



Town of Black Creek
Black Creek, North Carolina
Financial Statements
For the Fiscal Year Ended
June 30, 2020

MAYOR

Ralph M. Smith, Jr.

BOARD OF COMMISSIONERS

Roland Lucas
Larry Price
Jim Varnell
Candy Minshew
Ellen Dawson

TOWN CLERK

Cindy Dougherty



Nunn, Brashear
& Uzzell, P.A.

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Town of Black Creek, North Carolina
Table of Contents
June 30, 2020

<u>Exhibit</u>		<u>Page</u>
Financial Section:		
	Independent Auditor’s Report	1
	Management’s Discussion and Analysis	3
	Basic Financial Statements:	13
	Government-wide Financial Statements:	
1	Statement of Net Position	14
2	Statement of Activities	15
	Fund Financial Statements:	
3	Balance Sheet – Governmental Funds	17
3	Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	18
4	Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	19
4	Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	20
5	Statement of Revenues, Expenditures, and Changes in Fund Balances – Annual Budget and Actual – General Fund	21
6	Statement of Fund Net Position – Proprietary Funds	22
7	Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds	23
8	Statement of Cash Flows – Proprietary Funds	24
	Notes to the Financial Statements	26

Town of Black Creek, North Carolina
Table of Contents
June 30, 2020

Required Supplemental Financial Data:	<u>Page</u>
Schedule of Proportionate Share of Net Pension Liability for Local Government Employees' Retirement System	55
Schedule of Contributions to Local Government Employees' Retirement System	56
Schedule of Changes in Total Pension Liability – Law Enforcement Officers' Special Separation Allowance	57
Schedule of Total Pension Liability as a Percentage of Covered Payroll	58
Schedule of Changes in the Total OPEB Liability	59
Schedule of Town Contributions – Retiree Health Benefit Fund	60
 Individual Fund Statements and Schedules:	
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund	62
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual:	
Electric Fund	66
Water and Sewer Fund	68
 Other Schedules:	
Schedule of Ad Valorem Taxes Receivable	71
Analysis of Current Tax Levy – Town-Wide Levy	72
 Compliance Section:	
Independent Auditor's Report on Internal Control and on Compliance And Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards (GAS)</i>	74
Summary of Auditors' Results	76
Financial Statement Findings	77
Corrective Action Plan	81

FINANCIAL SECTION

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Independent Auditors' Report

To the Honorable Mayor and Town Commissioners
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 the Town of Black Creek, as of and for the year ended June 30, 2020, 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 controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, and each major fund of the Town of Black Creek, as of June 30, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, on pages 3 through 12, the Local Government Employee's Retirement System's Schedules of the Proportionate Share of the Net Pension Liability and Contributions, on pages 55 through 56, the Law Enforcement Officers' Special Separation Allowance Schedules in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll, on pages 57 through 58, 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, on pages 59 through 60, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Town of Black Creek. The combining and individual fund statements, budgetary schedules, and other schedules are presented for the purpose 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. In our opinion, based on our audit and the procedures performed as described above, the budgetary schedules and other schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 30, 2025, on our consideration of the Town of Black Creek's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, and other matters. The purpose of the report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Black Creek's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Black Creek's internal control over financial reporting and compliance.

Nunn, Brashear, & Uzzell, P.A.

Goldsboro, North Carolina
May 30, 2025

Management's Discussion and Analysis

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Town of Black Creek, North Carolina 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, 2020. 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.

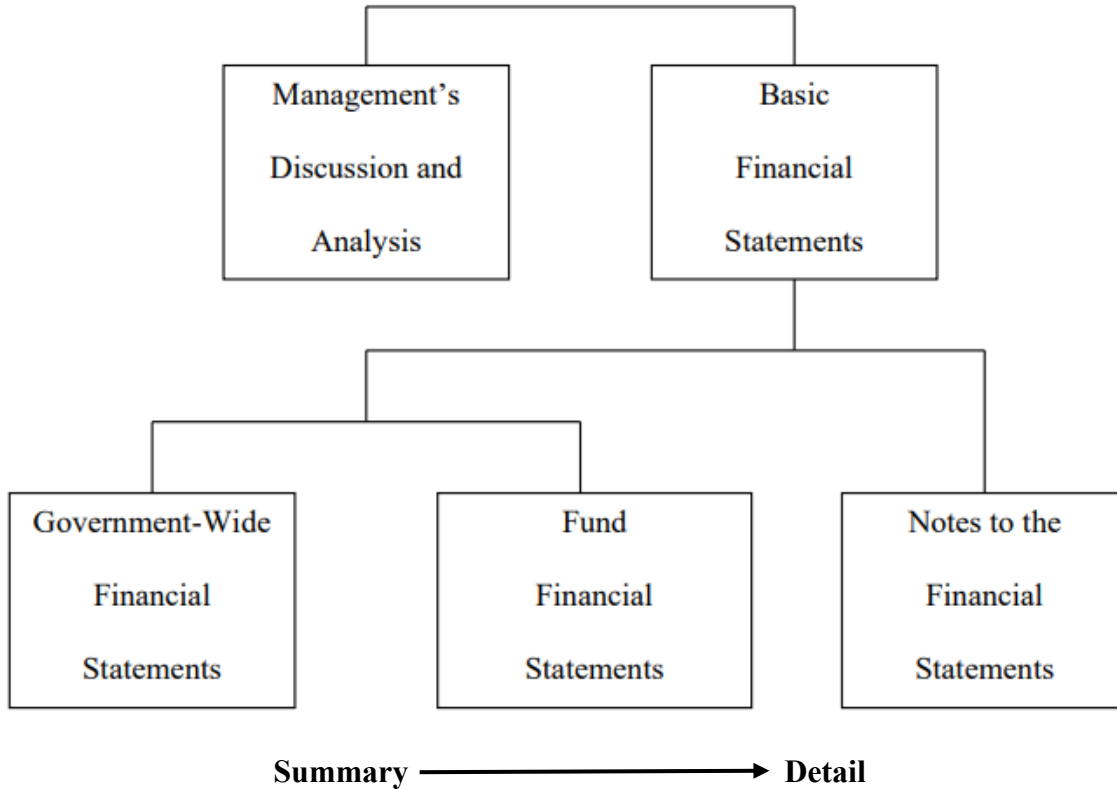
Financial Highlights

- 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 \$11,610,342 (net position).
- The government's total net position increased by \$603,406 primarily due to increases in both 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 \$239,750 with a net reduction of \$85,168 in fund balance. Approximately 51.14% of this total amount, or \$122,607 is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$117,143 or 24.24% of total general fund expenditures for the fiscal year.
- The Town of Black Creek's total debt decreased by \$39,844 or 3.38% 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 the Town of Black Creek's 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 fund statements, the budgetary comparison statements, and 3) the proprietary fund statements.

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 is 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 financial 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 electric and 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 the 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 Statement of Activities) and governmental funds is described in a reconciliation that is part of the fund financial statements.

Management Discussion and Analysis
Town of Black Creek, North Carolina

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 actual resources and charges.

Proprietary Funds. The Town of Black Creek has two proprietary funds. *Enterprise Funds* are used to report the same functions as 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 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 26 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 55 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 Federal and State laws and Federal and State appropriations.

Government-Wide Financial Analysis

**Statement of Net Position
Figure 2**

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 265,211	\$ 359,012	\$ 9,133,586	\$ 8,462,316	\$ 9,398,797	\$ 8,821,328
Capital assets	283,409	315,247	4,234,291	4,378,909	4,517,700	4,694,156
Deferred outflows of resources	150,168	142,565	217,914	168,952	368,082	311,517
Total assets and deferred outflows of resources	698,788	816,824	13,585,791	13,010,177	14,284,579	13,827,001
Long-term liabilities outstanding	327,601	275,172	1,572,178	1,507,956	1,899,779	1,783,128
Other liabilities	27,068	34,563	364,852	518,985	391,920	553,548
Deferred inflows of resources	153,347	184,908	229,191	275,997	382,538	460,905
Total liabilities and deferred inflows of resources	508,016	494,643	2,166,221	2,302,938	2,674,237	2,797,581
Net Position:						
Net investment in capital assets	271,517	287,840	3,106,757	3,227,046	3,378,274	3,514,886
Restricted	122,607	230,542	60,657	50,800	183,264	281,342
Unrestricted	(203,352)	(196,201)	8,252,156	7,429,393	8,048,804	7,233,192
Total net position	\$ 190,772	\$ 322,181	\$11,419,570	\$10,707,239	\$11,610,342	\$11,029,420

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 \$11,610,342 as of June 30, 2020. The Town’s net position increased by \$603,406 for the fiscal year ended June 30, 2020. However, a large portion (29.10%) 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 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 (1.58%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$8,048,804 is unrestricted.

Management Discussion and Analysis
Town of Black Creek, North Carolina

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

- Collection of property taxes resulted in a total tax collection percentage of 97.12%, 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 96.56% and 100%, respectively.
- Compared to the prior year, General Fund revenues decreased \$19,918 (4.76%) primarily due to reductions in sales and service revenues and expenditures increased \$45,783 (10.46%) primarily due to increases in transportation and street expenditures for Powell Bill offset by reductions in other functions.

