

Village of Walnut Creek

Financial Report

June 30, 2019



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INDEPENDENT AUDITORS' REPORT

To the Village Council
Village of Walnut Creek, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Village of Walnut Creek, North Carolina (the Village), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Village'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.

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Village, as of June 30, 2019, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 – 15, the Local Government Employees' Retirement System's Schedules of Proportionate Share of Net Pension Liability (Asset) and Contributions, on pages 55 and 56, and the Law Enforcement Officers' Special Separation Allowance Schedule of Changes in Total Pension Liability and Schedule of Total Pension Liability as a Percentage of Covered Payroll, on pages 57 and 58 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village's basic financial statements. The individual fund financial 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 individual fund financial statements, budgetary schedules, and other schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the individual fund financial statements, budgetary schedules, and

other schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2019, on our consideration of the Village's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Village's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.

Cary Riggs & Ingram, L.L.C.

Goldsboro, North Carolina
December 12, 2019

Village of Walnut Creek Management's Discussion and Analysis

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

Financial Highlights

- The assets and deferred outflows of resources of the Village exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$7,311,058 (net position).
- The government's total net position increased by \$75,886, due primarily to an increase in intergovernmental state shared revenues, property tax revenues and increased utility revenues.
- As of the close of the current fiscal year, the Village's governmental fund (General Fund) reported an ending fund balance of \$1,049,939, an increase of \$11,807 in comparison with the prior year. Approximately 63% percent of this total amount, or \$662,996, is available for spending at the government's discretion (unassigned fund balance). For additional information regarding classification of the Village's fund balance, please see Note II, D.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$662,996, or 48% percent of total general fund expenditures for the fiscal year.

Overview of the Financial Statements

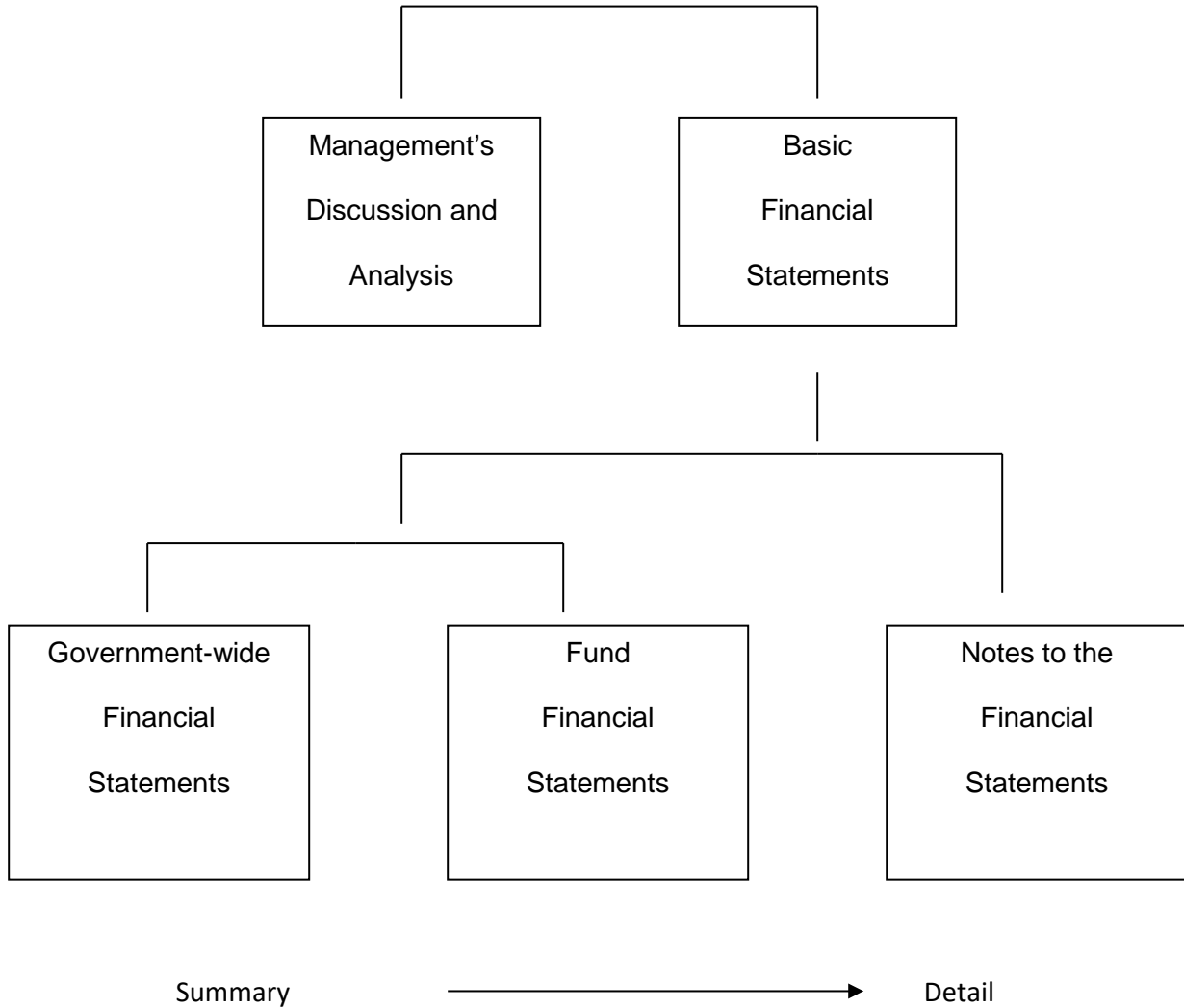
This discussion and analysis is intended to serve as an introduction to the Village's basic financial statements. The Village's basic financial statements consist of three components (see figure 1). They are as follows:

- Government-wide financial statements
- Fund financial statements
- Notes to the financial statements

The basic financial statements present two different views of the Village 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 Village.

Village of Walnut Creek Management's Discussion and Analysis

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 Village's financial status.

The next statements (Exhibits 3 through 8) are Fund Financial Statements. These statements focus on the activities of the individual parts of the Village's government. These statements provide more detail than the government-wide statements. There are three parts to the fund financial

Village of Walnut Creek Management's Discussion and Analysis

statements: 1) the governmental fund statements; 2) the budgetary comparison statements; and 3) the proprietary fund statements.

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

Government-wide Financial Statements

The government-wide financial statements consist of two statements. They are the Statement of Net Position and the Statement of Activities. They are designed to provide readers with a broad overview of the Village's finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all of the Village's assets and liabilities, with the difference between the two reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the Village is improving or deteriorating.

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

Both of the government-wide financial statements distinguish functions of the Village that are primarily supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Village include general government, public safety, buildings and grounds, economic/physical development, environmental protection, and culture and recreation. The business-type activities of the Village include water and sewer operations.

The government-wide financial statements can be found on pages 17 and 18 of this report.

Fund financial statements

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 Village, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. All of the funds of the Village can be divided into two categories: governmental funds and proprietary funds.

Village of Walnut Creek Management's Discussion and Analysis

Governmental Funds. Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the Village'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 Village'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 Village 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 Village, the management of the Village, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the Village to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the Village complied with the budget ordinance and whether or not the Village 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. To account for the difference between the budgetary basis of accounting and the modified accrual basis, a reconciliation showing the differences in the reported activities is shown at the end of the budgetary statement.

Proprietary Funds. The Village's proprietary type funds provide the same type of information found in the government-wide financial statements, but in more detail. The Village uses enterprise funds to account for its water and sewer activity. To account for the difference between the budgetary basis of accounting and the accrual basis, a reconciliation showing the differences in the reported activities is shown at the end of the budgetary schedule.

The fund financial statements can be found on pages 19 - 24 of this report.

Notes to the financial statements. The notes to the financial statements 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 can be found on pages 25 - 53 of this report.

Village of Walnut Creek Management's Discussion and Analysis

Other Information. In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Village's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on pages 55 through 58 relating to the Village's participation in the Local Government Employees' Retirement System (LGERS) and providing benefits through the Law Enforcement Officers' Special Separation Allowance (LEOSSA). Also accompanying the basic financial statements, notes, and required supplementary information is supplementary information concerning the Village's operations and property taxes. The supplementary information can be found on pages 66 - 67 of this report.

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

Government-Wide Financial Analysis

Table 1
Village of Walnut Creek, North Carolina
Condensed Statement of Net Position
As of June 30,

