

**TOWN OF WALNUT COVE, NORTH CAROLINA**

**FINANCIAL STATEMENTS**

**JUNE 30, 2020**

**Town of Walnut Cove, North Carolina**  
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**June 30, 2020**

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## **FINANCIAL SECTION**



**TOWN OF WALNUT COVE, NORTH CAROLINA  
JUNE 30, 2020**

**MEMBERS OF BOARD OF COMMISSIONERS**

Nellie Brown, Mayor  
Elwood Mabe, Mayor Pro-Tem  
Danny Hairston  
Thomas Mitchell  
Joe Bennett

**TOWN OFFICIALS**

Kim Greenwood, Town Manager  
Amanda Bryant, Town Clerk and Finance Officer



## INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor  
and Members of the Board of Commissioners  
Town of Walnut Cove, North Carolina

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit (except as described below), each major fund, and the aggregate remaining fund information of the Town of Walnut Cove, 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's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Town of Walnut Cove ABC Board, which represents 100 percent of the assets, net position, and revenues of the discretely presented component unit. Those financial statements were audited by another auditor whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Town of Walnut Cove ABC Board, is based solely on the report of another auditor. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

### ***Basis for Qualified Opinion on the Discretely Presented Component Unit***

As discussed in Note IX to the financial statements, the Town of Walnut Cove ABC Board's auditor issued a qualified opinion on the June 30, 2020 financial statements.

### ***Qualified Opinion***

In our opinion, except for the matters described in the "Basis for Qualified Opinion on the Discretely Presented Component Unit" paragraph, the financial statements of the Town of Walnut Cove ABC Board, present fairly, in all material respects, the respective financial position of the discretely presented component unit of the Town of Walnut Cove, North Carolina as of June 30, 2020, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Unmodified Opinions***

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Walnut Cove, North Carolina as of June 30, 2020, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability (Asset) and Contributions, on pages 5 through 15 and 53 through 54, respectively, be presented to supplement the basic financial statements. Such information, although not a required 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 and the other auditors 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 Walnut Cove, North Carolina. The combining and individual fund statements, budgetary schedules and other schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

*Jackson + Company, P.C.*

Winston-Salem, North Carolina  
November 25, 2020

## **MANAGEMENT DISCUSSION AND ANALYSIS**

## Management's Discussion and Analysis

As management of the Town of Walnut Cove, we offer readers of the Town of Walnut Cove's financial statements this narrative overview and analysis of the financial activities of the Town of Walnut Cove 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

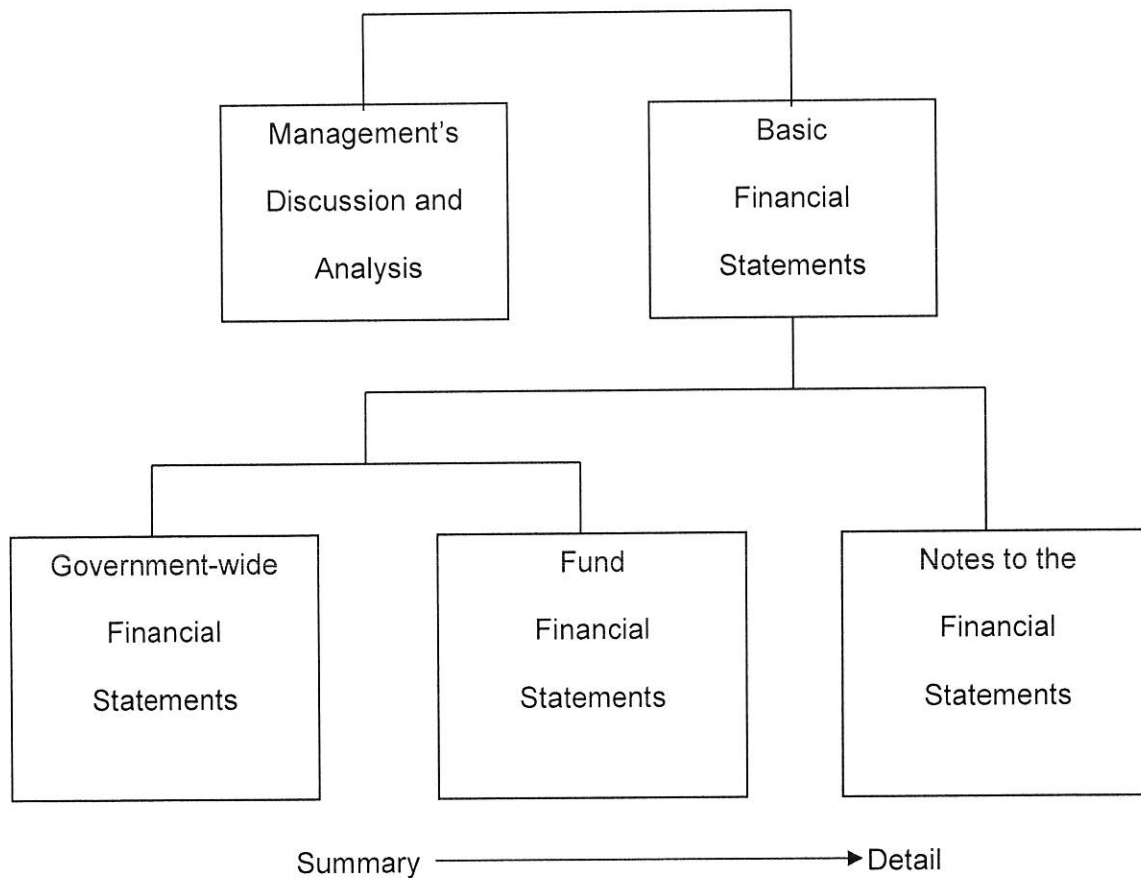
- The assets and deferred outflows of resources of the Town of Walnut Cove exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$7,082,797 (*net position*).
- The government's total net position increased by \$328,816 primarily due to an increase in the governmental and business-type activities net position.
- As of the close of the current fiscal year, the Town of Walnut Cove's governmental funds reported combined ending fund balances of \$1,431,191 with a net change of \$172,407 in fund balance. Approximately 13.49 percent of this total amount, or \$193,056, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1,238,135 or 143.94 percent of total general fund expenditures for the fiscal year.
- The Town of Walnut Cove's total long-term debt decreased by \$79,679 (9.00%) during the current fiscal year. The key factor in this decrease was the repayments of debt for the new library and bonds.

### Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to Town of Walnut Cove's basic financial statements. The Town's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see Figure 1). The basic financial statements present two different views of the Town through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the Town of Walnut Cove.

### 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 9) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than the government-wide statements. There are four parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; 3) the proprietary fund statements; and 4) the fiduciary 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's individual funds. Budgetary information required by the North Carolina General Statutes also can be found in this part of the statements.

## Management Discussion and Analysis Town of Walnut Cove

### Government-Wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the Town's 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's 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's total assets and deferred outflows of resources and total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the Town's financial condition.

The government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) component units. 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. These include the water and sewer services offered by the Town of Walnut Cove. The final category is the component unit. Although legally separate from the Town, the ABC Board is important to the Town. The Town exercises control over the Board by appointing its members and the Board is required to distribute its profits to the Town.

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

### Fund Financial Statements

The fund financial statements (see Figure 1) 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 Walnut Cove, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the Town's budget ordinance. All of the funds of Town of Walnut Cove can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

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

The Town of Walnut Cove 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



Management Discussion and Analysis  
**Town of Walnut Cove**

with the budget ordinance and whether or not the Town succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the board; 2) the final budget as amended by the board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

**Proprietary Funds** – The Town of Walnut Cove has two proprietary funds. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town of Walnut Cove use enterprise funds to account for its water and sewer activity and license plate agency activities. This fund is the same as those functions shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

**Fiduciary Funds** – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The Town of Walnut Cove has one fiduciary fund which is an agency fund.

**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 27 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 Walnut Cove's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 53 of this report.

**Interdependence with Other Entities:** The Town depends on 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.

Management Discussion and Analysis  
**Town of Walnut Cove**

**Government-Wide Financial Analysis**

**Town of Walnut Cove's Net Position**

**Figure 2**

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 1,467,796	\$ 1,337,010	\$ 1,821,250	\$ 1,615,875	\$ 3,289,046	\$ 2,952,885
Capital assets	1,197,386	1,229,935	3,410,214	3,524,588	4,607,600	4,754,523
Deferred outflows of resources	29,240	29,760	58,190	53,585	87,430	83,345
Total assets and deferred outflows of resources	2,694,422	2,596,705	5,289,654	5,194,048	7,984,076	7,790,753
Long-term liabilities outstanding	103,850	124,863	533,942	606,599	637,792	731,462
Other liabilities	52,334	96,107	209,115	205,164	261,449	301,271
Deferred inflows of resources	641	1,522	1,397	2,517	2,038	4,039
Total liabilities and deferred inflows of resources	156,825	222,492	744,454	814,280	901,279	1,036,772
Net position:						
Net investment in capital assets	1,107,548	1,112,539	2,862,743	2,873,666	3,970,291	3,986,205
Restricted	193,056	182,472	-	-	193,056	182,472
Unrestricted	1,236,993	1,079,202	1,682,457	1,506,102	2,919,450	2,585,304
Total net position	\$ 2,537,597	\$ 2,374,213	\$ 4,545,200	\$ 4,379,768	\$ 7,082,797	\$ 6,753,981

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 the Town of Walnut Cove exceeded liabilities and deferred inflows by \$7,082,797 as of June 30, 2020. The Town's net position increased by \$328,816 for the fiscal year ended June 30, 2020. However, the largest portion (56.06%) reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The Town of Walnut Cove uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Walnut Cove's net 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 Walnut Cove's net position, \$193,056, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$2,919,450 is unrestricted.

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

- Unrestricted intergovernmental revenues remained stable increasing slightly.