Changes in Net Position
Figure 3

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenue:						
Program revenues:						
Charges for services	\$ 61,737	\$ 88,200	\$ 2,443,428	\$ 2,592,710	\$ 2,505,165	\$ 2,680,910
Grants and contributions:						
Operating	36,686	31,201	-	-	36,686	31,201
General revenues:						
Property taxes	168,298	167,628	-	-	168,298	167,628
Other taxes	118,512	125,050	-	-	118,512	125,050
Other	12,754	6,603	96,081	6,947	108,835	13,550
Total revenues	<u>397,987</u>	<u>418,682</u>	<u>2,539,509</u>	<u>2,599,657</u>		
Expenses:						
General government	106,695	47,635	-	-	106,695	47,635
Public safety	202,446	245,736	-	-	202,446	245,736
Transportation	181,112	92,158	-	-	181,112	92,158
Environmental protection	21,240	34,930	-	-	21,240	34,930
Cultural and recreational	12,070	16,645	-	-	12,070	16,645
Interest on long-term debt	709	807	-	-	709	807
Water and sewer	-	-	715,292	845,569	715,292	845,569
Electric	-	-	1,094,526	1,138,229	1,094,526	1,138,229
Total expenses	<u>524,272</u>	<u>437,911</u>	<u>1,809,818</u>	<u>1,983,798</u>	<u>2,334,090</u>	<u>2,421,709</u>
Increase (decrease) in net position	(126,285)	(19,229)	729,691	615,859	603,406	596,630
Net position, July 1	322,181	341,410	10,707,239	10,091,380	11,029,420	10,432,790
Restatement	(5,124)	-	(17,360)	-	(22,484)	-
Net position, July 1, restated	<u>317,057</u>	<u>341,410</u>	<u>10,689,879</u>	<u>10,091,380</u>	<u>11,006,936</u>	<u>10,432,790</u>
Net position, June 30	<u>\$ 190,772</u>	<u>\$ 322,181</u>	<u>\$11,419,570</u>	<u>\$10,707,239</u>	<u>\$11,610,342</u>	<u>\$11,029,420</u>

Governmental activities. Governmental activities decreased the Town's net position by \$126,285. Key elements of this decrease are as follows:

- The governmental funds experienced a decrease of \$85,168 on the modified accrual basis due to expenditures greater than revenues.
- Current year depreciation expenses totaled \$27,338.
- Principal retirement increased net position by \$15,515.
- Changes in OPEB, net pension liability, deferred tax revenues further reduced net position by \$29,294.

Business-type activities. Business-type activities increased the Town of Black Creek's net position by \$729,691 accounting for 120.93% of the total increase in net position. Key elements of this increase are as follows:

Electric Fund

- The electric fund experienced an increase of \$380,182 on the modified accrual basis.
- Depreciation expense decreased the electric fund net position by \$51,382.
- Changes in net pension liability and OPEB increased the electric fund net position by \$3,288.
- Capital outlay expenditures that were capitalized in the full accrual basis increased the electric fund net position by \$33,000.
- Changes in the vacation accrual decreased net position by \$1,072.

Water and Sewer Fund

- The water and sewer fund experienced an increase of \$459,753 on the modified accrual basis.
- Changes in net pension liability and OPEB increased the water and sewer fund net position by \$3,168.
- Depreciation expense decreased the water and sewer fund net position by \$166,960.
- Capitalized capital outlay expenditures increased the water and sewer fund net position by \$45,182.
- Principal retirement of debt and reductions in interest expense accrued increased the water and sewer fund net position by \$24,575.
- Changes in the vacation accrual decreased net position by \$43.

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 financing 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 \$111,493 while total fund balance reached \$239,750. The Town currently has an available fund balance of 23.07% of general fund expenditures, and the total fund balance represents 49.61% of the same amount.

General Fund Budgetary Highlights: During the fiscal year, the Town has the authority to revise the budget for several reasons. 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 at the end of the fiscal year of the Electric Fund was \$4,283,725 and of the Water and Sewer Fund was \$3,968,431. The total change in net position was \$364,016 and \$365,675 for the Electric Fund and Water and Sewer Fund, respectively. Other factors concerning the finances of these two funds have 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, 2020 totals \$4,517,700 (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):

- \$33,000 in the Electric Fund for land purchase.
- \$45,182 in the Water and Sewer Fund for land purchase.

**Capital Assets
 (net of depreciation)**

Figure 4

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land	\$ 81,855	\$ 81,855	\$ 195,039	\$ 116,857	\$ 276,894	\$ 198,712
Construction in progress	-	-	-	-	-	-
Buildings	122,470	128,404	30,365	33,492	152,835	161,896
Improvements, other than buildings	23,251	28,305	-	-	23,251	28,305
Plant and systems	-	-	3,910,113	4,094,940	3,910,113	4,094,940
Equipment	6,050	7,500	33,607	45,453	39,657	52,953
Vehicles and motorized equipment	49,783	64,683	65,167	88,167	114,950	152,850
Total	\$ 283,409	\$ 310,747	\$ 4,234,291	\$ 4,378,909	\$ 4,517,700	\$ 4,689,656

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, 2020, the Town of Black Creek had total outstanding debt of \$1,139,426, which consisted of the following:

- \$11,892 for the purchase of a garbage truck.
- \$580,111 for the well and water line project.
- \$177,757 for the water filtration improvement capital project.
- \$316,354 for the sewer rehabilitation capital project.
- \$53,312 repayable grant/loan for the Water Meter and Well Modification Capital Project.

Outstanding Debt
Figure 5

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Compensated absences	\$ 1,379	\$ 1,364	\$ 3,183	\$ 2,068	\$ 4,562	\$ 3,432
Notes payable	-	-	1,127,534	1,151,863	1,127,534	1,151,863
Pension related debt (LGERS)	63,543	49,237	87,750	68,668	151,293	117,905
Pension related debt (LEO)	9,402	6,121	-	-	9,402	6,121
OPEB related debt	254,656	207,922	381,983	311,753	636,639	519,675
Installment purchases	11,892	27,407	-	-	11,892	27,407
Total	\$ 340,872	\$ 292,051	\$ 1,600,450	\$ 1,534,352	\$ 1,941,322	\$ 1,826,403

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 \$2,436,364.

Economic Factors and Next Year’s Budgets and Rates

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

- On March 11, 2020, the World Health Organization declared a global pandemic following the outbreak of COVID-19 which created volatility in the global economy from February through June 2020.
- The unemployment rate for Wilson County was 7.2% at June 30 which is higher when compared to last year’s rate of 6.1%.

Budget Highlights for the Fiscal Year Ending June 30, 2021

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

Business-type Activities: Water 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, North Carolina 27813.

Basic Financial Statements

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Town of Black Creek, North Carolina
Statement of Net Position
June 30, 2020

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 239,770	\$ 8,371,610	8,611,380
Taxes receivable (net)	11,664	-	11,664
Accounts receivable (net)	7,471	397,741	405,212
Due from other governments	29,176	27,851	57,027
Internal balances	(108,830)	108,830	-
Inventory	-	21,268	21,268
Restricted assets:			
Cash and cash equivalents	85,960	206,286	292,246
Total current assets	<u>265,211</u>	<u>9,133,586</u>	<u>9,398,797</u>
Noncurrent assets:			
Capital assets			
Land, non-depreciable improvements and construction in progress	81,855	195,039	276,894
Other capital assets, net of depreciation	201,554	4,039,252	4,240,806
Total capital assets, net of depreciation	<u>283,409</u>	<u>4,234,291</u>	<u>4,517,700</u>
Total assets	<u>548,620</u>	<u>13,367,877</u>	<u>13,916,497</u>
DEFERRED OUTFLOWS OF RESOURCES			
OPEB deferrals	105,699	158,548	264,247
Pension deferrals	44,469	59,366	103,835
Total deferred outflows of resources	<u>150,168</u>	<u>217,914</u>	<u>368,082</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	13,797	177,969	191,766
Accrued interest payable	-	12,982	12,982
Compensated absences	1,379	3,183	4,562
Payable from restricted assets	-	145,629	145,629
Current portion of long-term liabilities	11,892	25,089	36,981
Total current liabilities	<u>27,068</u>	<u>364,852</u>	<u>391,920</u>
Long-term liabilities:			
Net pension liability (LGERS)	63,543	87,750	151,293
Net OPEB liability	254,656	381,983	636,639
Total pension liability (LEO)	9,402	-	9,402
Due in more than one year	-	1,102,445	1,102,445
Total liabilities	<u>354,669</u>	<u>1,937,030</u>	<u>2,291,699</u>
DEFERRED INFLOWS OF RESOURCES			
OPEB deferrals	150,706	226,059	376,765
Pension deferrals	2,641	3,132	5,773
Total deferred inflows of resources	<u>153,347</u>	<u>229,191</u>	<u>382,538</u>
NET POSITION			
Net investment in capital assets	271,517	3,106,757	3,378,274
Restricted for:			
Debt service	-	60,657	60,657
Transportation	85,960	-	85,960
Stabilization by State Statute	36,647	-	36,647
Unrestricted	(203,352)	8,252,156	8,048,804
Total net position	<u>\$ 190,772</u>	<u>\$ 11,419,570</u>	<u>\$ 11,610,342</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, 2020

Program Revenues

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental Activities:				
General government	\$ 106,695	\$ 10,568	\$ 15,751	-
Public safety	202,446	-	-	-
Transportation	181,112	-	20,356	-
Environmental protection	21,240	51,169	579	-
Cultural and recreation	12,070	-	-	-
Interest on long-term debt	709	-	-	-
Total governmental activities (See Note 1)	524,272	61,737	36,686	-
Business-Type Activities:				
Water and sewer	715,292	1,034,373	-	-
Electric	1,094,526	1,409,055	-	-
Total business-type activities	1,809,818	2,443,428	-	-
Total primary government	\$ 2,334,090	\$ 2,505,165	\$ 36,686	\$ -

General revenues:

Taxes:

- Property taxes, levied for general purpose
- Grants and contributions, not restricted to specific programs
- Unrestricted investment earnings
- Miscellaneous
- Total general revenues, not including transfers

Transfers

- Total general revenues and transfers
- Change in net position

- Net position, beginning
- Restatement
- Net position, beginning, as restated
- Net position, ending

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

Exhibit 2

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (80,376)	\$ -	\$ (80,376)
(202,446)	-	(202,446)
(160,756)	-	(160,756)
30,508	-	30,508
(12,070)	-	(12,070)
(709)	-	(709)
<u>(425,849)</u>	<u>-</u>	<u>(425,849)</u>
-	319,081	319,081
-	314,529	314,529
-	633,610	633,610
<u>\$ (425,849)</u>	<u>\$ 633,610</u>	<u>\$ 207,761</u>
168,298	-	168,298
118,512	-	118,512
8,908	96,081	104,989
3,846	-	3,846
<u>299,564</u>	<u>96,081</u>	<u>395,645</u>
-	-	-
299,564	96,081	395,645
(126,285)	729,691	603,406
322,181	10,707,239	11,029,420
(5,124)	(17,360)	(22,484)
<u>317,057</u>	<u>10,689,879</u>	<u>11,006,936</u>
<u>\$ 190,772</u>	<u>\$ 11,419,570</u>	<u>\$ 11,610,342</u>

