

Village of Walnut Creek

Financial Report

June 30, 2020



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Village of Walnut Creek
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June 30, 2020

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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, 2020, 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, 2020, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 – 15, the Local Government Employees' Retirement System's Schedules of Proportionate Share of Net Pension Liability (Asset) and Contributions, on pages 61 and 62, 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 63 and 64 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 16, 2020, 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 16, 2020

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, 2020. 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 \$7,597,873 (net position).
- The government's total net position increased by \$286,815, due primarily to an increase in intergovernmental state shared revenues and reimbursements from FEMA for damages due to hurricanes incurred in the prior year.
- As of the close of the current fiscal year, the Village's governmental fund (General Fund) reported an ending fund balance of \$1,471,642, an increase of \$421,703 in comparison with the prior year. Approximately 76% percent of this total amount, or \$1,115,924, 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 III, D.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1,115,924, or 92% percent of total general fund expenditures for the fiscal year.

Overview of the Financial Statements

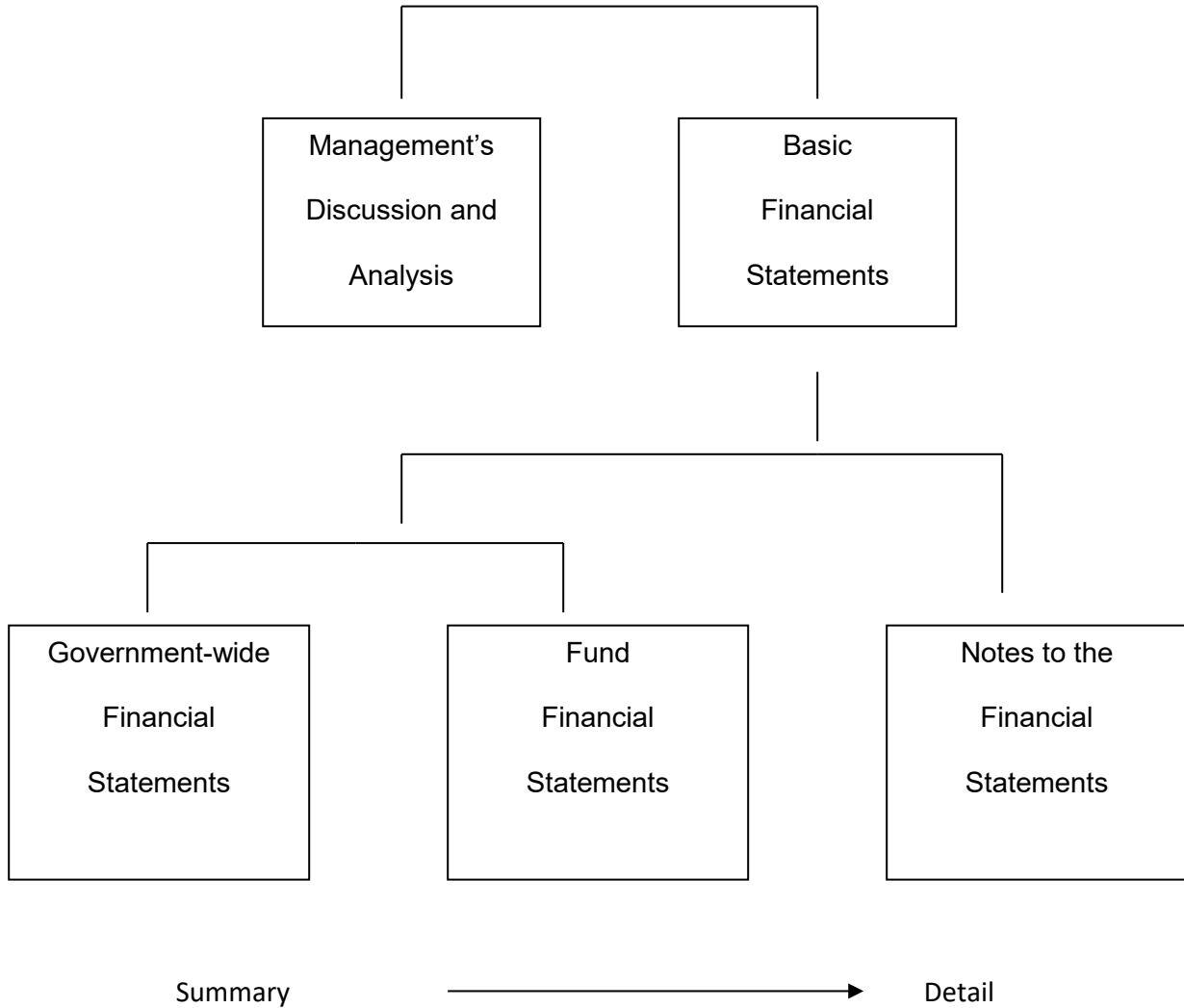
This discussion and analysis is intended to serve as an introduction to the Village's basic financial statements. The Village's basic financial statements consist of three components (see figure 1). They are as follows:

