, the cash is spent and the new landfill cell is reflected in construction in progress and/or operating plant, therefore reducing unrestricted assets and

increasing the invested in capital assets. Thirdly, the landfill complies with all professional standards and strict state requirements in the recording of its closure and post-closure care liabilities. While this liability (\$13,686,725 at June 30, 2019) is directly associated with the capital assets, it does not qualify under current accounting standards to offset the net investment in capital assets portion of the net position, therefore creating a negative unrestricted net position number. Given the acreage the Authority owns, it is estimated that the closure of the entire landfill will not occur for at least 75 years in the future. Over this period of time the Authority will continue to collect cash in advance to construct new cells and to provide funding for the eventual closure of the landfill. The effect over time on the unrestricted net position will be to bring it to a larger positive amount. The ability of the Authority to construct new cells and accumulate funds for eventual closure with cash versus debt financing is considered to be a tremendous strength.

Several particular aspects of the Authority's financial operations positively influenced the net position:

- Excellent compaction ratios for waste placed in the landfill, increasing landfill life and reducing cost of airspace per ton.
- Diligence in controlling costs.
- Continued diligence in collection of accounts receivable.
- Continued an in-house transportation operation, in order to save on fuel taxes, and maximize hauling capacity.
- Cooperation from counties and municipalities to direct waste to the Authority's facilities.

Several other aspects of the Authority's financial operations negatively influenced the net position:

- A State requirement to increase the amounts accrued for landfill closure and post-closure care by 1.022%.
- Increase in closure liabilities due to state requirements.

The Authority's Changes in Net Position
Figure 3

OPERATING REVENUE	2019	2018
Charges for services	\$ 14,971,102	\$ 9,310,455
Compost sales	34,675	23,492
Landfill gas	49,528	42,391
Scrap tire disposal fees	264,335	251,314
Solid waste disposal fees	652,080	400,187
Total operating revenue	15,971,720	10,027,839
NON-OPERATING REVENUE		
Interest income	283,382	171,600
Gain on disposal of assets	20,000	192,391
Insurance proceeds	3,270	-
Total non-operating revenue	306,652	363,991
Total revenue	16,278,372	10,391,830
OPERATING EXPENSES		
Operating expenses	7,247,505	6,111,233
Closure and post-closure care costs	1,219,874	808,929
Depreciation	3,820,876	2,939,809
Total operating expenses	12,288,255	9,859,971
Total expenses	12,288,255	9,859,971
Change in net position	3,990,117	531,859
NET POSITION, beginning	15,288,384	14,756,525
NET POSITION, ending	\$ 19,278,501	\$ 15,288,384

Capital Asset and Debt Administration

Capital assets. The Authority's net investment in capital assets for its activities as of June 30, 2019, totals \$22,510,963 (net of accumulated depreciation). These assets include buildings, landfill space, land, machinery and equipment, vehicles and construction in progress. Major capital asset transactions during the year include the following:

- Acquisition of new equipment and construction in progress with a total value of \$12,983,204.
- Depreciation in the amount of \$3,820,876.

**The Authority's Capital Assets
(Net of depreciation)
Figure 4**

	2019	2018
Land	\$ 2,309,160	\$ 2,309,160
Construction in progress	11,246,071	259,554
Buildings	2,617,390	2,771,927
Operating Plant	2,006,952	4,257,240
Equipment	4,156,028	3,432,788
Vehicles	175,362	317,964
Total	\$ 22,510,963	\$ 13,348,633

Additional information on the Authority's capital assets can be found in note 4 of the Basic Financial Statements.

Long term Liabilities

As of June 30, 2019, the Authority had total long term liabilities of \$14,507,680. Of this, \$13,655,430 is made up of closure and post-closure care costs. Pension liability totaled \$729,732, and compensated absences were \$122,518. Additional information regarding the Authority's long term liabilities can be found in Note 6 of this report.

Economic Factors

The following key economic factors reflect the stability of the Authority's service area, Carteret, Craven and Pamlico counties:

- Relatively stable employment. With a strong governmental sector employment, the area's unemployment rate has remained similar to that of the State of North Carolina and the United States as a whole.
- Population increase. The population has increased to 187,649 in the Authority's service area, with anticipated continued increase as more retirees move to the area.
- Strong military presence. MCAS Cherry Point's economic impact in the area is estimated at \$2.2 billion, most of which will be spent in the immediate area.

Budget Highlights and Rates for the Fiscal Year Ending June 30, 2020

The Authority maintained solid waste tipping fees in fiscal year 2019-20 in an effort to continue funding future landfill capital projects without incurring debt as compared to fiscal year 2018-19 based on continued increase of total solid waste tons received at the landfill.

Requests for Information

This report is designed to provide an overview of the Coastal Regional Solid Waste Management 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 Finance Officer, Coastal Regional Solid Waste Management Authority, P.O. Box 128 Cove City, NC 28523.

BASIC FINANCIAL STATEMENTS



THE

COASTAL

ENVIRONMENTAL

PARTNERSHIP

COASTAL REGIONAL SOLID WASTE MANAGEMENT AUTHORITY

COASTAL REGIONAL SOLID WASTE MANAGEMENT AUTHORITY

STATEMENT OF NET POSITION

June 30, 2019

ASSETS

Current assets:

Cash and cash equivalents	\$ 10,735,708
Accounts receivable	2,039,712
Prepaid expenses	14,731
Total current assets	<u>12,790,151</u>

Capital assets:

Land and other non-depreciable assets	13,555,231
Other capital assets, net of depreciation	8,955,732
Capital assets, net	<u>22,510,963</u>
Total assets	<u>35,301,114</u>

DEFERRED OUTFLOWS OF RESOURCES

Pension deferrals	<u>606,046</u>
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LIABILITIES

Current liabilities:

Accounts payable and accrued liabilities	1,995,991
Compensated absences, current	89,000
Accrued landfill closure and post-closure care costs, current	31,295
Total current liabilities	<u>2,116,286</u>

Noncurrent liabilities:

Compensated absences	122,518
Net pension liability	729,732
Accrued landfill closure and post-closure care costs	13,655,430
Total noncurrent liabilities	<u>14,507,680</u>
Total liabilities	<u>16,623,966</u>

DEFERRED INFLOWS OF RESOURCES

Pension deferrals	<u>4,693</u>
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NET POSITION

Invested in capital assets	22,510,963
Unrestricted	(3,232,462)
Total net position	<u>\$ 19,278,501</u>

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



COASTAL REGIONAL SOLID WASTE MANAGEMENT AUTHORITY

**STATEMENT OF REVENUE, EXPENSES
AND CHANGES IN NET POSITION
For the Fiscal Year Ended June 30, 2019**

OPERATING REVENUE	
Charges for services	\$ 14,971,102
Compost sales	34,675
Landfill gas	49,528
Scrap tire disposal fees	264,335
NC solid waste disposal fees	652,080
Total operating revenue	<u>15,971,720</u>
OPERATING EXPENSES	
Operating expenses	7,247,505
Closure and post-closure care costs	1,219,874
Depreciation	3,820,876
Total operating expenses	<u>12,288,255</u>
Operating income	<u>3,683,465</u>
NONOPERATING REVENUE	
Interest income	283,382
Gain from disposition of capital assets	20,000
Insurance proceeds	3,270
Net non-operating revenue	<u>306,652</u>
Change in net position	<u>3,990,117</u>
TOTAL NET POSITION, beginning	<u>15,288,384</u>
TOTAL NET POSITION, ending	<u>\$ 19,278,501</u>

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

COASTAL REGIONAL SOLID WASTE MANAGEMENT AUTHORITY

STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2019

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 15,256,511
Cash paid for goods and services	(5,131,072)
Cash paid to or on behalf of employees for services	<u>(3,913,621)</u>
Net cash provided by operating activities	<u>6,211,818</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from dispositions of capital assets	20,000
Proceeds from insurance	3,270
Acquisition and construction of capital assets	<u>(11,340,359)</u>
Net cash used in capital and related financing activities	<u>(11,317,089)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on cash and investments	<u>283,382</u>
Net cash provided by investing activities	<u>283,382</u>
Net decrease in cash and cash equivalents	(4,821,889)
Beginning	<u>15,557,597</u>
Ending	<u>\$ 10,735,708</u>

(Continued)

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

COASTAL REGIONAL SOLID WASTE MANAGEMENT AUTHORITY

STATEMENT OF CASH FLOWS

For the Fiscal Year Ended June 30, 2019

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET
CASH PROVIDED BY OPERATING ACTIVITIES

Operating income (loss)	\$ <u>3,683,465</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	3,820,876
Change in assets, deferred outflows of resources, liabilities, and deferred inflows of resources	
Increase in accounts receivable	(715,209)
Increase in accrued estimated landfill closure and post-closure care costs	183,912
Decrease in prepaid expenses	1,509
Increase in deferred outflows of resources – pensions	(224,006)
Increase in net pension liability	256,138
Decrease in deferred inflows of resources – pensions	(10,120)
Decrease in accounts payable and accrued expenses	<u>(784,747)</u>
Total adjustments	<u>2,528,353</u>
Net cash provided by operating activities	\$ <u>6,211,818</u>

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



NOTES TO THE FINANCIAL STATEMENTS

These notes are intended to communicate information necessary for a fair presentation of financial position and results of operations that are not readily apparent from or cannot be included in the basic financial statements themselves. The notes supplement the basic financial statements and are an integral part thereof and are intended to be read in conjunction with the basic financial statements.



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FINANCIAL STATEMENTS INDEX**

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COASTAL REGIONAL SOLID WASTE MANAGEMENT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2019

Note 1. Nature of Operations, Reporting Entity, Significant Accounting Policies and Basis of Accounting

Nature of Operations:

Coastal Regional Solid Waste Management Authority (the "Authority"). The Authority was formed in 1990 by Carteret, Pamlico, and Craven Counties as a regional solid waste management authority whose purpose is to provide environmentally sound, cost effective management of solid waste on a regional basis. The Authority provides solid waste management facilities and services in accordance with Section 153-A, Article 22 of the North Carolina General Statutes. The Authority is governed by a seven-member board. The Authority does not have taxing authority but is able to charge availability fees if needed.

Reporting Entity:

Accounting principles generally accepted in the United States of America require that the reporting entity include (1) the primary government, (2) organizations for which the primary government is financially accountable and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The criteria provided in generally accepted accounting principles have been considered and there are no agencies or entities that should be presented with the Authority. Also, the Authority is not included in any other reporting entity. The Authority is a joint venture without equity interest of the participating counties. (See Note 9)

Summary of Significant Accounting Policies:

The basic financial statements of the Authority have been prepared in conformity with accounting principles generally accepted in the United States as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the Authority's accounting policies are described below.

Basis of Presentation

The statement of net position and the statement of revenues, expenses and changes in net position display information about the primary government (the Authority). Eliminations have been made to minimize the double counting of internal activities. These statements present the business-type activities of the Authority, which has no governmental operations. Business-type activities are financed in whole or in part by fees charged to external parties.

COASTAL REGIONAL SOLID WASTE MANAGEMENT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2019

Note 1. Nature of Operations, Reporting Entity, Significant Accounting Policies and Basis of Accounting (Continued)

The statement of activities presents a comparison between direct expenses and program revenues for the business-type activity of the Authority. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues.

Fund Financial Statements. The fund financial statements provide information about the Authority's funds. The emphasis of fund financial statements is on major enterprise funds. Any remaining enterprise funds are aggregated and reported as non-major funds.

