

Report On

Town of Black Creek

Black Creek, North Carolina

June 30, 2019

Town Board Members

Ralph M. Smith, Jr., Mayor
Roland Lucas, Commissioner
Larry Price, Commissioner
Roland Godwin, Commissioner
Candy Minshew, Commissioner
Ellen Dawson, Commissioner

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FINANCIAL SECTION

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

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America Counts on CPAs

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor
And Members of the Town Council
Town of Black Creek, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Town of Black Creek, North Carolina, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town'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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 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, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major

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fund of the Town of Black Creek, North Carolina, as of June 30, 2019, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the General Fund 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, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Asset and Contributions, respectively, the Law Enforcement Officers' Special Separation Allowance schedules of the Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll and the Other Post Employment Benefits' Schedule of Changes in the Net OPEB Liability and Related Ratios and Schedule of Town Contributions for the Retiree Health Benefit Fund, 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 Town of Black Creek, North Carolina's basic financial statements. The combining and individual fund statements, budgetary schedules and other schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund statements, budgetary schedules and other 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 by us. In our opinion, based on our audit, the procedures performed as described above, the combining and individual fund statements, budgetary schedules and other schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Winston, Williams, Creech, Evans & Company, LLP

Winston, Williams, Creech, Evans & Company, LLP
Oxford, North Carolina
November 14, 2023

Management's Discussion and Analysis

Management's Discussion and Analysis

As management of the Town of Black Creek, we offer readers of the Town of Black Creek's financial statements this narrative overview and analysis of the financial activities of the Town of Black Creek for the fiscal year ended June 30, 2019. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

Financial Highlights

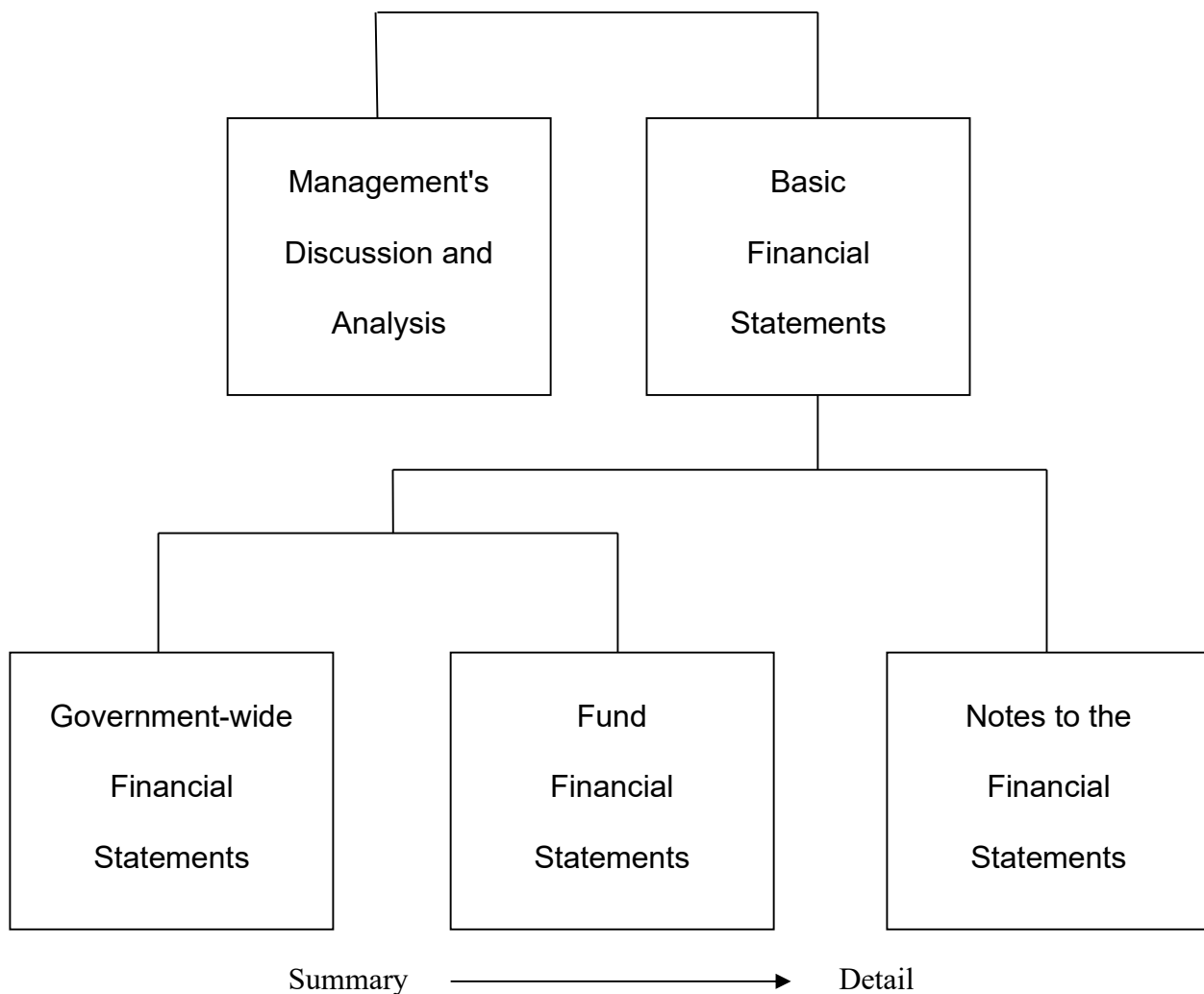
- The assets and deferred outflows of resources of the Town of Black Creek exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$11,029,419 (*net position*).
- The government's total net position increased by \$596,630 primarily due to increases in both of the business-type activities net position.
- As of the close of the current fiscal year, the Town of Black Creek's governmental fund reported ending fund balance of \$330,042 with a net change of \$(19,467) in fund balance. Approximately 9.85% of this total amount, or \$230,542 is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$99,500 or 22.74% of total general fund expenditures for the fiscal year.
- The Town of Black Creek's total debt decreased by \$38,615 (3.17%) during the current fiscal year, due to remittance of scheduled debt service payments as required.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to Town of Black Creek's basic financial statements. The Town's basic financial statements consist of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see Figure 1). The basic financial statements present two different views of the Town through the use of government-wide statements and fund 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 Town of Black Creek.

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

The first two statements (Exhibits 1 and 2) in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the Town's financial status.

The next statements (Exhibits 3 through 8) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; and 3) the proprietary fund statements.

Management Discussion and Analysis

Town of Black Creek

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **supplemental information** is provided to show details about the Town individual funds. Budgetary information required by the General Statutes also can be found in this part of the statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the Town finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the Town financial status as a whole.

The two government-wide statements report the Town's net position and how it has changed. Net position are the difference between the Town total assets and deferred outflows of resources and total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the Town's financial condition.

The government-wide statements are divided into two categories: 1) governmental activities; and 2) business-type activities. The governmental activities include most of the Town's basic services such as public safety, parks and recreation, and general administration. Property taxes and state and federal grant funds finance most of these activities. The business-type activities are those that the Town charges customers to provide. This includes the water and sewer services offered by the Town of Black Creek.

The government-wide financial statements are on Exhibits 1 and 2 of this report.

Fund Financial Statements

The fund financial statements (see Figure 2) provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Black Creek, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the Town's budget ordinance. All of the funds of Town of Black Creek can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the Town's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* which provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the Town's programs. The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

Management Discussion and Analysis

Town of Black Creek

The Town of Black Creek adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the Town, the management of the Town, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the Town to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the Town complied with the budget ordinance and whether or not the Town succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the board; 2) the final budget as amended by the board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

Proprietary Funds – The Town of Black Creek has two proprietary funds. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. Town of Black Creek uses its enterprise funds to account for its electric and water and sewer activities. These funds are the same as those functions shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 31 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town of Black Creek's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 59 of this report.

Interdependence with Other Entities – The Town depends on the financial resources flowing from, or associated with, both the Federal government and the State of North Carolina. Because of this dependency, the Town is subject to changes in specific flows of intergovernmental revenues based on modifications to the Federal and State laws and Federal and State appropriations.

Management Discussion and Analysis
Town of Black Creek

Government-Wide Financial Analysis

Town of Black Creek's Net Position
Figure 2

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 359,012	\$ 367,805	\$ 8,462,316	\$ 7,651,870	\$ 8,821,328	\$ 8,019,675
Capital assets	315,247	332,416	4,378,909	4,492,288	4,694,156	4,824,704
Deferred outflows of resources	142,565	124,830	168,952	202,283	311,517	327,113
Total assets and deferred outflow of resources	816,824	825,051	13,010,177	12,346,441	13,827,001	13,171,492
Long-term liabilities outstanding	275,172	357,808	1,507,956	1,688,806	1,783,128	2,046,614
Other liabilities	34,563	22,207	518,985	398,400	553,548	420,607
Deferred inflows of resources	184,908	103,626	275,997	167,855	460,905	271,481
Total liabilities and deferred inflows of resources	494,643	483,641	2,302,938	2,255,061	2,797,581	2,738,702
Net Position:						
Net investment in capital assets	287,840	289,886	3,227,046	3,316,933	3,514,886	3,606,819
Restricted	230,542	207,746	50,800	216,780	281,342	424,526
Unrestricted	(196,201)	(156,222)	7,429,393	6,557,667	7,233,192	6,401,445
Total net position	\$ 322,181	\$ 341,410	\$ 10,707,239	\$ 10,091,380	\$ 11,029,420	\$ 10,432,790

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 Town of Black Creek exceeded liabilities by \$11,029,419 as of June 30, 2019. The Town's net position increased by \$596,630 for the fiscal year ended June 30, 2019. However, a large portion (31.87%) reflects the Town's investment in capital assets (e.g. land, buildings, machinery, and equipment) less any related debt still outstanding that was issued to acquire those items. The Town of Black Creek uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Black Creek's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Black Creek's net position (2.55%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$7,233,191 is unrestricted.

Town of Black Creek

Decisions regarding the allocations are made by the administrators of the pension plan, not by the Town of Black Creek's management.

Several particular aspects of the Town's financial operations positively influenced the total unrestricted governmental net position:

- Collection of property taxes resulted in a total tax collection percentage of 96.32%, which is below the statewide average of 98.78%. The Town's collection percentage for property taxes excluding motor vehicles and for motor vehicles only is 95.63% and 100.00% respectively.
- Total General Fund revenues remained relatively flat compared to the prior year with less than a 0.09% increase.
- Total General Fund expenditures increased approximately \$50,902 (13.17%) in comparison to the prior year. The primary reason for the increase was the increase in public safety due to the increase in salaries and employee benefits.