- 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, the required supplemental information provides information about the Village's participation in the state retirement plan and law enforcement officers' pension plan and supplemental information is provided to show details about the Village's individual funds and tax related information. 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 - 59 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 61 through 64 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 - 73 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,

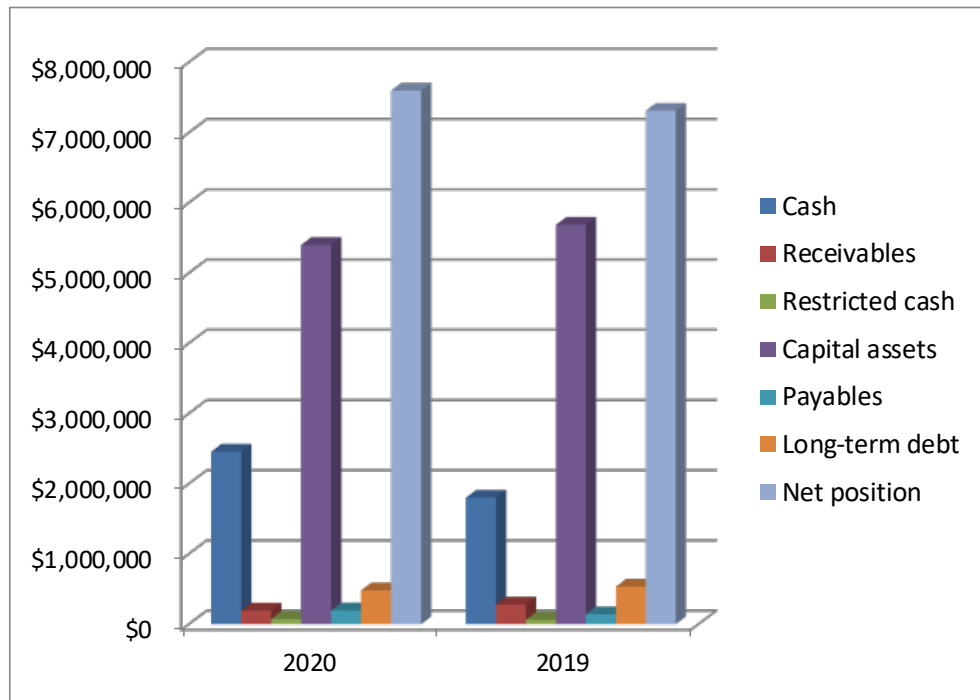
	Governmental Activities		Business-type Activities		Total Primary Government	
	2020	2019	2020	2019	2020	2019
Current assets	\$ 1,536,391	\$ 1,086,937	\$ 1,185,047	\$ 1,056,893	\$ 2,721,438	\$ 2,143,830
Non-current assets	3,553,698	3,724,275	1,846,565	1,963,100	5,400,263	5,687,375
Deferred outflows of resources	154,652	155,797	-	-	154,652	155,797
Total assets and deferred outflows of resources	5,244,741	4,967,009	3,031,612	3,019,993	8,276,353	7,987,002
Current liabilities	69,892	40,817	127,083	100,862	196,975	141,679
Long-term liabilities	168,398	141,905	312,979	391,224	481,377	533,129
Deferred inflows of resources	128	1,136	-	-	128	1,136
Total liabilities and deferred inflows of resources	238,418	183,858	440,062	492,086	678,480	675,944
Net investment in capital assets	3,553,698	3,724,275	1,455,341	1,493,631	5,009,039	5,217,906
Restricted net position	137,654	221,943	-	-	137,654	221,943
Unrestricted net position	1,314,971	836,933	1,136,209	1,034,276	2,451,180	1,871,209
Total net position	<u>\$ 5,006,323</u>	<u>\$ 4,783,151</u>	<u>\$ 2,591,550</u>	<u>\$ 2,527,907</u>	<u>\$ 7,597,873</u>	<u>\$ 7,311,058</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 \$7,597,873 as of June 30, 2020. The Village's net position increased by \$286,815 for the fiscal year ended June 30, 2020. However, the largest portion of net position (66%) 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, \$137,654 or 2% represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$2,451,180 or 32% is unrestricted.