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

The Authority reports the following major fund:

Enterprise Fund

An Enterprise Fund is used to account for operations:

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

Measurement Focus, Basis of Accounting

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

Proprietary Fund Financial Statements. The proprietary fund financial statements are reported using the economic resources measurement focus, and are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

COASTAL REGIONAL SOLID WASTE MANAGEMENT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2019

Note 1. Nature of Operations, Reporting Entity, Significant Accounting Policies and Basis of Accounting (Continued)

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Authority's enterprise fund are charges to customers for services. Operating expenses for enterprise funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Budgetary Data. In accordance with the North Carolina Local Government Budget and Fiscal Control Act, the Authority follows these procedures in establishing the budgetary data reflected in the financial report:

- 1) The Finance Committee submits to the Board of Directors a proposed operating budget for the fiscal year commencing the following July 1. The operational budget includes proposed expenditures and the means of financing them.
- 2) Public hearings are conducted to obtain public comment.
- 3) The budget is legally enacted through passage of an ordinance by June 30 each year.

The Board of Directors may amend the budget ordinance at any time after its adoption as long as the amended ordinance continues to meet statutory requirements. During the year, supplementary appropriations to the original budget were necessary. Individual amendments to the ordinance were not material in relation to the original appropriations, and all amendments were legally made.

The budget, as authorized, is prepared on a modified accrual basis of accounting as required by State statutes. For financial reporting purposes, the activity of the enterprise fund has been reported using the accrual basis of accounting that is in accordance with accounting principles generally accepted in the United States of America.

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COASTAL REGIONAL SOLID WASTE MANAGEMENT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2019

Note 1. Nature of Operations, Reporting Entity, Significant Accounting Policies and Basis of Accounting (Continued)

Under State statute, actual expenditures cannot exceed budgetary appropriations at any level for which the budget is formally approved. The Authority's budget ordinance authorizes expenditures, by department total, for all funds. All budgets are fixed in nature. For internal management purposes, the budgets are detailed by line item within each department and entered into the accounting records. Comparisons of actual expenditures to budget are made on an ongoing basis. The budgets of the Operating Fund, Renewal and Replacement Fund and Capital Reserve Fund are prepared on an annual basis. The budgets for the Landfill Closure Project Fund and Landfill Construction Capital Project Fund authorize activity for the life of the project. All annual appropriations lapse at fiscal year end.

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

State law [G.S. 159-30(c)] authorizes the Authority to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority, certain high quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust ("NCCMT"). The Authority's investments are reported at fair value. Non-participating interest earning contracts are accounted for at cost. The NCCMT Government Portfolio, a SEC registered (2a-7) external investment pool, is measured at fair value. The NCCMT-Term Portfolio is a bond fund, has no rating and is measured at fair value. As of June 30, 2019, the Term Portfolio has a duration of .11 years. Because the NCCMT Government and Term Portfolios have a weighted average maturity of less than 90 days, they are presented as an investment with a maturity value of less than six months.

Cash & Cash Equivalents. For the purposes of reporting cash flows, all highly liquid investments with an original maturity of three months or less when purchased are considered to be cash equivalents.

Capital Assets. Capital assets are defined by the Authority as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of two years. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Life</u>
Buildings	20 - 40 years
Equipment	5 - 10 years
Improvements	10 - 40 years
Vehicles	4 years

COASTAL REGIONAL SOLID WASTE MANAGEMENT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2019

Note 1. Nature of Operations, Reporting Entity, Significant Accounting Policies and Basis of Accounting (Continued)

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

The Authority's operating plant includes costs associated with the construction of the landfill, which are recovered through depreciation charges as the landfill capacity is used each year. The estimated accumulated used capacity of estimated total capacity available approximates 97.36% at June 30, 2019. Other operating plant components are depreciated over estimated useful lives of approximately 40 years, as they either operate independently of the landfill or will also be used in future landfill cells at the same site.

Deferred outflows/inflows of resources

In addition to assets, the statement of net 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 plan deferrals in the 2019 fiscal year. In addition to liabilities, the statement of net position 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 plan deferrals.

Compensated Absences. The vacation policy of the Authority provides for the accumulation of up to thirty (30) days earned vacation leave, with such leave being fully vested when earned. An expense and a liability for compensated absences and the salary related payments are recorded as the leave is earned. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the financial statements.

All accrued vacation leave in excess of the thirty (30) work days as of the last day of the first pay period in January of any year will be converted to sick leave.

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

Net Position. Net position in proprietary fund financial statements are classified as net investment in capital assets, restricted; and unrestricted. Restricted net position represent constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through state statute.

COASTAL REGIONAL SOLID WASTE MANAGEMENT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2019

Note 1. Nature of Operations, Reporting Entity, Significant Accounting Policies and Basis of Accounting (Continued)

Pensions. 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. The Authority's employer contributions are recognized when due and the Authority has a legal requirement to provide the contributions. Benefits are refunds are recognized when due and payable in accordance with the terms of LGERS. Investments are reported at fair value.

Note 2. Cash on Deposit and Investments

At June 30, 2019 cash and investments are comprised of the following:

Cash on hand	\$ 1,000
Carrying value of deposits	724,990
Investments	<u>10,009,718</u>
	<u>\$ 10,735,708</u>

Interest income on cash and investments amounted to \$283,382 for the fiscal year ended June 30, 2019.

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 agent in the Authority'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 or the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the Authority under the pooling method, the potential exists for under collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the pooling method.

COASTAL REGIONAL SOLID WASTE MANAGEMENT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2019

Note 2. Cash on Deposit and Investments (Continued)

The State Treasurer enforces standards of minimum capitalization for all pooling method financial institutions. The Authority relies on the State Treasurer to monitor those financial institutions for compliance. The Authority analyzes the financial soundness of any other financial institution used by the Authority. The Authority complies with the provisions of G.S. 159-31 when designating official depositories and verifying the deposits are properly secured.

The Authority's deposits rest with a bank that has chosen the pooling method. At June 30, 2019, the Authority's deposits had a carrying amount of \$724,990 and a bank balance of \$853,761. Of the bank balance, \$250,000 was covered by federal depository insurance and \$603,761 was covered by collateral held under the pooling method. At June 30, 2019 the Authority's cash on hand including petty cash totaled \$1,000.

At June 30, 2019, the Authority's investment balances, which are presented within cash and cash equivalents on the statement of net position, were as follows:

Investments:

<u>Investment By Type</u>	<u>Valuation Measurement Method</u>	<u>Book Value at 6/30/2019</u>	<u>Maturity</u>	<u>Rating</u>
NC Capital Management Trust – Government Portfolio	Fair Value Level 1	\$ 108	N/A	AAAm
NC Capital Management Trust – Term Portfolio	Fair Value Level 1	10,009,610	.11 years (a)	Unrated
Total:		<u>\$ 10,009,718</u>		

Because the NCCMT Government and Term Portfolios have a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months.

All investments are measured using the market approach: using prices and other relevant information generated by market transactions involving identical or comparable assets or a group of assets. Level of fair value hierarchy: Level 1 debt securities are valued using directly observable, quoted prices (unadjusted) in active markets for identical assets.

Interest rate risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the Authority's investment policy requires structuring of maturities to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity, and investing operating funds primarily in shorter-term securities.

COASTAL REGIONAL SOLID WASTE MANAGEMENT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2019

Note 2. Cash on Deposit and Investments (Continued)

Credit risk. The Authority's policy regarding credit risk, the risk that an issuer or backer to an investment transaction will not fulfill its obligations, calls for limiting investments to the safest type of securities, diversifying the investment portfolio so that potential losses on individual securities will be minimized, pre-qualifying the financial institutions, brokers/dealers, intermediaries or advisors with which the Authority will do business, and, utilizing an independent third party safekeeping account for securities not held by the Authority.

The Authority's investment in the NC Capital Management Trust Government Portfolio carried a credit rating of AAAM by Standard & Poor's as of June 30, 2019. The Authority's investment in NC Capital Management Trust Term Portfolio is unrated. The Term Portfolio is authorized to invest in obligations of the U.S. government and agencies, and in high grade money market instruments as permitted under North Carolina General Statutes 159-30 as amended.

The Authority limits investments to the provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. State law limits investments in commercial paper to the top rating issued by Nationally Recognized Statistical Rating Organization (NRSROs).

Custodial credit risk. For an investment, the custodial risk is the risk that in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Authority's custodial credit risk policy dictates the finance officer or designee will maintain a list of the names and addresses of the financial institutions, brokers, dealers and other contact officials that are authorized to be depositories of public funds, provide safekeeping of investments assets, or otherwise engage in investment transactions with or on behalf of the Authority, as provided by North Carolina General Statutes.

Note 3. Accounts Receivable

At June 30, 2019 accounts receivable were comprised of the following:

Trade accounts receivable (Note 13)	\$	1,794,155
Sales tax refund receivable		171,409
Scrap tire receivable		67,911
Other		6,237
	\$	<u>2,039,712</u>

The Authority considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required.

COASTAL REGIONAL SOLID WASTE MANAGEMENT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2019

Note 4. Capital Assets, Net

Capital asset activity for the year ended June 30, 2019 was as follows:

	Capital Assets			Capital Assets
	July 1, 2018	Increases	Decreases	June 30, 2019
Capital assets not being depreciated:				
Land	\$ 2,309,160	\$ -	\$ -	\$ 2,309,160
Construction in progress	259,554	10,986,517	-	11,246,071
	<u>2,568,714</u>	<u>10,986,517</u>	<u>-</u>	<u>13,555,231</u>
Capital assets being depreciated:				
Buildings	6,183,564	-	-	6,183,564
Improvements	857,544	-	-	857,544
Operating plant	39,980,558	-	-	39,980,558
Equipment	11,714,225	1,977,201	1,362,425	12,329,001
Vehicles	1,613,947	19,486	17,362	1,616,071
Total capital assets being depreciated	<u>60,349,838</u>	<u>1,996,687</u>	<u>1,379,787</u>	<u>60,966,738</u>
Less accumulated depreciation for:				
Buildings	3,411,637	154,537	-	3,566,174
Improvements	857,544	-	-	857,544
Operating plant	35,723,318	2,250,288	-	37,973,606
Equipment	8,281,437	1,253,961	1,362,425	8,172,973
Vehicles	1,295,983	162,090	17,362	1,440,709
Total accumulated depreciation	<u>49,569,919</u>	<u>\$ 3,820,876</u>	<u>\$ 1,379,787</u>	<u>52,011,006</u>
Total capital assets being depreciated, net	<u>10,779,919</u>			<u>8,955,732</u>
Total capital assets, net	<u>\$ 13,348,633</u>			<u>\$ 22,510,963</u>

Construction Commitments. The Authority has active construction/closure projects of as June 30, 2019. At year end, the Authority had commitments totaling \$15,397,975 of which \$13,340,537 was spent by year end, leaving a remaining commitment of \$2,057,438.