Town of Black Creek

Town of Black Creek's Changes in Net Position
Figure 3

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenue:						
Program revenues:						
Charges for services	\$ 88,200	\$ 87,245	\$ 2,592,710	\$ 2,640,797	\$ 2,680,910	\$ 2,728,042
Grants and contributions:						
Operating	31,201	40,820	-	-	31,201	40,820
Capital	-	-	-	107,868	-	107,868
General revenues:						
Property taxes	167,628	168,340	-	-	167,628	168,340
Other taxes	125,050	114,516	-	-	125,050	114,516
Other	6,603	7,524	6,947	3,487	13,550	11,011
Total revenue	418,682	418,445	2,599,657	2,752,152	3,018,339	3,170,597
Expenses:						
General government	47,635	56,623	-	-	47,635	56,623
Public safety	245,736	201,782	-	-	245,736	201,782
Transportation	92,158	106,582	-	-	92,158	106,582
Environmental protection	34,930	38,489	-	-	34,930	38,489
Cultural and recreational	16,645	17,437	-	-	16,645	17,437
Interest on long-term debt	807	2,448	-	-	807	2,448
Water and sewer	-	-	845,569	741,824	845,569	741,824
Electric	-	-	1,138,229	1,477,190	1,138,229	1,477,190
Total expenses	437,911	423,361	1,983,798	2,219,014	2,421,709	2,642,375
Increase (decrease) in net position	(19,229)	(4,916)	615,859	533,138	596,630	528,222
Transfers	-	-	-	-	-	-
Net position, July 1	341,410	617,671	10,091,380	9,907,247	10,432,790	10,524,918
Restatement	-	(271,345)	-	(349,005)	-	(620,350)
Net position, July 1, restated	341,410	346,326	10,091,380	9,558,242	10,432,790	9,904,568
Net position, June 30	\$ 322,181	\$ 341,410	\$ 10,707,239	\$ 10,091,380	\$ 11,029,420	\$ 10,432,790

Town of Black Creek

Governmental activities. Governmental activities decreased the Town's net position by \$19,229. Key elements of this decrease are as follows:

- The governmental funds experienced a decrease of \$19,467 on the modified accrual basis.
- Current year depreciation expenses exceeded capital outlay expenditures which were capitalized by \$17,169.
- Principal retirement in excess of accrued interest payable increased net position by \$14,591.

Business-type activities. Business-type activities increased the Town of Black Creek's net position by \$615,859 accounting for 103.22% of the total increase in net position. Key elements of this increase are as follows:

Electric Fund

- The electric fund experienced an increase of \$470,477 on the modified accrual basis.
- Depreciation expense decreased the electric fund position by \$54,629.
- Accrued OPEB expense decreased the electric fund net position by \$10,013.
- Capital outlay expenditures that were capitalized in the full accrual basis increased the electric fund position by \$9,000.
- Decrease in the vacation accrual increased net position by \$1,950.
- Increase in the net pension liability decreased net position by \$6,068.

Water and Sewer Fund

- The water and sewer fund experienced an increase of 218,523 on the modified accrual basis.
- Increase in pension expense and vacation pay accrual decreased the water and sewer fund net position by \$2,751 and \$858, respectively.
- Depreciation expense decreased the water and sewer fund net position by \$176,808.
- Capitalized expense increased the water and sewer fund net position by \$109,058.
- Principal retirement of debt increased the water and sewer fund net position by \$23,492.
- Accrued OPEB expense decreased the water and sewer fund net position by \$5,307.

Town of Black Creek

Financial Analysis of the Town's Funds

As noted earlier, the Town of Black Creek uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the Town of Black Creek's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Town of Black Creek's financial requirements.

The General Fund is the chief operating fund of the Town of Black Creek. At the end of the current fiscal year, the Town of Black Creek's fund balance available in the General Fund was \$292,379 while total fund balance reached \$330,042. The Town currently has an available fund balance of 66.83% of general fund expenditures, and the total fund balance represents 75.43% of the same amount.

General Fund Budgetary Highlights: During the fiscal year, the Town revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services.

Proprietary Funds. The Town's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Electric Fund at the end of the year amounted to \$3,906,632 and those for the Water and Sewer Fund amounted to \$3,522,760. The total increase in net position was \$615,859. Other factors concerning the finances of these two funds have already been addressed in the discussion of the Town's business-type activities.

Capital Asset and Debt Administration

Capital assets. The Town of Black Creek's investment in capital assets for its governmental and business-type activities as of June 30, 2019, totals \$4,694,156 (net of accumulated depreciation). These assets include buildings, land, machinery and equipment, park facilities, and vehicles.

Major Capital Asset transactions during the year include the following additions (there were no significant demolitions or disposals):

- \$15,400 in governmental equipment for a grass cutter and other equipment.
- \$9,000 in the Electric Fund for a grass cutter.
- \$9,000 and \$104,558 in the Water and Sewer Fund for a grass cutter and a water tank.

Management Discussion and Analysis
Town of Black Creek

**Town of Black Creek's Capital Assets
(net of depreciation)**

Figure 4

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 81,855	\$ 81,855	\$ 116,857	\$ 116,857	\$ 198,712	\$ 198,712
Construction in progress	-	-	-	215,585	-	215,585
Buildings	128,404	128,724	33,492	36,620	161,896	165,344
Improvements other than buildings	28,305	33,472	-	-	28,305.00	33,472
Plant and systems	-	-	4,094,940	3,973,526	4,094,940	3,973,526
Equipment	12,000	4,000	45,453	33,941	57,453	37,941
Vehicles and motorized equipment	64,683	84,365	88,167	115,759	152,850	200,124
Total	\$ 315,247	\$ 332,416	\$ 4,378,909	\$ 4,492,288	\$ 4,694,156	\$ 4,824,704

Additional information on the Town's capital assets can be found in note III of the basic financial statements.

Long-term Debt. As of June 30, 2019, the Town of Black Creek had total outstanding debt of \$1,179,270 which consisted of the following:

- \$27,407 for the purchase of a garbage truck.
- \$591,731 for the well and water line project.
- \$181,060 for the water filtration improvement capital project.
- \$322,205 for the sewer rehabilitation capital project.
- \$56,867 repayable grant/loan for the Water Meter and Well Modification Capital Project.

Management Discussion and Analysis
Town of Black Creek

Town of Black Creek's Outstanding Debt
Figure 5

	Governmental Activities		Business-type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
Compensated absences	\$ 1,364	\$ 1,324	\$ 2,068	\$ 3,159	\$ 24,687	\$ 4,483
Notes payable	-	-	1,151,863	1,175,355	1,151,863	1,175,355
Pension related debt (LGERS)	49,237	36,856	68,668	59,849	117,905	96,705
Pension related debt (LEO)	6,121	5,461	-	-	6,121	5,461
OPEB related debt	207,922	293,860	311,753	477,198	519,675	771,058
Installment purchases	27,407	42,530	-	-	27,407	42,530
Total	\$ 292,051	\$ 380,031	\$ 1,534,352	\$ 1,715,561	\$ 1,847,658	\$ 2,095,592

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8.00% of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the Town of Black Creek is \$1,314,239.

Economic Factors and Next Year's Budgets and Rates

The following key economic indicators reflect the growth and prosperity of the Town.

- Inflationary trends in the region compare very favorably to national indicators.
- The unemployment rate for Wilson County was 6.1% at June 30 which is lower when compared to last year's rate at 6.8%.

Budget Highlights for the Fiscal Year Ending June 30, 2020

Governmental Activities: Budgeted property tax rate will remain the same.

Business-type Activities: Water fund and sewer fund and electric fund revenues are expected to increase slightly in the next fiscal year.

Requests for Information

This report is designed to provide an overview of the Town'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 Cindy Dougherty, Town of Black Creek, PO Box 8, Black Creek, NC 27813.

Basic Financial Statements

Town of Black Creek, North Carolina
Statement of Net Position
June 30, 2019

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 217,873	\$ 7,654,324	\$ 7,872,197
Taxes receivables (net)	11,818	-	11,818
Accounts receivable (net)	10,700	326,745	337,445
Due from other governments	26,963	61,880	88,843
Internal balances	(101,221)	101,221	-
Inventory	-	129,616	129,616
Restricted assets:			
Cash and cash equivalents	192,879	188,530	381,409
Total current assets	<u>359,012</u>	<u>8,462,316</u>	<u>8,821,328</u>
Noncurrent assets:			
Capital assets			
Land, non-depreciable improvements and construction in progress	81,855	116,857	198,712
Other capital assets, net of depreciation	<u>233,392</u>	<u>4,262,052</u>	<u>4,495,444</u>
Total capital assets, net of depreciation	<u>315,247</u>	<u>4,378,909</u>	<u>4,694,156</u>
Total assets	<u>674,259</u>	<u>12,841,225</u>	<u>13,515,484</u>
DEFERRED OUTFLOWS OF RESOURCEES			
OPEB deferrals	98,184	109,671	207,855
Pension deferrals	<u>44,381</u>	<u>59,281</u>	<u>103,662</u>
Total deferred outflows of resources	<u>142,565</u>	<u>168,952</u>	<u>311,517</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	17,152	343,698	360,850
Accrued interest payable	532	13,229	13,761
Payable from restricted assets	-	137,730	137,730
Current portion of long-term liabilities	<u>16,879</u>	<u>24,328</u>	<u>41,207</u>
Total current liabilities	<u>34,563</u>	<u>518,985</u>	<u>553,548</u>
Long-term liabilities:			
Net pension liability (LGRS)	49,237	68,668	117,905
Net OPEB liability	<u>207,922</u>	<u>311,753</u>	<u>519,675</u>
Total pension liability (LEO)	6,121	-	6,121
Due in more than one year	<u>11,892</u>	<u>1,127,535</u>	<u>1,139,427</u>
Total liabilities	<u>309,735</u>	<u>2,026,941</u>	<u>2,336,676</u>
DEFERRED INFLOWS OF RESOURCES			
OPEB deferrals	180,959	271,300	452,259
Pension deferrals	<u>3,949</u>	<u>4,697</u>	<u>8,646</u>
Total deferred inflows of resources	<u>184,908</u>	<u>275,997</u>	<u>460,905</u>
NET POSITION			
Net investment in capital assets	287,840	3,227,046	3,514,886
Restricted for:			
Debt service	-	50,800	50,800
Transportation	192,879	-	192,879
Stabilization by State Statute	<u>37,663</u>	<u>-</u>	<u>37,663</u>
Unrestricted	<u>(196,201)</u>	<u>7,429,393</u>	<u>7,233,192</u>
Total net position	<u>\$ 322,181</u>	<u>\$ 10,707,239</u>	<u>\$ 11,029,420</u>

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

Town of Black Creek, North Carolina
Statement of Activities
For the Year Ended June 30, 2019