Management Discussion and Analysis  
**Town of Walnut Cove**

**Town of Walnut Cove's Changes in Net Position**  
**Figure 3**

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues:						
Program revenues:						
Charges for services	\$ 99,065	\$ 92,878	\$ 1,051,879	\$ 960,424	\$ 1,150,944	\$ 1,053,302
Operating grants and contributions	43,604	44,292	-	-	43,604	44,292
Capital grants and contributions	5,000	-	-	-	5,000	-
General revenues:						
Property taxes	512,287	482,083	-	-	512,287	482,083
Other taxes	-	-	-	-	-	-
Grants and contributions not restricted to specific programs	359,380	345,930	-	-	359,380	345,930
Other	17,929	11,293	115,550	102,759	133,479	114,052
Total revenues	1,037,265	976,476	1,167,429	1,063,183	2,204,694	2,039,659
Expenses:						
General government	388,927	304,833	-	-	388,927	304,833
Public safety	258,284	256,498	-	-	258,284	256,498
Transportation	43,323	39,470	-	-	43,323	39,470
Economic development	29,961	103,006	-	-	29,961	103,006
Environmental protection	87,112	83,698	-	-	87,112	83,698
Culture and recreation	27,203	26,273	-	-	27,203	26,273
Special appropriations	35,500	33,000	-	-	35,500	33,000
Interest on long-term debt	3,571	4,382	-	-	3,571	4,382
Water and sewer	-	-	827,322	822,059	827,322	822,059
License plate agency	-	-	174,675	133,144	174,675	133,144
Total expenses	873,881	851,160	1,001,997	955,203	1,875,878	1,806,363
Increase (decrease) in net position before transfers	163,384	125,316	165,432	107,980	328,816	233,296
Transfers	-	123,881	-	(123,881)	-	-
Increase (decrease) in net position	163,384	249,197	165,432	(15,901)	328,816	233,296
Net position, beginning	2,374,213	2,125,016	4,379,768	4,395,669	6,753,981	6,520,685
Net position, June 30	\$ 2,537,597	\$ 2,374,213	\$ 4,545,200	\$ 4,379,768	\$ 7,082,797	\$ 6,753,981

Management Discussion and Analysis  
**Town of Walnut Cove**

**Governmental activities.** Governmental activities increased the Town's net position by \$163,384.

**Business-type activities:** Business-type activities increased the Town of Walnut Cove's net position by \$165,432.

**Financial Analysis of the Town's Funds**

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

**Governmental Funds.** The focus of the Town of Walnut Cove'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 Walnut Cove's financing requirements.

The general fund is the chief operating fund of the Town of Walnut Cove. At the end of the current fiscal year, Town of Walnut Cove's fund balance available in the General Fund was \$1,238,135 while total fund balance reached \$1,431,191. The Town currently has an available fund balance of 143.94% of general fund expenditures, while total fund balance represents 166.39 percent of that same amount.

At June 30, 2020, the governmental funds of Town of Walnut Cove reported a combined fund balance of \$1,431,191 with a net increase in fund balance of \$172,407. Included in this change in fund balance is an increase in the fund balance of the General Fund.

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

With revenues increased the Town was able to substantially comply with its budgetary requirements.

Management Discussion and Analysis  
**Town of Walnut Cove**

**Proprietary Funds.** The Town of Walnut Cove's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the proprietary funds at the end of the fiscal year amounted to \$1,682,457. The total change in net position was \$165,432.

**Capital Asset and Debt Administration**

**Capital assets.** The Town of Walnut Cove's investment in capital assets for its governmental and business-type activities as of June 30, 2020, totals \$4,607,600 (net of accumulated depreciation). These assets include buildings, land, machinery and equipment, park facilities, water and sewer distribution systems and facilities, and vehicles.

There were no major capital asset transactions during the year.

Management Discussion and Analysis  
**Town of Walnut Cove**

**Town of Walnut Cove's Capital Assets**  
**(net of depreciation)**  
**Figure 4**

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land and easements	\$ 103,741	\$ 103,741	\$ 168,102	\$ 168,102	\$ 271,843	\$ 271,843
Construction in Progress	-	-	99,629	99,584	99,629	99,584
Infrastructure	263,654	269,774	-	-	263,654	269,774
Buildings and Improvements	799,051	821,041	73,798	75,432	872,849	896,473
Furniture and equipment	23,926	27,515	11,772	20,413	35,698	47,928
Vehicles and motorized equipment	1	1	26,291	21,004	26,292	21,005
Basketball courts and equipment	7,013	7,863	-	-	7,013	7,863
Water and Sewer Plant and Distribution System	-	-	3,030,622	3,140,053	3,030,622	3,140,053
Total	\$ 1,197,386	\$ 1,229,935	\$ 3,410,214	\$ 3,524,588	\$ 4,607,600	\$ 4,754,523

Additional information on the Town's capital assets can be found in Note III.A.4 of the Basic Financial Statements.

Management Discussion and Analysis  
**Town of Walnut Cove**

**Long-term Debt.** As of June 30, 2020, the Town of Walnut Cove had total debt outstanding of \$805,426. All of this is backed by the full faith and credit of the Town.

**Town of Walnut Cove's Outstanding Liabilities**

**Figure 5**

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Compensated absences	\$ 12,221	\$ 9,774	\$ 20,988	\$ 12,119	\$ 33,209	\$ 21,893
Direct Placement Installment loan	89,838	117,396	-	-	89,838	117,396
Net pension liability	42,402	35,766	92,506	59,128	134,908	94,894
General obligation bonds	-	-	547,471	650,922	547,471	650,922
Total	\$ 144,461	\$ 162,936	\$ 660,965	\$ 722,169	\$ 805,426	\$ 885,105

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for Town of Walnut Cove is \$10,175,562.

Additional information regarding the Town of Walnut Cove's long-term debt can be found in Note III.B.5 of this report.

**Economic Factors and Next Year's Budgets and Rates**

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

- The employment rate in the Town of Walnut Cove has been relatively stable over the last several years.
- The Town generated approximately 31% of its water and sewer revenues from a single industrial textile consumer during the year ended June 30, 2020.

**Budget Highlights for the Fiscal Year Ending June 30, 2021**

**Governmental Activities:** The tax rate remains stable for the year ending June 30, 2021.

Budgeted expenditures in the General Fund are projected to be \$939,312. There is an overall increase in the General Fund due substantially to an increase in Administrative expenditures.

Management Discussion and Analysis  
**Town of Walnut Cove**

**Business-type Activities:** Water and sewer rates remained consistent during this fiscal year 2020-21.

A series of capital improvements are planned for the Town's wastewater system, which will direct budgeting and capital expenditures over the next several budget cycles. Further increases in utility rates will be necessary to pay for upgrades.

**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 the office of the Town Manager, Town of Walnut Cove, 208 West Third Street, Walnut Cove, NC 27052. One can also call 336-591-4809, visit our website [www.townofwalnutcove.org](http://www.townofwalnutcove.org) or send an email to [townmanagerwc@embarqmail.com](mailto:townmanagerwc@embarqmail.com) for more information.



## **BASIC FINANCIAL STATEMENTS**

**TOWN OF WALNUT COVE, NORTH CAROLINA**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2020**

	Primary Government			Town of Walnut Cove ABC Board
	Governmental Activities	Business-type Activities	Total	
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 1,249,858	\$ 1,516,785	\$ 2,766,643	\$ 17,000
Taxes receivables (net)	24,882	-	24,882	-
Accounts receivable (net)	-	237,763	237,763	-
Other receivables	-	-	-	116,150
Due from other governments	70,430	26,030	96,460	-
Due from component unit	40,541	-	40,541	-
Inventories	-	9,820	9,820	126,361
Prepaid items	-	-	-	4,997
Restricted cash and cash equivalents	82,085	30,852	112,937	-
Total current assets	1,467,796	1,821,250	3,289,046	264,508
Non-current assets:				
Capital assets:				
Land, non-depreciable improvements, and construction in progress	103,741	267,731	371,472	-
Other capital assets, net of depreciation	1,093,645	3,142,483	4,236,128	33,665
Total capital assets	1,197,386	3,410,214	4,607,600	33,665
Total assets	2,665,182	5,231,464	7,896,646	298,173
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pension deferrals	29,240	58,190	87,430	9,692
Total deferred outflows of resources	29,240	58,190	87,430	9,692
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable and accrued expenses	11,723	42,164	53,887	33,609
Accrued interest payable	-	451	451	-
Rent deposit	-	8,625	8,625	-
Due to primary government	-	-	-	40,541
Due to other governments	-	-	-	33,215
Current portion of long-term liabilities	40,611	127,023	167,634	-
Payable from restricted assets	-	30,852	30,852	-
Total current liabilities	52,334	209,115	261,449	107,365
Long-term liabilities:				
Net pension liability	42,402	92,506	134,908	6,553
Due in more than one year	61,448	441,436	502,884	-
Total liabilities	156,184	743,057	899,241	113,918
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Pension deferrals	641	1,397	2,038	-
Total deferred outflows of resources	641	1,397	2,038	-
<b>NET POSITION</b>				
Net Investment in capital assets	1,107,548	2,862,743	3,970,291	33,665
Restricted for:				
Stabilization by State Statute	110,971	-	110,971	-
Streets	82,085	-	82,085	-
Other functions	-	-	-	39,128
Unrestricted	1,236,993	1,682,457	2,919,450	121,154
Total net position	\$ 2,537,597	\$ 4,545,200	\$ 7,082,797	\$ 193,947