COASTAL REGIONAL SOLID WASTE MANAGEMENT AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019**

Note 5. Accounts Payables and Accrued Liabilities

Accounts payables and accrued liabilities at June 30, 2019 were as follows:

Vendors	\$ 203,756
Construction/Closure	<u>1,792,235</u>
	<u>\$ 1,995,991</u>

Note 6. Long Term Liabilities

The following table reflects the changes in long term liabilities for the fiscal year ended June 30, 2019:

	Balance June 30, 2018	Increases	Decreases	Balance June 30, 2019	Current Portion of Balance
Compensated absences	\$ 203,680	\$ 108,374	\$ 100,536	\$ 211,518	\$ 89,000
Net pension liability (LGMERS)	473,594	256,138	-	729,732	-
Accrued landfill closure and post closure care costs	<u>13,502,813</u>	<u>1,219,874</u>	<u>1,035,962</u>	<u>13,686,725</u>	<u>31,295</u>
	<u>\$ 14,180,087</u>	<u>\$ 1,584,386</u>	<u>\$ 1,136,498</u>	<u>\$ 14,627,975</u>	<u>\$ 120,295</u>

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COASTAL REGIONAL SOLID WASTE MANAGEMENT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2019

Note 7. Closure and Post-Closure Care Costs

State and federal laws and regulations require the Authority to place a final cover on its landfill facility when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and post-closure care costs will be paid only near or after the date that a landfill stops accepting waste, the Authority reports a portion of these closure and post-closure care costs as an operating expense in each period based on the estimated total landfill capacity and the estimated portion used as of each balance sheet date. The \$13,686,725 reported as landfill closure and post-closure care liability at June 30, 2019 represents a cumulative amount reported to date based on the use of 100% of the interim landfill, 100% of Phase I and Phase II and approximately 97.36% estimated total capacity of the current landfill cell (Phase III). The Authority will recognize the remaining estimated cost of closure and post-closure care relative to its current landfill cell of \$138,957 as the remaining estimated cell capacity is filled in FY 2020. The current landfill cell is estimated to reach its capacity in August, 2019. These amounts are based on what it would cost to perform all closure and post-closure care in 2019. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

The landfill is permitted as one site. The landfill is being constructed in various footprints and waste is being accepted accordingly. The phases of the landfill are such that each one “piggybacks” each other. Temporary measures are undone when new phases come online. Once certain levels have been reached, the landfill will accept waste on top of older phases until the entire landfill site is full which is decades into the future.

Certain interim closure items have been performed on various prior phases such as temporary cover, leachate and methane gas systems. Since final closure will not occur until the entire landfill is complete and stops accepting waste, the current liability for closure and post-closure care costs is recorded at the level the authority expects to spend operationally the following fiscal year.

The Authority, by using the financial strength of the three member counties, has met the requirements of a local government financial test that is one option under State and federal laws and regulations that help determine if a unit is financially able to meet closure and post-closure care requirements. However, the Authority has also elected to establish a reserve fund to accumulate resources for the payment of closure and post-closure care costs. Those funds are held in cash equivalent in the amount of \$1,394,295 plus other amounts in its Capital Reserve Fund. The Authority expects that future inflation costs will be paid from the interest earnings on these annual contributions. However, if interest earnings are inadequate or additional post-closure care requirements are established (due to changes in technology or applicable laws or regulations, for example), these costs may need to be covered by charges to future landfill users or by future revenue bond issuances.

COASTAL REGIONAL SOLID WASTE MANAGEMENT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2019

Note 8. Deferred Outflows and Inflows of Resources

The Authority has both deferred outflows and inflows of resources as of June 30, 2019.

Deferred outflows of resources is comprised of the following:

Contributions to pension plan in current fiscal year	\$ 191,932
Differences between expected and actual experience	112,580
Changes of assumptions	193,643
Net differences between projected and actual earnings on pension plan investments	100,171
Changes in proposition and differences between Authority contributions and proportionate share of contributions	<u>7,720</u>
Pension deferrals	<u>\$ 606,046</u>

Deferred inflows of resources is comprised of the following:

Differences between expected and actual experience	\$ 3,778
Changes in proportion and differences between Authority contributions and proportionate share of contributions	<u>915</u>
Pension deferrals	<u>\$ 4,693</u>

Note 9. 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; pollution legal liability; and natural disasters. The Authority participates in two self-funded risk-financing pools administered by the North Carolina Association of County Commissioners. Through these pools the Authority obtains property coverage equal to appraised or actual cash values of owned property subject to a limit as outlined in the contract, for any one occurrence, with an annual aggregate of \$50 million for flood and earthquake, with other sub-limits for other coverage per the Authority's contract. The Authority also purchases general, auto, public officials, law enforcement and employment practices liability coverage of \$5 million per occurrence, auto physical damage coverage for owned autos at actual cash value, crime coverage of \$250,000 per occurrence and workers' compensation coverage up to statutory limits. The pools are audited annually by certified public accountants, and the audited financial statements are available to the Authority upon request.

Two of the pools are reinsured through a multi-state public entity captive for single occurrence losses in excess of \$500,000 per occurrence up to a \$2 million limit for liability coverage, \$600,000 of aggregate annual losses in excess of \$50,000 per occurrence and an additional \$1 million annual aggregate for property, auto physical damage, and crime coverage, and single occurrence losses of \$350,000 for workers' compensation.

In accordance with G.S. 159-29, the Authority employees that have access to \$100 or more at any given time of the Authority's funds are insured for \$250,000 through commercial insurance. The Finance Officer is bonded through a commercial surety bond for \$250,000.

COASTAL REGIONAL SOLID WASTE MANAGEMENT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2019

Note 9. Risk Management (Continued)

The Authority carries commercial insurance for all other risks of loss, including flood. There have been no significant reductions in insurance coverage in the prior year and settled claims have not exceeded coverage in any year since the Authority's inception.

Note 10. Joint Venture

The Authority is governed by a seven-member board of directors. Three directors are appointed by Craven County, and two directors each from Carteret and Pamlico counties. The Authority is a joint venture established to facilitate solid waste management within and among the three counties. The counties have an ongoing financial responsibility for the Authority because the counties are legally obligated under intergovernmental agreements to honor any deficiencies in the event Authority revenues are not sufficient to provide for operating expenses or closure and post-closure care requirements. The counties did not contribute any funds to the Authority during the fiscal year ended June 30, 2019. The participating governments do not have any equity interests in the joint venture, so no equity interest has been reflected in their financial statements at June 30, 2019.

Note 11. Pension and Postemployment Obligations

Local Governmental Employees' Retirement System

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

Benefits Provided. LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regard-

COASTAL REGIONAL SOLID WASTE MANAGEMENT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2019

Note 11. Pension and Postemployment Obligations (Continued)

less of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Coastal Regional Solid Waste Management Authority employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Coastal Regional Solid Waste Management Authority's contractually required contribution rate for the year ended June 30, 2019 was 7.75% for general employees, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Coastal Regional Solid Waste Management Authority were \$191,932 for the year ended June 30, 2019.

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

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

At June 30, 2019, the Authority reported a liability of \$729,732 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017. The total pension liability was then rolled forward to the measurement date of June 30, 2018 utilizing update procedures incorporating the actuarial assumptions. The Authority's proportion of the net pension asset was based on a projection of the Authority's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2018, the Authority's proportion was .0308%, which was a decrease of .0002% from its proportion measured as of June 30, 2017.

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COASTAL REGIONAL SOLID WASTE MANAGEMENT AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019**

Note 11. Pension and Postemployment Obligations (Continued)

For the year ended June 30, 2019, the Authority recognized pension expense of \$207,514. At June 30, 2019, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 112,580	\$ 3,778
Changes of assumptions	193,643	-
Net difference between projected and actual earnings on pension plan investments	100,171	-
Changes in proportion and differences between Authority contributions and proportionate share of contributions	7,720	915
Authority contribution subsequent to the measurement date	191,932	-
Total	<u>\$ 606,046</u>	<u>\$ 4,693</u>

\$191,932 reported as deferred outflows of resources related to pensions resulting from Authority contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2020	196,661
2021	128,223
2022	24,949
2023	59,588
2024	-
Thereafter	-

Actuarial Assumptions. The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

COASTAL REGIONAL SOLID WASTE MANAGEMENT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2019

Note 11. Pension and Postemployment Obligations (Continued)

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2018 are summarized in the following table:

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

The information above is based on 30 year expectations developed with the consulting actuary for the 2017 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

COASTAL REGIONAL SOLID WASTE MANAGEMENT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019

Note 11. Pension and Postemployment Obligations (Continued)

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

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

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Authority's proportionate share of the net pension liability (asset)	\$ 1,752,880	\$ 729,732	\$ (125,226)

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

Supplemental Retirement Income Plan of North Carolina

All employees of the Authority are eligible to participate in the supplemental retirement income plan of North Carolina, a defined contribution pension plan allowed and governed under Section 401(k) of the Internal Revenue Code and administered by the Department of State Treasurer. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The Supplemental Retirement Income Plan is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

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COASTAL REGIONAL SOLID WASTE MANAGEMENT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2019

Note 11. Pension and Postemployment Obligations (Continued)

In this plan, the Authority has elected to match 5% of base earnings. The benefit to the employee is the employee's voluntary contribution (limited to 14% of earnings), the Authority's contribution, and the interest earned on these contributions. The employees' contributions are tax deferred. The participants' interests in this supplementary retirement plan are fully vested from the date of participation. Total contributions for the year ended June 30, 2019 were \$153,331 which consisted of \$73,160 from the Authority and \$80,171 from employees.

Other Postemployment Benefits

Healthcare Benefits

Plan Description. Under the terms of an Authority resolution, the Authority administers a single employer defined benefit healthcare plan ("the Retiree Health Plan"). The plan provides postemployment healthcare benefits to retirees of the Authority, provided they participate in the North Carolina Local Governmental Employees' Retirement System (System) and have at least twenty-five years of creditable service with the Authority or other local governments. A separate report was not issued for the plan.

Under the Authority plan, retirees, by mandate of private insurance carrier regulations, will obtain private coverage under the carrier currently administering the Authority plan for active employees. The Authority will reimburse the retiree the difference, if any, between what they would have paid in monthly premiums if they had been allowed to remain on the Authority plan and any increased cost of the individual plan up until the age of Medicare eligibility.

The Authority has not implemented GASB 75 "Accounting and Financial Reporting for Postemployment Benefits other than Pensions" because management feels that any potential liability resulting from postemployment benefits is immaterial. The postemployment healthcare benefit has been in place since 2011 and has never been used by employees. Also, a personnel policy change effective December 13, 2018 has removed the benefit for employees hired after that date. Due to immateriality, no liability has been recorded.

Note 12. Other Employment Benefits

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.

COASTAL REGIONAL SOLID WASTE MANAGEMENT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2019

Note 12. Other Employment Benefits (Continued)

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 will be a minimum of \$25,000 and will not exceed \$50,000. Because all death benefit payments are made from the Death Benefit Plan and not by the Authority, the Authority does not determine the number of eligible participants. The Authority has no liability beyond the payment of monthly contributions. Contributions are determined as a percentage of monthly payrolls, based upon rates established annually by the State. The contributions to the Death Benefit Plan cannot be separated between the postemployment benefit amount and the other benefit amount. The Authority considers these contributions to be immaterial.

Note 13. Major Customers

Gross revenues from one customer totaled \$7,443,969 during the year ended June 30, 2019. At June 30, 2019 amount due from this customer included in trade accounts receivable was \$1,278,865.

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Required Supplementary Financial Data

This section contains additional information required by generally accepted accounting principles.