Town of Black Creek, North Carolina
Balance Sheet
Governmental Funds
June 30, 2020

	Major Fund	Total
	General	Governmental
		Funds
ASSETS		
Cash and cash equivalents	\$ 239,770	\$ 239,770
Restricted cash and cash equivalents	85,960	85,960
Taxes receivable	11,664	11,664
Accounts receivable (net)	7,471	7,471
Due from other governments	29,176	29,176
Total assets	\$ 374,041	\$ 374,041
LIABILITIES		
Accounts payable and accrued liabilities	\$ 13,797	\$ 13,797
Due to other funds	108,830	108,830
Total liabilities	122,627	122,627
DEFERRED INFLOWS OF RESOURCES		
Property taxes receivable	11,664	11,664
Total deferred inflows of resources	11,664	11,664
FUND BALANCES		
Restricted		
Stabilization by State Statute	36,647	36,647
Streets - Powell Bil	85,960	85,960
Unassigned	117,143	117,143
Total fund balances	239,750	239,750
Total liabilities, deferred inflows of resources, and fund balances	\$ 374,041	\$ 374,041

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

**Town of Black Creek, North Carolina
Balance Sheet
Governmental Funds
June 30, 2020**

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

Total fund balance (Exhibit 3)	\$	239,750
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds		
Governmental capital assets		
Less accumulated depreciation		283,409
Other long-term assets (accrued interest receivable from taxes) are not available to pay for current-period expenditures and therefore are not included in the fund		
		-
Deferred outflows of resources related to pensions are not reported in the funds		44,469
Deferred outflows of resources related to OPEB are not reported in the funds		105,699
Accrued interest payable related to long-term liabilities is not reported in the fund		
		-
Long-term liabilities used in government activities are not financial uses and therefore are not reported in the funds		
Total OPEB liability		
Net pension liability - LGERS		
Total net pension liability - LEOSSA		
Notes payable		
Compensated absences		(340,872)
Deferred inflows of resources related to pensions are not reported in the funds		(2,641)
Deferred inflows of resources related to OPEB are not reported in the funds		(150,706)
Liabilities for earned but deferred revenues in fund statements are not reported		<u>11,664</u>
Net position of governmental activities	\$	<u><u>190,772</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, 2020

	<u>Major Fund</u>	<u>Total</u>
	<u>General</u>	<u>Governmental</u>
		<u>Funds</u>
REVENUES		
Ad valorem taxes	\$ 168,452	\$ 168,452
Other taxes and licenses	210	210
Unrestricted intergovernmental	118,512	118,512
Restricted intergovernmental	26,925	26,925
Sales and services	61,527	61,527
Investment earnings	8,908	8,908
Miscellaneous	13,607	13,607
Total revenues	<u>398,141</u>	<u>398,141</u>
EXPENDITURES		
General government	50,217	50,217
Public safety	202,446	202,446
Transportation	181,112	181,112
Environmental protection	21,240	21,240
Cultural and recreation	12,070	12,070
Debt service:		
Principal	15,515	15,515
Interest and other charges	709	709
Total expenditures	<u>483,309</u>	<u>483,309</u>
REVENUES OVER (UNDER) EXPENDITURES	(85,168)	(85,168)
OTHER FINANCING SOURCES (USES)		
Transfers from other funds	-	-
Transfers to other funds	-	-
NET CHANGE IN FUND BALANCE	(85,168)	(85,168)
Fund balance, beginning	330,042	330,042
Restatement	<u>(5,124)</u>	<u>(5,124)</u>
Fund balance, beginning, as restated	324,918	324,918
Fund balance, ending	<u>\$ 239,750</u>	<u>\$ 239,750</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, 2020**

Amounts reported for governmental activities in the Statement of Activities (Exhibit 2) are different because:

Net changes in fund balances - total governmental funds (Exhibit 4)	\$	(85,168)
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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

Expenditures for capital assets		
Less current year depreciation		(27,338)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds

Change in unavailable revenue for tax revenues		(154)
--	--	-------

Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities

15,853

Contributions to the OPEB plan in the current fiscal year are not included on the Statement of Activities

10,688

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

Principal payments		15,515
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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

Changes in compensated absences		
Pension expense		
OPEB plan expense		(55,681)

Total changes in net position of governmental activities	\$	<u>(126,285)</u>
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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 Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2020

	General Fund			Variance Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
Ad valorem taxes	\$ 162,500	\$ 162,500	\$ 168,452	\$ 5,952
Other taxes and licenses	400	400	210	(190)
Unrestricted intergovernmental	110,000	110,000	118,512	8,512
Restricted intergovernmental	21,500	21,500	26,925	5,425
Sales and services	86,000	86,000	61,527	(24,473)
Investment earnings	1,250	1,250	8,908	7,658
Miscellaneous:	14,500	14,500	13,607	(893)
Total revenues	<u>396,150</u>	<u>396,150</u>	<u>398,141</u>	<u>1,991</u>
Expenditures:				
General government	70,700	70,700	50,217	20,483
Public safety	265,000	265,000	202,446	62,554
Transportation	146,700	146,700	181,112	(34,412)
Environmental protection:	21,250	21,250	21,240	10
Culture and recreation:	13,000	13,000	12,070	930
Debt service:				-
Principal retirement	16,500	16,500	15,515	985
Interest and other charges	-	-	709	(709)
Total expenditures	<u>533,150</u>	<u>533,150</u>	<u>483,309</u>	<u>49,841</u>
Revenues over (under) expenditures	<u>(137,000)</u>	<u>(137,000)</u>	<u>(85,168)</u>	<u>51,832</u>
Other financing sources (uses)				
Transfers from other funds	137,000	137,000	-	(137,000)
Fund balance appropriated	-	-	-	-
Total other financing sources (uses)	<u>137,000</u>	<u>137,000</u>	<u>-</u>	<u>(137,000)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>(85,168)</u>	<u>\$ (85,168)</u>
Fund balance, beginning			330,042	
Restatement			(5,124)	
Fund balance, beginning, as restated			<u>324,918</u>	
Fund balance, ending			<u>\$ 239,750</u>	

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, 2020

	Major Enterprise Funds		
	Electric Fund	Water and Sewer Fund	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 4,367,369	\$ 4,004,241	8,371,610
Accounts receivable (net)	253,145	144,596	397,741
Due from other governments	3,389	24,462	27,851
Internal balances	17,334	91,496	108,830
Inventory	20,753	515	21,268
Restricted assets:			
Cash and cash equivalents	108,091	98,195	206,286
Total current assets	<u>4,770,081</u>	<u>4,363,505</u>	<u>9,133,586</u>
Noncurrent assets:			
Capital assets			
Land, non-depreciable improvements and construction in progress	35,156	159,883	195,039
Other capital assets, net of depreciation	605,374	3,433,878	4,039,252
Total capital assets, net of depreciation	<u>640,530</u>	<u>3,593,761</u>	<u>4,234,291</u>
Total assets	<u>5,410,611</u>	<u>7,957,266</u>	<u>13,367,877</u>
DEFERRED OUTFLOWS OF RESOURCES			
OPEB deferrals	103,056	55,492	158,548
Pension deferrals	38,895	20,471	59,366
Total deferred outflows of resources	<u>141,951</u>	<u>75,963</u>	<u>217,914</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	63,164	114,805	177,969
Accrued interest payable	-	12,982	12,982
Compensated absences	2,282	901	3,183
Payable from restricted assets	108,091	37,538	145,629
Current portion of long-term liabilities	-	25,089	25,089
Total current liabilities	<u>173,537</u>	<u>191,315</u>	<u>364,852</u>
Long-term liabilities:			
Net pensions liability (LGERS)	57,491	30,259	87,750
Net OPEB liability	248,289	133,694	381,983
Due in more than one year	-	1,102,445	1,102,445
Total liabilities	<u>479,317</u>	<u>1,457,713</u>	<u>1,937,030</u>
DEFERRED INFLOWS OF RESOURCES			
OPEB deferrals	146,938	79,121	226,059
Pension deferrals	2,052	1,080	3,132
Total deferred inflows of resources	<u>148,990</u>	<u>80,201</u>	<u>229,191</u>
NET POSITION			
Net investment in capital assets	640,530	2,466,227	3,106,757
Restricted for:			
Debt service	-	60,657	60,657
Unrestricted	4,283,725	3,968,431	8,252,156
Total net position	<u>\$ 4,924,255</u>	<u>\$ 6,495,315</u>	<u>\$ 11,419,570</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 Net Position
Proprietary Funds
For the Fiscal Year Ended June 30, 2020

	Major Enterprise Funds		
	Electric Fund	Water and Sewer Fund	Total
OPERATING REVENUES			
Charges for services	\$ 1,402,951	\$ 1,031,139	\$ 2,434,090
Water and sewer taps	-	1,400	1,400
Other operating revenues	6,104	1,834	7,938
Total operating revenues	<u>1,409,055</u>	<u>1,034,373</u>	<u>2,443,428</u>
OPERATING EXPENSES			
Operations	1,043,144	508,619	1,551,763
Depreciation	51,382	166,960	218,342
Total operating expenses	<u>1,094,526</u>	<u>675,579</u>	<u>1,770,105</u>
Operating income (loss)	314,529	358,794	673,323
NONOPERATING REVENUES (EXPENSES)			
Investment earnings	49,487	46,594	96,081
Interest and other charges	-	(39,713)	(39,713)
Total nonoperating revenue (expenses)	<u>49,487</u>	<u>6,881</u>	<u>56,368</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS			
Capital contributions	-	-	-
Transfers to other funds	-	-	-
Change in net position	364,016	365,675	729,691
Total net position - beginning	4,570,044	6,137,195	10,707,239
Restatement	<u>(9,805)</u>	<u>(7,555)</u>	<u>(17,360)</u>
Total net position - beginning, as restated	4,560,239	6,129,640	10,689,879
Total net position, ending	<u>\$ 4,924,255</u>	<u>\$ 6,495,315</u>	<u>\$ 11,419,570</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 Fiscal Year Ended June 30, 2020