Government-wide Statement of Net Position Components – 6/30/2020 and 6/30/2019
(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
- Reduction in expenditures for damages and repairs due to hurricanes incurred in the previous year
- Reimbursements from FEMA relating to Hurricanes Matthew and Florence

Governmental activities: Governmental activities increased the Village's net position by \$223,172. 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 shared revenues and sales tax
- Increase in FEMA reimbursements associated with Hurricanes Matthew and Florence.

Village of Walnut Creek Management's Discussion and Analysis

Business-type activities: Business-type activities increased the Village's net position by \$63,643. Key elements of this increase are as follows:

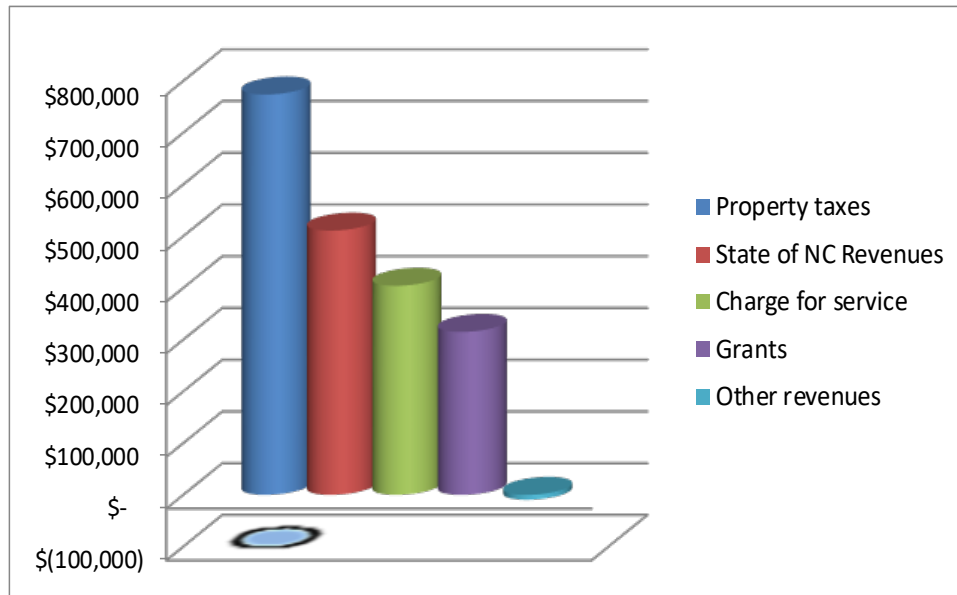
- Decreases in operating expenditures for sewer from 2019 to 2020

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,

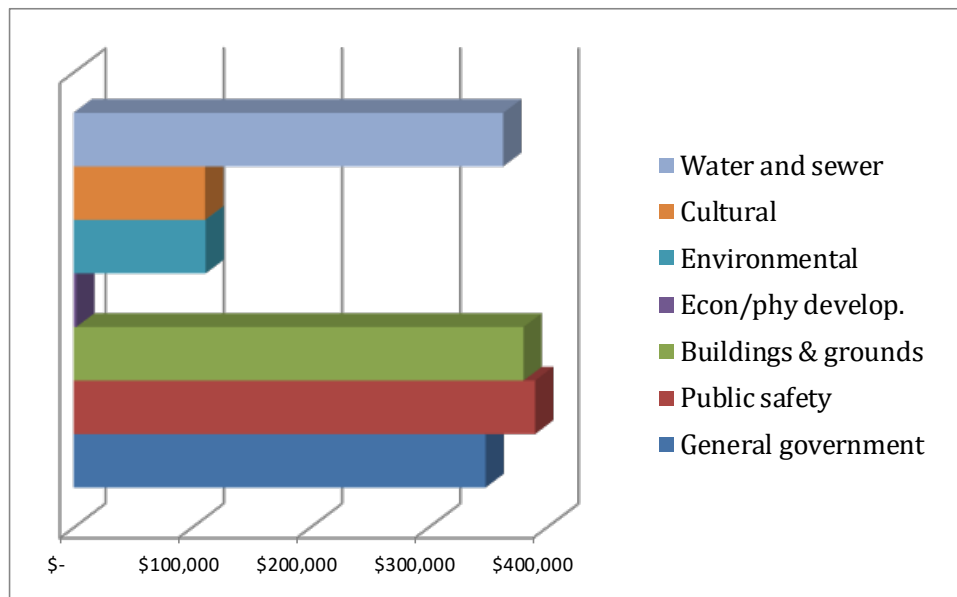
	2020			2019		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Revenues:						
Program revenues:						
Charges for services	\$ 15,298	\$ 388,864	\$ 404,162	\$ 14,231	\$ 385,271	\$ 399,502
Grants and contributions	314,989	-	314,989	108,454	-	108,454
General revenues:						
Property taxes	773,772	-	773,772	769,007	-	769,007
Unrestricted intergovernmental	510,737	-	510,737	489,380	-	489,380
Other	(47,317)	37,999	(9,318)	12,246	77,332	89,578
Total revenues	<u>1,567,479</u>	<u>426,863</u>	<u>1,994,342</u>	<u>1,393,318</u>	<u>462,603</u>	<u>1,855,921</u>
Expenses:						
General government	348,352	-	348,352	237,540	-	237,540
Public safety	390,241	-	390,241	365,211	-	365,211
Buildings and grounds	380,473	-	380,473	586,598	-	586,598
Economic/physical development	2,380	-	2,380	17,533	-	17,533
Environmental protection	111,714	-	111,714	84,442	-	84,442
Cultural and recreation	111,147	-	111,147	75,898	-	75,898
Water	-	100,504	100,504	-	91,525	91,525
Sewer	-	262,716	262,716	-	321,288	321,288
Total expenses	<u>1,344,307</u>	<u>363,220</u>	<u>1,707,527</u>	<u>1,367,222</u>	<u>412,813</u>	<u>1,780,035</u>
Increase (decrease) in net position	223,172	63,643	286,815	26,096	49,790	75,886
Net position, July 1	<u>4,783,151</u>	<u>2,527,907</u>	<u>7,311,058</u>	<u>4,757,055</u>	<u>2,478,117</u>	<u>7,235,172</u>
Net position, June 30	<u>\$ 5,006,323</u>	<u>\$ 2,591,550</u>	<u>\$ 7,597,873</u>	<u>\$ 4,783,151</u>	<u>\$ 2,527,907</u>	<u>\$ 7,311,058</u>