- Schedule of Proportionate Share of Net Pension Liability (Assets) for Local Government Employees' Retirement System
- Schedule of Contributions to Local Government Employees' Retirement System

COASTAL REGIONAL SOLID WASTE MANAGEMENT AUTHORITY
Authority's Proportionate Share of Net Pension Liability (Asset)
Required Supplementary Information
Last Six Fiscal Years*

Local Government Employees' Retirement System

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Authority's proportion of the net pension liability (asset) (%)	0.0308%	0.0310%	0.03190%	0.03290%	0.0318%	0.0324%
Authority's proportion of net pension liability (asset) (\$)	\$ 729,732	\$ 473,594	\$ 677,662	\$ 147,924	\$ (191,608)	\$ 383,312
Authority's covered payroll	\$ 2,216,633	\$ 2,099,772	\$ 2,041,226	\$ 1,900,551	\$ 1,869,327	\$ 1,763,197
Authority's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	32.92%	22.55%	33.20%	7.78%	(10.25%)	21.74%
Plan fiduciary net position as a percentage of the total pension liability**	91.63%	94.18%	91.47%	98.09%	102.64%	94.35%

The above schedules are intended to show information for ten years. Additional years' information will be displayed as it becomes available.

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

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

COASTAL REGIONAL SOLID WASTE MANAGEMENT AUTHORITY
Coastal Regional Solid Waste Management Authority's Contributions
Required Supplementary Information
Last Six Fiscal Years

Local Government Employees' Retirement System

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 191,932	\$ 166,248	\$ 152,230	\$ 136,150	\$ 135,874	\$ 132,274
Contributions in relation to the contractually required contribution	<u>191,932</u>	<u>166,248</u>	<u>152,230</u>	<u>136,150</u>	<u>135,874</u>	<u>132,274</u>
Contribution Deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Coastal Regional Solid Waste Management Authority's covered payroll	\$ 2,476,541	\$ 2,216,633	\$ 2,099,722	\$ 2,041,226	\$ 1,900,551	\$ 1,869,327
Contributions as a percentage of covered payroll	7.75%	7.50%	7.25%	6.67%	7.15%	7.08%

The above schedules are intended to show information for ten years. Additional years' information will be displayed as it becomes available.

SUPPLEMENTARY INFORMATION

These schedules provide a more detailed view of the Authority's operations than the "Basic Financial Statements" presented in the preceding subsection.

**COASTAL REGIONAL SOLID WASTE MANAGEMENT AUTHORITY
OPERATING FUND**

**SCHEDULE OF REVENUE, EXPENDITURES AND OTHER FINANCING SOURCES (USES),
BUDGET AND ACTUAL, NON-GAAP, MODIFIED ACCRUAL BASIS**

For the Fiscal Year Ended June 30, 2019

(Page 1 of 2)

	Budget	Actual	Variance, Positive (Negative)
OPERATING REVENUE			
Charges for services	\$ 10,129,143	\$ 14,971,102	\$ 4,841,959
Compost sales	27,000	34,675	7,675
Landfill gas	40,000	49,528	9,528
Scrap tire disposal fees	262,700	264,335	1,635
NC Solid Waste disposal fees	679,146	652,080	(27,066)
Total operating revenue	11,137,989	15,971,720	4,833,731
OPERATING EXPENDITURES			
Personnel:			
Salaries	2,605,741	2,548,609	57,132
Payroll taxes	193,381	181,923	11,458
Employee benefits	950,350	779,707	170,643
Professional services	282,500	262,443	20,057
Operating supplies	66,100	60,712	5,388
Utilities	76,900	63,525	13,375
Rent	110,000	108,253	1,747
Maintenance repairs, buildings/grounds	1,199,600	988,563	211,037
Vehicle supplies	693,000	636,508	56,492
Insurance	156,300	130,332	25,968
Travel	9,500	4,987	4,513
Employee training	3,500	2,494	1,006
Telephone	18,500	15,916	2,584
Uniforms	26,300	22,895	3,405
Advertising	5,500	5,777	(277)
Vaccines and physicals	5,100	2,461	2,639
Dues and subscriptions	5,100	4,692	408
Laboratory Monitoring	45,000	37,835	7,165
Leachate management	83,000	80,743	2,257
Bad debts	1,000	56	944
Miscellaneous	2,500	2,500	-
Other fees	200,100	179,314	20,786
Post Closure Care	30,000	14,761	15,239
Household hazardous waste	100,000	98,830	1,170
Outreach promotion	18,000	7,005	10,995
Tire disposal	315,000	305,105	9,895
NC Solid Waste disposal tax	679,146	652,108	27,038
Total operating expenditures	7,881,118	7,198,054	683,064
Operating revenue over operating expenditures	3,256,871	8,773,666	5,516,795

(Continued)

**COASTAL REGIONAL SOLID WASTE MANAGEMENT AUTHORITY
OPERATING FUND**

**SCHEDULE OF REVENUE, EXPENDITURES AND OTHER FINANCING SOURCES (USES),
BUDGET AND ACTUAL, NON-GAAP, MODIFIED ACCRUAL BASIS**

For the Fiscal Year Ended June 30, 2019

(Page 2 of 2)

	Budget	Actual	Variance, Positive (Negative)
NON-OPERATING REVENUE			
Interest income	\$ 1,500	\$ 1,195	\$ (305)
Proceeds from sales of capital assets	150,000	20,000	(130,000)
Total Non-operating Revenue	<u>151,500</u>	<u>21,195</u>	<u>(130,305)</u>
Revenue over expenditures	<u>3,408,371</u>	<u>8,794,861</u>	<u>5,386,490</u>
OTHER FINANCING SOURCES (USES)			
Operating transfer in	-	73,850	73,850
Operating transfer out	(10,625,701)	(10,625,701)	-
Insurance recovery	-	3,270	3,270
Fund balance appropriated	7,217,330	-	(7,217,330)
Total other financing sources (uses)	<u>(3,408,371)</u>	<u>(10,548,581)</u>	<u>(7,140,210)</u>
Revenue under expenditures and other financing uses	<u>\$ -</u>	<u>\$ (1,753,720)</u>	<u>\$ (1,753,720)</u>

Reconciliation of modified accrual basis
with full accrual basis:

Revenue under expenditures and other financing uses, modified accrual	\$ (1,753,720)
Depreciation	(3,820,876)
Closure and post-closure care costs	(1,219,874)
Increase in deferred outflows of resources – pensions	224,006
Increase in net pension liability	(256,138)
Decrease in deferred inflows of recourses – pensions	10,120
Accrual basis income from Landfill Construction Capital Project Fund, Capital Reserve Fund; Renewal and Replacement Fund and Landfill Closure Fund	<u>10,806,599</u>
Net income (loss), accrual basis	<u>\$ 3,990,117</u>

**COASTAL REGIONAL SOLID WASTE MANAGEMENT AUTHORITY
OPERATING FUND**

**DETAILED SCHEDULE OF REVENUE, EXPENDITURES AND OTHER FINANCING
SOURCES (USES), BUDGET AND ACTUAL, NON-GAAP, MODIFIED ACCRUAL BASIS**

For the Fiscal Year Ended June 30, 2019

(Page 1 of 6)

	Budget	Actual	Variance, Positive (Negative)
OPERATING REVENUE			
Charges for services:			
Tuscarora fees	\$ 3,850,884	\$ 6,112,737	\$ 2,261,853
Newport fees	5,508,283	7,976,425	2,468,142
Grantsboro fees	704,676	794,207	89,531
Other	65,300	87,733	22,433
Compost sales	27,000	34,675	7,675
Landfill gas	40,000	49,528	9,528
Scrap tire disposal fees	262,700	264,335	1,635
Solid Waste disposal fees	679,146	652,080	(27,066)
Total operating revenue	11,137,989	15,971,720	4,833,731
OPERATING EXPENDITURES			
Administration:			
Personnel:			
Salaries	490,541	484,639	5,902
Payroll taxes	36,861	33,763	3,098
Employee benefits	160,200	130,898	29,302
Professional services	282,500	262,443	20,057
Operating supplies	36,700	30,731	5,969
Rent	5,000	3,390	1,610
Maintenance and repairs	110,000	87,000	23,000
Insurance	12,800	12,418	382
Travel	8,500	4,873	3,627
Employee training	3,500	2,494	1,006
Telephone	15,000	12,903	2,097
Vaccine and physicals	100	-	100
Other fees	22,500	18,714	3,786
Advertising	2,000	2,354	(354)
Dues and subscriptions	5,000	4,692	308
Bad debts	1,000	56	944
Miscellaneous	2,500	2,500	-
Total operating expenditures - administration	1,194,702	1,093,868	100,834

(Continued)

**COASTAL REGIONAL SOLID WASTE MANAGEMENT AUTHORITY
OPERATING FUND**

**DETAILED SCHEDULE OF REVENUE, EXPENDITURES AND OTHER FINANCING
SOURCES (USES), BUDGET AND ACTUAL, NON-GAAP, MODIFIED ACCRUAL BASIS**

For the Fiscal Year Ended June 30, 2019

(Page 2 of 6)

	Budget	Actual	Variance, Positive (Negative)
Tuscarora:			
Personnel:			
Salaries	\$ 848,500	\$ 847,049	\$ 1,451
Payroll taxes	61,775	59,517	2,258
Employee benefits	320,200	270,210	49,990
Operating supplies	21,000	23,540	(2,540)
Utilities	57,000	50,827	6,173
Rent	105,000	104,863	137
Post-closure care	30,000	14,761	15,239
Maintenance and repairs	468,000	311,792	156,208
Vehicle supplies	275,000	253,417	21,583
Insurance	106,000	93,448	12,552
Uniforms	9,500	9,236	264
Vaccines and physicals	2,000	614	1,386
Laboratory monitoring	45,000	37,835	7,165
Other fees	116,500	110,777	5,723
Leachate management	83,000	80,743	2,257
Total operating expenditures – Tuscarora	<u>2,548,475</u>	<u>2,268,629</u>	<u>279,846</u>
Newport Transfer Station:			
Personnel:			
Salaries	459,300	445,127	14,173
Payroll taxes	35,500	32,478	3,022
Employee benefits	183,750	147,507	36,243
Operating supplies	5,000	3,785	1,215
Utilities	12,000	7,804	4,196
Maintenance and repairs	204,000	201,484	2,516
Vehicle supplies	70,000	64,388	5,612
Telephone	2,000	1,628	372
Vaccines and physicals	1,000	582	418
Other fees	4,000	3,727	273
Uniforms	6,500	6,179	321
Total operating expenditures - Newport Transfer Station	<u>983,050</u>	<u>914,689</u>	<u>68,361</u>

(Continued)

**COASTAL REGIONAL SOLID WASTE MANAGEMENT AUTHORITY
OPERATING FUND**

**DETAILED SCHEDULE OF REVENUE, EXPENDITURES AND OTHER FINANCING
SOURCES (USES), BUDGET AND ACTUAL, NON-GAAP, MODIFIED ACCRUAL BASIS**

For the Fiscal Year Ended June 30, 2019

(Page 3 of 6)

	Budget	Actual	Variance, Positive (Negative)
Grantsboro Transfer Station:			
Personnel:			
Salaries	\$ 146,000	\$ 137,653	\$ 8,347
Payroll taxes	11,200	10,161	1,039
Employee benefits	46,300	42,740	3,560
Operating supplies	2,750	2,528	222
Utilities	7,500	4,594	2,906
Maintenance and repairs	39,500	26,228	13,272
Telephone	1,500	1,385	115
Vaccines and physicals	200	53	147
Vehicle supplies	10,000	9,605	395
Other fees	1,600	1,550	50
Uniforms	2,000	1,319	681
Total operating expenditures - Grantsboro Transfer Station	268,550	237,816	30,734
Peletier Property:			
Utilities	400	300	100
Maintenance and repairs	3,000	1,800	1,200
Total operating expenditures - Peletier Property	3,400	2,100	1,300