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental Activities:							
General government	\$ 47,635	\$ 8,375	\$ 10,086	\$ -	\$ (29,174)	\$ -	\$ (29,174)
Public safety	245,736	-	-	-	(245,736)	-	(245,736)
Transportation	92,158	-	20,546	-	(71,612)	-	(71,612)
Environmental protection	34,930	79,825	569	-	45,464	-	45,464
Cultural and recreation	16,645	-	-	-	(16,645)	-	(16,645)
Interest on long-term debt	807	-	-	-	(807)	-	(807)
Total governmental activities (See Note 1)	437,911	88,200	31,201	-	(318,510)	-	(318,510)
Business-type activities:							
Water and sewer	845,569	1,021,554	-	-	-	175,985	175,985
Electric	1,138,229	1,571,156	-	-	-	432,927	432,927
Total business-type activities	1,983,798	2,592,710	-	-	-	608,912	608,912
Total primary government	\$ 2,421,709	\$ 2,680,910	\$ 31,201	\$ -	\$ (318,510)	\$ 608,912	\$ 290,402

General revenues:

Taxes:			
Property taxes, levied for general purpose	167,628	-	167,628
Other taxes	-	-	-
Grants and contributions not restricted to specific programs	125,050	-	125,050
Unrestricted investment earnings	1,879	6,947	8,826
Miscellaneous	4,724	-	4,724
Total general revenues, not including transfers	299,281	6,947	306,228
Transfers	-	-	-
Total general revenues and transfers	299,281	6,947	306,228
Change in net position	(19,229)	615,859	596,630
Net position, beginning	341,410	10,091,380	10,432,790
Net position-ending	\$ 322,181	\$ 10,707,239	\$ 11,029,420

Town of Black Creek, North Carolina
Balance Sheet
Governmental Funds
June 30, 2019

	Major Fund		
	General	Total Non-Major Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 217,873	\$ -	\$ 217,873
Restricted cash and cash equivalents	192,879	-	192,879
Taxes receivable	11,818	-	11,818
Accounts receivable (net)	10,700	-	10,700
Due from other governments	26,963	-	26,963
Total assets	<u>\$ 460,233</u>	<u>\$ -</u>	<u>\$ 460,233</u>
LIABILITIES AND FUND BALANCES			
Accounts payable and accrued liabilities	\$ 17,152	\$ -	\$ 17,152
Due to other funds	101,221	-	101,221
Total liabilities	<u>118,373</u>	<u>-</u>	<u>118,373</u>
DEFERRED INFLOWS OF RESOURCES			
Property taxes receivable	11,818	-	11,818
Total deferred inflows of resources	<u>11,818</u>	<u>-</u>	<u>11,818</u>
FUND BALANCES			
Restricted			
Stabilization by State Statute	37,663	-	37,663
Streets-Powell bill	192,879	-	192,879
Debt service	-	-	-
Assigned			
Capital improvement	-	-	-
Unassigned	99,500	-	99,500
Total fund balances	<u>330,042</u>	<u>-</u>	<u>330,042</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 460,233</u>	<u>\$ -</u>	<u>\$ 460,233</u>

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

**Exhibit 3
(continued)**

**Town of Black Creek
Balance Sheet
Governmental Funds
June 30, 2019**

Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1) are different because:

Total fund balance (Exhibit 4)	\$ 330,042
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	315,247
Other long-term assets (accrued interest receivable from taxes) are not available to pay for current-period expenditures and therefore are included in the funds	-
Deferred outflows of resources related to pensions are not reported in the funds	44,381
Deferred outflows of resources related to OPEB are not reported in the funds	98,184
Accrued interest payable related to long-term liabilities is not reported in the funds	(532)
Long-term liabilities used in government activities are not financial uses and therefore are not reported in the funds	(292,051)
Deferred inflows of resources related to pensions are not reported in the funds	(3,949)
Deferred inflows of resources related to OPEB are not reported in the funds	(180,959)
Liabilities for earned but deferred revenues in fund statements	<u>11,818</u>
Net position of governmental activities	<u><u>\$ 322,181</u></u>

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

Town of Black Creek, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2019

	Major Fund		
	General Fund	Total Non-Major Funds	Total Governmental Funds
REVENUES			
Ad valorem taxes	\$ 167,005	\$ -	\$ 167,005
Other taxes and licenses	210	-	210
Unrestricted intergovernmental	125,050	-	125,050
Restricted intergovernmental	21,115	-	21,115
Sales and services	87,990	-	87,990
Investment earnings	1,879	-	1,879
Miscellaneous	14,810	-	14,810
Total revenues	418,059	-	418,059
EXPENDITURES			
Current:			
General government	47,228	-	47,228
Public safety	241,123	-	241,123
Transportation	100,594	-	100,594
Environmental protection	20,792	-	20,792
Cultural and recreational	11,565	-	11,565
Debt service:			
Principal	15,123	-	15,123
Interest and other charges	1,101	-	1,101
Total expenditures	437,526	-	437,526
REVENUES OVER (UNDER) EXPENDITURES	(19,467)		(19,467)
OTHER FINANCING SOURCES (USES)			
Transfers from other funds	-	-	-
Transfers to other funds	-	-	-
NET CHANGE IN FUND BALANCE	(19,467)	-	(19,467)
Fund balance, beginning of year - July 1	349,509	-	349,509
Fund balance, end of year - June 30	\$ 330,042	\$ -	\$ 330,042

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

Town of Black Creek, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2019

Amounts reported for governmental activities in the Statement of Activities are different because:

Net changes in fund balances - total governmental funds (Exhibit 4)	\$ (19,467)
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period	(17,169)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds	623
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	13,673
Contributions to the OPEB plan in the current fiscal year are not included on the Statement of Activities	10,317
Pension (expense) income	(14,583)
OPEB (expense)	(69)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items	15,123
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds	<u>(7,677)</u>
Total changes in net position of governmental activities	<u>\$ (19,229)</u>

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

Town of Black Creek, North Carolina
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2019

	General Fund			Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual Amounts	
Revenues:				
Ad valorem taxes	\$ 162,000	\$ 162,000	\$ 167,005	\$ 5,005
Other taxes and licenses	400	400	210	(190)
Unrestricted intergovernmental revenues	100,000	100,000	125,050	25,050
Restricted intergovernmental revenues	21,500	21,500	21,115	(385)
Sales and services	81,025	81,025	87,990	6,965
Investment earnings	2,500	2,500	1,879	(621)
Miscellaneous	14,500	14,500	14,810	310
Total revenues	381,925	381,925	418,059	36,134
Expenditures:				
Current:				
General government	70,950	70,950	47,228	23,722
Public safety	256,000	256,000	241,123	14,877
Transportation	121,300	121,300	100,594	20,706
Environmental protection	21,250	21,250	20,792	458
Cultural and recreation	12,000	12,000	11,565	435
Debt service:				
Principal retirement	16,000	16,000	15,123	877
Interest and other charges	2,900	2,900	1,101	1,799
Total expenditures	500,400	500,400	437,526	62,874
Revenues over (under) expenditures	(118,475)	(118,475)	(19,467)	99,008
Other financing sources (uses):				
Transfers from other funds	118,475	118,475	-	(118,475)
Fund balance appropriated	-	-	-	-
Total other financing sources (uses)	118,475	118,475	-	(118,475)
Net Change in Fund Balance	\$ -	\$ -	(19,467)	\$ (19,467)
Fund balances, beginning of year - July 1			349,509	
Fund balances, end of year - June 30			\$ 330,042	

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

Town of Black Creek, North Carolina
Statement of Net Position
Proprietary Funds
June 30, 2019

	Major Enterprise Funds		
	Electric Fund	Water and Sewer Fund	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 3,956,734	\$ 3,697,590	\$ 7,654,324
Accounts receivable (net)	196,080	130,665	326,745
Due from other governments	3,856	58,024	61,880
Due from other funds	38,431	62,790	101,221
Inventory	105,710	23,906	129,616
Restricted assets:			
Cash and cash equivalents	103,004	85,526	188,530
Total current assets	<u>4,403,815</u>	<u>4,058,501</u>	<u>8,462,316</u>
Noncurrent assets:			
Capital assets:			
Land and construction in progress	2,156	114,701	116,857
Capital assets, net of depreciation	661,256	3,600,796	4,262,052
Capital assets (net)	<u>663,412</u>	<u>3,715,497</u>	<u>4,378,909</u>
Total noncurrent assets	<u>663,412</u>	<u>3,715,497</u>	<u>4,378,909</u>
Total assets	<u>5,067,227</u>	<u>7,773,998</u>	<u>12,841,225</u>
DEFERRED OUTFLOWS OF RESOURCES			
OPEB deferrals	74,410	35,261	109,671
Pension deferrals	38,816	20,465	59,281
Total deferred outflows of resources	<u>113,226</u>	<u>55,726</u>	<u>168,952</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	76,862	277,997	354,859
Compensated absences	1,210	858	2,068
Customer deposits	103,004	34,726	137,730
Notes payable - current	-	24,328	24,328
Total current liabilities	<u>181,076</u>	<u>337,909</u>	<u>518,985</u>
NONCURRENT LIABILITIES			
Notes payable - noncurrent	-	1,127,535	1,127,535
Net OPEB liability	203,920	107,833	311,753
Net pension liability	44,887	23,781	68,668
Total liabilities	<u>429,883</u>	<u>1,597,058</u>	<u>2,026,941</u>
DEFERRED INFLOWS OF RESOURCES			
OPEB deferrals	177,456	93,844	271,300
Pension deferrals	3,070	1,627	4,697
Total deferred inflows of resources	<u>180,526</u>	<u>95,471</u>	<u>275,997</u>
NET POSITION			
Net investment in capital assets	663,412	2,563,634	3,227,046
Restricted for debt service	-	50,800	50,800
Unrestricted	3,906,632	3,522,761	7,429,393
Total net position of business-type activities	<u>\$ 4,570,044</u>	<u>\$ 6,137,195</u>	<u>\$ 10,707,239</u>

Town of Black Creek, North Carolina
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2019

	Major Enterprise Funds		
	Electric Fund	Water and Sewer Fund	Total
OPERATING REVENUES			
Charges for services	\$ 1,525,493	\$ 965,813	\$ 2,491,306
Water and sewer taps	-	3,800	3,800
Other operating revenues	45,663	51,941	97,604
Total operating revenues	<u>1,571,156</u>	<u>1,021,554</u>	<u>2,592,710</u>
OPERATING EXPENSES			
Operations	1,083,600	628,305	1,711,905
Depreciation	54,629	176,808	231,437
Total operating expenses	<u>1,138,229</u>	<u>805,113</u>	<u>1,943,342</u>
Operating income (loss)	<u>432,927</u>	<u>216,441</u>	<u>649,368</u>
NONOPERATING REVENUES (EXPENSES)			
Investment earnings	3,769	3,178	6,947
Interest and other charges	-	(40,456)	(40,456)
Total nonoperating revenue (expenses)	<u>3,769</u>	<u>(37,278)</u>	<u>(33,509)</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	<u>436,696</u>	<u>179,163</u>	<u>615,859</u>
Capital contributions	-	-	-
Transfers to other funds	<u>-</u>	<u>-</u>	<u>-</u>
Change in net position	436,696	179,163	615,859
Total net position - beginning	4,133,348	5,958,032	10,091,380
Total net position - ending - June 30	<u>\$ 4,570,044</u>	<u>\$ 6,137,195</u>	<u>\$ 10,707,239</u>