Village of Walnut Creek Management's Discussion and Analysis

Government-wide Revenues – 6/30/2020



Government-wide Expenses – 6/30/2020



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 \$1,115,924, while total fund balance reached \$1,471,642. 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 92% percent of total General Fund expenditures, while total fund balance represents 122% 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, 2020, the minimum fund balance amount per the policy totaled \$604,175, with an amount available for working capital totaling \$604,175. For additional information regarding Fund Balance, please see Note III, 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 \$1,136,209 at the government-wide level, whereas net position comprised of net investment in capital assets amounted to \$1,455,341. The total increase in net position was \$63,643 from the previous fiscal year, primarily due to reduction in operating expenses and repairs for sewer.

Village of Walnut Creek Management's Discussion and Analysis

Capital Asset and Debt Administration

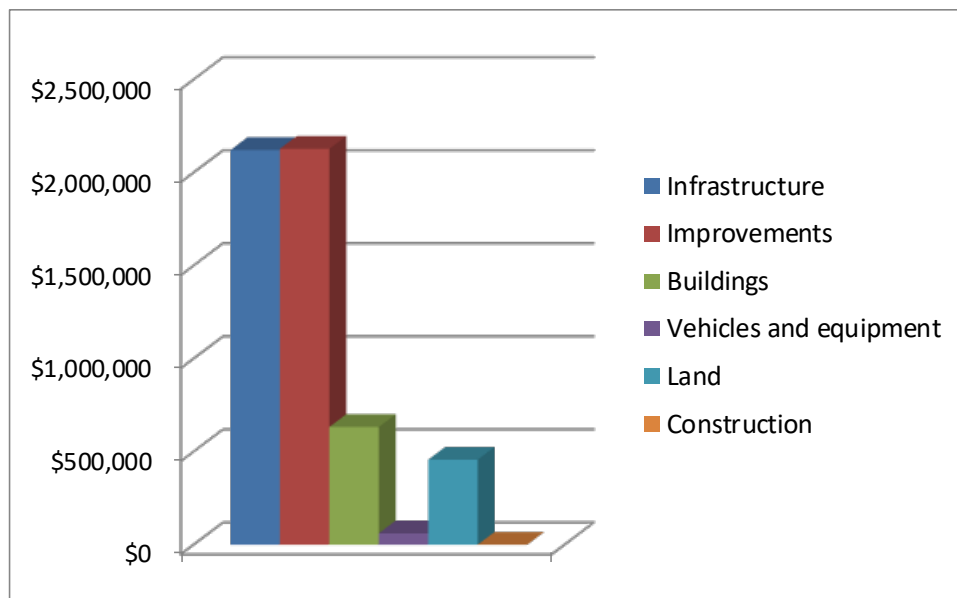
Capital assets. The Village's capital assets for its governmental and business-type activities as of June 30, 2020, totals \$5,400,263 (net of accumulated depreciation). These assets include land, buildings, infrastructure, machinery, and equipment.