(Continued)

**COASTAL REGIONAL SOLID WASTE MANAGEMENT AUTHORITY
OPERATING FUND**

**DETAILED SCHEDULE OF REVENUE, EXPENDITURES AND OTHER FINANCING
SOURCES (USES), BUDGET AND ACTUAL, NON-GAAP, MODIFIED ACCRUAL BASIS**

For the Fiscal Year Ended June 30, 2019

(Page 4 of 6)

	Budget	Actual	Variance, Positive (Negative)
Yard waste:			
Personnel:			
Salaries	\$ 128,000	\$ 115,880	\$ 12,120
Payroll taxes	10,000	8,548	1,452
Employee benefits	49,500	38,640	10,860
Operating supplies	100	-	100
Maintenance and repairs	84,100	69,242	14,858
Vaccines and physicals	300	118	182
Vehicle supplies	12,000	12,000	-
Other fees	500	500	-
Uniforms	1,500	1,078	422
Total operating expenditures - yard waste	286,000	246,006	39,994
Transportation:			
Personnel:			
Salaries	474,000	460,130	13,870
Payroll taxes	33,500	33,374	126
Employee benefits	171,000	134,247	36,753
Operating supplies	350	-	350
Insurance	37,500	24,466	13,034
Maintenance and repairs	291,000	291,017	(17)
Vaccines and physicals	1,500	1,094	406
Vehicle supplies	326,000	297,098	28,902
Other fees	55,000	44,046	10,954
Uniforms	6,500	4,948	1,552
Total operating expenditures - transportation	1,396,350	1,290,420	105,930

(Continued)

**COASTAL REGIONAL SOLID WASTE MANAGEMENT AUTHORITY
OPERATING FUND**

**DETAILED SCHEDULE OF REVENUE, EXPENDITURES AND OTHER FINANCING
SOURCES (USES), BUDGET AND ACTUAL, NON-GAAP, MODIFIED ACCRUAL BASIS**

For the Fiscal Year Ended June 30, 2019

(Page 5 of 6)

	Budget	Actual	Variance, Positive (Negative)
Outreach and Planning:			
Personnel:			
Salaries	\$ 59,400	\$ 58,131	\$ 1,269
Payroll taxes	4,545	4,082	463
Employee benefits	19,400	15,465	3,935
Operating supplies	200	128	72
Advertising	3,500	3,423	77
Outreach promotions	18,000	7,005	10,995
Travel	1,000	114	886
Dues and subscriptions	100	-	100
Uniforms	300	135	165
Total operating expenditures - outreach and planning	<u>106,445</u>	<u>88,483</u>	<u>17,962</u>
Special Projects:			
NC Solid Waste disposal tax	679,146	652,108	27,038
Tire disposal	315,000	305,105	9,895
Household hazardous waste disposal	100,000	98,830	1,170
Total operating expenditures – special projects	<u>1,094,146</u>	<u>1,056,043</u>	<u>38,103</u>
Total operating expenditures	<u>7,881,118</u>	<u>7,198,054</u>	<u>683,064</u>
Operating revenue over operating expenditures	<u>3,256,871</u>	<u>8,773,666</u>	<u>5,516,795</u>

(Continued)

**COASTAL REGIONAL SOLID WASTE MANAGEMENT AUTHORITY
OPERATING FUND**

**DETAILED SCHEDULE OF REVENUE, EXPENDITURES AND OTHER FINANCING
SOURCES (USES), BUDGET AND ACTUAL, NON-GAAP, MODIFIED ACCRUAL BASIS**

For the Fiscal Year Ended June 30, 2019

(Page 6 of 6)

	Budget	Actual	Variance, Positive (Negative)
NON-OPERATING REVENUE			
Interest income	\$ 1,500	\$ 1,195	\$ (305)
Proceeds from sales of capital assets	150,000	20,000	(130,000)
Total non-operating revenue	151,500	21,195	(130,305)
Revenue over expenditures	3,408,371	8,794,861	5,386,490
OTHER FINANCING SOURCES (USES)			
Operating transfer in	-	73,850	73,850
Operating transfer out	(10,625,701)	(10,625,701)	-
Insurance recovery	-	3,270	3,270
Fund balance appropriated	7,217,330	-	(7,217,330)
Total other financing sources (uses)	(3,408,371)	(10,548,581)	(7,140,210)
Revenue under expenditures and other financing uses	\$ -	\$ (1,753,720)	\$ (1,753,720)

Reconciliation of modified accrual basis
with full accrual basis:

Revenue under expenditures and other financing uses, modified accrual basis, above	\$ (1,753,720)
Depreciation	(3,820,876)
Closure and post-closure care costs	(1,219,874)
Increase in deferred outflows of resources -pensions	224,006
Increase in net pension liability	(256,138)
Decrease in deferred inflows of resources - pensions	10,120
Accrual basis income from	
Fund and Landfill Closure Fund	10,806,599
Net income (loss), accrual basis	\$ 3,990,117

**COASTAL REGIONAL SOLID WASTE MANAGEMENT AUTHORITY
RENEWAL AND REPLACEMENT FUND**

**DETAILED SCHEDULE OF REVENUE, EXPENDITURES AND OTHER FINANCING
SOURCES (USES), BUDGET AND ACTUAL, NON-GAAP, MODIFIED ACCRUAL BASIS**

For the Fiscal Year Ended June 30, 2019

	Budget	Actual	Variance, Positive (Negative)
NON-OPERATING REVENUE			
Interest income	\$ 125,000	\$ 282,187	\$ 157,187
Total Non-operating revenue	<u>125,000</u>	<u>282,187</u>	<u>157,187</u>
EXPENDITURES			
Capital outlay	2,025,000	2,024,126	874
Total Expenditures	<u>2,025,000</u>	<u>2,024,126</u>	<u>874</u>
REVENUE UNDER EXPENDITURES	<u>(1,900,000)</u>	<u>(1,741,939)</u>	<u>158,061</u>
OTHER FINANCING SOURCES			
Operating transfers in	1,900,000	2,152,457	252,457
Operating transfers (out)	-	(73,850)	(73,850)
Total other financing sources	<u>1,900,000</u>	<u>2,078,607</u>	<u>178,607</u>
Revenues, other sources, and appropriated fund balance over (under) expenditures	<u>\$ -</u>	<u>\$ 336,668</u>	<u>\$ 336,668</u>

**COASTAL REGIONAL SOLID WASTE MANAGEMENT AUTHORITY
CAPITAL RESERVE FUND**

**DETAILED SCHEDULE OF REVENUE, EXPENDITURES AND OTHER FINANCING
SOURCES (USES), BUDGET AND ACTUAL, NON-GAAP, MODIFIED ACCRUAL BASIS**

For the Fiscal Year Ended June 30, 2019

	Budget	Actual	Variance, Positive (Negative)
OTHER FINANCING SOURCES (USES)			
Operating transfers in	\$ 1,852,317	\$ -	\$ (1,852,317)
Operating transfers (out)	(1,852,317)	(2,705,315)	(852,998)
Total other financing sources (uses)	<u>-</u>	<u>(2,705,315)</u>	<u>(2,705,315)</u>
Revenue and other financing sources (uses) over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ (2,705,315)</u>	<u>\$ (2,705,315)</u>

**COASTAL REGIONAL SOLID WASTE MANAGEMENT AUTHORITY
LANDFILL CONSTRUCTION CAPITAL PROJECT FUND**

**DETAILED SCHEDULE OF REVENUE, EXPENDITURES AND OTHER FINANCING
SOURCES (USES), BUDGET AND ACTUAL, NON-GAAP, MODIFIED ACCRUAL BASIS**

For the Fiscal Year Ended June 30, 2019

	Total Project Estimates	Actual		Total To Date	Variance, Positive (Negative)
		Prior Years	Current Year		
EXPENDITURES					
Capital outlay					
Landfill construction	\$ 12,000,000	\$ -	\$ 10,776,600	\$ 10,776,600	\$ 1,223,400
Engineering fees	940,000	259,554	209,917	469,471	470,529
Total expenditures	<u>12,940,000</u>	<u>259,554</u>	<u>10,986,517</u>	<u>11,246,071</u>	<u>1,693,929</u>
OTHER FINANCING SOURCES (USES)					
Operating transfers in	12,940,000	385,375	9,325,908	9,711,283	(3,228,717)
Operating transfers (out)	-	(91,068)	-	(91,068)	(91,068)
Total other financing sources (uses)	<u>12,940,000</u>	<u>294,307</u>	<u>9,325,908</u>	<u>9,620,215</u>	<u>(3,319,785)</u>
Revenue and other financing sources over (under) expenditures and other financing uses	\$ -	\$ 34,753	\$ (1,660,609)	\$ (1,625,856)	\$ (1,625,856)

**COASTAL REGIONAL SOLID WASTE MANAGEMENT AUTHORITY
LANDFILL CLOSURE FUND**

**DETAILED SCHEDULE OF REVENUE, EXPENDITURES AND OTHER FINANCING
SOURCES (USES), BUDGET AND ACTUAL, NON-GAAP, MODIFIED ACCRUAL BASIS**

For the Fiscal Year Ended June 30, 2019

	Total Project Estimates	Actual			Variance, Positive (Negative)
		Prior Years	Current Year	Total To Date	
EXPENDITURES					
Engineering fees	\$ 163,000	\$ 60,900	\$ 92,400	\$ 153,300	\$ 9,700
Capital outlay	2,294,975	998,234	942,932	1,941,166	353,809
Total expenditures	<u>2,457,975</u>	<u>1,059,134</u>	<u>1,035,332</u>	<u>2,094,466</u>	<u>363,509</u>
OTHER FINANCING SOURCES (USES)					
Operating transfers in	2,457,975	1,500,000	1,852,652	3,352,652	894,677
Total other financing sources (uses)	<u>2,457,975</u>	<u>1,500,000</u>	<u>1,852,652</u>	<u>3,352,652</u>	<u>894,677</u>
Revenue and other financing sources over (under) expenditures and other financing uses	\$ -	\$ 440,866	\$ 817,320	\$ 1,258,186	\$ 1,258,186



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AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Directors
Coastal Regional Solid Waste Management Authority
Cove City, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of Coastal Regional Solid Waste Management Authority ("Authority") as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprises the Authority's basic financial statements and have issued our report thereon dated December 26, 2019.

Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or 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 deficiencies in internal control that we consider material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

This 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 Authority'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.

Barrow, Parris & Davenport, P.A.

BARROW, PARRIS & DAVENPORT, P.A.
Kinston, North Carolina

December 26, 2019

STATISTICAL SECTION

This part of the Authority’s comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Authority’s overall financial health.