	Business-Type Activities		
	Major Enterprise Funds		
	Electric Fund	Water and Sewer Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 1,346,353	\$ 1,050,770	\$ 2,397,123
Cash paid for goods and services	(730,540)	(512,523)	(1,243,063)
Cash paid to or on behalf of employees for services	(248,866)	(133,637)	(382,503)
Customer deposits received (returned) - net	5,087	2,812	7,899
Other operating revenues	6,104	3,234	9,338
Net cash provided (used) by operating activities	<u>378,138</u>	<u>410,656</u>	<u>788,794</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Interfund payable due (to) from other funds	<u>21,097</u>	<u>(28,706)</u>	<u>(7,609)</u>
Net cash provided (used) by noncapital financing activities	<u>21,097</u>	<u>(28,706)</u>	<u>(7,609)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	(33,000)	(45,182)	(78,182)
Principal paid on bond maturities and notes	-	(24,329)	(24,329)
Interest paid on debt	-	(39,713)	(39,713)
Net cash provided (used) by capital and related financing activities	<u>(33,000)</u>	<u>(109,224)</u>	<u>(142,224)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on investments	<u>49,487</u>	<u>46,594</u>	<u>96,081</u>
Net cash provided (used) by investing activities	<u>49,487</u>	<u>46,594</u>	<u>96,081</u>
Net increase (decrease) in cash and cash equivalents	415,722	319,320	735,042
Cash and cash equivalents, beginning	4,059,738	3,783,116	7,842,854
Cash and cash equivalents, ending	<u>\$ 4,475,460</u>	<u>\$ 4,102,436</u>	<u>\$ 8,577,896</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 Fiscal Year Ended June 30, 2020

	Business-Type Activities		
	Major Enterprise Funds		
	Electric Fund	Water and Sewer Fund	Total
RECONCILIATION OF OPERATING INCOME TO			
NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Operating income (loss)	\$ 314,529	\$ 358,794	\$ 673,323
 ADJUSTMENTS TO RECONCILE OPERATING			
INCOME TO NET CASH PROVIDED BY			
OPERATING ACTIVITIES:			
Depreciation	51,382	166,960	218,342
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	(57,065)	(13,931)	(70,996)
(Increase) decrease in due from other governments	467	33,562	34,029
(Increase) decrease in inventory	84,957	23,391	108,348
(Increase) decrease in deferred outflows of resources for pensions and OPEB	(28,725)	(20,237)	(48,962)
Increase (decrease) in OPEB liability	44,369	25,861	70,230
Increase (decrease) in net pension liabilities	12,604	6,478	19,082
Increase (decrease) in deferred inflows of resources for pensions and OPEB	(31,536)	(15,270)	(46,806)
Increase (decrease) in accounts payable and accrued liabilities	(19,003)	(157,807)	(176,810)
Increase (decrease) in customer deposits	5,087	2,812	7,899
Increase (decrease) in accrued vacation pay	1,072	43	1,115
Total adjustments	63,609	51,862	115,471
Net cash provided by operating activities	\$ 378,138	\$ 410,656	\$ 788,794

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, 2020

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 statements 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 that are 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. If applicable, 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 part 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 the 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, including 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 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 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 funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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, 2014 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 loans issued by the USDA Rural Development, each carrying a loan covenant to establish a 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	\$ 85,960
Total Governmental Activities		<u>85,960</u>
Business-type Activities:		
Electric Fund	Customer deposits	108,091
Water and Sewer Fund	Debt service	60,657
Water and Sewer Fund	Customer deposits	37,538
Total Business-Type Activities		<u>206,286</u>
Total Restricted Cash		<u><u>\$ 292,246</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. Internal Balances

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as internal balances.

7. 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.

8. 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:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	10-40
Improvements	15-40
Furniture and equipment	3-15
Vehicles and motorized equipment	3-10

9. 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 meets this criterion, contributions made to the pension plan in the 2020 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 until then. The Town has three items that meet the criterion for this category – property taxes receivable, OPEB, and pension deferrals.

10. 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.

11. 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 an 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.

12. 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 balances 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, 2020.

Assigned fund balance – portion of fund balance that Town of Black Creek intends to use for specific purposes. There were no amounts classified as assigned fund balance for the purpose of capital improvement at fiscal year end June 30, 2020.

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

Restricted fund balance – 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.

13. Pensions

For purposes of measuring the net pension asset/liability, deferred outflows or resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Government 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 contribution 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 due to the lack of an accurate trial balance.

The finance officer for the fiscal year ended June 30, 2020 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. (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 May 2025.

B. Excess of Expenditures Over Appropriation

The General Fund overspent its budget for transportation by \$34,412. This was due to failing to amend the budget to reduce other departmental expenditures nor budgeting surpluses in revenue to cover the shortfall. The Electric Fund overspent its budget for supplies by \$74,930, telephone and postage by \$247, and capital outlay by \$21,000. This was due to failing to amend the budget to reduce other department expenditures to cover the shortfall. The Water and Sewer Fund overspent its budget for professional services by \$551, supplies by \$1,865, and telephone and postage by \$285. This was due to failing to amend the budget to reduce other department expenditures to cover the shortfall.

C. Material Misstatement of Semi-Annual Cash and Investment Report

The Town improperly reported funds held for the semi-annual reporting of the Cash and Investment Report (LGC-203) for their participation in the NC cash pooling method resulting in a material overstatement of \$170,141.

D. Failure to Deposit Funds Daily

The Town failed to deposit funds on a daily basis.

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, 2020, the Town's deposits had a carrying amount of \$8,903,626 and a bank balance of \$8,745,929. 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, 2020, the Town's petty cash fund totaled \$100.

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, 2020, was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 81,855	\$ -	\$ -	\$ 81,855
Capital assets being depreciated:				
Buildings	339,623	-	-	339,623
Other improvements	104,212	-	-	104,212
Equipment	256,281	-	-	256,281
Vehicles	255,415	-	-	255,415
Total capital assets being depreciated	<u>955,531</u>	<u>-</u>	<u>-</u>	<u>955,531</u>
Less accumulated depreciation for:				
Buildings	211,219	5,934	-	217,153
Other improvements	75,907	5,054	-	80,961
Equipment	248,781	1,450	-	250,231
Vehicles	190,732	14,900	-	205,632
Total accumulated depreciation	<u>\$ 726,639</u>	<u>\$ 27,338</u>	<u>\$ -</u>	<u>\$ 753,977</u>
Total capital assets being depreciated, net	<u>228,892</u>			<u>201,554</u>
Governmental activities capital assets, net	<u><u>\$ 310,747</u></u>			<u><u>\$ 283,409</u></u>

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

General government	\$ 7,257
Public safety	500
Transportation	1,000
Environmental protection	14,400
Cultural and recreational	4,181
Total depreciation expense	<u><u>\$ 27,338</u></u>

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Business-type activities:				
Electric Fund				
Capital assets not being depreciated:				
Land	\$ 2,156	\$ 33,000	\$ -	\$ 35,156
Capital assets being depreciated:				
Buildings	82,886	-	-	82,886
Plant and distribution systems	1,422,882	-	-	1,422,882
Equipment	47,417	-	-	47,417
Vehicles	428,075	-	-	428,075
Total capital assets being depreciated	<u>1,981,260</u>	<u>-</u>	<u>-</u>	<u>1,981,260</u>
Less accumulated depreciation for:				
Buildings	51,319	2,598	-	53,917
Plant and distribution systems	892,415	24,793	-	917,208
Equipment	40,862	991	-	41,853
Vehicles	339,908	23,000	-	362,908
Total accumulated depreciation	<u>\$ 1,324,504</u>	<u>\$ 51,382</u>	<u>\$ -</u>	<u>\$ 1,375,886</u>
Total capital assets being depreciated, net	<u>656,756</u>			<u>605,374</u>
Electric Fund capital assets, net	<u><u>\$ 658,912</u></u>			<u><u>\$ 640,530</u></u>
Water and Sewer Fund				
Capital assets not being depreciated:				
Land	\$ 114,701	\$ 45,182	\$ -	\$ 159,883
Capital assets being depreciated:				
Buildings	21,661	-	-	21,661
Plant and distribution systems	6,487,462	-	-	6,487,462
Furniture and maintenance equipment	210,365	-	-	210,365
Vehicles	33,281	-	-	33,281
Total capital assets being depreciated	<u>6,752,769</u>	<u>-</u>	<u>-</u>	<u>6,752,769</u>
Less accumulated depreciation for:				
Buildings	19,736	529	-	20,265
Plant and distribution systems	2,922,989	160,034	-	3,083,023
Furniture and maintenance equipment	175,925	6,397	-	182,322
Vehicles	33,281	-	-	33,281
Total accumulated depreciation	<u>3,151,931</u>	<u>166,960</u>	<u>-</u>	<u>3,318,891</u>
Total capital assets being depreciated, net	<u>3,600,838</u>			<u>3,433,878</u>
Water and Sewer Fund capital assets, net	<u><u>\$ 3,715,539</u></u>			<u><u>\$ 3,593,761</u></u>
Business-type activities capital assets, net	<u><u>\$ 4,374,451</u></u>			<u><u>\$ 4,234,291</u></u>

B. Liabilities

1. Pension Plan Obligation

a. Local Government 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 government 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, 2020, was 9.70% of compensation for law enforcement officers and 8.95% 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 \$64,337 for the year ended June 30, 2020.

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, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions

At June 30, 2020, the Town reported a liability of \$151,293 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018. The total pension liability was then rolled forward to the measurement date of June 30, 2019 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 employers, actuarially determined. At June 30, 2019, the Town’s proportion was 0.00554%, which was an increase of 0.00057% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the Town recognized pension expense of \$69,132. At June 30, 2020, 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	\$ 25,905	\$ -
Changes of assumptions	24,658	-
Net difference between projected and actual earnings on pension plan investments	3,690	-
Change in proportion and differences between Town contributions and proportionate share of contributions	10,355	5,400
Town contributions subsequent to the measurement date	37,746	-
Total	<u>\$ 102,354</u>	<u>\$ 5,400</u>

\$37,746 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, 2020.