The significant capital asset additions during the year were:

- Replacement of pedestrian bridge destroyed by Hurricane Florence at costs of \$46,020
- Purchase of vehicle for Police Department at cost of \$31,936
- Purchase of utility body for Public Works truck at cost of \$5,793

Additional information on the Village's capital assets can be found on pages 44 and 45 of this report.

Government-wide Capital Assets – 6/30/2020



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	
	2020	2019	2020	2019	2020	2019
Land	\$ 384,012	\$ 384,012	\$ 73,084	\$ 73,084	\$ 457,096	\$ 457,096
Buildings	632,747	650,926	-	-	632,747	650,926
Other improvements	2,128,132	2,272,443	-	-	2,128,132	2,272,443
Equipment	21,182	30,063	-	-	21,182	30,063
Vehicles	39,874	12,813	-	-	39,874	12,813
Infrastructure	347,751	374,018	1,773,481	1,890,016	2,121,232	2,264,034
Total	<u>\$ 3,553,698</u>	<u>\$ 3,724,275</u>	<u>\$ 1,846,565</u>	<u>\$ 1,963,100</u>	<u>\$ 5,400,263</u>	<u>\$ 5,687,375</u>

Long-term Debt. As of June 30, 2020, the Village had total debt outstanding of \$391,224, excluding compensated absences and retirement related liability amounts. At June 30, 2020, 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	
	2020	2019	2020	2019	2020	2019
Compensated absences	\$ 24,013	\$ 18,464	\$ -	\$ -	\$ 24,013	\$ 18,464
Net pension liability	95,036	61,681	-	-	95,036	61,681
Special separation allowance (LEO)	55,352	66,376	-	-	55,352	66,376
State revolving loan	-	-	391,224	469,469	391,224	469,469
Total	<u>\$ 174,401</u>	<u>\$ 146,521</u>	<u>\$ 391,224</u>	<u>\$ 469,469</u>	<u>\$ 565,625</u>	<u>\$ 615,990</u>

Additional information on the Village's long-term debt can be found on page 57 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, 2020 with the minimum rate increasing to \$35.00 per month from \$62.61 per quarter.

Village of Walnut Creek Management's Discussion and Analysis

- The Village's residential sewer rates increased effective July 1, 2020 from \$150 per quarter to \$60 per month.

Budget Highlights for the Fiscal Year Ending June 30, 2021

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 2020 amounts except for a reduction in the budget for contingencies of \$229,020. Estimated General Fund expenditures for fiscal year 2021 are \$1,290,500, compared to \$1,517,900 for fiscal year 2020.

Business – type Activities: Water and sewer revenues are expected to increase with additional customers, increases in the residential water and sewer rates, 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.walnutcreeknnc.com or send an email to the Village Administrator at robert.parchman@walnutcreeknnc.com.

Village of Walnut Creek Council Members and Key Staff

Village Council Members

Danny Jackson, Mayor

Cyndi Dupuy, Mayor Pro Tem

Stoney Sloan

John Seegars

Phillip Moyer

Administrative and Financial Staff

Robert Parchman, Village Administrator

Peggy Page, Village Clerk

Village of Walnut Creek
Statement of Net Position
June 30, 2020
Exhibit 1

	Primary Government		
	Governmental	Business-type	Total
	Activities	Activities	
Assets			
Current assets:			
Cash and cash equivalents	\$ 1,394,155	\$ 1,062,148	\$ 2,456,303
Receivables (net)	860	87,671	88,531
Due from other governments	104,799	-	104,799
Internal balances	(22,428)	22,428	-
Restricted cash and cash equivalents	59,005	12,800	71,805
Total current assets	1,536,391	1,185,047	2,721,438
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	3,169,686	1,773,481	4,943,167
Total capital assets	3,553,698	1,846,565	5,400,263
Total assets	5,090,089	3,031,612	8,121,701
Deferred outflows of resources			
Pension deferrals	154,652	-	154,652
Liabilities			
Current liabilities:			
Accounts payable and accrued liabilities	37,739	36,038	73,777
Customer deposits	26,150	12,800	38,950
Current portion of long-term liabilities	6,003	78,245	84,248
Total current liabilities	69,892	127,083	196,975
Long-term liabilities:			
Net pension liability	95,036	-	95,036
Total pension liability	55,352	-	55,352
Due in more than one year	18,010	312,979	330,989
Total long-term liabilities	168,398	312,979	481,377
Total liabilities	238,290	440,062	678,352
Deferred inflows of resources			
Pension deferrals	128	-	128
Net position			
Net investment in capital assets	3,553,698	1,455,341	5,009,039
Restricted for:			
Stabilization by State Statute	104,799	-	104,799
Streets	32,855	-	32,855
Unrestricted	1,314,971	1,136,209	2,451,180
Total net position	\$ 5,006,323	\$ 2,591,550	\$ 7,597,873