Contents	Page
Financial Trends	81
<i>These schedules contain trend information to help the reader understand how the Authority’s financial performance and well-being have changed over time.</i>	
Revenue Capacity	88
<i>These schedules contain information to help the reader assess the Authority’s most significant local revenue source, the municipal solid waste.</i>	
Demographic and Economic Information	89
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the Authority’s financial activities take place.</i>	
Operating Information	91
<i>These schedules contain service and infrastructure data to help the reader understand how the information in the Authority’s financial report relates to the services the Authority provides and the activities it performs.</i>	



COASTAL REGIONAL SOLID WASTE MANAGEMENT AUTHORITY

NET POSITION BY COMPONENT

Last Ten Fiscal Years

Table 1

	Fiscal Year									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Invested in capital assets, net of related debt	\$ 22,510,963	\$ 13,348,633	\$ 13,709,926	\$ 15,233,910	\$ 16,724,291	\$ 20,044,446	\$ 22,509,411	\$ 22,790,224	\$ 14,970,170	\$ 14,353,492
Unrestricted	(3,232,462)	1,939,751	1,046,599	309,831	(1,745,342)	(3,901,427)	(5,801,207)	(6,489,269)	462,079	2,027,112
Total net position	\$ 19,278,501	\$ 15,288,384	\$ 14,756,525	\$ 15,543,741	\$ 14,978,949	\$ 16,143,019	\$ 16,708,204	\$ 16,300,955	\$ 15,432,249	\$ 16,380,604

CHANGES IN NET POSITION
Last Ten Fiscal Years

Table 2

	Fiscal Year									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Operating revenue										
Charges for services	\$ 14,971,102	\$ 9,310,455	\$ 9,285,920	\$ 8,945,661	\$ 8,532,548	\$ 8,383,048	\$ 7,736,829	\$ 9,132,035	\$ 7,482,616	\$ 7,394,352
Compost sales	34,675	23,492	31,692	33,994	50,432	51,214	66,673	87,553	84,453	94,479
Landfill gas	49,528	42,391	45,934	71,499	73,888	52,144	53,514	58,275	49,703	46,850
Scrap tire disposal fees	264,335	251,314	252,080	250,554	252,916	247,487	256,658	294,265	272,057	225,510
NC Solid waste disposal fees	652,080	400,187	395,664	385,924	371,006	364,221	351,149	403,604	338,663	350,623
Total operating revenue	15,971,720	10,027,839	10,011,290	9,687,632	9,280,790	9,098,114	8,464,823	9,975,732	8,227,492	8,111,814
Non-operating revenue										
Interest income	283,382	171,600	69,111	23,565	5,062	2,245	2,794	3,542	12,832	17,705
Gain on disposal of assets	20,000	192,391	123,466	183,341	317,667	77,711	265,801	-	69,240	-
Interest proceeds	3,270	-	-	-	-	-	-	-	-	-
Total non-operating revenue	306,652	363,991	192,577	206,906	322,729	79,956	268,595	3,542	82,072	17,705
Total revenue	16,278,372	10,391,830	10,203,867	9,894,538	9,603,519	9,178,070	8,733,418	9,979,274	8,309,564	8,129,519
Operating expenses										
Operating expenses	7,247,505	6,111,233	5,861,951	5,666,450	5,447,709	5,836,625	6,098,365	5,880,033	5,218,079	5,559,012
Closure and post-closure care cost	1,219,874	808,929	1,914,350	675,566	1,006,134	714,601	407,347	1,626,985	952,758	823,398
Depreciation	3,820,876	2,939,809	3,214,782	2,987,730	4,062,710	3,192,029	1,820,457	1,603,550	3,087,082	2,750,282
Total operating expenses	12,288,255	9,859,971	10,991,083	9,329,746	10,516,553	9,743,255	8,326,169	9,110,568	9,257,919	9,132,692
Change in net position	\$ 3,990,117	\$ 531,859	\$ (787,216)	\$ 564,792	\$ (913,034)	\$ (565,185)	\$ 407,249	\$ 868,706	\$ (948,355)	\$ (1,003,173)

COASTAL REGIONAL SOLID WASTE MANAGEMENT AUTHORITY

OPERATING REVENUE BY SOURCE

Last Ten Fiscal Years

Table 3

Fiscal Year	Municipal Solid Waste	Leaves/Yard Waste	Construction & Demolition Debris	Other	Compost Sales	Landfill Gas	Scrap Tire Disposal Fees	NC Solid Waste Disposal Fees	Total
2019	\$ 6,992,598	\$ 345,262	\$ 7,412,692	\$ 220,550	\$ 34,675	\$ 49,528	\$ 264,335	\$ 652,080	\$ 15,971,720
2018	6,432,219	194,641	2,528,592	155,003	23,492	42,391	251,314	400,187	10,027,839
2017	6,405,433	237,512	2,591,119	51,011	31,692	45,934	252,925	395,664	10,011,290
2016	6,321,668	146,107	2,464,621	13,163	33,994	71,499	250,656	385,924	9,687,632
2015	6,072,569	140,536	2,301,583	17,860	50,432	73,888	252,916	371,006	9,280,790
2014	5,895,162	151,255	2,304,304	32,327	51,214	52,144	247,487	364,221	9,098,114
2013	5,657,349	166,063	1,896,045	17,372	66,673	53,514	256,658	351,149	8,464,823
2012	5,756,855	473,320	2,881,424	20,436	87,553	58,275	294,265	403,604	9,975,732
2011	5,574,024	141,336	1,726,056	41,200	84,453	49,703	272,057	338,663	8,227,492
2010	5,270,195	141,369	1,939,873	42,915	94,479	46,850	225,510	350,623	8,111,814

OPERATING REVENUE BY FACILITY

Last Ten Fiscal Years

Table 4

Fiscal Year	Tuscarora	Newport Transfer Station	Grantsboro Transfer Station	Non-Classified	Total
2019	\$ 6,112,737	\$ 7,976,425	\$ 794,207	\$ 1,088,351	\$ 15,971,720
2018	3,253,115	5,506,812	534,989	732,923	10,027,839
2017	3,214,269	5,448,831	570,964	777,226	10,011,290
2016	3,243,639	5,166,777	514,521	762,695	9,687,632
2015	3,147,126	4,908,546	459,016	766,102	9,280,790
2014	3,241,129	4,627,472	482,120	747,393	9,098,114
2012	3,743,604	4,704,414	663,581	864,133	9,975,732
2012	3,743,604	4,704,414	663,581	864,133	9,975,732
2011	2,763,594	4,238,423	439,399	786,076	8,227,492
2010	2,693,731	4,208,329	449,377	760,377	8,111,814

COASTAL REGIONAL SOLID WASTE MANAGEMENT AUTHORITY

OPERATING EXPENSES

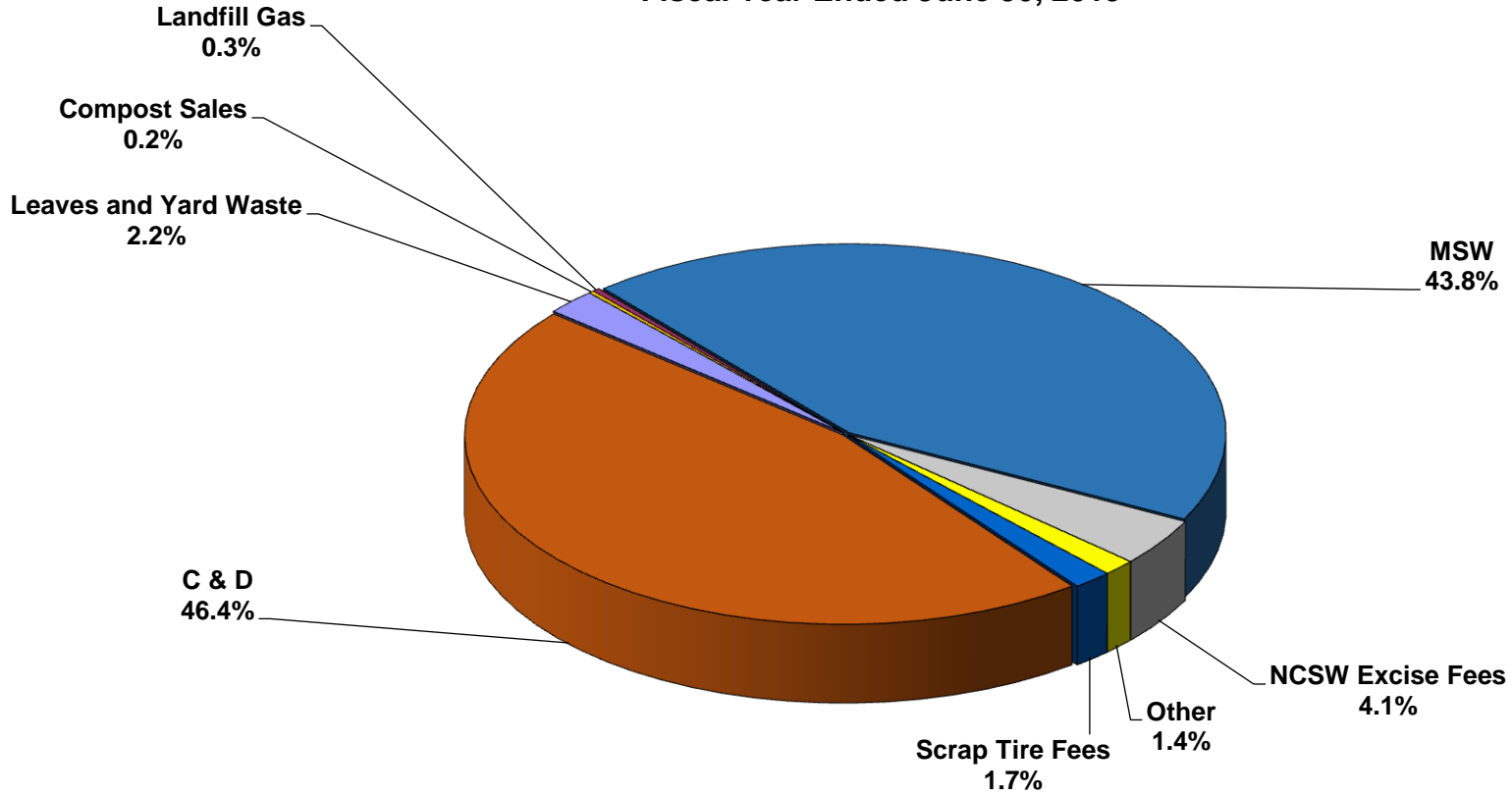
Last Ten Fiscal Years

Table 5

Fiscal Year	Depreciation	Closure & Post-closure	Operations	Total
2019	\$ 3,820,876	\$ 1,219,874	\$ 7,247,505	\$ 12,288,255
2018	2,939,809	808,929	6,111,233	9,859,971
2017	3,214,782	1,914,350	5,861,951	10,991,083
2016	2,987,730	675,566	5,666,450	9,329,746
2015	4,062,710	1,006,134	5,447,709	10,516,553
2014	3,192,029	714,601	5,836,625	9,743,255
2013	1,820,457	407,347	6,098,365	8,326,169
2012	1,603,550	1,626,985	5,880,033	9,110,568
2011	3,087,082	952,758	5,218,079	9,257,919
2010	2,750,282	823,398	5,559,012	9,132,692