**TOWN OF WALNUT COVE, NORTH CAROLINA**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2020**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Town of Walnut Cove ABC Board	
					Governmental Activities	Business-type Activities	Total		
Primary government:									
Governmental Activities:									
General government	\$ 388,927	\$ -	\$ -	\$ -	\$ (388,927)	\$ -	\$ (388,927)	\$ -	
Public safety	258,284	21,852	-	-	(236,432)	-	(236,432)	-	
Transportation	43,323	-	42,563	-	(760)	-	(760)	-	
Economic development	29,961	-	-	-	(29,961)	-	(29,961)	-	
Environmental protection	87,112	77,213	1,041	-	(8,858)	-	(8,858)	-	
Cultural and recreation	27,203	-	-	5,000	(22,203)	-	(22,203)	-	
Special appropriations	35,500	-	-	-	(35,500)	-	(35,500)	-	
Interest on long-term debt	3,571	-	-	-	(3,571)	-	(3,571)	-	
Total governmental activities	873,881	99,065	43,604	5,000	(726,212)	-	(726,212)	-	
Business-type activities:									
Water and sewer	827,322	865,364	-	-	-	38,042	38,042	-	
License plate agency	174,675	186,515	-	-	-	11,840	11,840	-	
Total business-type activities	1,001,997	1,051,879	-	-	-	49,882	49,882	-	
Total primary government	\$ 1,875,878	\$ 1,150,944	\$ 43,604	\$ 5,000	(726,212)	49,882	(676,330)	-	
Component unit:									
ABC Board	\$ 1,276,007	\$ 1,305,828	\$ -	\$ -	-	-	-	29,821	
Total component unit	\$ 1,276,007	\$ 1,305,828	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 29,821	
General revenues:									
Taxes:									
Property taxes, levied for general purpose					512,287	-	512,287	-	
Other taxes					110	-	110	-	
Grants and contributions not restricted to specific programs					359,380	-	359,380	-	
Unrestricted investment earnings					4,861	321	5,182	-	
Miscellaneous					12,958	115,229	128,187	-	
Total general revenues not including transfers					889,596	115,550	1,005,146	-	
Transfers					-	-	-	-	
Total general revenues and transfers					889,596	115,550	1,005,146	-	
Change in net position					163,384	165,432	328,816	29,821	
Net position, beginning					2,374,213	4,379,768	6,753,981	164,126	
Net position, ending					\$ 2,537,597	\$ 4,545,200	\$ 7,082,797	\$ 193,947	

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

**TOWN OF WALNUT COVE, NORTH CAROLINA**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2020**

	Major Fund		Total Governmental Funds
	General		
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,249,858	\$	1,249,858
Restricted Cash	82,085		82,085
Taxes receivable (net)	24,882		24,882
Due from other governments	70,430		70,430
Due from component unit	40,541		40,541
Total assets	<u>1,467,796</u>		<u>1,467,796</u>
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	11,723		11,723
Total liabilities	<u>11,723</u>		<u>11,723</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Property taxes receivable	24,882		24,882
Total deferred inflows of resources	<u>24,882</u>		<u>24,882</u>
<b>FUND BALANCES</b>			
Restricted			
Stabilization by State Statute	110,971		110,971
Streets	82,085		82,085
Unassigned	1,238,135		1,238,135
Total fund balances	<u>1,431,191</u>		<u>1,431,191</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,467,796</u>		

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Gross capital assets at historical cost	\$ 1,655,973		
Accumulated depreciation	<u>(458,587)</u>		1,197,386
Deferred outflows of resources related to pensions are not reported in the funds			29,240
Earned revenues considered deferred inflows of resources in fund statements.			24,882
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds			
Net pension liability			(42,402)
Deferred inflows of resources related to pensions are not reported in the funds			(641)
Other long-term liabilities, including bonds payable, accrued interest, pension and other postemployment benefits, and compensated absences are not due and payable in the current period and therefore are not reported in the funds.			<u>(102,059)</u>
Net position of governmental activities		<u>\$</u>	<u>2,537,597</u>

**TOWN OF WALNUT COVE, NORTH CAROLINA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	Major Fund		Total Governmental Funds
	General Fund		
<b>REVENUES</b>			
Ad valorem taxes	\$ 507,597	\$ 507,597	
Other taxes and licenses	110	110	
Unrestricted intergovernmental	359,380	359,380	
Restricted intergovernmental	48,604	48,604	
Permits and fees	21,852	21,852	
Sales and services	77,213	77,213	
Investment earnings	4,861	4,861	
Miscellaneous	12,959	12,959	
Total revenues	<u>1,032,576</u>	<u>1,032,576</u>	
<b>EXPENDITURES</b>			
Current:			
General government	372,409	372,409	
Public safety	257,230	257,230	
Transportation	37,203	37,203	
Economic development	29,961	29,961	
Environmental protection	87,112	87,112	
Cultural and recreation	9,624	9,624	
Special appropriations	35,500	35,500	
Debt service:			
Principal	27,559	27,559	
Interest and other charges	3,571	3,571	
Total expenditures	<u>860,169</u>	<u>860,169</u>	
Excess (deficiency) of revenues over expenditures	<u>172,407</u>	<u>172,407</u>	
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers from other funds	-	-	
Transfers to other funds	-	-	
Total other financing sources (uses)	<u>-</u>	<u>-</u>	
Net change in fund balance	172,407	172,407	
Fund balances, beginning,	1,258,784		
Fund balances, ending	<u>\$ 1,431,191</u>		

(continued)

**TOWN OF WALNUT COVE, NORTH CAROLINA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

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

Net changes in fund balances - total governmental funds		\$ 172,407
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.		
Capital outlay expenditures which were capitalized	\$ -	
Depreciation expense for governmental assets	<u>(32,549)</u>	(32,549)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		11,353
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		4,690
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 position. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
Principal payments on long-term debt		27,559
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.		
Compensated absences	(2,447)	
Pension (expense) revenue	<u>(17,629)</u>	(20,076)
Total changes in net position of governmental activities		<u>\$ 163,384</u>

**TOWN OF WALNUT COVE, NORTH CAROLINA**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	General Fund			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
Revenues:				
Ad valorem taxes	\$ 473,941	\$ 473,941	\$ 507,597	\$ 33,656
Other taxes and licenses	-	-	110	110
Unrestricted intergovernmental	272,908	272,908	359,380	86,472
Restricted intergovernmental	51,800	51,800	48,604	(3,196)
Permits and fees	11,000	11,000	21,852	10,852
Sales and services	65,000	65,000	77,213	12,213
Investment earnings	700	700	4,861	4,161
Miscellaneous	6,000	6,000	12,959	6,959
Total revenues	881,349	881,349	1,032,576	151,227
Expenditures:				
Current:				
General government	362,057	362,057	372,409	(10,352)
Public safety	258,314	258,314	257,230	1,084
Transportation	62,000	62,000	37,203	24,797
Economic development	36,963	36,963	29,961	7,002
Environmental protection	87,707	87,707	87,112	595
Cultural and recreation	10,000	10,000	9,624	376
Special appropriations	37,300	37,300	35,500	1,800
Debt service:				
Principal retirement	26,130	26,130	27,559	(1,429)
Interest and other charges	878	878	3,571	(2,693)
Total expenditures	881,349	881,349	860,169	21,180
Revenues over (under) expenditures	-	-	172,407	172,407
Other financing sources (uses):				
Transfers from other funds	-	-	-	-
Transfers to other funds	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Fund balance appropriated	-	-	-	-
Net change in fund balance	\$ -	\$ -	172,407	\$ 172,407
Fund balances, beginning			1,258,784	
Fund balances, ending			<u>\$ 1,431,191</u>	

**TOWN OF WALNUT COVE, NORTH CAROLINA**  
**STATEMENT OF FUND NET POSITION**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2020**

	Major Enterprise Funds		
	Water and Sewer Fund	License Plate Agency	Total
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 1,477,819	\$ 38,966	\$ 1,516,785
Accounts receivable (net) - billed	219,915	-	219,915
Accounts receivable (net) - unbilled	17,848	-	17,848
Other receivables	-	-	-
Due from other governments	8,548	17,482	26,030
Inventories	9,820	-	9,820
Restricted cash and cash equivalents	30,852	-	30,852
Total current assets	1,764,802	56,448	1,821,250
Non-current assets:			
Capital assets:			
Land and other non-depreciable assets	267,731	-	267,731
Other capital assets, net of depreciation	3,068,685	73,798	3,142,483
Capital assets	3,336,416	73,798	3,410,214
Total non-current assets	3,336,416	73,798	3,410,214
Total assets	5,101,218	130,246	5,231,464
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension deferrals	35,707	22,483	58,190
Total deferred outflows of resources	35,707	22,483	58,190
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable and accrued liabilities	32,354	9,810	42,164
Accrued interest payable	451	-	451
Rent deposit	8,625	-	8,625
Compensated absences - current	10,587	10,401	20,988
General obligation bonds payable - current	106,035	-	106,035
Liabilities payable from restricted assets:			
Customer deposits	30,852	-	30,852
Total current liabilities	188,904	20,211	209,115
Non-current liabilities:			
Net pension liability	56,661	35,845	92,506
General obligation bonds payable - non-current	441,436	-	441,436
Total non-current liabilities	498,097	35,845	533,942
Total liabilities	687,001	56,056	743,057
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension deferrals	856	541	1,397
Total deferred inflows of resources	856	541	1,397
<b>NET POSITION</b>			
Net Investment in capital assets	2,788,945	73,798	2,862,743
Unrestricted	1,660,123	22,334	1,682,457
Total net position	\$ 4,449,068	\$ 96,132	\$ 4,545,200