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, 2020
Exhibit 2

		Program Revenues			Net (Expense) Revenue and Changes in Net Position			
					Primary Government			
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
Primary government:								
Governmental Activities:								
General government	\$ 348,352	\$ -	\$ -	\$ -	\$ (348,352)	\$ -	\$ (348,352)	
Public safety	390,241	-	-	-	(390,241)	-	(390,241)	
Buildings and grounds	380,473	-	33,798	280,567	(66,108)	-	(66,108)	
Economic/physical development	2,380	4,048	-	-	1,668	-	1,668	
Environmental protection	111,714	-	624	-	(111,090)	-	(111,090)	
Cultural and recreation	111,147	11,250	-	-	(99,897)	-	(99,897)	
Total governmental activities (See Note 1)	1,344,307	15,298	34,422	280,567	(1,014,020)	-	(1,014,020)	
Business-type activities:								
Water	100,504	219,621	-	-	-	119,117	119,117	
Sewer	262,716	169,243	-	-	-	(93,473)	(93,473)	
Total business-type activities	363,220	388,864	-	-	-	25,644	25,644	
Total primary government	\$ 1,707,527	\$ 404,162	\$ 34,422	\$ 280,567	(1,014,020)	25,644	(988,376)	
General revenues:								
Taxes:								
Property taxes, levied for general purpose					773,772	-	773,772	
Grant and contributions not restricted to specific programs					510,737	-	510,737	
Unrestricted investment earnings					6,133	5,999	12,132	
Miscellaneous					9,186	32,000	41,186	
Loss on disposal of assets					(62,636)	-	(62,636)	
Total general revenues					1,237,192	37,999	1,275,191	
Change in net position					223,172	63,643	286,815	
Net position - beginning					4,783,151	2,527,907	7,311,058	
Net position - ending					\$ 5,006,323	\$ 2,591,550	\$ 7,597,873	

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

Village of Walnut Creek
Balance Sheet – Governmental Fund
June 30, 2020
Exhibit 3

	General
Assets	
Cash and cash equivalents	\$ 1,394,155
Restricted cash	59,005
Receivables, net:	
Taxes	860
Due from other governments	104,799
Total assets	\$ 1,558,819
Liabilities, Deferred Inflows of Resources and Fund Balances	
Liabilities:	
Accounts payable and accrued expenses	\$ 37,739
Customer deposits	26,150
Due to other fund	22,428
Total liabilities	86,317
Deferred inflows of resources	
Property tax receivable	860
Total deferred inflows of resources	860
Fund balances	
Restricted:	
Stabilization by State Statute	104,799
Streets	32,855
Assigned:	
Disaster Response Reserve	150,000
Long Range Planning Reserve	40,000
Capital Asset Replacement Reserve	28,064
Unassigned	1,115,924
Total fund balances	1,471,642
Total liabilities, deferred inflows of resources and fund balances	\$ 1,558,819
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	
Total fund balance - governmental fund	\$ 1,471,642
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Gross capital assets at historical cost	7,691,394
Accumulated depreciation	(4,137,696)
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds.	
Total pension liability	(95,036)
Net pension liability	(55,352)
Compensated absences	(24,013)
Deferred outflows of resources related to pensions are not reported in the funds	154,652
Amounts for unavailable revenues considered deferred inflows of resources in fund statements	860
Deferred inflows of resources related to pensions are not reported in the funds	(128)
Net position of governmental activities	\$ 5,006,323

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

Village of Walnut Creek
Statement of Revenues, Expenditures, and Changes in
Fund Balance – Governmental Fund
For the Fiscal Year Ended June 30, 2020
Exhibit 4

	General
Revenues	
Ad valorem taxes	\$ 773,709
Unrestricted intergovernmental	510,737
Restricted intergovernmental	314,989
Permits and fees	15,298
Investment earnings	6,133
Miscellaneous	9,186
Total revenues	1,630,052
Expenditures	
General government	255,972
Public safety	395,449
Buildings and grounds	372,527
Economic/physical development	2,380
Environmental protection	111,714
Culture and recreation	70,307
Total expenditures	1,208,349
Revenues over (under) expenditures	421,703
Fund balance - beginning	1,049,939
Fund balance - ending	\$ 1,471,642

**Reconciliation of the Statement of Revenues, Expenditures, and Changes 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	\$ 421,703
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	(191,690)
Capital asset acquisitions	83,749
Basis of capital assets disposed	(62,636)
Contributions to the pension plan in the current fiscal year not included on the Statement of Activities	50,239
Benefit payments paid and administrative expense for the LEOSSA 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	63
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	(5,549)
Pension expense - LEOSSA	(14,111)
Pension expense - NCLGERS	(67,141)
Total changes in net position of governmental activities	\$ 223,172