Other amounts reported as deferred inflows of resources will be recognized in pension expense as follows:

Year ended June 30:

2021	\$	28,911
2022		9,509
2023		14,732
2024		6,056
Thereafter		-
	\$	<u>59,208</u>

Actuarial Assumptions: The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the December 31, 2018 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

Future ad hoc COLA amounts are not considered to be substantially 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, 2019 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 2019 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetically annualized figures. The real rates of return are calculated from nominal rates of return 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 City’s proportionate share of the net pension liability to changes in the discount rate. The following presents the City’s proportionate share of the net pension liability calculated using the discount rate of 7.00 percent, as well as what the City’s proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent) or one percentage point higher (8.00 percent) than the current rate:

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Town's proportionate share of the net pension liability (asset)	\$ 346,035	\$ 151,293	\$ (10,577)

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

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>3</u>
Total	<u>3</u>

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 the terms of the plan.

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

Actuarial Assumptions. The entry age actuarial cost method was used in the December 31, 2018 valuation. The total pension liability in the December 31, 2018 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	3.26 percent

The discount rate used to measure the TPL is the S&P Municipal Bond 20 Year High Grade Rate Index.

The actuarial assumptions used in the December 31, 2018 valuation were based on the results of an experience study completed by the Actuary for the Local Government Employees’ Retirement System for the five year period ending December 31, 2014.

DEATHS AFTER RETIREMENT (HEALTHY): RP-2014 Healthy Annuitant base rates projected to 2015 using MP-2015, projected forward generationally from 2015 using MP-2015. Rates are adjusted by 104% for males and 100% for females.

DEATHS BEFORE RETIREMENT: RP-2014 Employee base rates projected to 2015 using MP-2015, projected generationally from 2015 using MP-2015.

DEATHS AFTER RETIREMENT (BENEFICIARY): RP-Healthy Annuitant base rates projected to 2015 using MP-2015, projected forward generationally from 2015 using MP-2015. Rates are adjusted by 123% for males and females.

DEATHS AFTER RETIREMENT (DISABLED): RP-2014 Disabled Retiree base rates projected to 2015 using MP-2015, projected forward generationally from 2015 using MP-2015. Rates are adjusted by 103% for males and 99% for females.

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, 2020, the Town reported a total pension liability of \$9,402. The total pension liability was measured as of December 31, 2019 based on a December 31, 2018 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2019 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2020, the Town recognized pension expense of \$2,035.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 971	\$ 87
Changes of assumptions	510	286
Benefit payments and plan administrative expense made subsequent to the measurement date	-	-
Total	<u>\$ 1,481</u>	<u>\$ 373</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, 2021. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2020	\$	309
2021		266
2022		303
2023		232
2024		(2)
Thereafter		-
	\$	<u>1,108</u>

\$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 3.26%, 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 (2.26%) or 1-percentage point higher (4.26%) than the current rate:

	1% Decrease (2.26%)	Discount Rate (3.26%)	1% Increase (4.26%)
Total pension liability	\$ 10,767	\$ 9,402	\$ 8,184

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

	<u>2020</u>
Beginning balance	\$ 6,121
Service cost	1,499
Interest	223
Changes of benefit terms	-
Differences between expected and actual experience	1,081
Changes of assumptions of other inputs	478
Benefit payments	-
Other changes	-
Ending balance of the total pension liability	<u>\$ 9,402</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, 2018 valuation were based on the results of an actuarial experience study completed by the Actuary for the Local Government Employees' Retirement System for the five year period ending December 31, 2014.

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.

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

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

	<u>LGERS</u>	<u>LEOSSA</u>	<u>Total</u>
Pension Expense	\$ 69,132	\$ 2,035	\$ 71,167
Pension Liability	151,293	9,402	160,695
Proportionate share of the net pension liability	0.00554%	n/a	
Deferred Outflows of Resources			
Difference between expected and actual experience	25,905	971	26,876
Change of assumptions	24,658	510	25,168
Net difference between projected and actual earnings on plan investments	3,690		3,690
Changes in proportion and differences between contributions and proportionate share of contributions	10,355		10,355
Town contributions subsequent to the measurement date	37,746		37,746
Benefit payments and administrative costs paid subsequent to the measurement date			
Deferred Inflows of Resources			
Difference between expected and actual experience		87	87
Change of assumptions		286	286
Net difference between projected and actual earnings on plan investments			
Changes in proportion and differences between contributions and proportionate share of contributions	5,400		5,400

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 Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State’s CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan 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. 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 law enforcement officers may make voluntary contributions to the plan. Contribution information is included in the following section.

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 law enforcement and general employees for the year ended June 30, 2020 were \$25,903.41, which consisted of \$19,728.41 from the Town and \$6,175.00 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, 2020, the Town made contributions to the State for death benefits of \$156. 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 percentage of payroll contributions 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 premium 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 other postemployment benefits (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 the former employees become eligible for Medicare. The benefits provided include medical and pharmacy coverage for employees and their dependents. Non-Medicare eligible members have two self-funded options administered by the State Health Plan while Medicare members have three options, including one self-funded option and two fully-insured Medicare Advantage/Prescription Drug Plan options. Self-funded medical and pharmacy claims costs are shared between the covered member and the State Health Plan. If the self-funded plan is elected by a Medicare eligible member, the coverage is secondary to Medicare. Fully-insured claims include cost sharing from covered members with the remaining balance paid by the fully-insured carrier.

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 Teachers' and State Employees' Retirement System (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, which 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 total noncontributory premium. 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 five but less than 10 years of retirement service credit are eligible for coverage on a fully contributory basis.

Section 35.21 (c) and (d) of Session Law 2017-57 repeals retiree medical benefits for employees first hired on or after January 1, 2021. The legislation amends Article 3B of Chapter 135 of the General Statutes to require that retirees must earn contributory retirement service in the Teachers' and State Employees' Retirement System (or in an allowed local system unit), the Consolidated Judicial Retirement System, or the Legislative Retirement System 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, RHBF 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 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 fiscal year ended June 30, 2020, the Town contributed 6.47% of covered payroll which amounted to \$26,713.

Total OPEB Liability

At June 30, 2020, the Town reported a liability of \$636,639 for its proportionate share of the net OPEB liability. The net OPEB liability was determined by actuarial valuations as of December 31, 2019, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified. The total OPEB liabilities were then rolled forward to June 30, 2020 utilizing update procedures incorporating the actuarial assumptions.

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

Inflation	3.0 percent
Salary increases	3.5 percent to 8.1 percent
Discount rate	7.0 percent
Healthcare cost trend rate - medical	6.5 percent grading down to 5 percent by 2024
prescription drug	9.5 percent grading down to 5 percent by 2029
administrative	3.0 percent

Discount rate. The discount rate used to measure the total OPEB liability for the RHBF was 3.50%. 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 3.50% was used as the discount rate used to measure the total OPEB liability. The 3.50% rate is based on the Bond Buyer 20-year General Obligation Index as of June 30, 2019.

Sensitivity of the Town's proportionate share of the net OPEB liability to change in the discount rate. The following presents the Town's proportionate share of the net OPEB liability, if it were calculated using a discount rate that is 1-percentage-point lower (2.50 percent) or 1-percentage-point higher (4.50 percent) than the current discount rate:

	1% Decrease (2.50%)	Discount Rate (3.50%)	1% Increase (4.50%)
Net OPEB liability	\$ 755,743	\$ 636,639	\$ 540,038

Sensitivity of the total net OPEB liability to changes in the healthcare cost trend rates. The following presents the Town's proportionate share of the net OPEB liability if it were calculated using a discount rate that is 1-percentage-point lower (Medical 5.50%, Pharmacy 6.25%, Administrative 2.00%) or 1-percentage-point higher (Medical 7.50%, Pharmacy 8.25%, Administrative 4.00%) than the current trend rates.

	1% Decrease in Trend Rates	Current Trend Rates	1% Increase in Trend Rates
Net OPEB liability	\$ 523,660	\$ 636,639	\$ 783,603

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	\$11,790
OPEB Liability	636,639
Proportionate share of the net OPEB liability	0.00201%

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 32,095
Changes of assumptions	30,600	191,402
Net difference between projected and actual earnings on pension plan investments	424	-
Change in proportion and differences between Town contributions and proportionate share of contributions	206,510	153,268
Town contributions subsequent to the measurement date	26,713	-
Total	\$ 264,247	\$ 376,765

\$26,713 reported as deferred outflows of resources related to OPEB resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net OPEB liability in the year ending June 30, 2021. Other amounts reported as deferred outflows and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:

2021	\$ 39,790
2022	39,790
2023	39,730
2024	39,509
2025	(19,588)
Thereafter	-
	<u>\$ 139,231</u>

Deferred Outflows and Inflows of Resources

Deferred outflows of resources are comprised of the following:

Source	Amount
Contributions to the plan in current fiscal year	\$ 64,459
Differences between expected and actual experience	26,876
Changes of assumption	55,768
Net difference between project and actual earnings on pension plan investments	4,114
Changes in proportion and differences between employer contributions and proportionate share of contributions	216,865
Total	<u>\$ 368,082</u>

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

	Statement of Net Position	General Fund Balance Sheet
Taxes receivable, net (General Fund)	\$ -	\$ 11,664
Differences between expected and actual experience	32,182	-
Changes of assumptions	191,688	-
Changes in proportion and differences between the Town contributions and proportional share of contributions	158,668	-
Net difference between projected and actual earnings on pension plan investments	-	-
Total	<u>\$ 382,538</u>	<u>\$ 11,664</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 occurrences 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 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, Judgements, and Contingent Liabilities

At June 30, 2020, 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, 2020 are as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2021	\$ 11,892	\$ 310
Total	<u>\$ 11,892</u>	<u>\$ 310</u>

b. Notes Payable

Long-term obligations arising from notes payable as of June 30, 2020 consisted of the following:

<p>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 dead of trust that matures May 3, 2046. This loan carries a covenant requiring the Town to 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.</p>	\$580,111
<p>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 to 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.</p>	177,757
<p>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 to 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.</p>	316,354
<p>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.</p>	53,312
Total loans outstanding	<u>\$1,127,534</u>

Annual debt service payments of the notes payable as of June 30, 2020 are as follows:

Year Ending June 30	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	Principal	Interest	Principal	Interest
2021	\$ -	\$ -	\$ 25,089	\$ 39,198
2022	-	-	25,881	38,406
2023	-	-	26,700	37,587
2024	-	-	27,551	36,736
2025	-	-	28,435	35,852
2026-2052	-	-	993,878	491,776
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,127,534</u>	<u>\$ 679,555</u>

c. Changes in Long-Term Liabilities

	Balance June 30, 2019	Increase	Decrease	Balance June 30, 2020	Current Portion of Balance
Governmental activities:					
Installment purchases	\$ 27,407	\$ -	\$ 15,515	\$ 11,892	\$ 11,892
Compensated absences	1,364	15	-	1,379	1,379
Net pension liability (LGERS)	49,237	14,306	-	63,543	-
Total pension liability (LEO)	6,121	3,281	-	9,402	-
OPEB liability	207,922	46,734	-	254,656	-
Total governmental	<u>\$ 292,051</u>	<u>\$ 64,336</u>	<u>\$ 15,515</u>	<u>\$ 340,872</u>	<u>\$ 13,271</u>
Business-type activities:					
Electric Fund					
Compensated absences	\$ 1,210	\$ 1,072	\$ -	\$ 2,282	\$ 2,282
Net pension liability (LGERS)	44,887	12,604	-	57,491	-
OPEB liability	203,920	44,369	-	248,289	-
	<u>250,017</u>	<u>58,045</u>	<u>-</u>	<u>308,062</u>	<u>2,282</u>
Water and Sewer Fund					
Compensated absences	\$ 858	\$ 43	\$ -	\$ 901	\$ 901
Net pension liability (LGERS)	23,781	6,478	-	30,259	-
OPEB liability	107,833	25,861	-	133,694	-
Notes payable	1,151,863	-	24,329	1,127,534	25,089
	<u>1,284,335</u>	<u>32,382</u>	<u>24,329</u>	<u>1,292,388</u>	<u>25,990</u>
Total business-type	<u>\$ 1,534,352</u>	<u>\$ 90,427</u>	<u>\$ 24,329</u>	<u>\$ 1,600,450</u>	<u>\$ 28,272</u>
Total long-term liabilities	<u><u>\$ 1,826,403</u></u>	<u><u>\$ 154,763</u></u>	<u><u>\$ 39,844</u></u>	<u><u>\$ 1,941,322</u></u>	<u><u>\$ 41,543</u></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 \$2,436,364.

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	\$ 239,750
Less:	
Stabilization by State Statute	(36,297)
Streets - Powell Bill	<u>(85,960)</u>
Remaining Fund Balance	<u><u>\$ 117,143</u></u>

D. Interfund Balances Activity

As a result of operating expenditures paid on behalf of the General Fund, the Water and Sewer Fund and Electric Funds show interfund receivables of \$66,692 and \$42,138, respectively. The General Fund has an interfund payable of \$108,830. As a result of operating expenditures paid on behalf of the Electric Fund, the Water and Sewer Fund shows an interfund receivable of \$24,804. The Electric Fund shows an interfund payable of \$24,804.

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 monies.

V. Significant Effects of Subsequent Events

The Town has evaluated events and transactions that occurred between June 30, 2020 and May 15, 2025, which is the date 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:

- July 2021 - the Town entered into an option agreement to purchase 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 was approved in May 2022 for \$110,000.
- April 2021 – COVID funding received, \$122,699 for two years.
- The Town received \$245,397 in ARPA money. This was received in 2 installments of \$122,699 in August 2021 and August 2022.
- October 2021 - The fire department building was purchased for \$50,000 after the lease was released.
- September 2022 - the Town adopted a resolution for Infrastructural Grant for Groundwater Storage Tank on Carr Road and Booster Pump. The NC DEQ Viable Utility Reserve Grant from ARPA was awarded in March 2023 and received in June 2023 for \$1,723,250.
- February 2023 - the Town approved a contract with the County for patrol services which was executed in April 2023 and effective for 7/1/2023 for \$277,500 for the fiscal year.
- May 2023 - the Town entered into an option to purchase property for a well site. The future purchase of the property will be \$54,945.
- November 2024 – the Town executed an agreement with Wilson County to be a subrecipient of Wilson County’s ARPA funding for a water plant expansion and building an additional well.

VI. Restatement

Prior Period Adjustment – During the fiscal year ended June 30, 2020, the Town determined certain payroll expenses and sales tax revenues that were subject to accrual in the General Fund, Electric Fund, and Water and Sewer Fund as of June 30, 2019, on a modified accrual basis of accounting, had been omitted. Corrections to fixed asset balances were also needed. Therefore, an adjustment to beginning fund balance has been recorded to account for those accruals and corrections, the net effect of which decreased beginning fund balance by \$5,124, \$9,805, and \$7,555, respectively.

Required Supplementary Financial Data

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

- Schedule of Proportionate Share of Net Pension Liability 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 Seven Fiscal Years*

Local Government Employees' Retirement System

	2020	2019	2018	2017	2016	2015	2014
Black Creek's proportion of the net pension liability (asset) - %	0.00554%	0.00497%	0.00633%	0.00559%	0.00507%	0.00566%	0.00570%
Black Creek's proportion of the net pension liability (asset) - \$	\$ 151,293	\$ 117,905	\$ 96,705	\$ 118,639	\$ 22,754	\$ (33,380)	\$ 68,707
Black Creek's covered-employee payroll	\$ 412,868	\$ 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	36.64%	28.72%	25.23%	30.95%	6.12%	(9.80%)	21.26%
Plan fiduciary net position as a percentage of the total pension liability**	90.86%	91.63%	94.18%	91.47%	98.09%	102.64%	94.35%

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

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

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

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

**Town of Black Creek, North Carolina
Town of Black Creek's Contribution
Required Supplementary Information
Last Seven Fiscal Years**

Local Government Employees' Retirement System

	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 37,746	\$ 32,737	\$ 27,627	\$ 28,451	\$ 23,686	\$ 26,759	\$ 24,268
Contributions in relation to the contractually required contribution	<u>37,746</u>	<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>	<u>\$ -</u>
Black Creek's covered-employee payroll	\$ 412,868	\$ 410,509	\$ 359,557	\$ 383,300	\$ 349,391	\$ 371,983	\$ 340,600
Contributions as a percentage of covered-employee payroll	9.14%	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.

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

Town of Black Creek, North Carolina
Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance
Last Four Fiscal Years

	2020	2019	2018	2017
Beginning balance	\$ 6,121	\$ 5,461	\$ 4,559	\$ 4,005
Service cost	1,499	641	534	597
Interest on the total pension liability	223	173	176	143
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience in the measurement of the total pension liability	1,081	234	(348)	-
Changes of assumptions or other inputs	478	(388)	540	(186)
Benefit payments	-	-	-	-
Other changes	-	-	-	-
Ending balance of the total pension liability	<u>\$ 9,402</u>	<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.

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

Town of Black Creek, North Carolina
Schedule of Total Pension Liability as a Percentage of Covered Payroll
Law Enforcement Officers' Special Separation Allowance
Last Four Fiscal Years

	2020	2019	2018	2017
Total pension liability	\$ 9,402	\$ 6,121	\$ 5,461	\$ 4,559
Covered-employee payroll	125,470	93,128	84,711	38,205
Total pension liability as a percentage of covered-employee payroll	7.49%	6.57%	6.45%	11.93%

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

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

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

Town of Black Creek, North Carolina
Schedule of Changes in the Total OPEB Liability and Related Ratios
Last Four Fiscal Years*

	2020	2019	2018	2017
Board's proportion of the net OPEB liability (asset) - %	0.00201%	0.00182%	0.00235%	0.17200%
Board's proportionate share of the net pension liability (asset) - \$	\$ 636,639	\$ 519,675	\$ 771,058	\$ 749,922
Board's covered payroll	\$ 412,868	\$ 410,509	\$ 359,557	\$ 383,300
Board's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	154.20%	126.59%	214.45%	195.65%
Plan fiduciary net position as a percentage of the total OPEB liability**	4.40%	4.40%	3.52%	2.41%

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

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

**Town of Black Creek, North Carolina
Schedule of Town Contributions
Retiree Health Benefit Fund
Last Four Fiscal Years***

	2020	2019	2018	2017
Contractually required contribution	\$ 26,713	\$ 25,739	\$ 21,755	\$ 22,272
Contributions in relation to the contractually required contribution	<u>26,713</u>	<u>25,739</u>	<u>21,755</u>	<u>22,272</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Black Creek's covered-employee payroll	\$ 412,868	\$ 410,509	\$ 359,557	\$ 383,300
Contributions as a percentage of covered payroll	6.47%	6.27%	6.05%	5.81%

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

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

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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, 2020
(with comparative amounts for the fiscal year ended June 30, 2019)

	2020		Variance Positive (Negative)	2019 Actual
	Budget	Actual		
Revenues:				
Ad valorem taxes:				
Taxes		167,411		165,191
Penalties and interest		1,041		1,814
Total	\$ 162,500	\$ 168,452	\$ 5,952	\$ 167,005
Other taxes and licenses:				
Zoning fees	400	210	(190)	210
Unrestricted intergovernmental:				
Local option sales taxes		69,408		74,325
Utility sales tax		45,814		47,420
Beer and wine tax		3,290		3,305
Total	110,000	118,512	8,512	125,050
Restricted intergovernmental:				
Powell Bill allocation		20,356		20,546
FEMA Grant		5,990		-
Solid waste disposal tax		579		569
Total	21,500	26,925	5,425	21,115
Sales and services:				
Garbage and recycling fees		51,169		71,825
Rental revenue		5,158		8,165
Cemetery lot sales		5,200		8,000
Total	86,000	61,527	(24,473)	87,990
Investment earnings	1,250	8,908	7,658	1,879
Miscellaneous:				
Heritage Day contributions		9,761		10,086
Other		3,846		4,724
Total	14,500	13,607	(893)	14,810
Total revenues	396,150	398,141	1,991	418,059

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, 2020
(with comparative amounts for the fiscal year ended June 30, 2019)