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

Town of Black Creek, North Carolina
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2019

	Business-Type Activities		
	Enterprise Funds		
	Electric	Water and	
	Fund	Sewer	Totals
	Fund	Fund	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 1,548,495	\$ 908,675	\$ 2,457,170
Cash paid for goods and services	(929,412)	(343,749)	(1,273,161)
Cash paid to or on behalf of employees for services	(219,862)	(118,614)	(338,476)
Customer deposits received (returned) - net	(255)	890	635
Other operating revenues	45,663	51,941	97,604
Net cash provided (used) by operating activities	<u>444,629</u>	<u>499,143</u>	<u>943,772</u>
CASH FLOWS FROM CAPITAL AND RELATED			
FINANCING ACTIVITIES			
Acquisition and construction of capital assets	(9,000)	(109,058)	(118,058)
Principal paid on bond maturities and notes	-	(23,492)	(23,492)
Interest paid on debt	-	(40,957)	(40,957)
Capital contributions	-	-	-
Net cash provided (used) by capital and related financing activities	<u>(9,000)</u>	<u>(173,507)</u>	<u>(182,507)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on investments	<u>3,769</u>	<u>3,178</u>	<u>6,947</u>
Net increase (decrease) in cash and cash equivalents	<u>439,398</u>	<u>328,814</u>	<u>768,212</u>
Cash and cash equivalents - beginning of the year	<u>3,620,340</u>	<u>3,454,302</u>	<u>7,074,642</u>
Cash and cash equivalents - end of the year	<u>\$ 4,059,738</u>	<u>\$ 3,783,116</u>	<u>\$ 7,842,854</u>

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

Exhibit 8
(continued)

Town of Black Creek, North Carolina
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2019

	Business-Type Activities		
	Enterprise Funds		
	Electric	Water and	
	Fund	Sewer	Totals
	Fund	Fund	
RECONCILIATION OF OPERATING INCOME TO			
NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Operating income (loss)	\$ 432,927	\$ 216,441	\$ 649,368
ADJUSTMENTS TO RECONCILE OPERATING			
INCOME TO NET CASH PROVIDED BY			
OPERATING ACTIVITIES:			
Depreciation	54,629	176,808	231,437
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	26,858	(2,914)	23,944
(Increase) decrease in due from other governments	(3,856)	(58,024)	(61,880)
(Increase) decrease in inventory	(3,602)	(696)	(4,298)
(Increase) decrease in deferred outflows of resources			
for pensions and OPEB	17,978	15,353	33,331
Increase (decrease) in OPEB liability	(105,597)	(59,848)	(165,445)
Increase (decrease) in net pension liabilities	6,068	2,751	8,819
Increase (decrease) in deferred inflows of resources			
for pensions and OPEB	71,653	36,489	108,142
Increase (decrease) in accounts payable and			
accrued liabilities	(50,225)	171,035	120,810
Increase (decrease) in customer deposits	(255)	890	635
Increase (decrease) in accrued vacation pay	(1,949)	858	(1,091)
Total Adjustments	11,702	282,702	294,404
Net cash provided by operating activities	\$ 444,629	\$ 499,143	\$ 943,772

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

Town of Black Creek, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2019

I. Summary of Significant Accounting Policies

The accounting policies of the Town of Black Creek conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

The Town of Black Creek is a municipal corporation that is governed by an elected mayor and a five-member board of commissioners. As required by generally accepted accounting principles, these financial statements present the financial activity of the Town.

B. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities display information about the primary government. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the Town. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the Town and for each function of the Town's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. 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, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the Town's funds. Separate statements for each fund category – *governmental and proprietary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and 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, result from non-exchange transactions. Other non-operating revenues are ancillary activities such as investment earnings.

The Town reports the following major governmental fund:

General Fund. The General Fund is the general operating fund of the Town. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, State grants, and various other taxes and licenses. The primary expenditures are for public safety, street maintenance and construction, and sanitation services.

The Town reports the following major enterprise funds:

Electric Fund. This fund is used to account for the Town's electric system operations.

Water and Sewer Fund. This fund is used to account for the Town's water and sewer operations.

C. Measurement Focus and Basis of Accounting

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

Government-wide and Proprietary Fund Financial Statements. The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the Town gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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 Town enterprise fund are charges to customers for sales and services. The Town also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water and sewer system. Operating expenses for enterprise fund includes the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as

expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

The Town considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when the vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Sales taxes are considered a shared revenue for the Town of Black Creek because the tax is levied by Wilson County and then remitted to and distributed by the State. Most intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Grant revenues which are unearned at year-end are recorded as unearned revenues. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

D. Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget ordinance is adopted for the General Fund, the Electric Fund, and the Water and Sewer Fund. All annual appropriations lapse at the fiscal-year end. Project ordinances are adopted for the Grant Projects Special Revenue Fund, which are consolidated with the operating funds for reporting purposes. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the object level for the multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations by more than \$2,500. All amendments must be approved by the governing board. During the year, amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity

1. Deposits and Investments

All deposits of the Town are made in board-designated official depositories and are secured as required by State law [G.S. 159-31]. The Town may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the Town 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 Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT).

The securities of the NCCMT Cash Portfolio, a SEC-registered (2a-7) money market mutual fund, are valued at fair value, which is the NCCMT’s share price. Money market investments that have a remaining maturity at the time of purchase of one year or less are reported at amortized cost.

In accordance with State law, the Town has invested in bank certificates of deposit and money market accounts, and are stated at fair value.

2. Cash and Cash Equivalents

The Town pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents.

3. Restricted Assets

The unexpended grant funds in the General Fund are restricted to the purpose for which the grants were issued. Restricted assets consist of funds restricted for use in capital projects. Powell Bill funds are classified as restricted cash for transportation because they can only be expended for purposes of maintaining, repairing, construction, reconstructing or widening of local streets per G.S. 136-41.1 through 136-41.4. Customer deposits held by the Town before any services are supplied are restricted to the service for which the deposit was collected. Cash has been restricted for debt service to fulfill loan covenants. The Town has four outstanding loan issued by the USDA Rural Development, each carrying a loan covenant to establish as cash reserve to be funded for the first 10 years of loan repayment at the end of which there will have accumulated a cash reserve equal to one annual debt service payment for each loan.

Town of Black Creek Restricted Cash

Governmental Activities:		
General Fund	Streets	\$ 192,879
Total Governmental Activities		<u>192,879</u>
Business-type Activities:		
Electric Fund	Customer deposits	103,004
Water and Sewer Fund	Debt service	50,800
Water and Sewer Fund	Customer deposits	<u>34,726</u>
Total Business-type Activities		<u>188,530</u>
Total Restricted Cash		<u><u>\$ 381,409</u></u>

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2017. Discounts are not provided for taxes which are paid prior to the due date.

5. Allowances for Doubtful Accounts

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

6. Inventory and Prepaid Items

The inventories of the Town are valued at cost (first-in, first-out), which approximates market. The Town's General Fund inventory consists of expendable supplies that are recorded as expenditures as used rather than when purchased.

The inventories of the Town's enterprise funds consist of materials and supplies held for subsequent use. The cost of these inventories is expensed when consumed rather than when purchased.

7. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. The Town has not adopted minimum capitalization policies. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. 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:

Asset Class	Estimated Useful Lives
Buildings	10-40
Improvements	15-40
Furniture and equipment	3-15
Vehicles and motorized equipme	3-10

8. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has one item that meet this criterion, contributions made to the pension plan in the 2019 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of*

Resources, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has two items that meet the criterion for this category – property taxes receivable, and pension deferrals.

9. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

In fund financial statements, governmental fund types report the face amount of debt issued as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

10. Compensated Absences

The vacation policy of the Town provides for the accumulation of up to forty (40) hours earned vacation leave, with such leave being fully vested when earned. Hours over 40 hours at the end of the fiscal year, convert to earned sick leave hours. For the Town's government-wide and proprietary funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The Town has assumed a first-in, first-out method of using accumulated compensated time. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

The Town'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 Town has no obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

11. Net Positions/Fund Balances

Net Position

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

Fund Balances

Committed Fund Balance – portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of Town of Black Creek's governing body (highest level of decision-making authority). Any changes or removal of specific purposes require majority action by the governing body. There were no amounts classified as committed fund balance at fiscal year end June 30, 2019.

Assigned fund balance – portion of fund balance that Town of Black Creek intends to use for specific purposes. The amount of \$0 was classified as assigned fund balance for the purpose of capital improvement at fiscal year end of June 30, 2019.

Unassigned fund balance – the portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds.

Restricted fund balance – the portion of fund balance that is restricted to specific purposes externally imposed by creditors or imposed by law.

Restricted for Stabilization by State Statute – portion of fund balance that is restricted by State Statute [G.S. 159-8(a)].

Restricted for Streets – Powell Bill portion of fund balance that is restricted by revenue source for street construction and maintenance expenditures. This amount represents the balance of the total unexpended Powell Bill funds.

Restricted for Debt service – portion of fund balance that is restricted by a USDA loan covenant.

The Town of Black Creek has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Officer will use resources in the following hierarchy: bond proceeds, federal funds, State funds, local non-Town funds, Town funds. For purposes of fund balance classification expenditures are to be spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance and lastly unassigned fund balance. The Finance Officer has the authority to deviate from this policy if it is in the best interest of the Town.

12. Pensions

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

II. Stewardship, Compliance, and Accountability

A. Noncompliance with North Carolina General Statutes

The Town's books were not delivered timely in accordance with State law [G.S.159-34(a)]. State law requires that the Town produce all books and records requested by the auditor and divulge such information relating to fiscal affairs as requested by the auditor. The Town did not have the books in order upon initial request by the auditor. The delay in adjusting the books and records delayed the audit by us not having an accurate trial balance.

The finance officer for the fiscal year ended June 30, 2019, did not keep financial records of the unit in accordance with generally accepted principles of governmental accounting and in accordance with the rules and regulations of the Local

Government Commission [G.S. 159-25(a)(1)]. The Town did hire a firm to assist with closing the books and adjusting the trial balance, but this was not completed until February 2023.