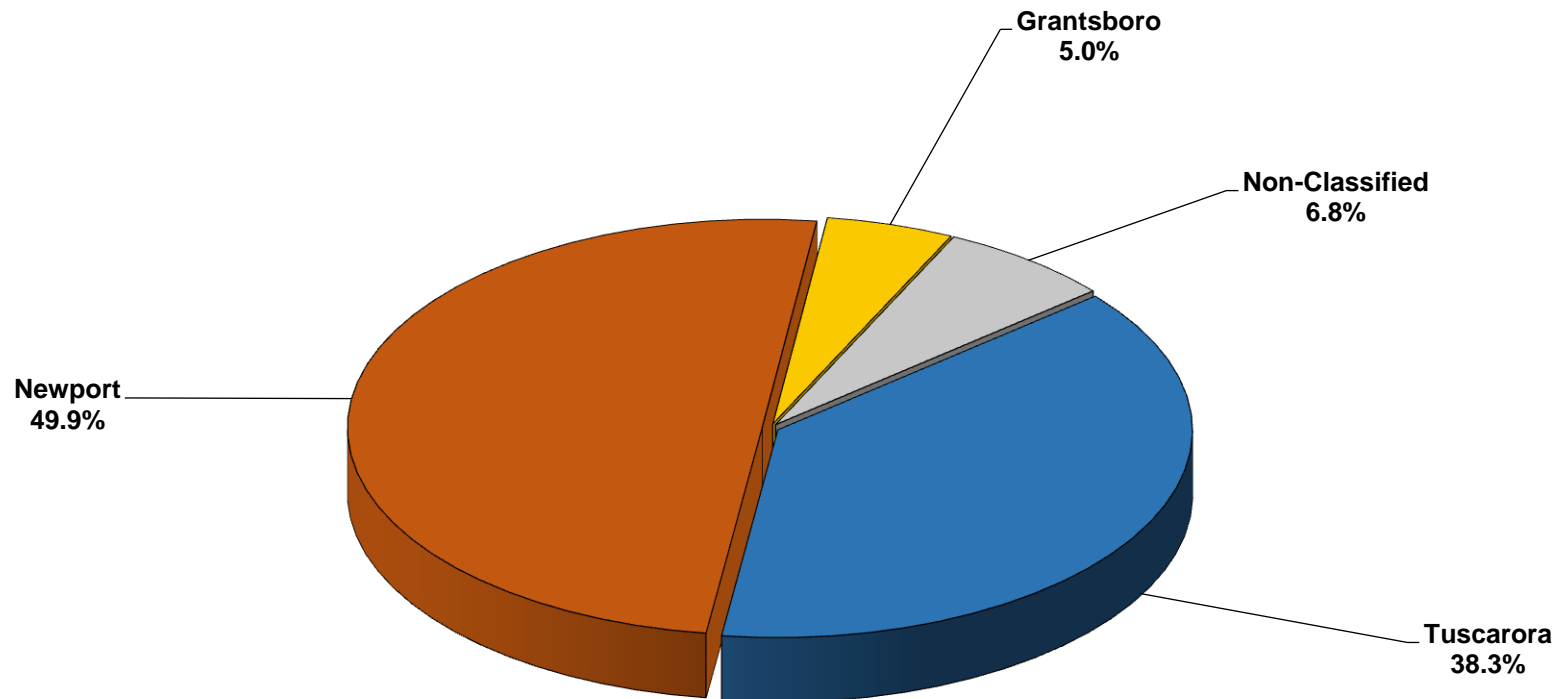
Coastal Regional Solid Waste Management Authority

Operating Revenue by Source
Fiscal Year Ended June 30, 2019

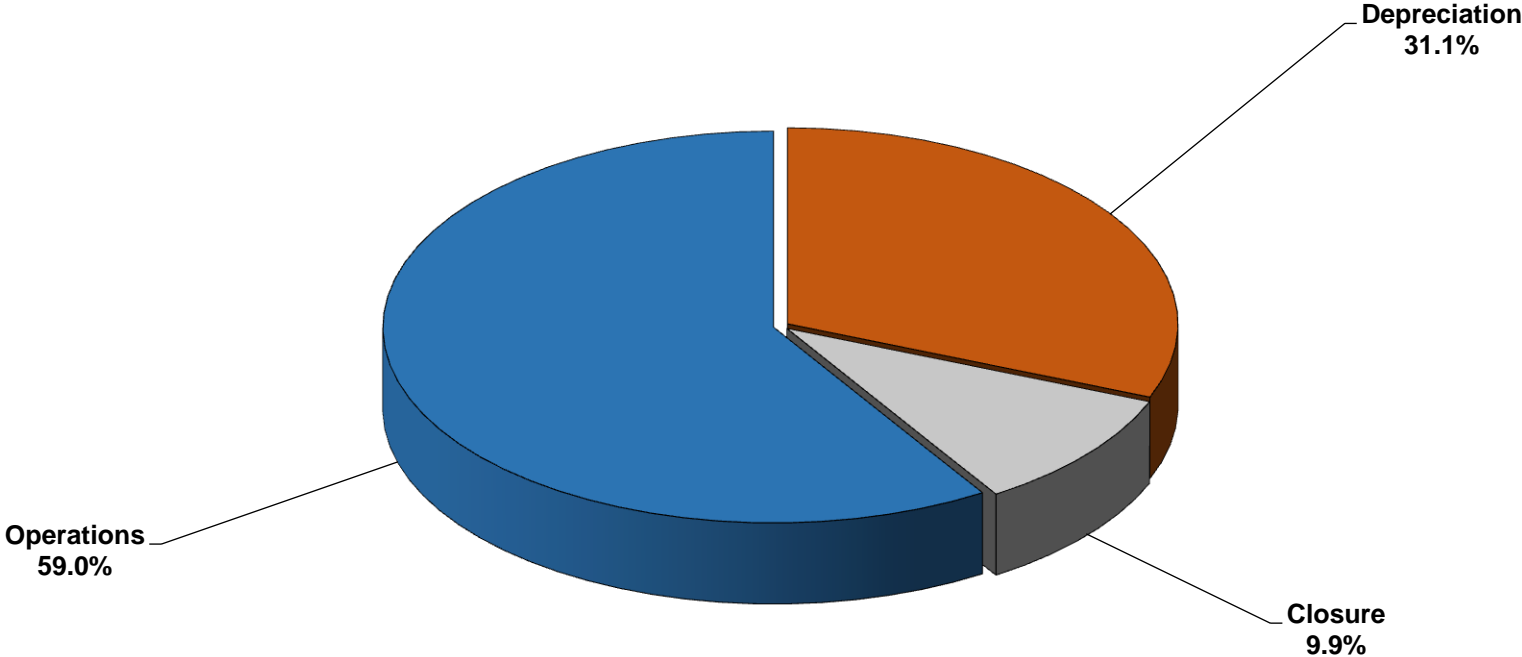


Coastal Regional Solid Waste Management Authority

Operating Revenue by Facility
Fiscal Year Ended June 30, 2019



**Coastal Regional Solid Waste
Management Authority**
Operating Expenses
Fiscal Year Ended June 30, 2019



COASTAL REGIONAL SOLID WASTE MANAGEMENT AUTHORITY

PRINCIPAL REVENUE GENERATING CUSTOMERS Current Year and Nine Years Ago

Table 6

Customer	2019			2010		
	Annual Revenue	Rank	Percent of Total Revenue	Annual Revenue	Rank	Percent of Total Revenue
Waste Industries	7,443,969	1	49.72%	2,270,654	2	27.99%
Phillips and Jordan, Inc.	559,429	2	3.74%	-	-	-
Southern Disaster Recovery, Inc.	349,029	3	2.33%	-	-	-
Waste Removal LLC	324,576	4	2.16%	-	-	-
City of New Bern	286,498	5	1.91%	-	-	-
Sawyer's Land Developing, Inc.	267,997	6	1.79%	-	-	-
Integrated Container Corp	230,955	7	1.54%	-	-	-
Simmons & Simmons Mgmt Group	199,744	8	1.33%	163,524	6	2.02%
Graham County Land Co., LLC	196,519	9	1.31%	-	-	-
SIX - Nations, Inc.	159,399	10	1.06%	-	-	-
GDS	-	-	-	2,738,823	1	33.76%
Hess, Inc.	-	-	-	216,086	5	2.66%
BMAKK Corporation	-	-	-	260,044	3	3.21%
A P Reale & Sons	-	-	-	92,513	10	1.14%
Onslow Container Service, Inc.	-	-	-	158,889	7	1.96%
Cedar Pointe Containers, LLC	-	-	-	99,152	8	1.22%
Waldo Richards	-	-	-	216,148	4	2.66%
Trader Construction Co.	-	-	-	94,477	9	1.16%

COASTAL REGIONAL SOLID WASTE MANAGEMENT AUTHORITY

DEMOGRAPHIC STATISTICS

Last Ten Fiscal Years

Table 7

Fiscal Year	Estimated Population (1)	Personal Income (1) (thousands)	Per Capita Personal Income (1)	Unemployment Rate (1)	Residential Building Permits Issued (2)	Per Capita Disposal Rate in Tons (3)
2019	*	\$ *	\$ *	*	*	*
2018	187,649	8,594,529	45,801	4.7	745	1.10
2017	186,825	8,235,007	44,077	4.6	563	1.12
2016	189,379	8,032,866	42,967	5.2	642	1.08
2015	186,691	7,619,233	40,812	5.2	765	1.03
2014	188,437	7,516,210	40,260	6.1	484	0.96
2013	187,693	7,517,663	40,053	7.8	602	1.01
2012	186,734	7,450,730	39,900	8.9	384	0.98
2011	185,875	6,962,306	37,457	9.4	627	1.23
2010	183,118	6,750,937	36,807	9.4	625	0.96

* Information not yet available.

Notes

(1) Employment Security Commission of NC

(2) US Census Bureau

(3) Municipal Solid Waste and Construction and Demolition Debris landfilled by the Authority

COASTAL REGIONAL SOLID WASTE MANAGEMENT AUTHORITY

PRINCIPAL EMPLOYERS
Current Year and Nine Years Ago

Table 8

Customer	2019			2010		
	Employees	Rank	Percent of Total Authority Area Employment	Employees	Rank	Percent of Total Authority Area Employment
Department of Defense (1)	5,164	1	6.10%	5,365	1	6.28%
CarolinaEast Health System	2,342	2	2.76%	1,900	3	2.22%
Craven County Schools	1,714	3	2.03%	1,917	2	2.24%
BSH Home Appliances	1,200	4	1.42%	950	6	1.11%
Carteret County Schools	1,100	5	1.30%	1,190	4	1.39%
Carteret General Hospital	1,000	6	1.18%	1,025	5	1.20%
Moen Incorporated	820	7	0.97%	650	8	0.76%
State of North Carolina	781	8	0.92%	877	7	1.02%
Craven County	661	9	0.78%	635	9	0.74%
Walmart	643	10	0.76%	500	10	0.59%

Sources: Craven County, NC and Carteret County CAFR's

Notes: (1) Excludes active duty military personnel based in the Authority area, but does include civilian employment at both the Fleet Readiness Center, Naval Health Clinic and MCAS Cherry Point.