	2020		Variance Positive (Negative)	2019 Actual
	Budget	Actual		
Expenditures:				
General government:				
Administration:				
Salaries and employee benefits		12,927		15,087
Professional services		5,561		3,130
Insurance		5,000		4,966
Repairs and maintenance		9,521		6,913
Supplies		2,684		2,586
Telephone and postage		1,106		1,198
Election expenses		5,333		-
Other operating expenditures		8,085		6,948
Capital outlay		-		6,400
Total general government	<u>70,700</u>	<u>50,217</u>	<u>20,483</u>	<u>47,228</u>
Public safety:				
Police:				
Salaries and employee benefits		171,999		185,670
Insurance		10,000		10,000
Repairs and maintenance		4,797		409
Supplies		2,384		11,321
Telephone and postage		942		1,270
Vehicle operations		9,896		18,668
Other operating expenditures		2,428		13,785
Total public safety	<u>265,000</u>	<u>202,446</u>	<u>62,554</u>	<u>241,123</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, 2020
(with comparative amounts for the fiscal year ended June 30, 2019)

	2020		Variance Positive (Negative)	2019 Actual
	Budget	Actual		
Transportation				
Streets:				
Salaries and employee benefits		52,067		53,574
Insurance		2,500		2,106
Landfill		21,302		17,851
Repairs and maintenance		5,742		7,800
Supplies		7,316		2,664
Telephone and postage		1,498		599
Vehicle operations		-		5,461
Other operating expenditures		90,301		1,539
Capital outlay		386		9,000
Total transportation	<u>146,700</u>	<u>181,112</u>	<u>(34,412)</u>	<u>100,594</u>
Environmental protection:				
Cemetery:				
Salaries and employee benefits		21,040		20,792
Supplies		-		-
Vehicle maintenance		200		-
Total environmental protection	<u>21,250</u>	<u>21,240</u>	<u>10</u>	<u>20,792</u>
Culture and recreation:				
Parks and recreation				
Harvest Day Festival		11,133		11,565
Other operating expenses		-		-
Capital outlay		937		-
Total culture and recreation	<u>13,000</u>	<u>12,070</u>	<u>930</u>	<u>11,565</u>
Debt service:				
Principal retirement		15,515		15,123
Interest and other charges		709		1,101
Total debt service	<u>16,500</u>	<u>16,224</u>	<u>276</u>	<u>16,224</u>
Total expenditures	<u>533,150</u>	<u>483,309</u>	<u>49,841</u>	<u>437,526</u>
Revenues over (under) expenditures	<u>(137,000)</u>	<u>(85,168)</u>	<u>51,832</u>	<u>(19,467)</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, 2020
(with comparative amounts for the fiscal year ended June 30, 2019)

	<u>2020</u>		Variance Positive (Negative)	<u>2019 Actual</u>
	<u>Budget</u>	<u>Actual</u>		
Other financing sources (uses)				
Operation transfers to/from other funds				
Transfer from electric fund	137,000	-	(137,000)	-
Total	<u>137,000</u>	<u>-</u>	<u>(137,000)</u>	<u>-</u>
Fund balance appropriated	-	-	-	-
Net change in fund balance	<u>\$ -</u>	(85,168)	<u>\$ (85,168)</u>	(19,467)
Fund balance, beginning		330,042		349,509
Restatement		<u>(5,124)</u>		<u>-</u>
Fund balance, beginning, as restated		<u>324,918</u>		<u>349,509</u>
Fund balance, ending		<u>\$ 239,750</u>		<u>\$ 330,042</u>

Town of Black Creek, North Carolina
Electric Fund
Statement of Revenues, Expenditures and
Budget and Actual (Non-GAAP)
For the Fiscal Year Ended June 30, 2020

(with comparative amounts for the fiscal year ended June 30, 2019)

	2020		Variance Positive (Negative)	2019 Actual
	Budget	Actual		
Operating Revenues:				
Charges for services:				
Charges for electricity	\$ 1,650,000	\$ 1,370,451	(279,549)	\$ 1,481,292
Penalties	45,000	32,500	(12,500)	44,201
Total	<u>1,695,000</u>	<u>1,402,951</u>	<u>(292,049)</u>	<u>1,525,493</u>
Other operating revenues	<u>117,750</u>	<u>6,104</u>	<u>(111,646)</u>	<u>45,663</u>
Total operating revenues	<u>1,812,750</u>	<u>1,409,055</u>	<u>(403,695)</u>	<u>1,571,156</u>
Non-operating revenues:				
Interest on investments	<u>2,500</u>	<u>49,487</u>	<u>46,987</u>	<u>3,769</u>
Total revenues	<u>1,815,250</u>	<u>1,458,542</u>	<u>(356,708)</u>	<u>1,574,925</u>
Operating expenses other than depreciation:				
Electrical operations:				
Salaries and employee benefits	272,500	248,866	23,634	219,862
Professional services	35,000	34,586	414	24,397
Insurance	20,000	20,000	-	14,390
Repairs and maintenance	61,500	14,951	46,549	3,125
Supplies	33,000	107,930	(74,930)	7,763
Telephone and postage	5,000	5,247	(247)	4,992
Vehicle operations	20,000	15,584	4,416	6,913
Purchase of electric power	965,500	569,894	395,606	726,452
Other operating expenditures	253,750	28,302	225,448	87,554
Total	<u>1,666,250</u>	<u>1,045,360</u>	<u>620,890</u>	<u>1,095,448</u>
Capital outlay:				
Equipment and systems	<u>12,000</u>	<u>33,000</u>	<u>(21,000)</u>	<u>9,000</u>
Total expenditures	<u>1,678,250</u>	<u>1,078,360</u>	<u>599,890</u>	<u>1,104,448</u>
Revenues over (under) expenditures	<u>137,000</u>	<u>380,182</u>	<u>243,182</u>	<u>470,477</u>
Other financing sources (uses)				
Net position appropriated				-
Transfer to general fund	<u>(137,000)</u>	<u>-</u>	<u>137,000</u>	<u>-</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>\$ 380,182</u>	<u>\$ 380,182</u>	<u>\$ 470,477</u>

Town of Black Creek, North Carolina
Electric Fund
Statement of Revenues, Expenditures and
Budget and Actual (Non-GAAP)
For the Fiscal Year Ended June 30, 2020
(with comparative amounts for the fiscal year ended June 30, 2019)

Reconciliation from budgetary basis (modified accrual) to full accrual basis	
Revenues over (under) expenditures	\$ 380,182
Reconciling items:	
(Increase) decrease in vacation pay accrual	(1,072)
Increase (decrease) in deferred outflows of resources - pensions	79
Increase (decrease) in deferred outflows of resources - OPEB	28,646
(Increase) decrease in net pension liability	(12,604)
(Increase) decrease in OPEB liability	(44,369)
(Increase) decrease in deferred inflows of resources - pensions	1,018
(Increase) decrease in deferred inflows of resources - OPEB	30,518
Capital outlays	33,000
Depreciation	(51,382)
Total reconciling items	(16,166)
Change in net position	\$ 364,016

Town of Black Creek, North Carolina
Water and Sewer Fund
Statement of Revenues, Expenditures and
Budget and Actual (Non-GAAP)
For the Fiscal Year Ended June 30, 2020

(with comparative amounts for the fiscal year ended June 30, 2019)

	2020		Variance Positive (Negative)	2019 Actual
	Budget	Actual		
Operating Revenues:				
Charges for services:				
Water and sewer charges	\$ 1,025,000	\$ 1,031,139	6,139	\$ 965,813
Water and sewer taps	2,000	1,400	(600)	3,800
Total	<u>1,027,000</u>	<u>1,032,539</u>	<u>5,539</u>	<u>969,613</u>
Other operating revenues	500	1,834	1,334	51,941
Total operating revenues	<u>1,027,500</u>	<u>1,034,373</u>	<u>6,873</u>	<u>1,021,554</u>
Non-operating revenues:				
Interest on investments	1,000	46,594	45,594	3,178
Total revenues	<u>1,028,500</u>	<u>1,080,967</u>	<u>52,467</u>	<u>1,024,732</u>
Operating expenses other than depreciation:				
Water and sewer operations				
Salaries and employee benefits	140,800	133,637	7,163	118,614
Professional services	16,000	16,551	(551)	18,231
Insurance	10,000	9,902	98	9,964
Repairs and maintenance	103,500	60,433	43,067	5,586
Supplies	46,000	47,865	(1,865)	46,119
Telephone and postage	6,000	6,285	(285)	4,997
Vehicle operations	14,800	8,876	5,924	10,969
Waste collection and treatment	312,000	216,543	95,457	295,772
Other operating expenditures	190,112	11,652	178,460	122,450
Total	<u>839,212</u>	<u>511,744</u>	<u>327,468</u>	<u>632,702</u>
Debt service:				
Principal retirement	64,288	24,329	39,959	23,492
Interest and other charges	-	39,959	(39,959)	40,957
Total	<u>64,288</u>	<u>64,288</u>	<u>-</u>	<u>64,449</u>
Capital outlay:				
Equipment and systems	125,000	45,182	79,818	109,058
Total expenditures	<u>1,028,500</u>	<u>621,214</u>	<u>407,286</u>	<u>806,209</u>
Revenues over (under) expenditures	<u>-</u>	<u>459,753</u>	<u>459,753</u>	<u>218,523</u>
Other financing sources (uses)				
Operating transfers to/from other funds				
Transfer to general fund	-	-	-	-
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>\$ 459,753</u>	<u>\$ 459,753</u>	<u>\$ 218,523</u>

Town of Black Creek, North Carolina
Water and Sewer Fund
Statement of Revenues, Expenditures and
Budget and Actual (Non-GAAP)
For the Fiscal Year Ended June 30, 2020

(with comparative amounts for the fiscal year ended June 30, 2019)

Reconciliation from budgetary basis (modified accrual) to full accrual basis	
Revenues over (under) expenditures	\$ 459,753
Reconciling items:	
(Increase) decrease in vacation pay accrual	(43)
(Increase) decrease in interest expense accrual	246
Increase (decrease) in deferred outflows of resources - pensions	6
Increase (decrease) in deferred outflows of resources - OPEB	20,231
(Increase) decrease in net pension liability	(6,478)
(Increase) decrease in OPEB liability	(25,861)
(Increase) decrease in deferred inflows of resources - pensions	547
(Increase) decrease in deferred inflows of resources - OPEB	14,723
Principal retirement of debt	24,329
Capital outlays	45,182
Depreciation	(166,960)
Total reconciling items	(94,078)
Change in net position	\$ 365,675