**TOWN OF WALNUT COVE, NORTH CAROLINA**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	Major Enterprise Funds		
	Water and Sewer Fund	License Plate Agency	Total
<b>OPERATING REVENUES</b>			
Water charges	\$ 512,420	\$ -	\$ 512,420
Sewer charges	342,173	-	342,173
Water and sewer taps	-	-	-
Other operating revenues	10,771	186,515	197,286
<b>Total operating revenues</b>	<b>865,364</b>	<b>186,515</b>	<b>1,051,879</b>
<b>OPERATING EXPENSES</b>			
Water and sewer operations	684,711	-	684,711
Agency operations	-	173,041	173,041
Depreciation	127,785	1,634	129,419
<b>Total operating expenses</b>	<b>812,496</b>	<b>174,675</b>	<b>987,171</b>
<b>Operating income (loss)</b>	<b>52,868</b>	<b>11,840</b>	<b>64,708</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Rental income	115,229	-	115,229
Investment earnings	321	-	321
Interest expense	(14,826)	-	(14,826)
<b>Total nonoperating revenues (expenses)</b>	<b>100,724</b>	<b>-</b>	<b>100,724</b>
<b>Income (loss) before contributions and transfers</b>	<b>153,592</b>	<b>11,840</b>	<b>165,432</b>
Transfers to other funds	-	-	-
<b>Change in net position</b>	<b>153,592</b>	<b>11,840</b>	<b>165,432</b>
<b>Total net position, beginning</b>	<b>4,295,476</b>	<b>84,292</b>	<b>4,379,768</b>
<b>Total net position, ending</b>	<b>\$ 4,449,068</b>	<b>\$ 96,132</b>	<b>\$ 4,545,200</b>

**TOWN OF WALNUT COVE, NORTH CAROLINA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	Major Enterprise Fund		
	Water and Sewer Fund	License Plate Agency Fund	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received from customers	\$ 827,681	\$ 178,194	\$ 1,005,875
Cash paid for goods and services	(384,403)	8,879	(375,524)
Cash paid to or on behalf of employees for services	(274,557)	(163,455)	(438,012)
Customer deposits received	12,475	-	12,475
Customer deposits returned	(10,375)	-	(10,375)
Other operating revenues	10,771	-	10,771
Net cash provided (used) by operating activities	181,592	23,618	205,210
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Transfers to other funds	-	-	-
Total cash flows used by noncapital financing activities	-	-	-
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Acquisition and construction of capital assets	(15,045)	-	(15,045)
Principal paid on general obligation bonds	(103,451)	-	(103,451)
Interest paid on debt	(14,911)	-	(14,911)
Capital contribution	-	-	-
Net cash used by capital and related financing activities	(133,407)	-	(133,407)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Rental income	115,229	-	115,229
Interest income	321	-	321
Net cash provided by investing activities	115,550	-	115,550
Net increase (decrease) in cash and cash equivalents	163,735	23,618	187,353
Balances, beginning	1,344,936	15,348	1,360,284
Balances, ending	\$ 1,508,671	\$ 38,966	\$ 1,547,637

(continued)

**TOWN OF WALNUT COVE, NORTH CAROLINA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	Major Enterprise Fund		
	Water and Sewer Fund	License Plate Agency Fund	Total
Reconciliation of operating income (loss) to net cash provided by operating activities			
Operating income (loss)	\$ 52,868	\$ 11,840	\$ 64,708
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	127,785	1,634	129,419
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources:			
(Increase) in accounts receivable	(6,060)	-	(6,060)
(Increase) Decrease in due from other governments	(3,524)	(8,438)	(11,962)
(Increase) Decrease in inventory	-	-	-
(Increase) Decrease in deferred outflows of resources - pensions	(3,402)	(1,203)	(4,605)
Increase (Decrease) in net pension liability	21,303	12,075	33,378
Increase (Decrease) in deferred inflows of resources - pensions	(649)	(471)	(1,120)
Increase (Decrease) in accounts payable and accrued liabilities	(13,099)	3,582	(9,517)
Increase (Decrease) in compensated absences	4,270	4,599	8,869
Increase (Decrease) in customer deposits	2,100	-	2,100
Total adjustments	128,724	11,778	140,502
Net cash provided (used) by operating activities	\$ 181,592	\$ 23,618	\$ 205,210

**TOWN OF WALNUT COVE, NORTH CAROLINA**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**JUNE 30, 2020**

	<b>Tele- Communications Agency Fund</b>
	<hr/>
<b>Assets</b>	
Cash and cash equivalents	\$ 2,700
	<hr/> <hr/>
<b>Liabilities</b>	
Liabilities:	
Accounts payable and liabilities	2,700
	<hr/>
<b>Net Position</b>	
Reserved for Employees Retirement System	-
	<hr/>
Total net position	\$ -
	<hr/> <hr/>

**TOWN OF WALNUT COVE, NORTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2020**

**Note I. Summary of Significant Accounting Policies**

The accounting policies of the Town of Walnut Cove and its discretely presented component unit 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 Walnut Cove is a municipal corporation which is governed by an elected mayor and a four-member council. As required by generally accepted accounting principles, these financial statements present the Town and its component unit, a legally separate entity for which the Town is financially accountable. The discretely presented component unit presented below is reported in a separate column in the Town's financial statements in order to emphasize that it is legally separate from the Town.

**Town of Walnut Cove ABC Board**

The members of the ABC Board's governing board are appointed by the Town. In addition, the ABC Board is required by State statute to distribute portions of its surpluses to the General Fund of the Town. The ABC Board, which has a June 30 year-end, is presented as if it were a proprietary fund (discrete presentation). Complete financial statements for the ABC Board may be obtained from the entity's administrative offices at the Town of Walnut Cove ABC Board, Walnut Cove, North Carolina.

**B. Basis of Presentation**

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

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the Town and for each function of the Town's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

**TOWN OF WALNUT COVE, NORTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2020**

**Note I. Summary of Significant Accounting Policies (Continued)**

**B. Basis of Presentation (Continued)**

*Fund Financial Statements:* The fund financial statements provide information about the Town's funds, including the fiduciary fund. Separate statements for each fund category – *governmental, proprietary, and fiduciary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

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

The Town reports the following major governmental fund:

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

The Town reports the following major enterprise funds:

**Water and Sewer Fund.** This fund is used to account for the Town's water and sewer operations. A Water and Sewer Capital Projects Fund has been consolidated into the Water and Sewer Fund for financial reporting purposes. The budgetary comparison for the Water and Sewer Capital Projects Fund has been included in the supplemental information.

**License Plate Agency Fund.** This fund is used to account for the License Plate Agency that is operated by the Town.

The Town reports the following fund types:

**Fiduciary Funds.** These funds account for the assets held by the Town in a trustee capacity as an agent for individuals, private organizations, other governmental units, and/or other funds. Fiduciary funds include the following funds:

**Agency Fund.** Agency funds are custodial in nature and do not involve the measurement of operating results. Agency funds are used to account for assets the Town holds on behalf of others. The Town maintains one agency fund, the Tele-Communications Agency Fund, which accounts for moneys deposited with the Town of Walnut Cove to pay for the monitoring of the improvements to a cell tower within the Town.

**TOWN OF WALNUT COVE, NORTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2020**

**Note I. Summary of Significant Accounting Policies (Continued)**

**C. Measurement Focus and Basis of Accounting**

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

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town's enterprise funds 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 vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

**TOWN OF WALNUT COVE, NORTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2020**

**Note I. Summary of Significant Accounting Policies (Continued)**

**C. Measurement Focus and Basis of Accounting (Continued)**

Sales taxes and certain intergovernmental revenues such as the utilities sales 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 Walnut Cove because the tax is levied by Stokes 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. All taxes, including those dedicated for specific purposes are reported as general revenues rather than program 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 is 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 general revenues.

**D. Budgetary Data**

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund and the Enterprise Funds. All annual appropriations lapse at the fiscal year-end. The enterprise fund projects are consolidated with their respective operating fund 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 project level for the multi-year funds. All amendments must be approved by the governing board and the 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 and the ABC Board are made in board-designated official depositories and are secured as required by State law (G. S. 159-31). The Town and the ABC Board may designate, as an official depository, any bank or savings and loan association whose principal office is located in North Carolina. Also, the Town and the ABC Board 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 and the ABC Board 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).

**2. Cash and Cash Equivalents**

The Town pools money from several funds to facilitate disbursement and investment and to maximize investment income and considers all cash and investments to be cash and cash equivalents. The ABC Board considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash and cash equivalents.



**TOWN OF WALNUT COVE, NORTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2020**

**Note I. Summary of Significant Accounting Policies (Continued)**

**E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity (Continued)**

**3. Restricted Assets**

Customer deposits held by the Town before any services are supplied are restricted to the service for which the deposit was collected. Powell Bill funds are also classified as restricted cash because it can be expended only for the purposes as outlined in G.S. 136-41.1 through 136-41.4.

Town of Walnut Cove Restricted Cash

Governmental Activities

General Fund

Streets	\$	82,085
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Total governmental activities		82,085
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Business-type Activities

Water and Sewer Fund

Customer deposits		30,852
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Total Business-type Activities		30,852
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Total Restricted Cash	\$	112,937
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**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<sup>st</sup> (lien date); however, interest does not accrue until the following January 6<sup>th</sup>. These taxes are based on the assessed values as of January 1, 2019. As allowed by State law, the Town has established a schedule of discounts that apply to taxes which are paid prior to the due date. In the Town's General Fund, ad valorem tax revenues are reported net of such discounts.

**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.

**TOWN OF WALNUT COVE, NORTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2020**

**Note I. Summary of Significant Accounting Policies (Continued)**

**E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity (Continued)**

**6. Inventories and Prepaid items**

The inventories of the Town and the ABC Board are valued at the lower of cost (first-in, first-out) or market. The inventory of the Town's Enterprise Fund consists of materials and supplies held for subsequent use. The cost of this inventory is expensed when consumed rather than when purchased. The ABC Board inventory consists of alcoholic beverages for resale and is recorded as cost of sales when sold.

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

**7. Capital Assets**

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. The plant and equipment in the proprietary funds are recorded at original cost at the time of acquisition. 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>
Infrastructure	50 years
Computer and electronic equipment	5 years
Vehicles	5 years
Furniture and equipment	7-10 years
Building	50 years
Basketball courts	20 years

Property and equipment of the ABC Board are depreciated over their useful lives on a straight-line basis as follows:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	50 years
Building Improvements	15 years
Store Furniture	10 years
Office Equipment	5 years

**TOWN OF WALNUT COVE, NORTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2020**

**Note I. Summary of Significant Accounting Policies (Continued)**

**E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity (Continued)**

**8. Deferred outflows/inflows of resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has one item that meets this criterion, pension deferrals for 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 as revenue until then. The Town has two items that meet this criterion for this category - property taxes receivable and pension deferrals.