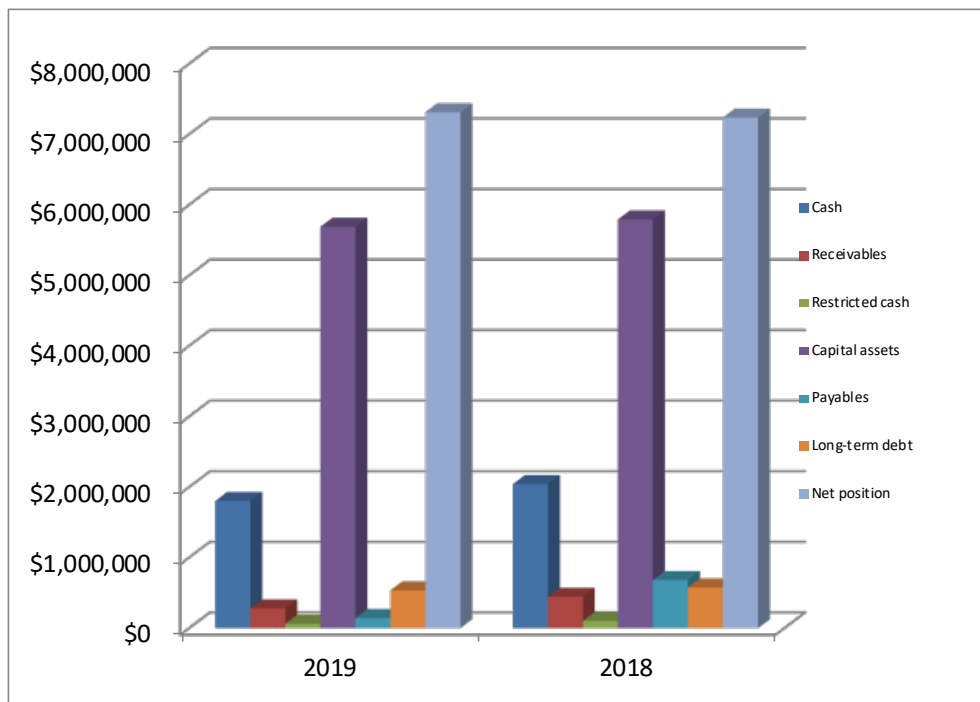
	Governmental Activities		Business-type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
Current assets	\$ 1,086,937	\$ 1,632,211	\$ 1,056,893	\$ 954,401	\$ 2,143,830	\$ 2,586,612
Non-current assets	3,724,275	3,710,773	1,963,100	2,080,624	5,687,375	5,791,397
Deferred outflows of resources	155,797	116,156	-	-	155,797	116,156
Total assets and deferred outflows of resources	<u>4,967,009</u>	<u>5,459,140</u>	<u>3,019,993</u>	<u>3,035,025</u>	<u>7,987,002</u>	<u>8,494,165</u>
Current liabilities	40,817	594,663	100,862	87,439	141,679	682,102
Long-term liabilities	141,905	105,889	391,224	469,469	533,129	575,358
Deferred inflows of resources	1,136	1,533	-	-	1,136	1,533
Total liabilities and deferred inflows of resources	<u>183,858</u>	<u>702,085</u>	<u>492,086</u>	<u>556,908</u>	<u>675,944</u>	<u>1,258,993</u>
Net investment in capital assets	3,724,275	3,710,773	1,493,631	1,532,910	5,217,906	5,243,683
Restricted net position	221,943	436,114	-	-	221,943	436,114
Unrestricted net position	836,933	610,168	1,034,276	945,207	1,871,209	1,555,375
Total net position	<u>\$ 4,783,151</u>	<u>\$ 4,757,055</u>	<u>\$ 2,527,907</u>	<u>\$ 2,478,117</u>	<u>\$ 7,311,058</u>	<u>\$ 7,235,172</u>

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of resources of the Village exceeded liabilities and deferred inflows of resources by \$7,311,058 as of June 30, 2019. The Village's net position increased by \$75,886 for the fiscal year ended June 30, 2019. However, the largest portion of net position (71%) reflects the Village's investment in capital assets (e.g. land, buildings, infrastructure, machinery, and equipment), less any related debt still outstanding that was issued to acquire or construct those items. The Village uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

Village of Walnut Creek Management's Discussion and Analysis

Although the Village's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Village's net position, \$221,943 or 3.04% represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$1,871,209 or 26% is unrestricted.

Government-wide Statement of Net Position Components – 6/30/2019 and 6/30/2018
(Excludes Deferred Outflows and Deferred Inflows of Resources)



Several aspects of the Village's financial operations influenced its government-wide net position components:

- Increase in state shared revenues
- Increase in charges for utility service revenues
- Reimbursements from FEMA relating to Hurricane Matthew

Governmental activities: Governmental activities increased the Village's net position by \$26,096. Key elements of this increase are as follows:

- Increases in property tax revenues and state shared intergovernmental revenues due to an increase in customer and overall state revenues and sales tax
- Increase in FEMA reimbursements associated with Hurricane Matthew.

Village of Walnut Creek Management's Discussion and Analysis

Business-type activities: Business-type activities increased the Village's net position by \$49,790. Key elements of this increase are as follows:

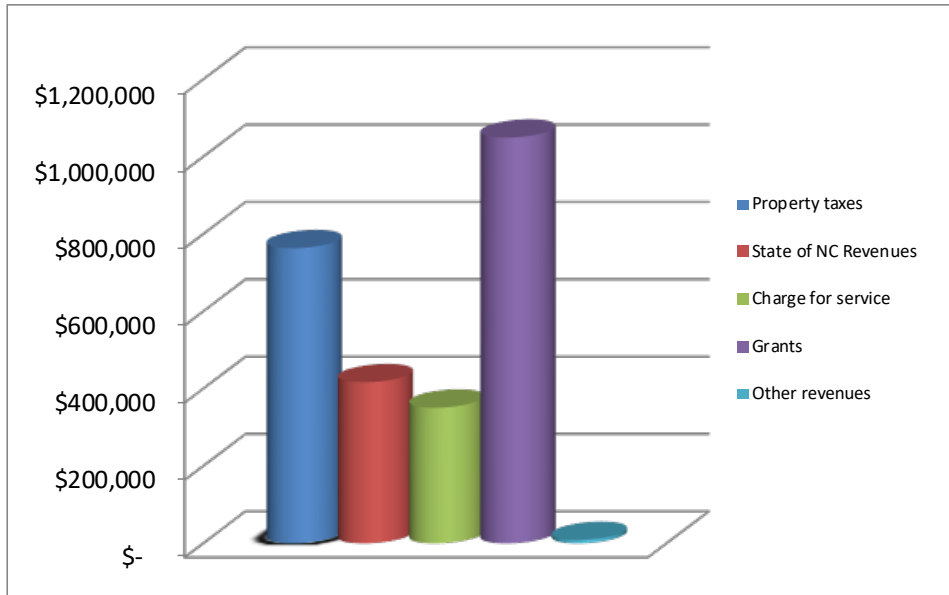
- Increased utility revenues from 2018 to 2019 due to an increase in rates and customers
- Increased impact fees from 2018 to 2019 due to an increase in new construction

Table 2
Village of Walnut Creek, North Carolina
Condensed Statement of Revenue, Expenses, and Changes in Net Position
For the Fiscal Year Ended June 30,

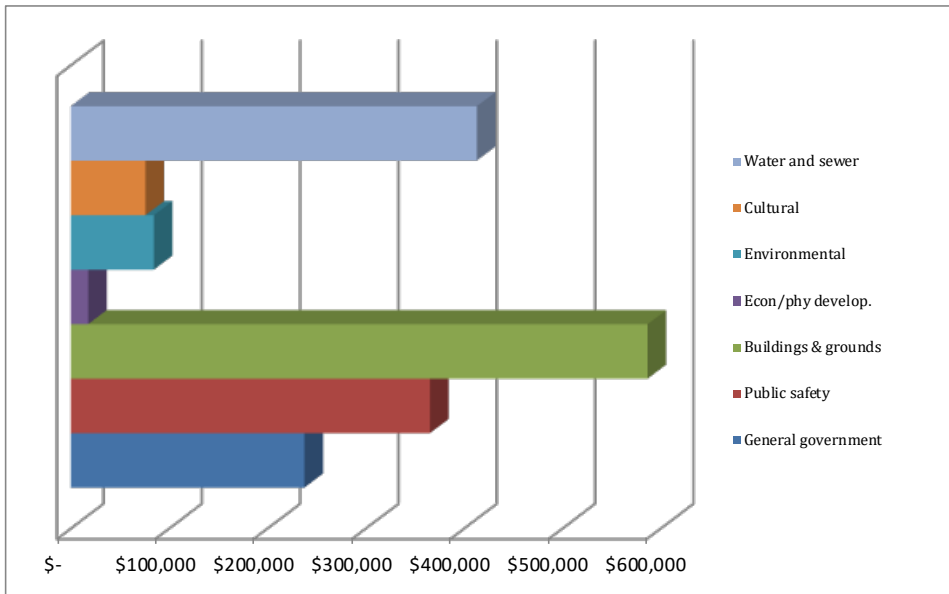
	2019			2018		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Revenues:						
Program revenues:						
Charges for services	\$ 14,231	\$ 385,271	\$ 399,502	\$ 9,428	\$ 341,619	\$ 351,047
Grants and contributions	108,454	-	108,454	1,049,628	-	1,049,628
General revenues:						
Property taxes	769,007	-	769,007	763,565	-	763,565
Unrestricted intergovernmental	489,380	-	489,380	416,865	-	416,865
Other	12,246	77,332	89,578	905	8,072	8,977
Total revenues	1,393,318	462,603	1,855,921	2,240,391	349,691	2,590,082
Expenses:						
General government	237,540	-	237,540	337,916	-	337,916
Public safety	365,211	-	365,211	280,283	-	280,283
Buildings and grounds	586,598	-	586,598	315,080	-	315,080
Economic/physical development	17,533	-	17,533	17,557	-	17,557
Environmental protection	84,442	-	84,442	81,278	-	81,278
Cultural and recreation	75,898	-	75,898	76,133	-	76,133
Water	-	91,525	91,525	-	502,221	502,221
Sewer	-	321,288	321,288	-	287,709	287,709
Total expenses	1,367,222	412,813	1,780,035	1,108,247	789,930	1,898,177
Increase (decrease) in net position before transfers	26,096	49,790	75,886	1,132,144	(440,239)	691,905
Transfers	-	-	-	(156,102)	156,102	-
Increase (decrease) in net position	26,096	49,790	75,886	976,042	(284,137)	691,905
Net position, July 1	4,757,055	2,478,117	7,235,172	3,781,013	2,762,254	6,543,267
Net position, June 30	\$ 4,783,151	\$ 2,527,907	\$ 7,311,058	\$ 4,757,055	\$ 2,478,117	\$ 7,235,172

Village of Walnut Creek Management's Discussion and Analysis

Government-wide Revenues – 6/30/2019



Government-wide Expenses – 6/30/2019



Financial Analysis of the Village's Funds

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

Village of Walnut Creek Management's Discussion and Analysis

Governmental funds. The focus of the Village's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Village's financing requirements. Specifically, unassigned fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of the Village. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$662,996, while total fund balance reached \$1,049,939. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents approximately 48% percent of total General Fund expenditures, while total fund balance represents 76% percent of the same amount. Effective July 1, 2011, the Village adopted a minimum fund balance policy which would seek to retain within Fund Balance an amount of not less than 50% of the current year's General Fund expenditures plus transfers out less amounts for debt issued. As of June 30, 2019, the minimum fund balance amount per the policy totaled \$691,587, with an amount available for working capital totaling \$662,996. For additional information regarding Fund Balance, please see Note II, D.