B. Excess of Expenditures Over Appropriations

The Water and Sewer Fund overspent its budget for professional services by \$2,231, repairs and maintenance by \$586, supplies by \$1,119, debt service by \$36,190 and capital outlays by \$106,558. This was due to not amending the budget to move the surplus in operations to cover the shortfalls; there was more than adequate funds available to accomplish this.

III. Detail Notes on All Funds

A. Assets

1. Deposits

All the deposits of the Town are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's agent in the Town'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 Town, these deposits are considered to be held by the Town's agent in their name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town under the Pooling Method, the potential exists for under-collateralization. The risk may increase in periods of high cash flows. However, the

State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town has no policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Town complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured. The Town does not have a formal investment policy.

At June 30, 2019, the Town's deposits had a carrying amount of \$8,253,256 and a bank balance of \$8,360,764. Of the bank balance, \$500,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2019, the Town's petty cash fund totaled \$350.

2. Investments

The Town's investments are solely in bank certificates of deposits with a maturity of less than one year and are stated at cost. These investments are classified as cash equivalents.

Interest Rate Risk

The Town has no formal investment policy regarding interest rate risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the Town's internal investment policy limits at least half of the

Town's investment portfolio to maturities of less than 2 months. Also, the Town's internal management policy requires purchases of securities to be laddered with staggered maturity dates and limit all securities to a final maturity of no more than two years.

3. Capital Assets

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

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 81,855	\$ -	\$ -	\$ 81,855
Capital assets being depreciated:				
Buildings	333,223	6,400	-	339,623
Other improvements	104,212	-	-	104,212
Equipment	251,781	9,000	-	260,781
Vehicles	255,415	-	-	255,415
Total capital assets being depreciated	944,631	15,400	-	960,031
Less accumulated depreciation for:				
Buildings	204,499	6,720	-	211,219
Other improvements	70,740	5,167	-	75,907
Equipment	247,781	1,000	-	248,781
Vehicles	171,050	19,682	-	190,732
Total accumulated depreciation	\$ 694,070	\$ 32,569	\$ -	\$ 726,639
Total capital assets being depreciated, net	250,561			233,392
Governmental activity capital assets, net	<u>\$ 332,416</u>			<u>\$ 315,247</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

General government	\$ 6,807
Public safety	5,282
Transportation	1,000
Environmental protection	14,400
Cultural and recreational	5,080
Total depreciation expense	<u>\$ 32,569</u>

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
Electric Fund:				
Capital assets not being depreciated:				
Land	\$ 2,156	\$ -	\$ -	\$ 2,156
Capital assets being depreciated:				
Buildings	82,886	-	-	82,886
Plant and distribution systems	1,422,882	-	-	1,422,882
Equipment	42,917	9,000	-	51,917
Vehicles	428,075	-	-	428,075
Total capital assets being depreciated	1,976,760	9,000	-	1,985,760
Less accumulated depreciation for:				
Buildings	48,720	2,599	-	51,319
Plant and distribution systems	865,926	26,489	-	892,415
Equipment	40,321	541	-	40,862
Vehicles	314,908	25,000	-	339,908
Total accumulated depreciation	1,269,875	\$ 54,629	\$ -	1,324,504
Total capital assets being depreciated, net	706,885			661,256
Electric Fund capital assets, net	<u>\$ 709,041</u>			<u>\$ 663,412</u>
Water and Sewer Fund:				
Capital assets not being depreciated:				
Land	\$ 114,701	\$ -	\$ -	\$ 114,701
Construction in progress	215,585	-	215,585	-
Total capital assets not being depreciated	330,286	-	215,585	114,701
Capital assets being depreciated:				
Buildings	21,661	-	-	21,661
Plant and distribution systems	6,171,819	315,643	-	6,487,462
Furniture and maintenance equipment	201,323	9,000	-	210,323
Vehicles	33,281	-	-	33,281
Total capital assets being depreciated	6,428,084	324,643	-	6,752,727
Less accumulated depreciation for:				
Buildings	19,207	529	-	19,736
Plant and distribution systems	2,755,249	167,740	-	2,922,989
Furniture and maintenance equipment	169,978	5,947	-	175,925
Vehicles	30,689	2,592	-	33,281
Total accumulated depreciation	2,975,123	\$ 176,808	\$ -	3,151,931
Total capital assets being depreciated, net	3,452,961			3,600,796
Water and Sewer Fund capital assets, net	<u>\$ 3,783,247</u>			<u>\$3,715,497</u>
Business-type activities capital assets, net	<u>\$ 4,492,288</u>			<u>\$4,378,909</u>

B. Liabilities

1. Pension Plan Obligations

a. Local Governmental Employees' Retirement System

Plan Description. The Town of Black Creek is a participating employer in the statewide Local Government 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 Government 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, or by calling (919) 981-5454 or at www.osc.nc.gov.

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

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Black Creek employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town of Black Creek's contractually required contribution rate for the year ended June 30, 2019,

was 8.50% of compensation for law enforcement officers and 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 Town of Black Creek were \$32,737 for the year ended June 30, 2019.

Refunds of Contributions – Town 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 Town reported a liability of \$117,905 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 Town's proportion of the net pension liability was based on a projection of the Town'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 projection of the Town'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 Town's proportion was 0.00497%, which was a decrease of 0.00136% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the Town recognized pension expense of \$33,003. At June 30, 2019, the Town 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	\$ 18,190	\$ 610
Changes of assumptions	31,288	-
Net difference between projected and actual earnings on pension plan investments	16,185	-
Change in proportion and differences between Town contributions and proportionate share of contributions	4,819	7,455
Town contributions subsequent to the measurement date	32,737	-
Total	<u>\$ 103,219</u>	<u>\$ 8,065</u>

\$32,737 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease in the net pension liability in the year ended

June 30, 2019. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2019	\$ 31,293
2020	20,502
2021	3,023
2022	-
2023	7,599
Thereafter	-
	<u>\$ 62,417</u>

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

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

The actuarial assumptions used in the December 31, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2011 through December 31, 2015.

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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	6.0%	4.0%
Total	100.0%	

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.

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 Town's proportionate share of the net pension asset to changes in the discount rate. The following presents the Town's proportionate share of the net pension asset calculated using the discount rate of 7.00%, as well as what the Town'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%) or one percentage point higher (8.00%) than the current rate:

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Town's proportionate share of the net pension liability (asset)	\$ 283,219	\$ 117,905	\$ (20,233)

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.

b. Law Enforcement Officers Special Separation Allowance

1. Plan Description.

The Town of Black Creek administers a public employee retirement system (the "Separation Allowance"), a single-employer defined benefit pension plan that provides retirement benefits to the Town's qualified sworn law

enforcement officers. The Separation Allowance is equal to 85% of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full time law enforcement officers of the Town are covered by the Separation Allowance. At December 31, 2019, the Separation Allowance’s membership consisted of:

Retirees receiving benefits	-
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>2</u>
Total	<u><u>2</u></u>

2. *Summary of Significant Accounting Policies:*

Basis of Accounting. The Town has chosen to fund the Separation Allowance on a pay as you go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. Benefits and refunds are recognized when due and payable in accordance with terms of the plan.

The Separation Allowance has no assets accumulated in a trust that meets the following criteria which are outlined in GASB Statements 73.

3. *Actuarial Assumptions.*

The entry age actuarial cost method was used in the December 31, 2015 valuation. The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary increases	3.50 to 7.35 percent, including inflation and productivity factor
Discount rate	3.64 percent

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2017.

Mortality rates are based on the RP-2000 Mortality tables with adjustments for mortality improvements based on Scale AA.

4. *Contributions.*

The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The Town’s obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The Town paid \$0 as benefits came due for the reporting period.

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

At June 30, 2019, the Town reported a total pension liability of \$6,121. The total pension liability was measured as of December 31, 2018 based on a December 31, 2017 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2018 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2019, the Town recognized pension expense of \$801.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 175	\$ 174
Changes of assumptions	268	407
Benefit payments and plan administrative expense made subsequent to the measurement date	-	-
Total	<u>\$ 443</u>	<u>\$ 581</u>

\$0 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2018. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2020	\$ (13)
2021	(17)
2022	(60)
2023	(23)
2024	(23)
Thereafter	(2)

\$0 paid as benefits came due and \$0 of administrative expenses subsequent to the measurement date are reported as deferred outflows of resources.

Sensitivity of the Town's total pension liability to changes in the discount rate. The following presents the Town's total pension liability calculated using the discount rate of 3.64%, as well as what the Town's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.64%) or 1-percentage-point higher (4.64%) than the current rate:

	1% Decrease (2.64%)	Discount Rate (3.64%)	1% Increase (4.64%)
Total pension liability	\$ 6,949	\$ 6,121	\$ 5,372

**Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance**

	2019
Beginning balance	\$ 5,461
Service cost	641
Interest	173
Changes of benefit terms	-
Differences between expected and actual experience	234
Changes of assumptions or other inputs	(388)
Benefit payments	-
Other changes	-
Ending balance of the total pension liability	<u>\$ 6,121</u>

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

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2011 through December 31, 2015.

Method Used to Value Investments. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

3. Contributions.

The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the benefit payments on a pay as you go basis through appropriations made in the General Fund operating budget. The Town obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. There were no contributions made by employees.

Annual Pension Cost and Net Pension Obligation. The Town's annual pension cost and net pension obligation to the Separation Allowance for the current year have not been actuarially valued, and the Town believes any amount to be immaterial.

c. Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description. The Town contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the Town. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Annual Comprehensive 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 for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy. Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to 5% of each officer's salary, and all amounts contributed are vest immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2019, were \$8,491, which consisted of \$6,151 from the Town and \$2,340 from the law enforcement officers.

d. Supplemental Retirement Income Plan for General Employees

Plan Description. The Town contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to Town employees.

Funding Policy. The Town elects to contribute each month an amount equal to 5.00% of each employee's salary, and all amounts contributed are vested immediately. Also, the employee may make voluntary contributions to the plan. Contributions for the year ended June 30, 2019 were \$17,233, which consisted of \$13,593 from the Town and \$3,640 from the employees.

e. Other Employment Benefits

The Town has also elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefits payments to beneficiaries are equal to the employee's 12 highest months' salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000 or be less than \$25,000. All death benefit payments are made from the Death Benefit Plan and not by the Town, the Town does not determine the number of eligible participants. The Town has no liability beyond the payment of monthly contributions. For the fiscal year ended June 30, 2019, the Town made contributions to the State for death benefits of \$172. The Town's required contributions for employees not engaged in law enforcement and for law enforcement officers represented 0.00% and 0.14% of covered payroll, respectively. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount.