**9. Long Term Obligations**

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discount. Bond issuance costs, except for prepaid insurance costs, are expensed in the reporting period in which they are incurred. Prepaid insurance costs are expensed over the life of the debt.

In fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**10. Compensated Absences**

The vacation policy of the Town provides for the accumulation of up to 240 hours earned vacation leave with such leave being fully vested when earned. For the Town's government-wide and proprietary funds, an expense and a liability for compensated absences are recorded as the leave is earned. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

Employees of the Town and ABC Board shall earn sick leave at the rate of ten working days per full calendar year. Since the Town and ABC Board do not have any obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

ABC Board employees may accumulate up to two weeks earned vacation and such leave is fully vested when earned. All vacation must be taken each year.

**TOWN OF WALNUT COVE, NORTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2020**

**Note I. Summary of Significant Accounting Policies (Continued)**

**E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity (Continued)**

**11. Net Position/ 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**

In the governmental fund financial statements, fund balance is composed of two classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent.

The governmental fund types classify fund balances as follows:

**Restricted Fund Balance** – This classification includes amounts that are restricted to specific purposes externally by creditors or imposed by law.

Restricted for Stabilization by State statute – North Carolina G.S. 159-8 prohibits units of government from budgeting or spending a portion of their fund balance. This is one of several statutes enacted by the North Carolina State Legislature in the 1930's that were designed to improve and maintain the fiscal health of local government units. Restricted by State statute (RSS), is calculated at the end of each fiscal year for all annually budgeted funds. The calculation in G.S. 159-8(a) provides a formula for determining what portion of fund balance is available for appropriation. The amount of fund balance not available for appropriation is what is known as "restricted by State statute". *Appropriated fund balance in any fund shall not exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts, as those figures stand at the close of the fiscal year next preceding the budget.* Per GASB guidance, RSS is considered a resource upon which a restriction is "imposed by law through constitutional provisions or enabling legislation." RSS is reduced by inventories and prepaids as they are classified as nonspendable. Outstanding Encumbrances are included within RSS. RSS is included as a component of Restricted Net position and Restricted fund balance on the face of the balance sheet.

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.

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

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

**TOWN OF WALNUT COVE, NORTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2020**

**Note I. Summary of Significant Accounting Policies (Continued)**

**E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity (Continued)**

**12. Defined Benefit Cost-Sharing Plans**

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

**Note II. Stewardship, Compliance, and Accountability**

**A. Significant Violations of Finance -Related Legal and Contractual Provisions**

**1. Excess of Expenditures over Appropriations**

For the fiscal year ended June 30, 2020, the expenditures made in the Town's General Fund exceeded the authorized appropriations made by the governing board for general government by \$10,352 and for debt service by \$4,122. These over-expenditures occurred because of unanticipated expenditures. Management and the Board will more closely review the budget reports to ensure compliance in future years.

**Note III. Detail Notes on All Funds**

**A. Assets**

**1. Deposits**

All the deposits of the Town and the ABC Board 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 or the ABC Board's agents in these units' names. 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 and the ABC Board, these deposits are considered to be held by the Town's and the ABC Board's agents in their names. 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, the ABC Board, or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town and the ABC Board under the Pooling Method, the potential exists for under-collateralization. This risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town has no formal policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum

**TOWN OF WALNUT COVE, NORTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2020**

**Note III. Detail Notes on All Funds (Continued)**

**A. Assets (Continued)**

**1. Deposits (Continued)**

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 ABC Board has no formal policy regarding custodial credit risk for deposits.

At June 30, 2020, the Town's deposits had a carrying amount of \$2,490,231 and a bank balance of \$2,522,394. Of the bank balance, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. The carrying amount of deposits for the ABC Board was \$15,200 and the bank balance was \$88,300. All of the bank balances of the ABC Board were covered by federal depository insurance. At June 30, 2020, the Town's petty cash fund totaled \$150 and the fiduciary funds cash totaled \$2,700.

**2. Investments**

At June 30, 2020, the Town of Walnut Cove had \$389,199 invested in the North Carolina Capital Management Trust's Government Portfolio which carried a credit rating of AAAM by Standard and Poor's. The Town has no policy regarding credit risk. The ABC Board has no investments.

**3. Receivables - Allowances for Doubtful Accounts**

The amounts presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2020 are net of the following allowances for doubtful accounts:

General Fund:	
Taxes receivable	\$ 9,763
Accounts receivable	-
Total	9,763
Enterprise Funds	82,750
Total	<u>\$ 92,513</u>

**TOWN OF WALNUT COVE, NORTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2020**

**Note III. Detail Notes on All Funds (Continued)**

**A. Assets (Continued)**

**4. Capital Assets**

**Primary Government**

Capital asset activity for the Primary Government for the year ended June 30, 2020, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Governmental activities:</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 103,741	\$ -	\$ -	\$ 103,741
Construction in progress	-	-	-	-
Total capital assets not being depreciated	103,741	-	-	103,741
<b>Capital assets being depreciated:</b>				
Infrastructure	305,989	-	-	305,989
Buildings and improvements	1,099,507	-	-	1,099,507
Vehicles and motorized equipment	12,799	-	-	12,799
Furniture and equipment	108,177	-	-	108,177
Basketball courts and equipment	25,760	-	-	25,760
Total capital assets being depreciated	1,552,232	-	-	1,552,232
<b>Less accumulated depreciation for:</b>				
Infrastructure	36,215	6,120	-	42,335
Buildings and improvements	278,466	21,990	-	300,456
Vehicles and motorized equipment	12,798	-	-	12,798
Furniture and equipment	80,662	3,589	-	84,251
Basketball courts and equipment	17,897	850	-	18,747
Total accumulated depreciation	426,038	32,549	-	458,587
Total capital assets being depreciated, net	1,126,194			1,093,645
<b>Governmental activity capital assets, net</b>	<b>\$ 1,229,935</b>			<b>\$ 1,197,386</b>

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

General government	\$ 7,796
Public safety	1,054
Transportation	6,120
Cultural and recreational	17,579
Total depreciation expense	<u>\$ 32,549</u>



**TOWN OF WALNUT COVE, NORTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2020**

**Note III. Detail Notes on All Funds (Continued)**

**A. Assets (Continued)**

**4. Capital Assets (Continued)**

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Business-type activities:</b>				
<i>License Plate Agency Fund</i>				
<b>Capital assets not being depreciated:</b>				
Land	\$ -	\$ -	\$ -	\$ -
Construction in progress	-	-	-	-
Total capital assets not being depreciated	-	-	-	-
<b>Capital assets being depreciated:</b>				
Building and improvements	81,695	-	-	81,695
Furniture and maintenance equipment	-	-	-	-
Vehicles and motorized equipment	-	-	-	-
Total capital assets being depreciated	81,695	-	-	81,695
<b>Less accumulated depreciation for:</b>				
Building and improvements	6,263	1,634	-	7,897
Furniture and maintenance equipment	-	-	-	-
Vehicles and motorized equipment	-	-	-	-
Total accumulated depreciation	6,263	1,634	-	7,897
Total capital assets being depreciated, net	75,432			73,798
License plate agency fund capital assets, net	75,432			73,798
	Beginning Balances	Increases	Decreases	Ending Balances
<b>Business-type activities:</b>				
<i>Water and Sewer Fund</i>				
<b>Capital assets not being depreciated:</b>				
Land and easements	\$ 168,102	\$ -	\$ -	\$ 168,102
Construction in progress	99,584	45	-	99,629
Total capital assets not being depreciated	267,686	45	-	267,731
<b>Capital assets being depreciated:</b>				
Plant and distribution system	6,324,198	-	-	6,324,198
Furniture and maintenance equipment	331,484	-	-	331,484
Vehicles and motorized equipment	254,881	15,000	-	269,881
Total capital assets being depreciated	6,910,563	15,000	-	6,925,563
<b>Less accumulated depreciation for:</b>				
Plant and distribution system	3,184,145	109,431	-	3,293,576
Furniture and maintenance equipment	311,071	8,641	-	319,712
Vehicles and motorized equipment	233,877	9,713	-	243,590
Total accumulated depreciation	3,729,093	127,785	-	3,856,878
Total capital assets being depreciated, net	3,181,470			3,068,685
Water and Sewer fund capital assets, net	3,449,156			3,336,416
Business-type activities capital assets, net	\$ 3,524,588			\$ 3,410,214



**TOWN OF WALNUT COVE, NORTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2020**

**Note III. Detail Notes on All Funds (Continued)**

**A. Assets (Continued)**

**4. Capital Assets (Continued)**

**Discretely presented component unit**

Activity for the ABC Board for the year ended June 30, 2020 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Capital assets being depreciated:</b>				
Buildings	\$ 30,117	\$ -	\$ -	\$ 30,117
Building Improvements	52,682	7,120	-	59,802
Store furniture and equipment	54,268	-	-	54,268
Total capital assets being depreciated	137,067	7,120	-	144,187
<b>Less accumulated depreciation for:</b>				
Buildings	29,757	358	-	30,115
Building Improvements	33,591	1,847	-	35,438
Store furniture and equipment	44,431	538	-	44,969
Total accumulated depreciation	107,779	2,743	-	110,522
<b>ABC Board capital assets, net</b>	<u>\$ 29,288</u>			<u>\$ 33,665</u>

**B. Liabilities**

**1. Pension Plan and Postemployment Obligations**

**a. Local Governmental Employees' Retirement System**

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

**TOWN OF WALNUT COVE, NORTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2020**

**Note III. Detail Notes on All Funds (Continued)**

**B. Liabilities (Continued)**

**1. Pension Plan and Postemployment Obligations (Continued)**

**a. Local Governmental Employees' Retirement System (Continued)**

*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 Walnut Cove 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 Walnut Cove's contractually required contribution rate for the year ended June 30, 2020, was 8.95% for general employees and firefighters, 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 Walnut Cove were \$30,522 for the year ended June 30, 2020.