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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, 2020

<u>Fiscal Year</u>	Uncollected Balance June 30, 2019	Additions	Collections and Credits	Uncollected Balance June 30, 2020
2019-2020	\$ -	\$ 167,500	\$ 162,674	\$ 4,826
2018-2019	6,108	-	3,984	2,124
2017-2018	2,078	-	277	1,801
2016-2017	1,596	-	170	1,426
2015-2016	748	-	278	470
2014-2015	96	-	9	87
2013-2014	216	-	6	210
2012-2013	419	-	9	410
2011-2012	97	-	1	96
2010-2011	214	-	-	214
2010-2011	246	-	246	-
	<u>\$ 11,818</u>	<u>\$ 167,500</u>	<u>\$ 167,654</u>	<u>\$ 11,664</u>
Less: allowance for uncollectible accounts: General Fund				<u>-</u>
Ad valorem taxes receivable - net				\$ 11,664
<u>Reconciliation with revenues:</u>				
Ad valorem taxes - General Fund				\$ 168,452
Reconciling items:				
Taxes written off and released				243
Penalties and interest collected				<u>(1,041)</u>
Total collections and credits				<u>\$ 167,654</u>

Town of Black Creek, North Carolina
Analysis of Current Tax Levy
Town - Wide Levy
For the Fiscal Year Ended June 30, 2020

	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	\$ 28,572,533	\$ 0.55	\$ 157,149	\$ 129,927	\$ 27,222
Penalties	-		-	-	-
Total	<u>28,572,533</u>		<u>157,149</u>	<u>129,927</u>	<u>27,222</u>
Discoveries:					
Current year taxes	1,885,636	0.55	10,371	10,371	-
Prior year taxes	-		-	-	-
Penalties	-		-	-	-
Total	<u>1,885,636</u>		<u>10,371</u>	<u>10,371</u>	<u>-</u>
Abatements	3,624	0.55	20	20	-
Total property valuation	<u>\$ 30,454,546</u>				
Net levy			167,500	140,278	27,222
Uncollected taxes at June 30, 2020			<u>(4,826)</u>	<u>(4,826)</u>	<u>-</u>
Current year's taxes collected			<u>162,674</u>	<u>135,452</u>	<u>27,222</u>
Current levy collection percentage			<u>97.12%</u>	<u>96.56%</u>	<u>100%</u>

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Compliance Section

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

To the Honorable Mayor and Town Commissioners
Black Creek, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Black Creek, North Carolina, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town of Black Creek's basic financial statements, and have issued our report thereon dated May 30, 2025.

Report on Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2020-001 and 2020-002 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2020-003 and 2020-004 to be significant deficiencies.

Report on Compliance and Other Matters

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

Town of Black Creek, North Carolina's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Town of Black Creek's responses to the findings identified in our audit are described previously in the accompanying schedule of findings and responses. The Town of Black Creek's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Nunn, Brashear, & Uzzell, P.A.

Goldsboro, North Carolina

May 30, 2025

Town of Black Creek
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2020

II. Financial Statement Findings

Material Weaknesses

Finding 2020-001 Timely Bank Reconciliations

Criteria: All bank accounts should be reconciled monthly. Timely bank reconciliations is crucial as it ensures accurate financial records, helps detect and prevent fraud, and facilitates better cash flow management.

Condition: The Town is currently behind on timely reconciliation of bank accounts. The prior 3rd party public accounting firm failed to reconcile the bank accounts during the two years they assisted the Town. In December, 2024, the newly hired 3rd party Certified Public Accountant (CPA) firm discovered that the bank accounts for the fiscal year ending June 30, 2020 were not completed for the entire year and immediately began the reconciliation of the accounts in order to prepare a trial balance for audit. The newly hired 3rd Party CPA firm has updated bank reconciliations through June, 2024.

Effect: By reconciling bank statements timely with internal records, discrepancies can be identified and corrected quickly, decisions regarding NC escheating requirements can be made, and financial decisions become more accurate.

Cause: The Town's previous 3rd party CPA firm failed to adjust the financial records. This affects the accuracy and reliability of financial records.

Recommendation: In December, 2024, the Town has hired a new 3rd party CPA firm to assist the staff with monthly adjustments, the year-end audit process, and ongoing training of the current Finance Office staff. We recommend that the Town make an immediate effort to get all bank accounts reconciled through April, 2025.

Views of responsible officials and planned corrective actions: The Town agrees with this finding and has begun the appropriate actions to correct this weakness.

Finding 2020-002 Accounting Procedures/Material Misstatements

Criteria: The Town is not following basic accounting procedures. It was discovered that funds placed in bank certificates of deposit were treated as expenses of capital outlay. If this had not been discovered, the cash asset would have been understated and the expenditures of the Town would have been overstated by \$167,614. The Town is not performing a regular reconciliations of the trial balance to subsidiary ledgers. In addition, statutory violations noted below point to the lack of knowledge in government accounting and regulatory operations.

Condition: The Town has retained a 3rd party accounting firm for over two years; however, the prior firm failed to engage with the unit on a regular recurring basis.

Effect: The Town had material mistatements that needed correcting by the newly hired 3rd party accounting firm.

Cause: The Town was unable to close its records and timely prepare for an audit.

Town of Black Creek
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2020

Recommendation: The Town has hired a new 3rd party CPA firm committed to assisting the Town in any way possible. The Town should utilize the firm to ensure the general ledger is regularly adjusted, and training takes place in the Finance Office.

Views of responsible officials and planned corrective actions: The Town agrees with this finding and has taken appropriate action to correct these items in the future; however, with the lateness of audit, the results will not be seen until the audits are up-to-date.

Significant Deficiencies

Finding 2020-003 Statutory Findings

Criteria: The Town is required to comply with the North Carolina (NC) General Statutes. The Town violated several NC General Statutes for the fiscal year.

Condition: The Town had the following statutory violations related to the fiscal year-end audit.

The Town did not ensure the completion of a timely audit for the fiscal year ended June 30, 2020.

The Town failed to make sufficient budget amendments for the 2019-2020 fiscal year. The Town's expenditures exceeded the budgets provided for the fiscal year. See Exhibit 5 for further details.

The Town improperly report funds held for the semi-annual reporting of the Cash and Investment Report (LGC-203) for their participation in the NC cash pooling method. The LGC-203 was materially over-reported by \$170,141.

The Town failed to deposit funds on a daily basis.

Effect: The Town is not in compliance with General Statute 159 of the Local Government Budget and Fiscal Control Act.

Cause: The Town was unable to close its records and timely prepare for an audit, and failed to appropriately amend the Town's annual budget. In addition, the Town's staff was not properly trained on the reporting of the LGC-203. Finally, the Town does not deposit funds on a daily basis.

Recommendation: The Town has hired a 3rd party CPA firm committed to assisting the Town in any way possible. The Town should utilize the firm to ensure the general ledger is regularly adjusted, the budget is amended as needed, and training takes place in the Finance Office.

Views of responsible officials and planned corrective actions: The Town agrees with this finding and has taken appropriate action to correct these items in order to comply with NC General Statutes.

Finding 2020-004 Segregation of Duties

Criteria: The assignment of responsibilities should be segregated so that one person is not responsible for the authorization, recording of a transaction and the custody of the related asset. There needs to be a reconciliation or control activity to provide reasonable assurance that transactions are handled appropriately.

Town of Black Creek
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2020

Condition: Key duties and functions are not segregated among Town personnel. This is especially a concern in the cash management, account receivable, purchasing, and payroll functions.

Effect: Transactions could be mishandled, due to errors or fraud that could lead to loss of assets or the reporting of misleading financial information.

Cause: There are a limited number of personnel for certain functions.

Recommendation: The duties should be separated as much as possible, by possibly training and utilizing non-financial personnel and utilizing alternative controls. The governing board should provide some of these controls.

Views of responsible officials and planned corrective actions: The Town agrees with this finding and will take appropriate action to segregate duties to the amount economically feasible.

Town of Black Creek
Summary Schedule of Prior Audit Findings
For the Fiscal Year Ended June 30, 2020

No audit findings were reported for June 30, 2019.



TOWN OF BLACK CREEK

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Corrective Action Plan

Financial Statement Findings

Finding 2020-001 Timely Bank Reconciliations

Name of Contact Person: Cindy Dougherty

Corrective Action: In December, 2024, the Town hired a 3rd party CPA to assist the staff with monthly adjustments, the year-end audit process, and ongoing training of the current Finance Office staff. To date the bank reconciliation for main checking has been completed through 6/30/24 with a small amount of reconciling items that are being researched. The goal is to have the bank reconciliations current by August 31, 2025

Proposed Completion Date: August 31, 2025.

Finding 2020-002 Accounting Procedures/Material Misstatements

Name of Contact Person: Cindy Dougherty

Corrective Action: In December, 2024, the Town hired a 3rd party CPA to assist the staff with the year-end audit process. The 3rd party CPA is making year-end adjustments to close fiscal years that have not been audited.

Proposed Completion Date: July 1, 2026

Finding 2020-003 Statutory Findings

Name of Contact Person: Cindy Dougherty

Corrective Action: In December, 2024, the Town hired a 3rd party CPA to assist the staff with the year-end audit process. Since that time the June 30, 2020 records have been reconciled and audited and adjustments are being made for June 30, 2021 audit. The Finance Officer will include all bank accounts when preparing the LGC-203 and will send information to the 3rd party CPA to review prior to submission. The Finance Officer will review the budget to actual for any amendments that need to be completed to prevent budget overages. The Town is currently making daily deposits.

Proposed Completion Date: July 1, 2025.

Finding 2020-004 Segregation of Duties

Name of Contact Person: Cindy Dougherty

Corrective Action: In December, 2024, the Town hired a 3rd party CPA to assist the staff with the bank reconciliation process. The 3rd party CPA will review transactions and match those transactions to the bank statement and prepare the monthly bank reconciliations. Due to the small size of the town the ability to segregate duties is limited. To the extent possible the Town will delegate finance duties among staff and the 3rd party CPA.

Proposed Completion Date: July 1, 2025.