2. Healthcare Benefits

Plan Description. The Retiree Health Benefit Fund (RHBF) has been established as a fund to provide health benefits to retired and disabled employees and their applicable beneficiaries. RHBF is established by General Statute 135-7, Article 1. It is a cost-sharing, multiple employer, defined benefit healthcare plan, exclusively for the benefit of former employees of the State, the University of North Carolina System, and community colleges. In addition, LEAs, charter schools and some select local governments also participate.

Management of the plan is vested in the State Health Plan Board of Trustees, which consists of 13 members – eight appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer, the State Superintendent and the Director of the Office of State Human Resources who serve as ex-officio members. RHBF is supported by a percent of payroll contribution from participating employing units. Each year the percentage is set in legislation, as are the maximum per retiree contributions from RHBF to the State Health Plan. The State Treasurer, with the approval of the State Health

Plan Board of Trustees, then sets the employer contributions (subject to the legislative cap) and the premiums to be paid by retirees, as well as the health benefits to be provided through the State Health Plan.

The financial statements and other required disclosures for the plan are present in the State of North Carolina's CAFR, which can be found at <https://www.osc.nc.gov/public-information/reports>.

Benefits provided. Plan benefits received by retired employees and disabled employees from RHBF are OPEB. The healthcare benefits for retired and disabled employees who are not eligible for Medicare are the same as for active employees. The plan options change when former employees become eligible for Medicare. Medicare retirees have the option for selecting one of two fully-insured Medicare Advantage/Prescription Drug Plan (MA-PDP) options of the self-funded Traditional 70/30 preferred Provider Organization plan option that is also offered to non-Medicare members. If the Traditional 70/30 Plan is selected by a Medicare retiree, the self-funded State Health Plan coverage is secondary to Medicare.

Those former employees who are eligible to receive medical benefits from RHBF are long-term disability beneficiaries of the Disability Income Plan of North Carolina (DIPNC) and retirees of the TSERS, the Consolidated Judicial Retirement System (CJRS), the Legislative Retirement System (LRS), the University Employees' Optional Retirement Program (ORP), and a small number of local governments, with five or more years of contributory membership service in their retirement system prior to disability or retirement, with the following exceptions: for employees first hired on or after October 1, 2006, and members of the General Assembly first taking office on or after February 1, 2007, future coverage as retired employees and retired members of the General Assembly is subject to the requirement that the future retiree have 20 or more years of retirement service credit in order to receive coverage on a noncontributory basis. Employees first hired on or after October 1, 2006, and members of the General Assembly first taking office on or after February 1, 2007, with 10 but less than 20 years of retirement service credit are eligible for coverage on a partially contributory basis. For such future retirees, the State will pay 50% of the State Health Plan's noncontributory premium.

Section 35.21 (c) and (d) of Session Law 2017-57 repeals retiree medical benefits for employees first hired January 1, 2021. The new legislation amends Article 3B of Chapter 135 of the General Statutes to require that retirees must earn contributory retirement service in TSERS (or in an allowed local system unit), CJRS, or LRS prior to January 1, 2021, and not withdraw that service in order to be eligible for retiree medical benefits under the amended law. Consequently, members first hired on and after January 1, 2021, will not be eligible to receive retiree medical benefits.

RHBF's benefit and contribution provisions are established by Chapter 135-7, Article 1 and Chapter 135, Article 3B of the General Statutes and may be amended only by the North Carolina General Assembly. RHBF does not provide for automatic post-retirement benefit increases.

Contributions. By General Statute, accumulated contributions from employers to RHBF and any earnings on those contributions shall be used to provide health benefits to retired and disabled employees and their applicable beneficiaries. By statute, contributions to RHBF are irrevocable. Also by law, fund assets are dedicated to providing benefits to retired and disabled employees and their applicable beneficiaries and are not subject to the claims of creditors of the employers making contributions to RHBF. However, RHBF assets may be used for reasonable expenses to administer the RHBF, including costs to conduct required actuarial valuations of state-supported retired employees' health benefits. Contributions rates to RHBF, which are intended to finance benefits and administrative expenses on a pay-as-you-go basis, are determined by the General Assembly in the

Appropriations Bill. For the current fiscal year, the Board contributed 6.27% of covered payroll which amounted to \$25,739.

At June 30, 2019, Board reported a liability of \$519,675 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2017. The total OPEB liability was then rolled forward to the measurement date of June 30, 2018, utilizing update procedures incorporating the actuarial assumptions. The Board's proportion of the net OPEB liability was based on a projection of the Board's present value of future salary, actuarially determined. At June 30, 2018, the Board's proportion was 0.00182%.

Total OPEB Liability

The Town's total OPEB liability of \$519,675 was measured as of December 31, 2018 and was determined by an actuarial valuation as of that date.

Actuarial assumptions. Common actuarial assumptions for both OPEB plans follow individual note disclosures for each OPEB plan.

Inflation	3.00 percent
Salary increases	2.50 percent, average, including inflation
Discount rate	3.87 percent
Healthcare cost trend rate - medical	6.50 percent
prescription drug	7.25 percent
administrative	3.00 percent

Discount rate. The discount rate used to measure the total OPEB liability for the RHBF was 3.18%. The projection of cash flow used to determine the discount rate assumed that contributions from employers would be made at the current statutorily determined contribution rate. Based on the above assumptions, the plan's fiduciary net position was not projected to be available to make projected future benefit payments of current plan members. As a result, a municipal bond rate of 3.18% was used as the discount rate used to measure the total OPEB liability. The 3.18% rate is based on the Bond Buyer 20-year General Obligation Index as of June 30, 2017.

Sensitivity of the Board's proportionate share of the net OPEB liability to change in the discount rate. The following presents the Board's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.18%) or 1 percentage point higher (4.18%) than the current discount rate.

	1% Decrease (2.87%)	Discount Rate (3.87%)	1% Increase (4.87%)
Net OPEB liability	\$ 614,002	\$ 519,675	\$ 444,063

Sensitivity of the total net OPEB liability to changes in the healthcare cost trend rates. The following presents the Board's proportionate share of the net OPEB liability, as well as what the Town's proportionate share of the

net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.87%) or 1 percentage point higher (4.87%) than the current discount rate:

	1% Decrease	Rates	1% Increase
	Medical - 5.5%	Medical - 6.5%	Medical - 7.5%
	Pharmacy - 6.25%	Pharmacy - 7.25%	Pharmacy - 8.25%
	Administrative - 2.0%	Administrative - 3.0%	Administrative - 4.0%
Net OPEB liability	\$ 428,719	\$ 519,675	\$ 639,008

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

Total OPEB Expense, OPEB Liabilities, and Deferred Outflows and Inflows of Resources Related to OPEB

Following is information related to the proportionate share and pension expense:

OPEB Expense	\$ 171
OPEB Liability	519,675
Proportionate share of the net OPEB liability	0.00182%

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 35,538
Changes of assumptions	-	225,136
Net difference between projected and actual earnings on pension plan investments	56	-
Changes in proportion and differences between the Town contributions and proportionate share of contributions	-	-
	182,060	191,585
Town contributions subsequent to the measurement date	25,739	-
Total	<u>\$ 207,855</u>	<u>\$ 452,259</u>

\$25,739 reported as deferred outflows of resources related to OPEB resulting from Board contributions subsequent to the measurement date will be recognized as a decrease of the net OPEB liability in the year ending June 30, 2020. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

2020	\$ (53,240)
2021	(53,240)
2022	(53,240)
2023	(53,185)
2024	(57,237)
Thereafter	-

Deferred Outflows and Inflows of Resources

Deferred outflows of resources are comprised of the following:

<u>Source</u>	<u>Amount</u>
Contributions to the plan in current fiscal year	\$ 58,476
Differences between expected and actual experience	18,365
Changes of assumption	31,556
Net difference between projected and actual earnings on pension plan investments	16,241
Changes in proportion and differences between employer contributions and proportionate share of contributions	186,879
Total	<u>\$ 311,517</u>

Deferred inflows of resources at year-end are composed of the following elements:

	Statement of Net Position	General Fund Balance Sheet
Taxes receivable, net (General Fund)	\$ -	\$ 11,818
Differences between expected and actual experience	36,322	-
Changes of assumptions	225,543	-
Changes in proportion and differences between the Town contributions and proportionate share of contributions	199,040	-
Net difference between projected and actual earnings on pension plan investments	-	-
Total	<u>\$ 460,905</u>	<u>\$ 11,818</u>

2. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in three self-funded risk financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability and auto liability coverage of \$1 million per occurrence, property coverage up to the total insurance values of the property policy, workers' compensation coverage up to statutory limits, and employee health coverage up to a \$2 million lifetime limit. The pools are reinsured through commercial companies for single occurrence claims against general liability, auto liability and property in excess of \$500,000 and \$300,000 up to statutory limits for workers compensation. The pools are reinsured for annual employee health claims in excess of \$150,000. The property liability pool has an aggregate limit for the total property losses in a single year, with the reinsurance limit based upon a percentage of the total insurance value.

The Town carries commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage in the prior year and settled claims have not exceeded coverage in any of the past three fiscal years. The Town has no buildings or land located in a designated flood plain and has not acquired flood insurance.

In accordance with G. S. 159-29, the Town's employees that have access to \$100 or more at any given time of the Town's funds are performance bonded through a commercial surety bond. The finance officer and tax collector are each individually bonded for \$50,000 each. The remaining employees that have access to funds are bonded under a blanket bond for \$25,000.

3. Claims, Judgments and Contingent Liabilities

At June 30, 2019, there were no lawsuits against the Town that materially impact its financial statements.

4. Long-Term Obligations

a. Installment Purchase

In October 2013, the Town entered into a \$145,000 installment obligation to finance the purchase of a garbage truck. The financing contract requires principal payments beginning in the fiscal year 2014 with interest at 2.59%.

Annual debt service payments of the installment purchase as of June 30, 2019 including \$1,019 of interest are as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2020	\$ 15,515	\$ 709
2021	11,892	310
Thereafter	-	-
Total	<u>\$ 27,407</u>	<u>\$ 1,019</u>

b. Notes Payable

Long-term obligations arising from notes payable as of June 30, 2019 consisted of the following:

The Town has a USDA Rural Services Loan for the construction of a well and water lines. The note bears interest at 4.125% and is payable to the USDA in forty annual installments of principal and interest totaling \$36,029, which is serviced by the Water and Sewer Fund. The note is secured by a promissory note and deed of trust and matures May 3, 2046. This loan carries a covenant requiring the Town establish a debt reserve by depositing an amount into a restricted account in each of the first 10 years of the loan until the equivalent of one annual payment is accumulated.