**TOWN OF WALNUT COVE, NORTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2020**

**Note III. Detail Notes on All Funds (Continued)**

**B. Liabilities (Continued)**

**1. Pension Plan and Postemployment Obligations (Continued)**

**a. Local Governmental Employees' Retirement System (Continued)**

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

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

At June 30, 2020, the Town reported a liability of \$134,908 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 asset 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 asset 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 0.00494%, which was an increase of 0.00094% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the Town recognized pension expense of \$64,451. At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 23,100	\$ -
Changes of assumptions	21,988	-
Net difference between projected and actual earnings on pension plan investments	3,291	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	8,529	2,038
Town contributions subsequent to the measurement date	30,522	-
Total	<u>\$ 87,430</u>	<u>\$ 2,038</u>

**TOWN OF WALNUT COVE, NORTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2020**

**Note III. Detail Notes on All Funds (Continued)**

**B. Liabilities (Continued)**

**1. Pension Plan and Postemployment Obligations (Continued)**

**a. Local Governmental Employees' Retirement System (Continued)**

\$30,522 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year ended June 30:**

2021	\$	26,635
2022		8,980
2023		13,955
2024		5,298
2025		-
Thereafter		-

*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 substantively automatic and are therefore not included in the measurement.

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons.

**TOWN OF WALNUT COVE, NORTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2020**

**Note III. Detail Notes on All Funds (Continued)**

**B. Liabilities (Continued)**

**1. Pension Plan and Postemployment Obligations (Continued)**

**a. Local Governmental Employees' Retirement System (Continued)**

Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2018 are summarized in the following table:

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

The information above is based on 30 year expectations developed with the consulting actuary for the 2018 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

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

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

**TOWN OF WALNUT COVE, NORTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2020**

**Note III. Detail Notes on All Funds (Continued)**

**B. Liabilities (Continued)**

**1. Pension Plan and Postemployment Obligations (Continued)**

**a. Local Governmental Employees' Retirement System (Continued)**

	<u>1% Decrease (6.00%)</u>	<u>Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
Town's proportionate share of the net pension liability (asset)	\$ 308,558	\$ 134,908	\$ (9,431)

*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.

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

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

	LGERS	Total
Pension Expense	\$ 64,451	\$ 64,451
Pension Liability	134,908	134,908
Proportionate share of the net pension liability	0.00494%	
Deferred of Outflows of Resources		
Differences between expected and actual experience	23,100	23,100
Changes of assumptions	21,988	21,988
Net difference between projected and actual earnings on plan investments	3,291	3,291
Changes in proportion and differences between contributions and proportionate share of contributions	8,529	8,529
Benefit payments and administrative costs paid subsequent to the measurement date	30,522	30,522
Deferred of Inflows of Resources		
Differences between expected and actual experience	-	-
Changes of assumptions	-	-
Net difference between projected and actual earnings on plan investments	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	2,038	2,038



**TOWN OF WALNUT COVE, NORTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2020**

**Note III. Detail Notes on All Funds (Continued)**

**B. Liabilities (Continued)**

**1. Pension Plan and Postemployment Obligations (Continued)**

**b. Supplemental Retirement Income Plan for Law Enforcement and All Other Full-Time 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 law enforcement officers and all other full-time employees of 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.** Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officer's salary and five percent of each other employee's salary. All amounts contributed are vested immediately. All employees may make voluntary contributions to the plan. Contributions for the year ended June 30, 2020 were \$35,890 which consisted of \$18,244 from the Town and \$17,646 from the employees.

**c. Other Employment Benefits**

The Town has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months' salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000 or be less than \$25,000. Because 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. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. The Town considers these contributions to be immaterial.

**TOWN OF WALNUT COVE, NORTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2020**

**Note III. Detail Notes on All Funds (Continued)**

**B. Liabilities (Continued)**

**2. Deferred Outflows and Inflows of Resources**

The Town has several deferred outflows of resources. Deferred outflows of resources is comprised of the following:

Source	Amount
Contributions to pension plan in current fiscal year	\$ 30,522
Differences between expected and actual experience	23,100
Changes of assumptions	21,988
Net differences between projected and actual	3,291
Changes in proportion and differences between employer contributions and proportionate share of contributions	8,529
Total	<u>\$ 87,430</u>

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

	Statement of Net Position	General Fund Balance Sheet
Taxes Receivable, less penalties (General Fund)	\$ -	\$ 24,882
Differences between expected and actual experience	-	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	2,038	-
Total	<u>\$ 2,038</u>	<u>\$ 24,882</u>



**TOWN OF WALNUT COVE, NORTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2020**

**Note III. Detail Notes on All Funds (Continued)**

**B. Liabilities (Continued)**

**3. Commitments**

**Solid waste collection:** The Town has entered into an agreement for solid waste collection expiring in June 2025 for approximately \$70,000 per year.

**4. 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 insured values of the property policy, workers' compensation coverage up to statutory limits, and employee health coverage. The liability and property exposures are reinsured through commercial carriers for claims in excess of retentions as selected by the Board of Trustees each year. Excess insurance coverage is purchased by the Board of Trustees to protect against large workers' compensation claims that exceed certain dollar cost levels. Medical stop loss insurance is purchased by the Board of Trustees to protect against large medical claims that exceed certain dollar cost levels. Specific information on the limits of the reinsurance, excess and stop loss policies purchased by the Board of Trustees can be obtained by contacting the Risk Management Services Department of the NC League of Municipalities. The pools are audited annually by certified public accountants, and the audited financial statements are available to the Town upon request.

The Town carries commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage from coverage in the prior year, and settled claims have not exceeded coverage in any of the past three fiscal years.

The Town carries flood insurance through the Interlocal Risk Financial Fund of North Carolina. The policy carries a coverage limit of \$5,000,000 and a \$50,000 deductible clause.

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 is individually bonded for \$50,000. The remaining employees that have access to funds are bonded under a blanket bond for \$10,000.

In accordance with G.S. 18B-700(i), each ABC Board member and the employees designated as the general manager and finance officer are bonded in the amount of \$50,000 secured by a corporate surety.

In accordance with G.S. 18B-803(b) and (c) all ABC Board employees who have access to funds are bonded under a blanket bond for \$25,000.

The Town of Walnut Cove ABC Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; error and omissions; injury to employees; and natural disasters. The ABC board has property, general liability, workers' compensation, and employee health coverage. The ABC Board also has liquor legal liability. There have been no significant reductions in insurance coverage from coverage in the prior year, and settled claims have not exceeded coverage in any of the past three fiscal years.

**TOWN OF WALNUT COVE, NORTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2020**

**Note III. Detail Notes on All Funds (Continued)**

**B. Liabilities (Continued)**

**5. Long-Term Obligations**

**a. Direct Placement Installment Purchase**

\$203,949 – direct placement bank installment note for the Library due in seven annual installments of \$31,130 including interest at 3.0% through September 2022. The property is pledged as collateral while the debt is outstanding. \$89,838

Annual debt service payments of the installment purchase to maturity are as follows:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2021	\$ 28,390	\$ 2,740
2022	29,288	1,842
2023	32,160	918
Total	<u>\$ 89,838</u>	<u>\$ 5,500</u>

**b. General Obligation Indebtedness**

General obligation bonds issued to finance the construction of facilities utilized in the operations of the water and sewer system and which are being retired by its resources are reported as long-term debt in the Water and Sewer Fund. All general obligation bonds are collateralized by the full faith, credit, and taxing power of the Town. Principal and interest requirements are appropriated when due.

**TOWN OF WALNUT COVE, NORTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2020**

**Note III. Detail Notes on All Funds (Continued)**

**B. Liabilities (Continued)**

**5. Long-Term Obligations (Continued)**

**b. General Obligation Indebtedness (Continued)**

**General Obligation Bonds**

Serviced by the Water and Sewer Fund:

\$1,213,425 General Obligation Refunding Bond,  
 Series 2013, dated July 18, 2013, bearing interest at  
 2.47% due in monthly installments of \$9,864  
 including interest through May 18, 2025.

\$547,471

Annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ending June 30	Business-type Activities	
	Principal	Interest
2021	\$ 106,035	\$ 12,327
2022	108,684	9,679
2023	111,399	6,963
2024	114,182	4,181
2025	107,171	1,328
Total	<u>\$ 547,471</u>	<u>\$ 34,478</u>

**TOWN OF WALNUT COVE, NORTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2020**

**Note III. Detail Notes on All Funds (Continued)**

**B. Liabilities (Continued)**

**5. Long-Term Obligations (Continued)**

**c. Changes in Long-Term Liabilities**

Compensated absences for governmental activities has typically been liquidated in the General Fund.

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion of Balance
Governmental activities:					
Direct Placement Installment purchase	\$ 117,396	\$ -	\$ 27,558	\$ 89,838	\$ 28,390
Compensated absences	9,774	2,447	-	12,221	12,221
Net pension liability (LGERS)	35,766	6,636	-	42,402	-
Governmental activity long-term liabilities	<u>\$ 162,936</u>	<u>\$ 9,083</u>	<u>\$ 27,558</u>	<u>\$ 144,461</u>	<u>\$ 40,611</u>
Business-type activities:					
General obligation bonds	\$ 650,922	\$ -	\$ 103,451	\$ 547,471	\$ 106,035
Net pension liability (LGERS)	59,128	33,378	-	92,506	-
Compensated absences	12,119	8,869	-	20,988	20,988
Business-type activity long-term liabilities	<u>\$ 722,169</u>	<u>\$ 42,247</u>	<u>\$ 103,451</u>	<u>\$ 660,965</u>	<u>\$ 127,023</u>

At June 30, 2020, the Town has a legal debt margin of \$10,175,562.