General Fund Budgetary Highlights

During the fiscal year, the Village 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; and 3) increases in appropriations that become necessary to maintain services.

During the fiscal year, the Village amended its original budget on several occasions. Several of the largest amendments related to salary costs within Public Safety, repairs to the spillway and higher expected costs within the Buildings and Grounds.

Actual overall revenues for the General Fund were higher than the budgeted amounts. Actual ad valorem taxes and intergovernmental revenues were higher than budgeted amounts. Other general fund actual revenues approximated budgeted amounts. In addition, the Village's expenditures within the General Fund were lower than budgeted amounts.

Proprietary funds. The Village's proprietary funds provide the same type of information found in the government-wide financial statements but in more detail. Unrestricted net position of the water and sewer fund at the end of the fiscal year amounted to \$1,034,276 at the government-wide level, whereas net position comprised of net investment in capital assets amounted to \$1,493,631. The total increase in net position was \$49,790 from the previous fiscal year, primarily due to increased utility revenues.

Village of Walnut Creek Management's Discussion and Analysis

Capital Asset and Debt Administration

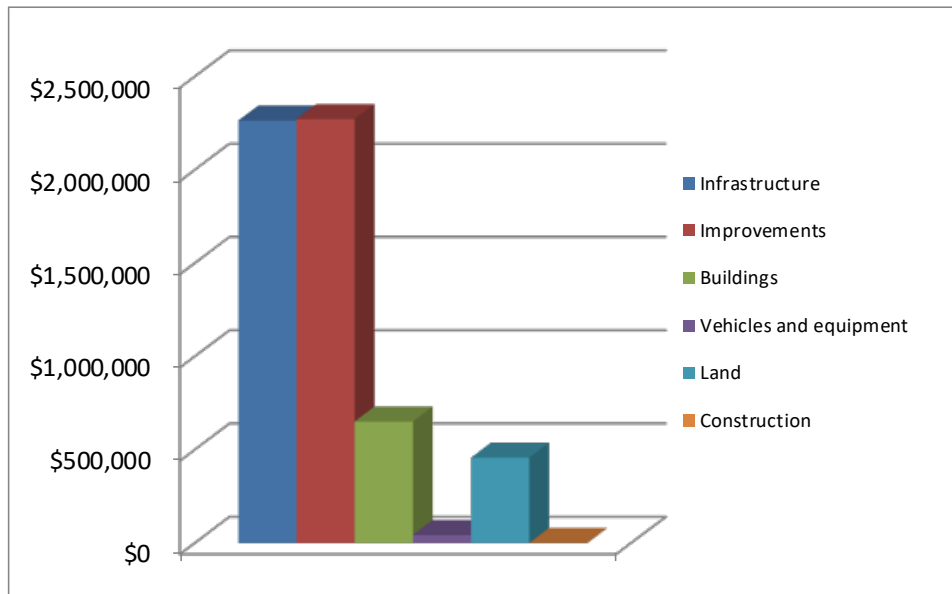
Capital assets. The Village's capital assets for its governmental and business-type activities as of June 30, 2019, totals \$5,687,375 (net of accumulated depreciation). These assets include land, buildings, infrastructure, machinery, and equipment.

The significant capital asset additions during the year were:

- Spillway construction costs of \$164,734 associated with Hurricane Matthew

Additional information on the Village's capital assets can be found on pages 38 and 39 of this report.

Government-wide Capital Assets – 6/30/2019



Village of Walnut Creek Management's Discussion and Analysis

Table 3
Village of Walnut Creek, North Carolina
Condensed Statement of Capital Assets (net of depreciation)
For the Fiscal Year Ended June 30,

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 384,012	\$ 384,012	\$ 73,084	\$ 73,084	\$ 457,096	\$ 457,096
Buildings	650,926	669,106	-	-	650,926	669,106
Other improvements	2,272,443	1,121,961	-	-	2,272,443	1,121,961
Equipment	30,063	39,778	-	-	30,063	39,778
Vehicles	12,813	21,971	-	-	12,813	21,971
Infrastructure	374,018	401,198	1,890,016	2,007,540	2,264,034	2,408,738
Construction in progress	-	1,072,747	-	-	-	1,072,747
Total	\$ 3,724,275	\$ 3,710,773	\$ 1,963,100	\$ 2,080,624	\$ 5,687,375	\$ 5,791,397

Long-term Debt. As of June 30, 2019, the Village had total debt outstanding of \$469,469, excluding compensated absences and retirement related liability amounts. At June 30, 2019, the Village's outstanding debt consists only of the State Revolving Loan for the sewer force main system with the City of Goldsboro.

Table 4
Village of Walnut Creek, North Carolina
Condensed Statement of Long Term Debt
For the Fiscal Year Ended June 30,

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Compensated absences	\$ 18,464	\$ 12,173	\$ -	\$ -	\$ 18,464	\$ 12,173
Net pension liability	61,681	49,804	-	-	61,681	49,804
Special separation allowance (LEO)	66,376	46,955	-	-	66,376	46,955
State revolving loan	-	-	469,469	547,714	469,469	547,714
Total	\$ 146,521	\$ 108,932	\$ 469,469	\$ 547,714	\$ 615,990	\$ 656,646

Additional information on the Village's long-term debt can be found on page 51 of this report.

Economic Factors and Next Year's Budgets and Rates

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

- The Village's ad valorem rate will remain at \$0.42 per \$100.
- The Village's water rates increased effective July 1, 2019 with the minimum rate increasing to \$62.61 from \$60.78.



Village of Walnut Creek Management's Discussion and Analysis

Budget Highlights for the Fiscal Year Ending June 30, 2020

Governmental Activities: Property taxes (benefiting from the increased economic growth) and revenues from state reimbursements are expected to lead the increase in budgeted revenues.

Budgeted expenditures in the General Fund are expected to be consistent with fiscal year 2019 amounts. Estimated General Fund expenditures for fiscal year 2020 are \$1,517,900.

Business – type Activities: Water and sewer revenues are expected to increase with additional customers and expenses are expected to remain stable during the upcoming year.

To assist with the funding of future improvements and related capital expenditures, the Village is seeking assistance from various federal and state agencies. In addition, the Village is continually monitoring and evaluating its rate structure for taxes and utilities.

Requests for Information

This report is designed to provide an overview of the Village'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 Village Administrator, Village of Walnut Creek, Post Office Box 10911, Goldsboro, NC 27532. You can also call (919) 778-9687, visit the Village website at www.walnutcreeknc.com or send an email to the Village Administrator at robert.parchman@walnutcreeknc.com.



Village of Walnut Creek Council Members and Key Staff

Village Council Members

Danny Jackson, Mayor

Greg Ricker, Mayor Pro-Tem

Cyndi Dupuy

John Seegars

Pete Benton

Administrative and Financial Staff

Robert Parchman, Village Administrator

Peggy Page, Village Clerk

Village of Walnut Creek
Statement of Net Position
June 30, 2019
Exhibit 1

	Primary Government		Total
	Governmental Activities	Business-type Activities	
Assets			
Current assets:			
Cash and cash equivalents	\$ 853,514	\$ 948,631	\$ 1,802,145
Receivables (net)	797	89,795	90,592
Due from other governments	188,756	-	188,756
Internal balances	(13,617)	13,617	-
Restricted cash and cash equivalents	57,487	4,850	62,337
Total current assets	1,086,937	1,056,893	2,143,830
Non-Current assets:			
Capital assets:			
Land, non-depreciable improvements, and construction in progress	384,012	73,084	457,096
Other capital assets, net of depreciation	3,340,263	1,890,016	5,230,279
Total capital assets	3,724,275	1,963,100	5,687,375
Total assets	4,811,212	3,019,993	7,831,205
Deferred outflows of resources			
Pension deferrals	155,797	-	155,797
Liabilities			
Current liabilities:			
Accounts payable and accrued liabilities	11,901	17,767	29,668
Customer deposits	24,300	4,850	29,150
Current portion of long-term liabilities	4,616	78,245	82,861
Total current liabilities	40,817	100,862	141,679
Long-term liabilities:			
Net pension liability	61,681	-	61,681
Total pension liability	66,376	-	66,376
Due in more than one year	13,848	391,224	405,072
Total long-term liabilities	141,905	391,224	533,129
Total liabilities	182,722	492,086	674,808
Deferred inflows of resources			
Pension deferrals	1,136	-	1,136
Net position			
Net investment in capital assets	3,724,275	1,493,631	5,217,906
Restricted for:			
Stabilization by State Statute	188,756	-	188,756
Streets	33,187	-	33,187
Unrestricted	836,933	1,034,276	1,871,209
Total net position	\$ 4,783,151	\$ 2,527,907	\$ 7,311,058

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

Village of Walnut Creek
Statement of Activities
For the Fiscal Year Ended June 30, 2019
Exhibit 2