\$591,731

The Town has a USDA Rural Services Loan for improvements to the water filtration system. The note bears interest on 3.250% and is payable to the USDA in forty (40) annual installments of principal and interest totaling \$9,187, which is serviced by the Water and Sewer Fund. The note is secured by a promissory note and a deed of trust and matures July 15, 2049. This loan carries a covenant requiring the Town establish a debt reserve by depositing an amount into a restricted account in each of the first 10 years of the loan until the equivalent of one annual payment is accumulated.

181,060

The Town has a USDA Rural Services Loan for the rehabilitation of the sewer system. The note bears interest at 3.000% and is payable to the USDA in forty (40) annual installments of principal and interest totaling \$15,517, which is serviced by the Water and Sewer Fund. The note is secured by a promissory note and a deed of trust and matures February 9, 2052. This loan carries a covenant requiring the Town establish a debt reserve by depositing an amount into a restricted account in each of the first 10 years of the loan until the equivalent of one annual payment is accumulated.

322,205

The Town has a NCDENR Grant 80 percent /Loan 20 percent for the Water Meter and Well Modification Capital Project. The note bears no interest and is payable to the NCDENR in twenty (20) annual installments of principal \$3,554, which is serviced by the Water and Sewer Fund. The note is secured by a promissory note and matures May 1, 2035.

56,867

Total loans outstanding

\$1,151,863

Annual debt service payments of the notes payable as of June 30, 2019, including \$719,513 of interest, are as follows:

Year Ending June 30	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	Principal	Interest	Principal	Interest
2020	-	-	\$ 24,328	\$ 39,959
2021	-	-	25,089	39,198
2022	-	-	25,881	38,406
2023	-	-	26,700	37,587
2024	-	-	27,551	36,736
2025-2052	-	-	1,022,314	527,627
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,151,863</u>	<u>\$ 719,513</u>

c. Changes in Long-Term Liabilities

	Balance June 30, 2018	Increase	Decrease	Balance June 30, 2019	Current Portion of Balance
Governmental activities:					
Installment purchases	\$ 42,530	\$ -	\$ 15,123	\$ 27,407	\$ 15,515
Compensated absences	1,324	40	-	1,364	1,364
Net pension liability (LGERS)	36,856	12,381	-	49,237	-
Total pension liability (LEO)	5,461	660	-	6,121	-
OPEB Liability	293,860	-	85,938	207,922	-
Total governmental	<u>\$ 380,031</u>	<u>\$ 13,081</u>	<u>\$ 101,061</u>	<u>\$ 292,051</u>	<u>\$ 16,879</u>
Business-type activities:					
Electric Fund					
Compensated absences	\$ 3,159	\$ -	\$ 1,949	\$ 1,210	\$ 1,210
Net pension liability (LGERS)	38,819	6,068	-	44,887	-
OPEB liability	309,517	-	105,597	203,920	-
Water and Sewer Fund					
Compensated absences	\$ -	\$ 858	\$ -	\$ 858	\$ 858
Net pension liability (LGERS)	21,030	2,751	-	23,781	-
OPEB liability	167,681	-	59,848	107,833	-
Notes payable	<u>1,175,355</u>	<u>-</u>	<u>23,492</u>	<u>1,151,863</u>	<u>24,328</u>
Total business-type	<u>\$ 1,715,561</u>	<u>\$ 9,677</u>	<u>\$ 190,886</u>	<u>\$ 1,534,352</u>	<u>\$ 26,396</u>
Total long-term liabilities	<u>\$ 2,095,592</u>	<u>\$ 22,758</u>	<u>\$ 291,947</u>	<u>\$ 1,826,403</u>	<u>\$ 43,275</u>

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8.00% of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the Town of Black Creek is \$1,314,239.

C. Fund balance

The following schedule provides management and citizens with information on the portion of General fund balance that is available for appropriation:

Total fund balance - General Fund	\$ 330,042
Less:	
Stabilization by State Statue	(37,663)
Streets - Powell Bill	<u>(192,879)</u>
Remaining Fund Balance	<u>\$ 99,500</u>

D. Interfund Balances Activity

Interfund Receivables and Payables

To	From	Amount	Purpose
Water and Sewer Fund	General Fund	\$ 62,790	Operating expenditures paid on behalf of of the General Fund
Electric Fund	General Fund	38,431	Operating expenditures paid on behalf of of the General Fund

IV. Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

The Town has received proceeds from several federal and State grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant moneys.

V. Significant Effects of Subsequent Events

The Town has evaluated events and transactions that occurred between June 30, 2019 and November 14, 2023, which is the date that the financials were available to be issued, for possible recognition or disclosure in the financial statements. The following events occurred during this time that were deemed to be significant enough to be disclosed:

- A property on Church Street was purchased in October 2019 to be donated to Wilson County for the future EMS South Station. The property was deeded over to Wilson County in February 2020.
- A property on Central Avenue was purchased in September 2019 for \$45,182.
- 5.9 acres of land owned by the Town on Central Avenue was annexed by the town in November 2019.
- A Utility Relocation Agreement was adopted in May 2020 which requires the Town to pay \$178,913 to move power lines for Hwy 117 bridge replacement. These costs may then be submitted for reimbursement from the State.
- A paving contract for the portion of Church St. owned by the Town was approved in May 2020 for \$72,850
- In July 2021, the Town entered into an option agreement to purchase a property on Hwy 117. The option fee was \$500. This option was extended for \$500 in December 2021. The exercise of the option and purchase of the was approved in May 2022 for \$110,000.
- The Town received \$245,397 in ARPA money. This was received in 2 installments of \$122,699 in August 2021 and August 2022.
- The Fire Department building was purchased in October 2021 for \$50,000 after the lease was released.
- In September 2022, the Town adopted a resolution for Infrastructural Grant for Groundwater Storage Tank on Carr Road. The NC DEQ Viable Utility Reserve Grant from ARPA was awarded in March 2023 for \$1.7 million.

- In February 2023 the Town approved a contract with the County for patrol services. The contract was executed in April 2023 and effective for 7/1/2023 for \$277,500 for the fiscal year.
- In May 2023 the Town entered into a contract with the Upper Coastal Plan Council of Governments for \$102,000 related to grant administration services for the NC DEQ Viable Utility Grant. A project ordinance was also approved in May 2023 for this grant for \$1,723,250.
- In May 2023 the Town approved the purchase of a new truck for \$41,420.
- In May 2023 the Town entered into an option to purchase a property for a well site. The future purchase of the property will be for \$54,945.
- In June 2023, the Town accepted an engineering bid for the NC DEQ Viable Utility Grant in the amount of \$216,250.

Required
Supplementary Financial Data

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

- Schedule of Proportionate Share of Net Pension Asset for Local Government Employees' Retirement System
- Schedule of Contributions to Local Government Employees' Retirement System
- Schedule of Changes in Total Pension Liability – Law Enforcement Officers Special Separation Allowance
- Schedule of Total Pension Liability as a Percentage of Covered Payroll
- Schedule of Changes in the Total OPEB Liability
- Schedule of Town Contributions – Retiree Health Benefit Fund

Town of Black Creek, North Carolina
Town of Black Creek'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>
Black Creek's proportion of the net pension liability (asset) (%)	0.00497%	0.00633%	0.00559%	0.00507%	0.00566%	0.00570%
Black Creek's proportion of the net pension liability (asset) (\$)	\$ 117,905	\$ 96,705	\$ 118,639	\$ 22,754	\$ (33,380)	\$ 68,707
Black Creek's covered-employee payroll	\$ 410,509	\$ 383,300	\$ 383,300	\$ 371,983	\$ 340,600	\$ 323,213
Black Creek's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	28.72%	25.23%	30.95%	6.12%	(9.80%)	21.26%
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 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.

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

**Town of Black Creek, North Carolina
Town of Black Creek's Contribution
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	\$ 32,737	\$ 27,627	\$ 28,451	\$ 23,686	\$ 26,759	\$ 24,268
Contributions in relation to the contractually required contribution	<u>32,737</u>	<u>27,627</u>	<u>28,451</u>	<u>23,686</u>	<u>26,759</u>	<u>24,268</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Black Creek's covered-employee payroll	\$ 410,509	\$ 359,557	\$ 383,300	\$ 349,391	\$ 371,983	\$ 340,600
Contributions as a percentage of covered-employee payroll	7.97%	7.68%	7.42%	6.78%	7.19%	7.13%

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

Town of Black Creek, North Carolina
Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance
June 30, 2019

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Beginning balance	\$ 5,461	\$ 4,559	\$ 4,005
Service cost	641	534	597
Interest on the total pension liability	173	176	143
Changes of benefit terms	-	-	-
Differences between expected and actual experience in the measurement of the total pension liability	234	(348)	-
Changes of assumptions or other inputs	(388)	540	(186)
Benefit payments	-	-	-
Other changes	-	-	-
Ending balance of the total pension liability	<u>\$ 6,121</u>	<u>\$ 5,461</u>	<u>\$ 4,559</u>

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

Town of Black Creek, North Carolina
Schedule of Total Pension Liability as a Percentage of Covered Payroll
Law Enforcement Officers' Special Separation Allowance
June 30, 2019

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total pension liability	\$ 6,121	\$ 5,461	\$ 4,559
Covered payroll	123,012	84,711	38,500
Total pension liability as a percentage of covered payroll	4.98%	6.45%	11.84%

Notes to the schedules:

The Town of Black Creek has no assets accumulated in a trust that meets the criteria in paragraph 4 of GSAB Statement 73 to pay related benefits

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

Town of Black Creek, North Carolina
Schedule of Changes in the Total OPEB Liability and Related Ratios
June 30, 2019

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Board's proportion of the net OPEB liability (asset)	0.00182%	0.00235%	0.17200%
Board's proportionate share of the net OPEB liability (asset)	\$ 519,675	\$ 771,058	\$ 749,922
Board's covered payroll	\$ 410,509	\$ 359,557	\$ 383,300
Board's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	126.59%	214.45%	195.65%
Plan Fiduciary net position as a percentage of the total OPEB liability	4.40%	3.52%	2.41%

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

Town of Black Creek, North Carolina
Schedule of Town Contributions
Retiree Health Benefit Fund
Last 3 years

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 25,739	\$ 21,755	\$ 22,272
Contributions in relation to the contractually required contribution	<u>25,739</u>	<u>21,755</u>	<u>22,272</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Black Creek's covered payroll	410,509	359,557	383,300
Contributions as a percentage of covered payroll	6.27%	6.05%	5.81%