**C. Net Investment in Capital Assets**

	Governmental	Business-type
Capital assets	\$ 1,197,386	\$ 3,410,214
less: long-term debt	89,838	547,471
Net investment in capital asset	<u>\$ 1,107,548</u>	<u>\$ 2,862,743</u>

**TOWN OF WALNUT COVE, NORTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2020**

**Note III. Detail Notes on All Funds (Continued)**

**D. 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	\$ 1,431,191
Less:	
Stabilization by State Statute	110,971
Streets - Powell Bill	82,085
Remaining Fund Balance	1,238,135

**Note IV. Jointly Governed Organization**

The Town, in conjunction with twelve counties and sixty other municipalities, established the Piedmont Triad Regional Council. The participating governments established the Council to coordinate various funding received from federal and State agencies. Each participating government appoints one member to the Council's governing board. The Town paid membership fees of \$770 to the Council during the fiscal year ended June 30, 2020.

**Note V. Related Party Transactions**

The ABC Board's building is erected on land leased from the Town of Walnut Cove. The term of the present lease is for 20 years from July 1, 2011 through June 30, 2031. The Board expects that the lease can be extended at the end of the lease period and has established a 50-year life for depreciation of the building. The agreement provides for annual rental of 12% of net profit derived from the sale of alcoholic beverages. There is no stipulated minimum amount. Upon termination of the lease including any extensions of the lease period, the building and fixtures attached to the building and improvements on the lot shall be the property of the Town of Walnut Cove.

**Note VI. Summary Disclosure of Significant Contingencies**

**Federal and State Assisted Programs**

The Town has received proceeds from federal and State grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under 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.

**Note VII. Economic Dependence**

Approximately 31% of water and sewer billings during the year ended June 30, 2020 were to an industrial textile consumer, which is the single largest water customer of the Town.

**Note VIII. Subsequent Events**

Subsequent events have been evaluated through November 25, 2020, which is the date the financial statements were available to be issued.

**TOWN OF WALNUT COVE, NORTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2020**

**Note IX.      Qualified Opinion on Discretely Presented Component Unit**

The Walnut Cove ABC Board's auditor has issued a qualified opinion on the June 30, 2020 financial statements on August 10, 2020. The Walnut Cove ABC Board financial statements reflect a claim from the former manager in the amount of \$141,520 at June 30, 2019. An additional claim was recorded for the year ended June 30, 2020 in the amount of \$23,489 and bonding insurance has been collected in the amount of \$50,000. The balance due at June 30, 2020 amounted to \$115,009. This matter is currently under investigation by the State Bureau of Investigation and the amount that will ultimately be collectible cannot be determined at the date of the report. Neither were they able to determine the cash receipts beyond the amount recorded.

**REQUIRED SUPPLEMENTAL FINANCIAL DATA**

**Town of Walnut Cove, North Carolina**  
**Town of Walnut Cove's Proportionate Share of Net Pension Liability (Asset)**  
**Required Supplementary Information**  
**Last Seven Fiscal Years \***

	<b>Local Government Employees' Retirement System</b>						
	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Walnut Cove's proportion of the net pension liability (asset) (%)	0.00494%	0.00400%	0.00480%	0.00458%	0.00396%	0.00434%	0.00870%
Walnut Cove's proportion of the net pension liability (asset) (\$)	\$ 134,908	\$ 94,894	\$ 73,331	\$ 97,203	\$ 17,772	\$ (25,595)	\$ 104,868
Walnut Cove's covered payroll	\$ 349,813	\$ 311,484	\$ 331,047	\$ 301,338	\$ 205,768	\$ 263,294	\$ 438,863
Walnut Cove's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	38.57%	30.47%	22.15%	32.26%	8.64%	( 9.72%)	23.90%
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 participant employers in the LGERS plan.



Town of Walnut Cove, North Carolina  
Town of Walnut Cove's Contributions  
Required Supplementary Information  
Last Seven Fiscal Years

Local Government Employees' Retirement System

	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 30,522	\$ 26,392	\$ 23,704	\$ 23,824	\$ 20,619	\$ 14,663	\$ 18,916
Contributions in relation to the contractually required contribution	30,522	26,392	23,704	23,824	20,619	14,663	18,916
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Walnut Cove's covered payroll	\$ 349,289	\$ 349,813	\$ 311,484	\$ 331,047	\$ 301,338	\$ 205,768	\$ 263,294
Contributions as a percentage of covered payroll	8.74%	7.54%	7.61%	7.20%	6.84%	7.13%	7.18%

## **INDIVIDUAL FUND SCHEDULES**

**TOWN OF WALNUT COVE, NORTH CAROLINA  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2020**

	Budget	Actual	Variance Positive (Negative)
<b>Revenues:</b>			
Ad valorem taxes:			
Taxes	\$	\$ 503,518	\$
Penalties and interest		4,079	
Total	473,941	507,597	33,656
Other taxes and licenses:			
Privilege licenses		110	
Total	-	110	110
Unrestricted intergovernmental:			
Local option sales taxes		175,421	
Telecommunications sales tax		7,600	
Utility sales tax		73,549	
Video franchise fee		7,689	
Beer and wine tax		5,918	
City hold harmless		65,210	
ABC profit distribution		23,993	
Total	272,908	359,380	86,472
Restricted intergovernmental:			
Powell Bill allocation		42,563	
Proceeds for library - Stokes County		-	
Proceeds for library - Walnut Cove Library		5,000	
Solid waste disposal tax		1,041	
Total	51,800	48,604	(3,196)
Permits and fees:			
Court fees		4	
Inspections - buildings		20,888	
Inspections - fire		960	
Total	11,000	21,852	10,852
Sales and services:			
Garbage collection fees		77,213	
Total	65,000	77,213	12,213
Investment earnings	700	4,861	4,161
Miscellaneous:			
ABC rent		11,309	
Other		1,650	
Total	6,000	12,959	6,959
Total revenues	881,349	1,032,576	151,227

(continued)

**TOWN OF WALNUT COVE, NORTH CAROLINA**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	Budget	Actual	Variance Positive (Negative)
<b>Expenditures:</b>			
General government:			
Governing Board:			
Per Diem - Town Commissioners and Mayor		10,000	
Payroll taxes		765	
Advertising		663	
Legal services		6,510	
Auditing		17,716	
Dues and subscriptions		4,207	
Planning board expenses		480	
Miscellaneous expense		4,407	
Total		44,748	
Finance and Administration:			
Salaries and wages		148,285	
Salaries and wages - part-time		32,844	
Salaries and wages - long		589	
Contract services		-	
Employee benefits - 401k		6,860	
Advertising		-	
Office supplies		3,155	
Printing		651	
Postage		651	
Telephone		9,099	
Travel		458	
Training		103	
Bonding and insurance		-	
Payroll taxes		13,590	
Retirement		11,354	
Hospital insurance		13,091	
Tax collections - county		13,600	
Elections		-	
System support		5,250	
Dues and subscriptions		1,662	
Workers compensation		5,766	
Bank charges		870	
EDP supplies and services		374	
Miscellaneous expenses		5,477	
Total		273,729	
Public buildings:			
Electricity		5,296	
Natural gas		710	
Town maintenance		7,700	
Town improvements		34,271	
Building repairs		4,212	
Cleaning services		-	
Janitorial supplies		1,216	
Miscellaneous expenses		527	
Total		53,932	
Total general government	362,057	372,409	(10,352)

(continued)

TOWN OF WALNUT COVE, NORTH CAROLINA  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2020

	Budget	Actual	Variance Positive (Negative)
Public safety:			
Police:			
Stokes county sheriff's department		150,280	
Training		-	
Total		150,280	
Fire:			
Contract protection		105,000	
System support		-	
Dues and subscriptions		1,950	
Miscellaneous		-	
Total		106,950	
Total public safety	258,314	257,230	1,084
Transportation:			
Streets:			
Street improvements		26,314	
Electric power - streetlights		10,634	
Bank charges		5	
Miscellaneous expenses		250	
Total transportation	62,000	37,203	24,797
Economic development:			
Code enforcement		5,162	
Inspections		12,299	
Economic development		12,500	
Total economic development	36,963	29,961	7,002
Environmental protection:			
Garbage collection		59,406	
Recycling		27,706	
Total environmental protection	87,707	87,112	595
Culture and recreation:			
Events		9,624	
Small Town Main Street		-	
Total culture and recreation	10,000	9,624	376
Special appropriations:			
Library		27,500	
Senior services support		8,000	
Total special appropriations	37,300	35,500	1,800

(continued)

TOWN OF WALNUT COVE, NORTH CAROLINA  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2020

	Budget	Actual	Variance Positive (Negative)
Debt service:			
Principal retirement	26,130	27,559	(1,429)
Interest and other charges	878	3,571	(2,693)
Total debt service	27,008	31,130	(4,122)
 Total expenditures	881,349	860,169	21,180
 Revenues over (under) expenditures	-	172,407	172,407
Other financing sources (uses):			
Transfers from other funds			
Enterprise Funds	-	-	-
Transfers to other funds			
Water and Sewer Fund	-	-	-
Total other financing sources (uses)	-	-	-
 Fund balance appropriated	-	-	-
 Net change in fund balance	\$ -	172,407	\$ 172,407
 Fund balances, beginning		1,258,784	
Fund balances, ending		<u>\$ 1,431,191</u>	