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Primary government:							
Governmental Activities:							
General government	\$ 237,540	\$ -	\$ -	\$ -	\$ (237,540)	\$ -	\$ (237,540)
Public safety	365,211	-	-	-	(365,211)	-	(365,211)
Buildings and grounds	586,598	-	34,112	73,728	(478,758)	-	(478,758)
Economic/physical development	17,533	4,731	-	-	(12,802)	-	(12,802)
Environmental protection	84,442	-	614	-	(83,828)	-	(83,828)
Cultural and recreation	75,898	9,500	-	-	(66,398)	-	(66,398)
Total governmental activities (See Note 1)	1,367,222	14,231	34,726	73,728	(1,244,537)	-	(1,244,537)
Business-type activities:							
Water	91,525	199,860	-	-	-	108,335	108,335
Sewer	321,288	185,411	-	-	-	(135,877)	(135,877)
Total business-type activities	412,813	385,271	-	-	-	(27,542)	(27,542)
Total primary government	\$ 1,780,035	\$ 399,502	\$ 34,726	\$ 73,728	(1,244,537)	(27,542)	(1,272,079)
General revenues:							
Taxes:							
Property taxes, levied for general purpose					769,007	-	769,007
Grant and contributions not restricted to specific programs					489,380	-	489,380
Unrestricted investment earnings					8,216	8,120	16,336
Miscellaneous					4,030	69,212	73,242
Total general revenues					1,270,633	77,332	1,347,965
Change in net position					26,096	49,790	75,886
Net position - beginning					4,757,055	2,478,117	7,235,172
Net position - ending					\$ 4,783,151	\$ 2,527,907	\$ 7,311,058

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

Village of Walnut Creek
Balance Sheet – Governmental Fund
June 30, 2019
Exhibit 3

		General
Assets		
Cash and cash equivalents	\$	853,514
Restricted cash		57,487
Receivables, net:		
Taxes		797
Due from other governments		188,756
Total assets	\$	1,100,554
Liabilities, Deferred Inflows of Resources and Fund Balances		
Liabilities:		
Accounts payable and accrued expenses	\$	11,901
Customer deposits		24,300
Due to other fund		13,617
Total liabilities		49,818
Deferred inflows of resources		
Property tax receivable		797
Total deferred inflows of resources		797
Fund balances		
Restricted:		
Stabilization by State Statute		188,756
Streets		33,187
Assigned:		
Disaster Response Reserve		100,000
Long Range Planning Reserve		20,000
Capital Asset Replacement Reserve		15,000
Subsequent year's expenditures		30,000
Unassigned		662,996
Total fund balances		1,049,939
Total liabilities, deferred inflows of resources and fund balances	\$	1,100,554

Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position

Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1) are different because:		
Total fund balance - governmental fund	\$	1,049,939
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Gross capital assets at historical cost		7,670,281
Accumulated depreciation		(3,946,006)
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds.		
Total pension liability		(61,681)
Net pension liability		(66,376)
Compensated absences		(18,464)
Deferred outflows of resources related to pensions are not reported in the funds		155,797
Amounts for unavailable revenues considered deferred inflows of resources in fund statements		797
Deferred inflows of resources related to pensions are not reported in the funds		(1,136)
Net position of governmental activities	\$	4,783,151

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

Village of Walnut Creek
Statement of Revenues, Expenditures, and Change in
Fund Balance – Governmental Fund
For the Fiscal Year Ended June 30, 2019
Exhibit 4

	General
Revenues	
Ad valorem taxes	\$ 770,669
Unrestricted intergovernmental	489,380
Restricted intergovernmental	108,454
Permits and fees	14,231
Investment earnings	8,216
Miscellaneous	4,030
Total revenues	1,394,980
Expenditures	
General government	239,566
Public safety	350,890
Buildings and grounds	616,522
Economic/physical development	17,533
Environmental protection	84,442
Culture and recreation	74,220
Total expenditures	1,383,173
Revenues over (under) expenditures	11,807
Fund balance - beginning	1,038,132
Fund balance - ending	\$ 1,049,939

**Reconciliation of the Statement of Revenues, Expenditures, and Change in
Fund Balance of Governmental Fund to the Statement of Activities**

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

Net change in fund balance - governmental fund	\$ 11,807
The governmental fund reports 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.	
Depreciation expense	(151,232)
Capital asset acquisitions	164,734
Contributions to the pension plan in the current fiscal year not included on the Statement of Activities	50,309
Benefit payments paid and administrative expense for the LEOSA are not included on the Statement of Activities	8,545
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the fund	
Changes in unavailable revenue for tax revenues	(1,662)
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 the government fund.	
Compensated absences	(6,290)
Pension expense - LEOSA	(15,048)
Pension expense - NCLGERS	(35,067)
Total changes in net position of governmental activities	\$ 26,096

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

Village of Walnut Creek
General Fund Statement of Revenues, Expenditures, and Change in
Fund Balance –Budget to Actual
For the Fiscal Year Ended June 30, 2019
Exhibit 5

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues				
Ad valorem taxes	\$ 740,014	\$ 740,014	\$ 770,669	\$ 30,655
Unrestricted intergovernmental	399,800	422,786	489,380	66,594
Restricted intergovernmental	35,350	275,350	108,454	(166,896)
Permits and fees	8,000	8,000	14,231	6,231
Investment earnings	110	1,610	8,216	6,606
Miscellaneous	1,200	1,200	4,030	2,830
Total revenues	1,184,474	1,448,960	1,394,980	(53,980)
Expenditures				
General government	217,034	292,796	239,566	53,230
Public safety	393,963	370,875	350,890	19,985
Buildings and grounds	360,344	645,760	616,522	29,238
Economic/physical development	30,000	37,600	17,533	20,067
Environmental protection	84,100	84,500	84,442	58
Cultural and recreational	100,173	90,173	74,220	15,953
Total expenditures	1,185,614	1,521,704	1,383,173	138,531
Revenues over (under) expenditures	(1,140)	(72,744)	11,807	84,551
Appropriated fund balance	1,140	72,744	-	(72,744)
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	11,807	<u>\$ 11,807</u>
Fund balance - beginning			<u>1,038,132</u>	
Fund balance - ending			<u>\$ 1,049,939</u>	

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

Village of Walnut Creek
Statement of Fund Net Position – Proprietary Fund
June 30, 2019
Exhibit 6

	Water and Sewer Fund
Assets	
Current assets:	
Cash and equivalents	\$ 948,631
Restricted cash	4,850
Receivables (net)	89,795
Due from other fund	13,617
Total current assets	1,056,893
Capital assets:	
Land and other non-depreciable assets	73,084
Other capital assets, net of depreciation	1,890,016
Total capital assets (net)	1,963,100
Total assets	3,019,993
Liabilities	
Current liabilities:	
Accounts payable	15,899
Customer deposits	4,850
Accrued interest	1,868
Revolving loan payable - current	78,245
Total current liabilities	100,862
Noncurrent liabilities:	
Revolving loan payable - noncurrent	391,224
Total noncurrent liabilities	391,224
Total liabilities	492,086
Net Position	
Net investment in capital assets	1,493,631
Unrestricted	1,034,276
Total net position	\$ 2,527,907

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

Village of Walnut Creek
Statement of Revenues, Expenses, and Change in Fund Net Position –
Proprietary Fund
For the Fiscal Year Ended June 30, 2019
Exhibit 7

	Water and Sewer Fund
Operating revenues:	
Charges for service	\$ 341,756
Other operating revenues	43,515
<hr/>	
Total operating revenues	385,271
<hr/>	
Operating expenses:	
Administration	
Other operating expenditures	282,344
Depreciation	117,525
<hr/>	
Total operating expenses	399,869
<hr/>	
Operating income (loss)	(14,598)
Nonoperating revenues (expenses):	
Impact fees	68,000
Interest earned and other	9,332
Interest and fees	(12,944)
<hr/>	
Total nonoperating expenses	64,388
<hr/>	
Change in net position	49,790
Total net position - beginning	2,478,117
<hr/>	
Total net position - ending	\$ 2,527,907
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The accompanying notes are an integral part of these financial statements.

Village of Walnut Creek
Statement of Cash Flows – Proprietary Fund
For the Fiscal Year Ended June 30, 2019
Exhibit 8

	Water and Sewer Fund
Cash Flows from Operating Activities	
Cash received from customers and users	\$ 371,847
Cash paid for goods and services	(268,028)
Customer deposits received	4,850
<hr/>	
Net cash provided by operating activities	108,669
<hr/>	
Cash Flows From Noncapital Activities	
Increase in due from other funds	(13,617)
Nonoperating revenues received	69,212
<hr/>	
Net cash provided by noncapital activities	55,595
<hr/>	
Cash Flows From Capital and Related Financing Activities	
Principal payments on long-term debt	(78,245)
Interest payments on long-term debt	(13,255)
<hr/>	
Net cash used in capital and related financing activities	(91,500)
<hr/>	
Cash Flows From Investing Activities	
Interest earned	8,120
<hr/>	
Net increase in cash and cash equivalents	80,884
<hr/>	
Cash and cash equivalents - beginning	872,597
<hr/>	
Cash and cash equivalents - ending	\$ 953,481
<hr/>	
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating income (loss)	\$ (14,598)
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	117,525
Change in assets and liabilities	
Decrease in accounts receivable (net)	(13,424)
Increase in due from other governments	5,433
Increase in accounts payable	8,883
Increase in customer deposits	4,850
<hr/>	
Net cash provided by operating activities	\$ 108,669
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The accompanying notes are an integral part of these financial statements.

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Village of Walnut Creek (the Village) 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 Village of Walnut Creek is a municipal corporation that is governed by an elected mayor and a four-member Council. As required by generally accepted accounting principles, these financial statements present the financial information of the Village.

B. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities display information about the primary government. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the Village. 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 Village and for each function of the Village's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the Village's funds. Separate statements for each fund category – *governmental and proprietary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column.

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.

Village of Walnut Creek Notes to Financial Statements

The Village reports the following major governmental fund:

General Fund. The General Fund is the general operating fund of the Village. 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 general government, public safety, street maintenance and construction, and sanitation services.

The Village reports the following major enterprise fund:

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

C. Measurement Focus and Basis of Accounting

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

Government-wide and Proprietary Fund Financial Statements. The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the Village 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.

The Proprietary fund distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations. The principal operating revenues of the Village enterprise fund are charges to customers for sales and services. The Village also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water and sewer system. Operating expenses for the enterprise fund 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.

Village of Walnut Creek Notes to Financial Statements

Governmental Fund Financial Statements. The Governmental fund is 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 the governmental fund. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

The Village 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 a 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.

Sales taxes and certain intergovernmental revenues, such as the beer and wine tax, collected and held by the State at year-end on behalf of the Village are recognized as revenue. Sales taxes are considered a shared revenue for the Village because the tax is levied by Wayne 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 Village 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 Village'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 Village's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund and the Enterprise Fund. All annual appropriations lapse at the fiscal-year end. 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. The Finance Officer, at the direction of the council member responsible for the designated department, may transfer amounts up to \$1,000 per month between the line-item expenditures within a department; however, these changes should not result in increases in recurring obligations such as salaries. The Finance Officer must make an official report on such transfers at the next meeting of the Village's Council. During the year, several amendments to the original budget were necessary.

Village of Walnut Creek Notes to Financial Statements

All amendments must be approved by the governing board. The budget ordinance must be adopted by July 1st of the fiscal year or the governing Council 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 Village are made in Council-designated official depositories and are secured as required by State law [G.S. 159-31]. The Village may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the Village 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 Village to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT). The NCCMT – Government Portfolio, a SEC-registered (2a-7) external investment pool, is measured at fair value. The NCCMT – Term Portfolio is a bond fund, has no rating and is measured at fair value. As of June 30, 2019, the Term Portfolio has a duration of .11 years. Because the NCCMT Government and Term Portfolios have a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months.

The Village had no such investments at June 30, 2019.

2. Cash and Cash Equivalents

The Village pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents. The Village Council considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash and cash equivalents.

3. Restricted Assets

At June 30, 2019, the Village held unexpended Powell Bill funds. These funds are classified as restricted cash because they can be expended only for the purpose outlined in G.S. 136-41.1 through 136-41.4. Customer deposits held by the Village before any goods and/or services are given and/or supplied are restricted to the purpose for which the deposit is collected.

Village of Walnut Creek Notes to Financial Statements

Governmental Activities:	
General Fund	Total
Streets	\$ 33,187
Customer deposits	24,300
Total restricted cash	\$ 57,487

4. Ad Valorem Taxes Receivable, Trade Receivables and Other Receivables

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Village levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2018. The Village has assessed its receivable balances (taxes, utility, and trade) outstanding at year-end to be fully collectible except for prior year taxes receivable on motor vehicles. Accordingly, no allowance for doubtful accounts is required for trade and utility receivables.

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. Based on management's assessment of customers with outstanding balances, it has concluded that losses on outstanding balances at year-end will be immaterial; therefore, no allowance for doubtful accounts has been established for trade and utility receivables. At June 30, 2019, taxes receivable are net of an allowance for doubtful accounts of \$130 which represents prior year motor vehicle ad-valorem taxes receivable.

6. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. The Village has a capitalization policy of \$5,000. 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. General infrastructure assets acquired prior to July 1, 2003, consist of the road network and water and sewer system assets that were acquired or that received substantial improvements subsequent to July 1, 1980, and are reported at estimated historical cost using deflated replacement cost. 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.

Village of Walnut Creek Notes to Financial Statements

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	50 years
Infrastructure	30 years
Improvements	10 years
Furnishings and fixtures	10 years
Automobiles	6 years
Equipment	5 years
Computer	3 years

7. 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 Village has one item that meets this criterion, pension deferrals for the 2018/2019 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Village has several items that meet the criterion for this category - property taxes receivable and pension deferrals.

8. 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 debt 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 premiums and discounts, as well as 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.

9. Compensated Absences

The vacation policy of the Village provides for the following hours earned per year, based upon years of service of the employee.

Less than two years of service	60 hours
Two through five years of service	80 hours
Six through ten years of service	100 hours
Eleven through twenty years of service	120 hours
Greater than twenty years of service	160 hours

This policy has a “use it or lose it” provision whereby, an employee cannot carry-over any amount over 80 hours to the next fiscal year. The Village’s sick leave policy provides for an unlimited accumulation of earned sick leave.

Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the Village does not have any obligation for accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

10. 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 represent constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through state statute.

Fund Balances

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

The governmental fund types classify fund balance as follows:

Nonspendable Fund Balance – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. There are no amounts that meet this classification at June 30, 2019.

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

Restricted for Stabilization by State Statute – 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

Village of Walnut Creek Notes to Financial Statements

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.

Committed Fund Balance – portion of fund balance that can only be used for specific purposes imposed by a majority vote by quorum of the Village’s governing body (highest level of decision-making authority). The governing body can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation. There are no amounts that meet this classification at June 30, 2019.

Assigned fund balance – portion of fund balance that the Village intends to use for specific purposes.

Disaster Response Reserve – portion of fund balance that the Village Council has designated for future disaster recovery expenditures.

Long Range Planning Reserve – portion of fund balance that the Village Council has designated for future capital related projects.

Capital Asset Replacement Reserve – portion of fund balance that the Village Council has designated for future capital asset acquisitions.

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

The Village has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Officer will use resources in the following hierarchy: proceeds from the issuance of debt, federal funds, State funds, local non-Village funds, Village 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 Village.

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Effective July 1, 2011, the Village adopted a minimum fund balance policy which would seek to retain within Fund Balance an amount of not less than 50% of the current year's General Fund expenditures plus transfers out less amounts for debt issued. As of June 30, 2019, the amount totaled \$691,587. See Note II, D for further Fund Balance information.

11. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental Employees' Retirement System (LGERS) and additions to/deductions from LGERS' fiduciary net position have been determined on the same basis as they are reported by LGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The Village's employer contributions are recognized when due and the Village 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.

12. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

13. Adoption of New Financial Accounting Standards

The following is a listing of GASB Statements recently issued and adopted by the Village:

GASB Statement No. 83, Certain Asset Retirement Obligations ("GASB 83"), requires that a government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability. GASB 83 will be effective for the fiscal years beginning after June 15, 2018. Currently, this new standard has minimal effect on the Village's financial statements.

GASB Statement No. 85, Omnibus 2017 ("GASB 85"), seeks to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). GASB 85 will be effective for the fiscal years beginning after June 15, 2017. Currently, this new standard has minimal effect on the Village's financial statements.

GASB Statement No. 86, Certain Debt Extinguishment Issues ("GASB 86"), seeks to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial

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reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. GASB 86 will be effective for the fiscal years beginning after June 15, 2017. Currently, this new standard has minimal effect on the Village's financial statements.

GASB Statement No. 88, Certain Disclosures Related to Debt ("GASB 88"), seeks to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. GASB 88 will be effective for the fiscal years beginning after June 15, 2018. Currently, this new standard has minimal effect on the Village's financial statements.

14. Future Accounting Pronouncements - Accounting Standards Issued But Not Yet Effective

The following is a listing of GASB Statements recently issued and being reviewed by the Village:

GASB Statement No. 84, Fiduciary Activities ("GASB 84"), seeks to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. GASB 84 will be effective for the fiscal years beginning after December 15, 2018. The Village is reviewing this standard to determine the effect on the Village's financial statements.

GASB Statement No. 87, Leases ("GASB 87"), seeks to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. GASB 87 will be effective for the fiscal years beginning after December 15, 2019. The Village is reviewing this standard to determine the effect on the Village's financial statements.

GASB Statement No. 90, *Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61* ("GASB 90"), seeks to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the

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relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. The Village is reviewing this standard to determine the effect on the Village's financial statements.

GASB Statement No. 91, Conduit Debt Obligations ("GASB 91"), seeks to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. The Village is reviewing this standard to determine the effect on the Village's financial statements.

NOTE II – DETAIL NOTES ON ALL FUNDS

A. Assets

1. Deposits

All the deposits of the Village 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 Village's agents in the unit's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Village, these deposits are considered to be held by the Village'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 Village or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Village 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 Village has no formal policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Village complies with the provision of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2019, the Village's deposits had a carrying amount of \$1,864,482 and a bank balance of \$1,870,145. Of the bank balances, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the Pooling Method.