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

Individual Fund Statements and Schedules

Town of Black Creek, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2019

	2019		Variance
	Budget	Actual	Positive (Negative)
Revenues:			
Ad valorem taxes:			
Taxes	\$	\$ 165,191	\$
Penalties and interest		1,814	
Total	<u>162,000</u>	<u>167,005</u>	<u>5,005</u>
Other taxes and licenses:			
Zoning fees	<u>400</u>	<u>210</u>	<u>(190)</u>
Unrestricted intergovernmental:			
Local option sales taxes		74,325	
Utility sales tax		47,420	
Beer and wine tax		3,305	
Total	<u>100,000</u>	<u>125,050</u>	<u>25,050</u>
Restricted intergovernmental:			
Powell Bill allocation		20,546	
FEMA grant		-	
Solid waste disposal tax		569	
Total	<u>21,500</u>	<u>21,115</u>	<u>(385)</u>
Sales and services:			
Garbage and recycling fees		71,825	
Rental revenue		8,165	
Cemetery lots sales		8,000	
Total	<u>81,025</u>	<u>87,990</u>	<u>6,965</u>
Investment earnings	<u>2,500</u>	<u>1,879</u>	<u>(621)</u>
Miscellaneous:			
Heritage Day contributions		10,086	
Other		4,724	
Total	<u>14,500</u>	<u>14,810</u>	<u>310</u>
Total revenues	<u>381,925</u>	<u>418,059</u>	<u>36,134</u>

Town of Black Creek, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2019

	2019		Variance
	Budget	Actual	Positive (Negative)
Expenditures:			
General government:			
Administration:			
Salaries and employee benefits		15,087	
Professional services		3,130	
Insurance		4,966	
Repairs and maintenance		6,913	
Supplies		2,586	
Telephone and postage		1,198	
Election expenses		-	
Other operating expenditures		6,948	
Capital outlay		6,400	
Total general government	70,950	47,228	23,722
Public safety:			
Police:			
Salaries and employee benefits		185,670	
Insurance		10,000	
Repairs and maintenance		409	
Supplies		11,321	
Telephone and postage		1,270	
Vehicle operations		18,668	
Other operating expenditures		13,785	
Capital outlay		-	
Total public safety	256,000	241,123	14,877

Town of Black Creek, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2019

	2019		Variance
	Budget	Actual	Positive (Negative)
Transportation:			
Streets:			
Salaries and employee benefits		53,574	
Insurance		2,106	
Landfill		17,851	
Repairs and maintenance		7,800	
Supplies		2,664	
Telephone and postage		599	
Vehicle operations		5,461	
Other operating expenditures		1,539	
Capital outlay		9,000	
Total transportation	121,300	100,594	20,706
Environmental protection:			
Cemetery:			
Salaries and employee benefits		20,792	
Supplies		-	
Vehicle maintenance		-	
Total environmental protection	21,250	20,792	458
Culture and recreation:			
Parks and recreation			
Harvest Day Festival		11,565	
Other operating expenses		-	
Capital outlay		-	
Total culture and recreation	12,000	11,565	435
Debt service:			
Principal retirement		15,123	
Interest and other charges		1,101	
Total debt service	18,900	16,224	2,676
Total expenditures	500,400	437,526	62,874
Revenues over (under) expenditures	(118,475)	(19,467)	(99,008)

Town of Black Creek, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2019

	2019		Variance
	Budget	Actual	Positive (Negative)
Other financing sources (uses):			
Operation transfers to/from other funds			
Transfer from water and sewer fund	33,450	-	(33,450)
Transfer from electric fund	85,025	-	(85,025)
Total	<u>118,475</u>	<u>-</u>	<u>(118,475)</u>
Fund balance appropriated	-	-	-
Net change in fund balance	<u>\$ -</u>	<u>(19,467)</u>	<u>\$ (19,467)</u>
Fund balance, beginning		<u>349,509</u>	
Fund balance, ending		<u><u>\$ 330,042</u></u>	

Town of Black Creek, North Carolina
Electric Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Fiscal Year Ended June 30, 2019

	2019		Variance
	Budget	Actual	Positive (Negative)
Operating revenues:			
Charges for services:			
Charges for electricity	\$ 1,606,500	\$ 1,481,292	\$ (125,208)
Penalties	45,000	44,201	(799)
Total	1,651,500	1,525,493	(126,007)
Other operating revenues	1,200	45,663	44,463
Total operating revenues	1,652,700	1,571,156	(81,544)
Non-operating revenues:			
Interest on investments	1,000	3,769	2,769
Total revenues	1,653,700	1,574,925	(78,775)
Operating expenses other than depreciation:			
Electrical operations:			
Salaries and employee benefits	272,500	219,862	52,638
Professional services	35,000	24,397	10,603
Insurance	20,000	14,390	5,610
Repairs and maintenance	10,500	3,125	7,375
Supplies	30,000	7,763	22,237
Telephone and postage	5,000	4,992	8
Vehicle operations	7,500	6,913	587
Purchase of electric power	900,000	726,452	173,548
Other operating expenditures	321,175	87,554	233,621
Total	1,601,675	1,095,448	506,227
Capital outlay:			
Equipment and systems	28,000	9,000	19,000
Total expenditures	1,629,675	1,104,448	525,227
Revenue over (under) expenditures	(24,025)	470,477	446,452
Other financing sources (uses):			
Net position appropriated	61,000	-	(61,000)
Transfer to general fund	(85,025)	-	85,025
Revenues and other sources over (under) expenditures and other uses	\$ -	\$ 470,477	\$ 470,477

Town of Black Creek, North Carolina
Electric Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Fiscal Year Ended June 30, 2019

	2019		Variance
	Budget	Actual	Positive (Negative)
Reconciliation from budgetary basis (modified accrual) to full accrual basis			
Revenues over (under) expenditures		\$ 470,477	
Reconciling items:			
Increase in vacation pay accrual		1,950	
Decrease in deferred outflows of resources - pensions/OPEB		(17,978)	
Increase in net pension liability		(6,068)	
Decrease in OPEB liability		105,597	
Increase in deferred inflows of resources - pensions/OPEB		(71,653)	
Capital outlays		9,000	
Depreciation		(54,629)	
Total reconciling items		(33,781)	
Change in net position		\$ 436,696	

Town of Black Creek, North Carolina
Water and Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Fiscal Year Ended June 30, 2019

	2019		Variance
	Budget	Actual	Positive (Negative)
Operating revenues:			
Charges for services:			
Water and sewer charges	\$ 900,000	\$ 965,813	\$ 65,813
Water and sewer taps	2,000	3,800	1,800
Total	902,000	969,613	67,613
Other operating revenues	500	51,941	51,441
Total operating revenues	902,500	1,021,554	119,054
Non-operating revenues:			
Interest on investments	750	3,178	2,428
Total revenues	903,250	1,024,732	121,482
Operating expenses other than depreciation:			
Water and sewer operations:			
Salaries and employee benefits	139,800	118,614	21,186
Professional services	16,000	18,231	(2,231)
Insurance	10,000	9,964	36
Repairs and maintenance	5,000	5,586	(586)
Supplies	45,000	46,119	(1,119)
Telephone and postage	5,000	4,997	3
Vehicle operations	14,712	10,969	3,743
Waste collection and treatment	300,000	295,772	4,228
Other operating expenditures	303,529	122,450	181,079
Total	839,041	632,702	206,339
Debt service:			
Principal retirement	-	23,492	(23,492)
Interest and other charges	28,259	40,957	(12,698)
Total	28,259	64,449	(36,190)
Capital outlay:			
Equipment and systems	2,500	109,058	(106,558)
Total expenditures	869,800	806,209	63,591
Revenues over (under) expenditures	33,450	218,523	185,073
Other financing sources (uses)			
Operating transfers to/from other funds			
Transfer to general fund	(33,450)	-	33,450
Revenues and other sources over (under) expenditures and other uses	\$ -	\$ 218,523	\$ 218,523

Town of Black Creek, North Carolina
Water and Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Fiscal Year Ended June 30, 2019

	2019		Variance
	Budget	Actual	Positive (Negative)
Reconciliation from budetary basis (modified accrual) to full accrual basis:			
Revenues over (under) expenditures		\$ 218,523	
Reconciling items:			
Decrease in interest expense accrual		501	
Increase in vacation pay accrual		(858)	
Decrease in deferred outflows of resources - pensions/OPEB		(15,353)	
Increase in pension liability		(2,751)	
Increase in deferred inflows of resource - pensions/OPEB		(36,489)	
Decrease in net OPEB liability		59,848	
Capital outlay		109,058	
Depreciation		(176,808)	
Principal retirement of debt		23,492	
Total reconciling items		<u>(39,360)</u>	
Change in net position - Exhibit 7		<u>\$ 179,163</u>	

Other Schedules

This section contains additional information required on property taxes.

- Schedule of Ad Valorem Taxes Receivable
- Analysis of Current Tax Levy

Town of Black Creek, North Carolina
General Fund
Schedule of Ad Valorem Taxes Receivable
June 30, 2019

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2018</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Uncollected Balance June 30, 2019</u>
2018-2019	\$ -	\$ 166,052	\$ 159,944	\$ 6,108
2017-2018	4,881	-	2,803	2,078
2016-2017	2,414	-	818	1,596
2015-2016	2,171	-	1,423	748
2014-2015	96	-	-	96
2013-2014	299	-	83	216
2012-2013	419	-	-	419
2011-2012	189	-	92	97
2010-2011	214	-	-	214
2009-2010	246	-	-	246
2008-2009	266	-	266	-
	<u>\$ 11,195</u>	<u>\$ 166,052</u>	<u>\$ 165,429</u>	<u>\$ 11,818</u>

Less: allowance for uncollectible accounts:
General Fund

-

Ad valorem taxes receivable - net

\$ 11,818

Reconciliation with revenues:

Ad valorem taxes - General Fund

\$ 167,005

Reconciling items:

Taxes written off and released

238

Penalties and interest collected

(1,814)

Total collections and credits

\$ 165,429

Town of Black Creek, North Carolina
Analysis of Current Tax Levy
Town - Wide Levy
For the Fiscal Year Ended June 30, 2019

	Town - Wide		Total Levy	Total Levy	
	Property Valuation	Rate		Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current year's rate	\$ 30,191,273	\$ 0.55	\$ 166,052	\$ 139,892	\$ 26,160
Penalties	-		-	-	-
Total	<u>30,191,273</u>		<u>166,052</u>	<u>139,892</u>	<u>26,160</u>
Discoveries:					
Current year taxes	-	0.55	-	-	-
Prior year taxes	-		-	-	-
Penalties	-		-	-	-
Total	<u>-</u>		<u>-</u>	<u>-</u>	<u>-</u>
Abatements		0.55	-	-	-
Total property valuation	<u>\$ 30,191,273</u>				
Net levy			166,052	139,892	26,160
Uncollected taxes at June 30, 2019			<u>(6,108)</u>	<u>(6,108)</u>	<u>-</u>
Current year's taxes collected			<u>\$ 159,944</u>	<u>\$ 133,784</u>	<u>\$ 26,160</u>
Current levy collection percentage			<u>96.32%</u>	<u>95.63%</u>	<u>100.00%</u>