**TOWN OF WALNUT COVE, NORTH CAROLINA**  
**WATER AND SEWER FUND**  
**SCHEDULE OF REVENUES AND EXPENDITURES**  
**BUDGET AND ACTUAL (NON-GAAP)**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	Budget	Actual	Variance Positive (Negative)
<b>Revenues:</b>			
Operating revenues:			
Water charges		\$ 512,420	
Sewer charges		342,173	
Water and sewer taps		-	
Other operating revenues		10,771	
Total operating revenues	\$ 809,406	865,364	\$ 55,958
Nonoperating revenues:			
Rental income		115,229	
Interest earnings		321	
Total nonoperating revenues	80,000	115,550	35,550
Total revenues	889,406	980,914	91,508
<b>Expenditures:</b>			
Operating expenses:			
Labor		155,836	
Part-time labor		18,306	
Equipment repairs and maintenance		7,866	
Building repairs		1,016	
Vehicle repairs		5,764	
Electric power		65,390	
Natural gas		856	
Payroll taxes		12,747	
Retirement expense		11,806	
Hospital insurance		30,354	
Workers compensation		12,427	
Employee benefits - 401k		6,904	
Postage		3,417	
Gas and oil - vehicle supplies		8,724	
Professional services		14,379	
Uniforms		4,727	
Safety supplies		1,485	
Telephone		13,660	
Water tank maintenance		30,263	
Well house repair		317	
Training/continuing education		1,911	
Dues and subscriptions		3,285	
Water system repairs		37,939	
Office supplies		2,031	
Material supplies		3,596	
Sewer system repairs		58,374	
Water purchase		83,119	
System support		4,147	
Insurance and bonding		-	
WWTP road repair		838	
WWTP repairs and maintenance		21,507	
Well repairs		10,765	
Bank charges		4,037	
Miscellaneous		4,543	
Total operating expenses	752,414	642,336	110,078
			(continued)

**TOWN OF WALNUT COVE, NORTH CAROLINA  
WATER AND SEWER FUND  
SCHEDULE OF REVENUES AND EXPENDITURES  
BUDGET AND ACTUAL (NON-GAAP)  
FOR THE YEAR ENDED JUNE 30, 2020**

	Budget	Actual	Variance Positive (Negative)
Debt service:			
Interest and other charges		14,911	
Principal retirement		103,451	
Total debt service	121,992	118,362	3,630
Capital outlay:			
Equipment		15,000	
Total capital outlay	15,000	15,000	-
Total expenditures	889,406	775,698	113,708
Revenues over expenditures	-	205,216	205,216
Other financing sources (uses):			
Transfer from other fund			
General Fund	-	-	-
Transfer to other fund			
Water and Sewer Capital Projects Fund	-	-	-
General Fund	-	-	-
Total other financing sources (uses)	-	-	-
Fund balance appropriated	-	-	-
Revenues and other sources over (under) expenditures and other uses	\$ -	205,216	\$ 205,216
<b>Reconciliation from budgetary basis (modified accrual) to full accrual:</b>			
Revenues and other sources over (under) expenditures and other uses		\$ 205,216	
Reconciling items:			
Principal retirement		103,451	
Capital outlay		15,000	
Decrease in accrued interest		85	
Increase in compensated absences		(4,271)	
Increase in deferred outflows of resources - pensions		3,402	
Increase in net pension liability		(21,303)	
Decrease in deferred inflows of resources - pensions		649	
Depreciation		(127,785)	
Bad debts		(20,852)	
Capital contributions		-	
Transfer to Water and Sewer Capital Project Fund		-	
Total reconciling items		(51,624)	
Change in net position		\$ 153,592	



**TOWN OF WALNUT COVE, NORTH CAROLINA**  
**WATER AND SEWER CAPITAL PROJECTS FUND**  
**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON - GAAP)**  
**FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2020**

	Project Author - ization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues - Pump Station Project:					
Restricted intergovernmental:					
Clean Water State Revolving Loan	\$ -	\$ -	\$ -	\$ -	\$ -
Total restricted intergovernmental revenues	-	-	-	-	-
Expenditures - Pump Station Project:					
Construction	-	-	-	-	-
Engineering	98,700	71,323	-	71,323	27,377
Legal and right-of-way	-	22,805	-	22,805	(22,805)
Property and easements	-	-	-	-	-
Professional services	1,300	60	45	105	1,195
Construction contingency	-	-	-	-	-
Total expenditures	100,000	94,188	45	94,233	5,767
Excess of revenues over (under) expenditures	(100,000)	(94,188)	(45)	(94,233)	5,767
Other financing sources (uses):					
Transfers from other funds:					
From Sewer Fund	100,000	100,000	-	100,000	-
From General Fund	-	-	-	-	-
Total other sources	100,000	100,000	-	100,000	-
Revenues and other sources over (under) expenditures	\$ -	\$ 5,812	\$ (45)	\$ 5,767	\$ 5,767

**TOWN OF WALNUT COVE, NORTH CAROLINA  
 LICENSE PLATE AGENCY FUND  
 SCHEDULE OF REVENUES AND EXPENDITURES  
 BUDGET AND ACTUAL (NON-GAAP)  
 FOR THE YEAR ENDED JUNE 30, 2020**

	Budget	Actual	Variance Positive (Negative)
<b>Revenues:</b>			
Operating revenues:			
Service fees		\$ 156,348	
Notary fees		27,753	
Bill pay fees		-	
Other operating revenues		2,414	
Total operating revenues	<u>\$ 157,451</u>	<u>186,515</u>	<u>\$ 29,064</u>
Nonoperating revenues:			
Interest earnings		-	
Total nonoperating revenues	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>157,451</u>	<u>186,515</u>	<u>29,064</u>
<b>Expenditures:</b>			
Operating expenses:			
Labor		103,386	
Part-time labor		3,391	
Building repairs		785	
Payroll taxes		7,851	
Retirement expense		7,362	
Hospital insurance		21,734	
Employee benefits - 401k		4,480	
Telephone		2,771	
Training		174	
Equipment repairs		391	
Printing		52	
Travel		106	
Office supplies		3,153	
Novelty items		584	
Miscellaneous		1,821	
Total operating expenses	<u>157,451</u>	<u>158,041</u>	<u>(590)</u>
Debt service:			
Interest and other charges		-	
Principal retirement		-	
Total debt service	<u>-</u>	<u>-</u>	<u>-</u>
			(continued)

**TOWN OF WALNUT COVE, NORTH CAROLINA  
 LICENSE PLATE AGENCY FUND  
 SCHEDULE OF REVENUES AND EXPENDITURES  
 BUDGET AND ACTUAL (NON-GAAP)  
 FOR THE YEAR ENDED JUNE 30, 2020**

	Budget	Actual	Variance Positive (Negative)
Capital outlay:			
Equipment		-	
Total capital outlay	-	-	-
Total expenditures	157,451	158,041	(590)
Revenues over (under) expenditures	-	28,474	28,474
Other financing sources (uses):			
Transfer from other fund			
General Fund	-	-	-
Total other financing sources (uses)	-	-	-
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>28,474</u>	<u>\$ 28,474</u>
<b>Reconciliation from budgetary basis (modified accrual) to full accrual:</b>			
Revenues and other sources over (under) expenditures and other uses		\$ 28,474	
Reconciling items:			
Capital outlay		-	
Increase in compensated absences		(4,599)	
Increase in deferred outflows of resources - pensions		1,203	
Increase in net pension liability		(12,075)	
Decrease in deferred inflows of resources - pensions		471	
Depreciation		(1,634)	
Capital contributions		-	
Total reconciling items		<u>(16,634)</u>	
Change in net position		<u>\$ 11,840</u>	

**TOWN OF WALNUT COVE, NORTH CAROLINA  
TELE-COMMUNICATIONS AGENCY FUND  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
FOR THE YEAR ENDED JUNE 30, 2020**

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	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
Assets:				
Cash and cash equivalents	<u>\$ 2,665</u>	<u>\$ 35</u>	<u>\$ -</u>	<u>\$ 2,700</u>
Liabilities:				
Tele-Communications	<u>\$ 2,665</u>	<u>\$ 35</u>	<u>\$ -</u>	<u>\$ 2,700</u>

## **OTHER SCHEDULES**

**TOWN OF WALNUT COVE, NORTH CAROLINA**  
**SCHEDULE OF AD VALOREM TAXES RECEIVABLE**  
**JUNE 30, 2020**

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2019</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Uncollected Balance June 30, 2020</u>
2019-2020	\$ -	\$ 513,270	\$ 496,452	\$ 16,818
2018-2019	14,296	-	6,494	7,802
2017-2018	4,162	-	1,146	3,016
2016-2017	2,844	-	149	2,695
2015-2016	1,753	-	414	1,339
2014-2015	2,037	-	1,040	997
2013-2014	1,402	-	625	777
2012-2013	2,096	-	1,433	663
2011-2012	606	-	368	238
2010-2011	544	-	320	224
2009-2010	522	-	446	76
2008-2009	509	-	509	-
	<u>\$ 30,771</u>	<u>\$ 513,270</u>	<u>\$ 509,396</u>	<u>34,645</u>
Less: allowance for uncollectible accounts:				
General Fund				<u>9,763</u>
Ad valorem taxes receivable - net				<u>\$ 24,882</u>
<u>Reconcilement to revenues:</u>				
Ad valorem taxes - General Fund				\$ 507,597
Reconciling items:				
Interest collected				(4,079)
Discounts allowed and releases				5,369
Taxes written off				509
Subtotal				<u>1,799</u>
Total collections and credits				<u>\$ 509,396</u>

**TOWN OF WALNUT COVE, NORTH CAROLINA  
ANALYSIS OF CURRENT TAX LEVY  
TOWN-WIDE LEVY  
JUNE 30, 2020**

	Town - Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current rate	\$ 128,317,500	0.40	\$ 513,270	\$ 470,764	\$ 42,506
Discoveries - current and prior years	-	0.40	-	-	-
Releases	-	0.40	-	-	-
Total property valuation	<u>\$ 128,317,500</u>				
Net levy			513,270	470,764	42,506
Unpaid (by taxpayer) taxes at June 30, 2020			(16,818)	(16,818)	-
Current year's taxes collected			<u>\$ 496,452</u>	<u>\$ 453,946</u>	<u>\$ 42,506</u>
Current levy collection percentage			<u>96.72%</u>	<u>96.43%</u>	<u>100.00%</u>