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Notes to Financial Statements**

2. Accounts Receivable

Receivables at the government-wide level at June 30, 2019, were as follows:

	Accounts	Taxes	Due from other governments	Other	Total
Governmental activities:					
General	\$ -	\$ 797	\$ 188,756	\$ -	\$ 189,553
Business-type activities:					
Water and sewer	\$ 89,795	\$ -	\$ -	\$ -	\$ 89,795
The due from other governments that is owed to the Village consists of the following:					
Local option sales tax				\$ 76,376	
Wayne County tax collections					5,714
State sales tax refund					6,091
Utility franchise and solid waste tax					11,984
NC Department of Public Safety - FEMA					88,591
Total				\$ 188,756	

The amounts presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2019 are net of the following allowances for doubtful accounts:

General Fund:	
<u>Taxes receivable</u>	<u>\$130</u>

Village of Walnut Creek Notes to Financial Statements

3. Capital Assets

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

	Beginning Balance 7/1/18	Increases	Decreases	Ending Balance 6/30/19
Governmental Activities:				
Capital assets not being depreciated				
Land	\$ 384,012	\$ -	\$ -	\$ 384,012
Construction in progress	1,072,747	164,734	1,237,481	-
Total capital assets not being depreciated	1,456,759	164,734	1,237,481.00	384,012
Capital assets being depreciated				
Buildings	888,831	-	-	888,831
Other improvements	2,739,642	1,237,481	-	3,977,123
Equipment	292,565	-	-	292,565
Vehicles and other motorized equipment	159,216	-	-	159,216
Infrastructure	1,968,534	-	-	1,968,534
Total capital assets being depreciated	6,048,788	1,237,481	-	7,286,269
Less accumulated depreciation				
Buildings	(219,725)	(18,180)	-	(237,905)
Other improvements	(1,617,681)	(86,999)	-	(1,704,680)
Equipment	(252,787)	(9,715)	-	(262,502)
Vehicles and other motorized equipment	(137,245)	(9,158)	-	(146,403)
Infrastructure	(1,567,336)	(27,180)	-	(1,594,516)
Total accumulated depreciation	(3,794,774)	(151,232)	-	(3,946,006)
Total capital assets being depreciated	2,254,014	1,086,249	-	3,340,263
Governmental activities capital assets, net	\$ 3,710,773	\$ 1,250,983	\$ 1,237,481	\$ 3,724,275

Depreciation expense was charged to functions/programs as follows:

General government	\$ 762
Public safety	11,392
Buildings and grounds	137,400
Cultural and recreation	1,678
Total	\$ 151,232

Village of Walnut Creek Notes to Financial Statements

	Beginning Balance 7/1/18	Increases	Decreases	Ending Balance 6/30/19
Business-Type Activities:				
Capital assets not being depreciated				
Land	\$ 73,084	\$ -	\$ -	\$ 73,084
Total capital assets not being depreciated	73,084	-	-	73,084
Capital assets being depreciated				
Substation, lines and related equipment	3,178,805	-	-	3,178,805
Total capital assets being depreciated	3,178,805	-	-	3,178,805
Less accumulated depreciation				
Substation, lines and related equipment	(1,171,264)	(117,525)	-	(1,288,789)
Total accumulated depreciation	(1,171,264)	(117,525)	-	(1,288,789)
Total capital assets being depreciated, net	2,007,541	(117,525)	-	1,890,016
Business-type activities capital assets, net	\$ 2,080,625	\$ (117,525)	\$ -	\$ 1,963,100
Depreciation expense was charged to functions/programs as follows:				
Water operations				\$ 1,473
Sewer operations				116,052
Total				\$ 117,525

Construction commitments

The government has no active construction projects as of June 30, 2019.

B. Liabilities

1. Pension Plan Obligations

a. Local Governmental Employees' Retirement System

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

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

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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. Village employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Village's contractually required contribution rate for the year ended June 30, 2019, was 15.56% of compensation for law enforcement officers and 14.81% for general employees, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Village were \$50,309 for the year ended June 30, 2019.

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

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

At June 30, 2019, the Village reported a liability of \$61,681 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017. The total pension liability was then rolled forward to the measurement date of June 30, 2018 utilizing update procedures incorporating the actuarial assumptions. The Village's proportion of the net pension liability was based on a projection of the Village's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2018, the Village's proportion was .01872%, which was a decrease of .01546% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the Village recognized pension expense of \$35,067. At June 30, 2019, the Village reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 9,516	\$ 319
Changes of assumptions	16,368	-
Net difference between projected and actual earnings on pension plan investments	8,467	-
Changes in proportion and differences between employer contributions and proportionate share of contributions Village contributions subsequent to the measurement date	41,516	-
	50,309	-
Total	\$ 126,176	\$ 319

\$50,309 reported as deferred outflows of resources related to pensions resulting from Village contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2020	\$ 32,829
2021	22,610
2022	10,286
2023	9,823
	\$ 75,548

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

Inflation	3.0 percent
Salary increases	3.5 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, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

Village of Walnut Creek Notes to Financial Statements

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed income	29.0%	1.4%
Global equity	42.0%	5.3%
Real estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation protection	6.0%	4.0%
Total	100%	

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 Village's proportionate share of the net pension asset to changes in the discount rate. The following presents the Village's proportionate share of the net pension asset calculated using the discount rate of 7.00 percent, as well as what the Village's proportionate share of the net

Village of Walnut Creek Notes to Financial Statements

pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent) or one percentage point higher (8.00 percent) than the current rate:

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Village's proportionate share of the net pension liability (asset)	\$ 1,066,772	\$ 61,681	\$ (76,210)

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

b. Law Enforcement Officers Special Separation Allowance

1. Plan Description.

The Village administers a public employee retirement system (the "Separation Allowance"), a single-employer defined benefit pension plan that provides retirement benefits to the Village's qualified sworn law enforcement officers under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to .85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full-time law enforcement officers of the Village are covered by the Separation Allowance. At December 31, 2018, the Separation Allowance's membership consisted of:

Inactive members currently receiving benefits	2
Active members	2
Total	4

A separate report was not issued for the plan.

2. Summary of Significant Accounting Policies

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

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

3. Actuarial Assumptions

The entry age actuarial cost method was used in the December 31, 2017 valuation. The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

- Inflation 2.50%
- Salary increases 3.5% to 7.35%, including inflation and productivity factor
- Discount rate 3.64%

The discount rate used to measure the TPL is the S&P Municipal Bond 20 Year High Grade Rate Index. The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an experience study completed by the Actuary for the Local Government Employees' Retirement System for the five year period ending December 31, 2014.

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

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

DEATHS AFTER RETIREMENT (BENEFICIARY): RP-2014 Healthy Annuitant base rates projected to the valuation date using MP-2015, projected forward generationally from the valuation date using MP-2015. Rates are adjusted by 123% for males and females.

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

4. Contributions

The Village is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The Village's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The Village paid \$8,545 and \$17,089, respectively, as benefits came due, for the fiscal year and June 30, 2019, and the calendar year ended December 31, 2018, the actuarial valuation period.

Village of Walnut Creek Notes to Financial Statements

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

At June 30, 2019, the Village reported a total pension liability of \$66,376. The total pension liability was measured as of December 31, 2018 based on a December 31, 2017 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2018 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2019, the Village recognized pension expense of \$15,048.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 20,744	\$ -
Changes of assumptions	332	817
Benefit payments and administrative expenses subsequent to the measurement date	8,545	-
Total	\$ 29,621	\$ 817

\$8,545 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2020	\$ 17,374
2021	2,885
	\$ 20,259

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

	Current Discount Rate		
	1% Decrease (2.64%)	(3.64%)	1% Increase (4.64%)
Total pension liability	\$ 69,293	\$ 66,376	\$ 63,595

Village of Walnut Creek Notes to Financial Statements

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

Pension liability 12/31/2017	\$	46,955
Changes for the year:		
Service cost		1,956
Interest on the total pension liability		1,214
Change in benefit terms		-
Difference between expected and actual experience in the measurement of the total pension liability		34,723
Changes in assumptions and other inputs		(1,383)
Benefit payments		(17,089)
Other changes		-
Net changes		19,421
Pension liability 12/31/2018	\$	66,376

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

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	LEOSSA	Total
Pension Expense	\$ 64,176	\$ 15,048	\$ 79,224
Pension Liability	61,681	66,376	128,057
Proportionate share of the net pension liability	0.01872%	n/a	
Deferred of Outflows of Resources			
Differences between expected and actual experience	9,516	20,744	30,260
Changes of assumptions	16,368	332	16,700
Net difference between projected and actual earnings on plan investments	8,467	-	8,467
Changes in proportion and differences between contributions and proportionate share of contributions	41,516	-	41,516
Benefit payments and administrative costs paid subsequent to the measurement date	50,309	8,545	58,854
Deferred of Inflows of Resources			
Differences between expected and actual experience	319	-	319
Changes of assumptions	-	817	817
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-	-

Village of Walnut Creek Notes to Financial Statements

c. Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description. The Village contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the Village. 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 Village to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan.

The Village made contributions of \$6,343 for the reporting year. No amounts were forfeited during the reporting year.

d. Supplemental Retirement Income Plan for General Employees

Plan Description. The Village 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 general employees (non-law enforcement personnel) employed by the Village. 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 is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy. The Village voluntarily contributes each month a matching amount not to exceed five percent of each employee's salary. Also, the employees may make voluntary contributions to the plan.

The Village made contributions of \$858 for the reporting year. No amounts were forfeited during the reporting year.

Village of Walnut Creek Notes to Financial Statements

2. Other Employment Benefit

The Village has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Government 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 less than \$25,000. All death benefit payments are from the Death Benefit Plan. The Village 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 Village considers these contributions to be immaterial.

3. Deferred Outflows and Inflows of Resources

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

Source	Amount
Contributions to pension plan in current fiscal year	\$ 50,309
Benefit payments made and administrative expenses for LEOSSA	8,545
Differences between expected and actual experience	30,260
Changes of assumptions	16,700
Net difference between projected and actual earnings on pension plan investments	8,467
Changes in proportion and differences between employer contributions and proportionate share of contributions	41,516
Total	\$ 155,797

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

Source	Statement of Net Position	General Fund Balance Sheet
Differences between expected and actual experience	\$ 319	\$ -
Changes of assumptions	817	-
Taxes receivable, less penalties (General Fund)	-	797
Total	\$ 1,136	\$ 797

Village of Walnut Creek Notes to Financial Statements

4. Risk Management

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

Village owned facilities and properties are not located within a designated flood plan. Based upon this designation, the Village has not purchased flood insurance through the National Flood Insurance Plan.