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, 2020
Exhibit 5

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues				
Ad valorem taxes	\$ 775,000	\$ 775,000	\$ 773,709	\$ (1,291)
Unrestricted intergovernmental	423,800	423,800	510,737	86,937
Restricted intergovernmental	272,800	318,900	314,989	(3,911)
Permits and fees	9,000	9,000	15,298	6,298
Investment earnings	6,800	7,700	6,133	(1,567)
Miscellaneous	500	500	9,186	8,686
Total revenues	1,487,900	1,534,900	1,630,052	95,152
Expenditures				
General government	396,475	396,475	255,972	140,503
Public safety	350,000	395,000	395,449	(449)
Buildings and grounds	256,800	303,800	372,527	(68,727)
Economic/physical development	35,000	35,000	2,380	32,620
Environmental protection	122,000	122,000	111,714	10,286
Cultural and recreational	357,625	312,625	70,307	242,318
Total expenditures	1,517,900	1,564,900	1,208,349	356,551
Revenues over (under) expenditures	(30,000)	(30,000)	421,703	451,703
Appropriated fund balance	30,000	30,000	-	(30,000)
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	421,703	<u>\$ 421,703</u>
Fund balance - beginning			<u>1,049,939</u>	
Fund balance - ending			<u>\$ 1,471,642</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, 2020
Exhibit 6

	Water and Sewer Fund
Assets	
Current assets:	
Cash and equivalents	\$ 1,062,148
Restricted cash	12,800
Receivables (net)	87,671
Due from other fund	22,428
Total current assets	1,185,047
Capital assets:	
Land and other non-depreciable assets	73,084
Other capital assets, net of depreciation	1,773,481
Total capital assets (net)	1,846,565
Total assets	3,031,612
Liabilities	
Current liabilities:	
Accounts payable	34,482
Customer deposits	12,800
Accrued interest	1,556
Revolving loan payable - current	78,245
Total current liabilities	127,083
Noncurrent liabilities:	
Revolving loan payable - noncurrent	312,979
Total noncurrent liabilities	312,979
Total liabilities	440,062
Net Position	
Net investment in capital assets	1,455,341
Unrestricted	1,136,209
Total net position	\$ 2,591,550

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, 2020
Exhibit 7

	Water and Sewer Fund
Operating revenues:	
Charges for service	\$ 366,644
Other operating revenues	22,220
Total operating revenues	388,864
Operating expenses:	
Administration	
Other operating expenditures	235,635
Depreciation	116,535
Total operating expenses	352,170
Operating income (loss)	36,694
Nonoperating revenues (expenses):	
Impact fees	32,000
Interest earned and other	5,999
Interest and fees	(11,050)
Total nonoperating expenses	26,949
Change in net position	63,643
Total net position - beginning	2,527,907
Total net position - ending	\$ 2,591,550

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, 2020
Exhibit 8

	Water and Sewer Fund
Cash Flows from Operating Activities	
Cash received from customers and users	\$ 390,988
Cash paid for goods and services	(217,053)
Customer deposits received	7,950
Net cash provided by operating activities	181,885
Cash Flows From Noncapital Activities	
Increase in due from other funds	(8,811)
Nonoperating revenues received	32,000
Net cash provided by noncapital activities	23,189
Cash Flows From Capital and Related Financing Activities	
Principal payments on long-term debt	(78,245)
Interest payments on long-term debt	(11,361)
Net cash used in capital and related financing activities	(89,606)
Cash Flows From Investing Activities	
Interest earned	5,999
Net increase in cash and cash equivalents	121,467
Cash and cash equivalents - beginning	953,481
Cash and cash equivalents - ending	\$ 1,074,948
Unrestricted cash	\$ 1,062,148
Restricted cash	12,800
Total cash and cash equivalents	\$ 1,074,948
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating income (loss)	\$ 36,694
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	116,535
Change in assets and liabilities	
Decrease in accounts receivable (net)	2,124
Increase in accounts payable	18,582
Increase in customer deposits	7,950
Net cash provided by operating activities	\$ 181,885

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

Village of Walnut Creek Notes to 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, 2020, 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, 2020.

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, 2020, 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	\$ 32,855
Customer deposits	26,150
Total governmental activities	59,005

Business-Type Activities

Customer deposits	12,800
Total restricted cash	\$ 71,805

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, 2019. 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, the allowance for doubtful accounts has been estimated at \$1,139 for trade and utility receivables. At June 30, 2020, 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:

Asset Class	Estimated Useful Lives
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 2019/2020 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The 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.