COASTAL REGIONAL SOLID WASTE MANAGEMENT AUTHORITY

MISCELLANEOUS OPERATIONAL AND CAPITAL ASSET STATISTICS

Last Ten Fiscal Years

Table 9

	Fiscal Year									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Tuscarora Landfill										
Property Owned in acres	558	558	558	558	558	558	558	558	558	558
Number of Employees	43	43	43	43	43	42	42	42	42	34
Annual number of transactions	57,799	40,422	38,439	37,158	35,535	34,963	36,000	43,293	32,569	36,041
Percentage of cumulative Airspace consumed (1)	97.36	80.90	70.00	55.00	40.20	17.30	1.90	95.35	90.70	70.90
Annual Rainfall in inches	65.52	51.75	72.29	58.10	61.43	49.47	63.28	54.40	52.60	70.50
Feet of Leachate collection lines	12,765	12,765	12,765	12,765	12,765	12,765	12,765	12,765	9,150	9,150
Gallons of leachate treated	5,718,320	4,102,701	5,356,910	4,133,243	4,466,343	5,827,519	6,528,870	3,134,391	3,377,131	3,091,080
Feet of Gas collection lines	19,460	14,070	14,070	14,070	14,070	14,070	12,400	12,400	12,400	10,400
Gas collection wells	80	69	69	69	69	69	63	63	63	56
Landfill gas converted to electricity in BTU's (2)	255,391	274,326	303,410	319,305	302,255	281,673	260,573	233,264	229,564	179,231
Ground water sampling wells	46	46	38	38	38	38	38	38	38	38
Number of Compactors	3	4	4	4	4	4	3	3	3	3
Number of Excavators	4	2	2	2	2	2	2	2	2	2
Number of off road trucks	2	1	1	1	1	1	1	1	1	1
Number of on road trucks	15	15	15	15	15	15	15	15	15	15
Number of Dozers	2	2	2	2	2	2	2	2	2	3
Compost Facility										
Sales of compost in tons	1,167	1,010	1,043	1,133	1,680	1,707	2,222	4,018	2,800	3,149
Number of compost customers	897	771	892	921	1,133	1,319	1,677	2,360	2,002	2,401
Transfer Stations										
Number of transfer stations	2	2	2	2	2	2	2	2	2	2
Annual number of transactions	95,452	72,007	72,008	67,072	66,022	61,858	60,995	64,934	58,518	58,535
Number of loaders	3	3	3	3	3	3	3	3	3	3
Number of transfer trailers	29	29	36	29	29	29	29	29	24	24

(1) Percentage of airspace consumed reflects the cell structure of landfill phases as CRSWMA builds and fills cells.

(2) BTU's expressed in millions.

TONNAGE BY COUNTY

Last Ten Fiscal Years

Table 10

Fiscal Year	Municipal Solid Waste			Leaves and Yardwaste			Construction and Demolition Debris		
	Craven County	Carteret County	Pamlico County	Craven County	Carteret County	Pamlico County	Craven County	Carteret County	Pamlico County
2019	62,694	81,669	9,383	7,562	6,614	459	92,169	72,303	5,822
2018	61,391	73,211	7,871	4,166	4,420	361	18,888	33,439	2,416
2017	59,529	73,118	7,902	7,048	4,318	461	21,054	32,402	3,063
2016	61,738	69,189	7,532	3,482	3,176	227	22,055	31,338	2,445
2015	60,635	66,537	6,714	1,301	4,356	261	20,931	28,604	2,165
2014	60,662	63,115	6,853	1,749	4,018	310	23,408	26,241	2,463
2013	62,168	61,716	7,411	2,340	3,466	667	18,262	24,430	2,533
2012	62,015	64,117	7,480	23,006	3,929	538	31,798	30,584	5,819
2011	58,403	63,471	7,134	1,788	3,740	265	17,740	21,762	1,707
2010	55,649	64,375	7,560	1,695	3,720	280	22,824	23,884	1,864

TONNAGE BY SOURCE

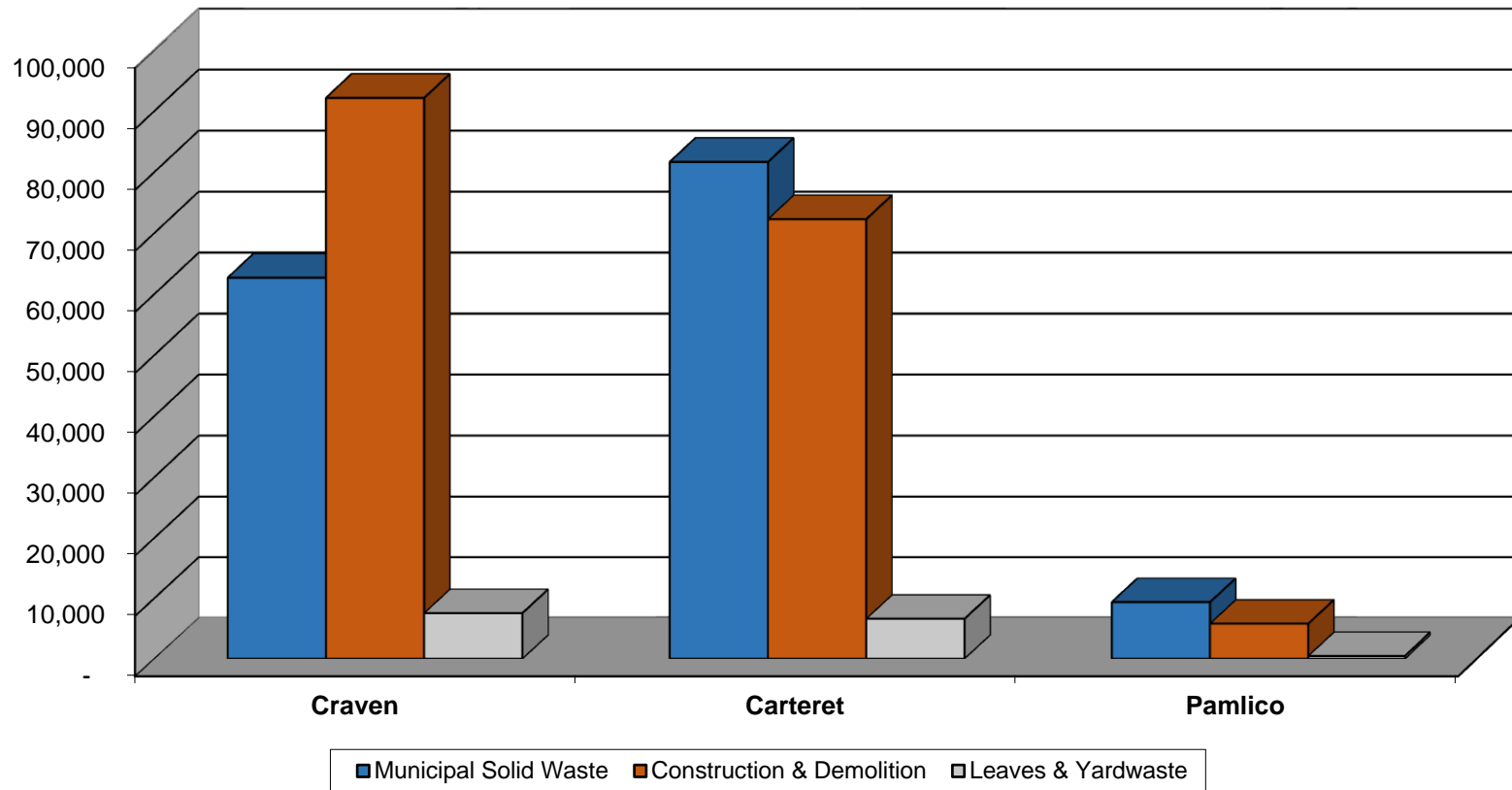
Last Ten Fiscal Years

Table 11

Fiscal Year	Residential	Commercial	Construction & Demolition
2019	74,088	94,293	170,294
2018	66,625	84,795	54,743
2017	67,045	85,331	56,518
2016	63,434	80,734	57,014
2015	60,228	79,576	51,700
2014	56,128	80,579	52,112
2013	56,770	80,998	45,225
2012	71,045	90,040	68,201
2011	55,619	79,182	41,209
2010	53,956	79,323	48,572

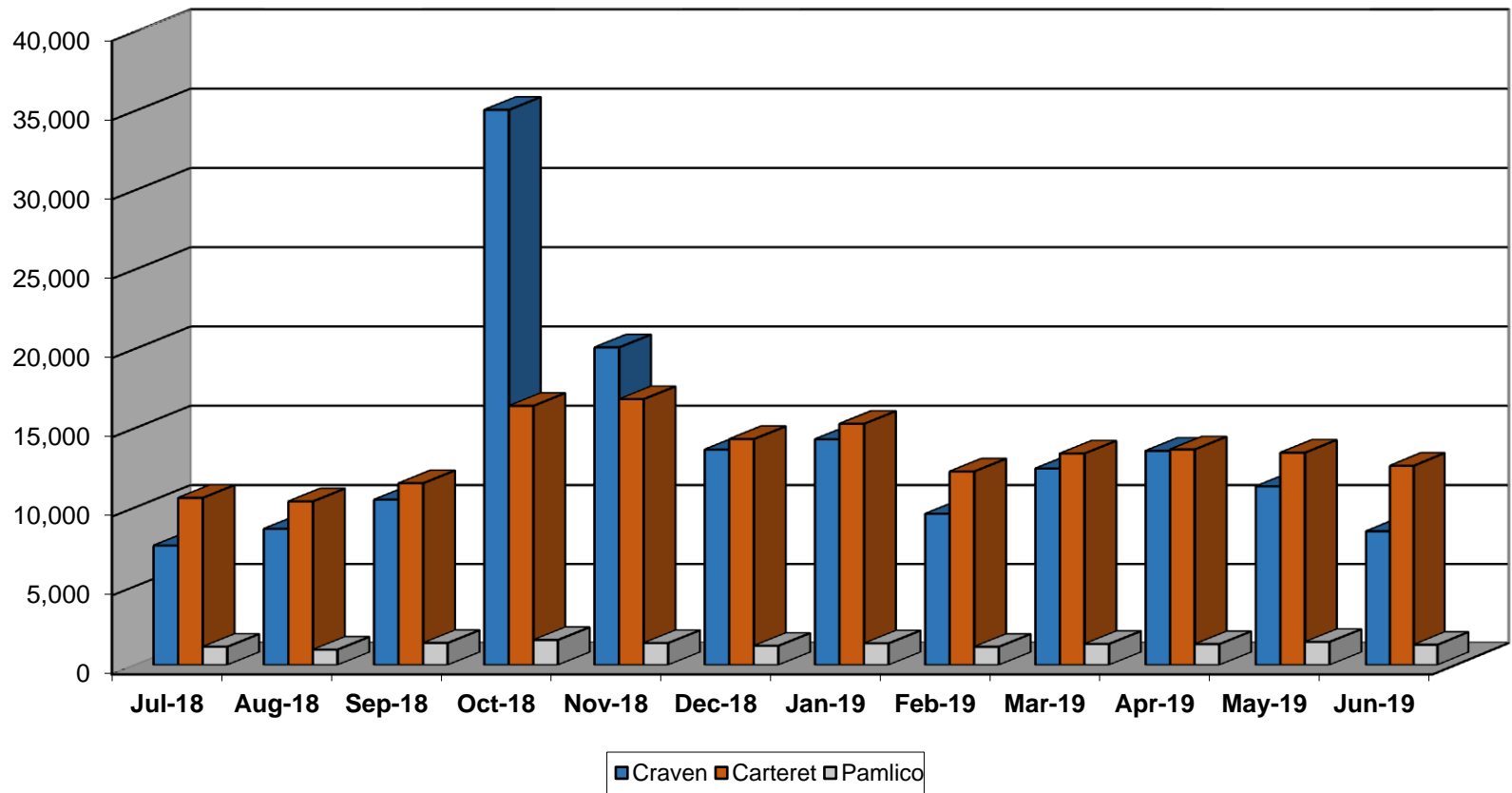
Coastal Regional Solid Waste Management Authority

Tonnage by County
Fiscal Year Ended June 30, 2019



Coastal Regional Solid Waste Management Authority

Municipal Solid Waste Tonnage by County by Month Fiscal Year Ended June 30, 2019



Coastal Regional Solid Waste Management Authority

Tonnage by Source
Fiscal Year Ended June 30, 2019