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

5. Commitments

At June 30, 2019, the Village has an agreement with Waste Solution & Recycling for collection of recyclable materials. The following is a schedule of the minimum required payments under the service contract commitment as of June 30, 2019.

Year Ended June 30,	Waste Solution & Recycling
2020	\$ 82,737
2021	82,737
Total	\$ 165,474

6. Claims, Judgments and Contingent Liabilities

At June 30, 2019, the Village was not a defendant to any lawsuits.

Village of Walnut Creek Notes to Financial Statements

7. Operating Leases

At June 30, 2019, the Village had an operating lease for office equipment. Lease expense for the fiscal year ended June 30, 2019 was \$3,168. The following is a schedule of the minimum rental payments under the lease agreement as of June 30, 2019.

Year Ended June 30,	Payment
2020	\$ 3,168
2021	3,168
2022	2,112
Total	\$ 8,448

8. Long-Term Obligations

a. Note Payable - Serviced by the Utility Fund

In 2006, the Village entered into a long-term loan agreement with the North Carolina Department of Environment, Health and Natural Resources' Clean Water Revolving and Grant Program for a wastewater enhancement project. The transaction requires an annual principal payment of \$78,245 and semi-annual interest payments at an interest rate of 2.42%, maturing May 2025. Estimated maturities of long-term debt for the next five fiscal years through satisfaction and payment of the debt are as follows:

Wastewater Enhancement Note Payable			
Year Ending June 30,	Principal	Interest	Total
2020	\$ 78,245	\$ 11,361	\$ 89,606
2021	78,245	9,468	87,713
2022	78,245	7,574	85,819
2023	78,245	5,681	83,926
2024	78,244	3,787	82,031
2025	78,245	1,893	80,138
Total	\$ 469,469	\$ 39,764	\$ 509,233

Village of Walnut Creek Notes to Financial Statements

Changes in long-term debt for the fiscal year ended June 30, 2019 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion of Balance
Governmental Activities:					
Compensated absences	\$ 12,173	\$ 6,291	\$ -	\$ 18,464	\$ 4,616
Net pension liability (LGERS)	49,804	11,877	-	61,681	-
Special separation allowance (LEO)	46,955	19,421	-	66,376	-
Governmental activities long-term liabilities	\$ 108,932	\$ 37,589	\$ -	\$ 146,521	\$ 4,616
Business-Type Activities:					
State revolving loan	\$ 547,714	\$ -	\$ 78,245	\$ 469,469	\$ 78,245
Business-type activities liabilities	\$ 547,714	\$ -	\$ 78,245	\$ 469,469	\$ 78,245

At

June 30, 2019, the Village of Walnut Creek had a legal debt margin of \$14,621,467.

C. Interfund Balances and Activity

Balances due to/from other funds at June 30, 2019, consist of the following:

Amounts Due from the General Fund to the Water and Sewer Fund as of June 30, 2019 for general operating expenses to be repaid in the next fiscal year total \$13,617.

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	\$ 1,049,939
Less:	
Stabilization by State Statute	188,756
Streets - Powell Bill	33,187
Disaster Response Reserve	100,000
Long Range Planning Reserve	20,000
Capital Asset Replacement Reserve	15,000
Subsequent year's expenditures	30,000
Working Capital / Fund Balance Policy	662,996
Remaining Fund Balance	\$ -

For additional information regarding Fund Balance, please see Note I, 10.

NOTE III – RELATED PARTY TRANSACTIONS

During the 2019 fiscal year, the Village purchased HVAC services from Jackson & Sons, Inc. A Village council member is an owner and operator of this company. The total expenses for these services amounted to \$760.

NOTE IV – SUMMARY OF DISCLOSURE OF SIGNIFICANT CONTINGENCIES

Federal and State Assisted Programs

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

NOTE V – SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 12, 2019, the date on which the financial statements were available to be issued.



Village of Walnut Creek Required Supplementary Financial Data

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

- Schedule of Proportionate Share of Net Pension Asset for Local Government Employees' Retirement System
- Schedule of Contributions to Local Government Employees' Retirement System
- Schedule of Changes in Total Pension Liability
- Schedule of Total Pension Liability as a Percentage of Covered Payroll

Village of Walnut Creek
Schedule of Proportionate Share of Net Pension Liability (Asset) for
Local Government Employees' Retirement System
Required Supplementary Information
Last Six Fiscal Years *
Schedule 1

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Walnut Creek's proportion of the net pension liability (asset) (%)	0.01872%	0.00326%	0.00355%	0.00349%	0.00352%	0.00370%
Walnut Creek's proportion of the net pension liability (asset) (\$)	\$ 61,681	\$ 49,804	\$ 75,343	\$ 15,663	\$ (20,759)	\$ 44,599
Walnut Creek's covered-employee payroll	\$ 291,007	\$ 256,951	\$ 259,925	\$ 270,109	\$ 245,920	\$ 255,175
Walnut Creek's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	21.20%	19.38%	28.99%	5.80%	(8.44%)	17.48%
Plan fiduciary net position as a percentage of the total pension liability**	91.63%	94.18%	91.47%	98.09%	102.64%	94.35%

Notes to the schedule:

As information becomes available, the Village will present the ten most current fiscal year data.

* 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.

Village of Walnut Creek
Schedule of Contributions to
Local Government Employees' Retirement System
Required Supplementary Information
Last Six Fiscal Years
Schedule 2

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 50,309	\$ 43,347	\$ 34,514	\$ 16,937	\$ 19,512	\$ 18,522
Contributions in relation to the contractually required contribution	50,309	43,347	34,514	16,937	19,512	18,522
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Walnut Creek's covered-employee payroll	\$ 333,270	\$ 291,007	\$ 256,951	\$ 259,925	\$ 270,109	\$ 245,920
Contributions as a percentage of covered-employee payroll	15.10%	14.90%	13.43%	6.52%	7.22%	7.53%

Notes to the schedule:

As information becomes available, the Village will present the ten most current fiscal year data.

Village of Walnut Creek
Schedule of Changes in Total Pension Liability –
Law Enforcement Officers’ Special Separation Allowance
Required Supplementary Information
Last Three Fiscal Years
Schedule 3

	2019	2018	2017
Beginning balance	\$ 46,955	\$ 42,172	\$ 46,684
Service cost	1,956	1,828	1,642
Interest on the total pension liability	1,214	1,412	1,534
Change in benefit terms	-	-	-
Difference between expected and actual experience in the measurement of the total pension liability	34,723	10,812	-
Changes in assumptions and other inputs	(1,383)	1,908	(237)
Benefit payments	(17,089)	(11,177)	(7,451)
Other changes	-	-	-
Ending balance	<u>\$ 66,376</u>	<u>\$ 46,955</u>	<u>\$ 42,172</u>

Notes to the schedule:

The amounts presented for each fiscal year were determined as of the prior fiscal year ending December 31.

As information becomes available, the Village will present the ten most current fiscal year data.

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

Village of Walnut Creek
Schedule of Total Pension Liability as a Percentage of Covered Payroll –
Law Enforcement Officers’ Special Separation Allowance
Required Supplementary Information
Last Three Fiscal Years
Schedule 4

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

	2019	2018	2017
Total pension liability	\$ 66,376	\$ 46,955	\$ 42,172
Covered payroll	94,185	93,996	90,811
Total pension liability as a percentage of covered payroll	70.47%	49.95%	46.44%

Notes to the schedule:

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

As information becomes available, the Village will present the ten most current fiscal year data.

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



Village of Walnut Creek Individual Fund Statements

This section contains additional information for the individual funds of the Village.

- General Fund Schedules of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual
- Water and Sewer Fund Combining Schedules of Revenues and Expenditures (Non-GAAP)
- Water and Sewer Fund Schedules of Revenues and Expenditures (Non-GAAP)

Village of Walnut Creek
General Fund Schedules of Revenues, Expenditures, and
Changes in Fund Balances – Budget and Actual
For the Fiscal Year Ended June 30, 2019
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2018)
Schedule 5

	2019 Budget	2019 Actual	Variance Positive (Negative)	2018 Actual
Revenues:				
Ad valorem taxes:				
Taxes	\$ 740,014	\$ 769,373	\$ 29,359	\$ 765,171
Interest	-	1,296	1,296	1,823
Total	740,014	770,669	30,655	766,994
Unrestricted intergovernmental:				
Local option sales taxes	364,986	332,751	(32,235)	276,783
Utility franchise tax	54,000	62,415	8,415	58,054
Hold harmless	-	90,641	90,641	78,394
Beer and wine tax	3,800	3,573	(227)	3,634
Total	422,786	489,380	66,594	416,865
Restricted intergovernmental:				
State - Powell Bill allocation	34,800	34,112	(688)	34,820
Solid waste disposal tax	550	614	64	558
Federal - FEMA grant	240,000	73,728	(166,272)	1,014,250
Total	275,350	108,454	(166,896)	1,049,628
Permits and fees:				
Boat sticker fees	6,500	9,500	3,000	7,850
Building permits	1,500	4,731	3,231	1,578
Total	8,000	14,231	6,231	9,428
Investment earnings	1,610	8,216	6,606	88
Miscellaneous	1,200	4,030	2,830	817
Total revenues	1,448,960	1,394,980	(53,980)	2,243,820
Expenditures:				
General government:				
Administration:				
Salary and benefits	96,946	122,275	(25,329)	232,532
Other operating expenditures	173,350	88,967	84,383	92,348
Contract services	22,500	28,324	(5,824)	21,120
Total	292,796	239,566	53,230	346,000
Public safety:				
Police:				
Salaries and benefits	175,975	208,963	(32,988)	146,979
Other operating expenditures	90,900	38,905	51,995	29,244
Total	266,875	247,868	19,007	176,223

Village of Walnut Creek
General Fund Schedules of Revenues, Expenditures, and
Changes in Fund Balances – Budget and Actual
For the Fiscal Year Ended June 30, 2019
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2018)
Schedule 5

	2019 Budget	2019 Actual	Variance Positive (Negative)	2018 Actual
Fire:				
Other operating expenditures	104,000	103,022	978	102,934
Total public safety	370,875	350,890	19,985	279,157
Buildings and grounds:				
Salaries and benefits	162,310	182,020	(19,710)	109,852
Utilities	33,000	31,075	1,925	30,166
Equipment and vehicle maintenance	24,000	18,625	5,375	21,128
Entrance improvements	18,000	13,755	4,245	10,871
Village owned properties	58,000	55,305	2,695	13,162
Village owned properties - FEMA	170,000	164,734	5,266	944,847
Hurricane Florence - FEMA	70,000	69,595	405	-
Other operating expenses	2,500	1,624	876	-
Capital outlay	2,000	972	1,028	21,908
Road maintenance	105,950	78,817	27,133	270
Total	645,760	616,522	29,238	1,152,204
Economic/physical development:				
Planning and zoning:				
Other operating expenditures	37,600	17,533	20,067	17,557
Environmental protection:				
Sanitation:				
Other operating expenditures	84,500	84,442	58	81,278
Cultural and recreational:				
Lake property and recreation:				
Property maintenance	90,173	74,220	15,953	74,455
Total expenditures	1,521,704	1,383,173	138,531	1,950,651
Revenues over (under) expenditures	(72,744)	11,807	84,551	293,169
Other financing sources (uses):				
Transfers from (to) other funds	-	-	-	(156,102)
Total other financing sources (uses)	-	-	-	(156,102)
Appropriated fund balance	72,744	-	(72,744)	-
Net change in fund balance	\$ -	11,807	\$ 11,807	137,067
Fund balances - beginning		1,038,132		901,065
Fund balances - ending		\$ 1,049,939		\$ 1,038,132

Village of Walnut Creek
Water and Sewer Fund Combining Schedules of
Revenues and Expenditures (Non-GAAP)
For the Fiscal Year Ended June 30, 2019
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2018)
Schedule 6

	Water and Sewer		Totals	
	Water Operating Fund	Sewer Operating Fund	2019	2018
Revenues:				
Operating revenue:				
Charges for services	\$ 172,845	\$ 168,911	\$ 341,756	\$ 334,494
Late fees	3,445	-	3,445	1,995
Reconnect fees	1,400	-	1,400	600
Tap fees	18,470	16,500	34,970	4,000
Back flow devices	3,700	-	3,700	530
Non-operating revenues	9,332	68,000	77,332	8,072
Total revenues	209,192	253,411	462,603	349,691
Expenditures:				
Administration:				
Other operating expenditures	90,052	192,292	282,344	217,811
Debt service	-	91,500	91,500	93,392
Capital outlay	-	-	-	7,529
Total expenditures	90,052	283,792	373,844	318,732
Revenues over (under) expenditures	119,140	(30,381)	88,759	30,959
Other financing sources (uses)				
Transfers from (to) other funds	-	-	-	156,102
Revenues over (under) expenditures	\$ 119,140	\$ (30,381)	\$ 88,759	\$ 187,061
Reconciliation from budgetary basis (modified accrual) to full accrual basis				
Revenue and other financing sources over (under) expenditures	\$ 119,140	\$ (30,381)	\$ 88,759	\$ 187,061
Reconciling items:				
Principal retirement	-	78,245	78,245	78,244
Capital outlay	-	-	-	7,529
Accrued Interest	-	311	311	(2,179)
Loss on disposal of capital assets	-	-	-	(422,730)
Depreciation	(1,473)	(116,052)	(117,525)	(132,062)
Total	(1,473)	(37,496)	(38,969)	(471,198)
Change in net position (full accrual)	\$ 117,667	\$ (67,877)	\$ 49,790	\$ (284,137)

Village of Walnut Creek
Water and Sewer Fund Schedules of
Revenues and Expenditures (Non-GAAP)
For the Fiscal Year Ended June 30, 2019
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2018)
Schedule 7

	2019 Budget	2019 Actual	Positive (Negative) Variance	2018 Actual
Water revenue:				
Operating revenue:				
Charges for services	\$ 166,219	\$ 172,845	\$ 6,626	\$ 168,290
Late fees	605	3,445	2,840	1,995
Reconnect fees	500	1,400	900	600
Tap fees	2,000	18,470	16,470	3,000
Back flow devices	300	3,700	3,400	530
Total	169,624	199,860	30,236	174,415
Sewer revenue:				
Operating revenue:				
Charges for services:				
Residential	154,200	160,911	6,711	158,204
Commercial	8,000	8,000	-	8,000
Total	162,200	168,911	6,711	166,204
Sewer taps	1,000	16,500	15,500	1,000
Total	163,200	185,411	22,211	167,204
Non-operating revenue:				
Impact fees	68,000	68,000	-	8,000
Miscellaneous	500	1,212	712	-
Interest	1,680	8,120	6,440	72
Total	70,180	77,332	7,152	8,072
Total revenue	403,004	462,603	59,599	349,691
Water expenditures:				
Administration:				
Other operating expenditures	21,904	15,541	6,363	8,783
Purchase of water	70,000	74,511	(4,511)	71,444
Total	91,904	90,052	1,852	80,227
Sewer expenditures:				
Administration:				
Other operating expenditures	104,700	91,290	13,410	65,189
Sewer treatment fees	101,500	101,002	498	72,395
Total	206,200	192,292	13,908	137,584
Debt service:				
Principal retirement	78,245	78,245	-	78,244
Interest and fees	13,255	13,255	-	15,148
Total	91,500	91,500	-	93,392
Capital outlay:				
Sewer equipment	21,900	-	21,900	7,529
Total expenditures	411,504	373,844	37,660	318,732
Revenues over (under) expenditures	(8,500)	88,759	97,259	30,959
Other financing sources (uses)				
Transfers from (to) other funds	-	-	-	156,102
Total other financing sources (uses)	-	-	-	156,102
Appropriated fund balance	8,500	-	8,500	-
Revenues over (under) expenditures	\$ -	\$ 88,759	\$ 88,759	\$ 187,061

Village of Walnut Creek
Water and Sewer Fund Schedules of
Revenues and Expenditures (Non-GAAP)
For the Fiscal Year Ended June 30, 2019
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2018)
Schedule 7

	<u>2019 Actual</u>	<u>2018 Actual</u>
Reconciliation from budgetary basis (modified accrual) to full accrual basis		
Revenues over (under) expenditures	\$ 88,759	\$ 187,061
Reconciling items:		
Principal retirement	78,245	78,244
Capital outlay	-	7,529
Accrued Interest	311	(2,179)
Loss on disposal of capital assets	-	(422,730)
Depreciation	(117,525)	(132,062)
Total	(38,969)	(471,198)
Change in net position (full accrual)	\$ 49,790	\$ (284,137)

This section contains additional information on property taxes of the Village.

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

Village of Walnut Creek
Schedule of Ad Valorem Taxes Receivable
June 30, 2019
Schedule 8

Fiscal Year	Uncollected Balance June 30, 2018	Additions	Collections and Credits	Uncollected Balance June 30, 2019
2018 - 2019	\$ -	\$ 767,710	\$ 766,913	\$ 797
2017 - 2018	2,459	-	2,459	-
2016 - 2017	-	-	-	-
2015 - 2016	-	-	-	-
2014 - 2015	-	-	-	-
2013 - 2014	24	-	-	24
2012 - 2013	5	-	-	5
2011 - 2012	58	-	-	58
2010 - 2011	43	-	-	43
2009 - 2010	382	-	382	-
	<u>2,971</u>	<u>\$ 767,710</u>	<u>\$ 769,754</u>	<u>927</u>
Less allowance for uncollectible accounts	<u>(512)</u>			<u>(130)</u>
Ad-valorem taxes receivable - net	<u>\$ 2,459</u>			<u>\$ 797</u>

Reconcilement with revenue

Ad valorem taxes - General Fund	\$ 770,669
Reconciling items:	
Taxes written off	381
Interest collected	(1,296)
Total collections and credits	<u>\$ 769,754</u>

Village of Walnut Creek
Analysis of Current Tax Levy – Village-Wide Levy
June 30, 2019
Schedule 9

	Total Property Valuation	Rate	Amount of Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy					
Property taxed at current year rate	\$ 182,823,810	\$ 0.4200	\$ 767,860	\$ 700,760	\$ 67,100
Property taxed at prior year rate	-	0.4200	-	-	-
Penalties			83	83	-
Discoveries	-		-	-	-
Abatements	<u>(55,476)</u>	\$ 0.4200	<u>(233)</u>	<u>(8)</u>	<u>(225)</u>
Total property valuation	<u><u>\$ 182,768,333</u></u>				
Net levy			\$ 767,710	\$ 700,835	\$ 66,875
Uncollected taxes at June 30, 2019			<u>(797)</u>	<u>(797)</u>	<u>-</u>
Current year's taxes collected			<u><u>\$ 766,913</u></u>	<u><u>\$ 700,038</u></u>	<u><u>\$ 66,875</u></u>
Current levy collection percentage			<u><u>99.90%</u></u>	<u><u>99.89%</u></u>	<u><u>100.00%</u></u>



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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Village Council
Village of Walnut Creek, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of the Village of Walnut Creek, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Village of Walnut Creek, North Carolina's (the Village) basic financial statements and have issued our report thereon dated December 12, 2019.

Internal Control Over Financial Reporting

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

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

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

Caru, Riggs & Ingram, L.L.C.

Goldsboro, North Carolina
December 12, 2019