Village of Walnut Creek Notes to Financial Statements

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, 2020.

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, 2020.

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.

Village of Walnut Creek Notes to Financial Statements

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, 2020, the amount totaled \$604,175. See Note III, 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 recently issued GASB Statements currently being reviewed by the Village:

GASB Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance

In May 2020, the GASB issued GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

The effective dates of certain provisions contained in the following pronouncements are postponed by one year:

- Statement No. 83, Certain Asset Retirement Obligations
- Statement No. 84, Fiduciary Activities
- Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements
- Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period

Village of Walnut Creek Notes to Financial Statements

- Statement No. 90, Majority Equity Interests
- Statement No. 91, Conduit Debt Obligations
- Statement No. 92, Omnibus 2020
- Statement No. 93, Replacement of Interbank Offered Rates
- Implementation Guide No. 2017-3, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (and Certain Issues Related to OPEB Plan Reporting)
- Implementation Guide No. 2018-1, Implementation Guidance Update—2018
- Implementation Guide No. 2019-1, Implementation Guidance Update—2019
- Implementation Guide No. 2019-2, Fiduciary Activities.
- The effective dates of the following pronouncements are postponed by 18 months:
 - Statement No. 87, Leases
 - Implementation Guide No. 2019-3, Leases.

Earlier application of the provisions addressed in this Statement is encouraged and is permitted to the extent specified in each pronouncement as originally issued. The requirements of this Statement are effective immediately.

GASB Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32

In June 2020, the GASB issued GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal.

The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021. For purposes of determining whether a primary government is financially accountable for a potential component unit, the requirements of this Statement that provide that for all other arrangements, the absence of a governing board be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform, are effective for reporting periods beginning after June 15, 2021. Earlier application of those requirements is encouraged and permitted by requirement as specified within this Statement. The Village is currently reviewing this statement to determine the effect on the Village's financial statements.

Village of Walnut Creek Notes to Financial Statements

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*

In May 2020, the GASB issued GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged. Assets and liabilities resulting from SBITAs should be recognized and measured using the facts and circumstances that existed at the beginning of the fiscal year in which this Statement is implemented. Governments are permitted, but are not required, to include in the measurement of the subscription asset capitalizable outlays associated with the initial implementation stage and the operation and additional implementation stage incurred prior to the implementation of this Statement. The Village is currently reviewing this statement to determine the effect on the Village's financial statements.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*

In March 2020, the GASB issued GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction.

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The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged. PPPs should be recognized and measured using the facts and circumstances that exist at the beginning of the period of implementation (or if applicable to earlier periods, the beginning of the earliest period restated). The Village is currently reviewing this statement to determine the effect on the Village's financial statements.

GASB Statement No. 93, *Replacement of Interbank Offered Rates*

In March 2020, the GASB issued GASB Statement No. 93, *Replacement of Interbank Offered Rates*. Some governments have entered into agreements in which variable payments made or received depend on an interbank offered rate (IBOR)—most notably, the London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate.

Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, as amended, requires a government to terminate hedge accounting when it renegotiates or amends a critical term of a hedging derivative instrument, such as the reference rate of a hedging derivative instrument's variable payment. In addition, in accordance with Statement No. 87, *Leases*, as amended, replacement of the rate on which variable payments depend in a lease contract would require a government to apply the provisions for lease modifications, including remeasurement of the lease liability or lease receivable.

The objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR. This Statement achieves that objective by:

- Providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variable payment
- Clarifying the hedge accounting termination provisions when a hedged item is amended to replace the reference rate
- Clarifying that the uncertainty related to the continued availability of IBORs does not, by itself, affect the assessment of whether the occurrence of a hedged expected transaction is probable
- Removing LIBOR as an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap
- Identifying a Secured Overnight Financing Rate and the Effective Federal Funds Rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of an interest rate swap
- Clarifying the definition of reference rate, as it is used in Statement 53, as amended

Providing an exception to the lease modifications guidance in Statement 87, as amended, for certain lease contracts that are amended solely to replace an IBOR as the rate upon which variable payments depend.

Village of Walnut Creek Notes to Financial Statements

The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2020. Earlier application is encouraged. The exceptions to the existing provisions for hedge accounting termination and lease modifications in this Statement will reduce the cost of the accounting and financial reporting ramifications of replacing IBORs with other reference rates. The reliability and relevance of reported information will be maintained by requiring that agreements that effectively maintain an existing hedging arrangement continue to be accounted for in the same manner as before the replacement of a reference rate. As a result, this Statement will preserve the consistency and comparability of reporting hedging derivative instruments and leases after governments amend or replace agreements to replace an IBOR. The Village is currently reviewing this statement to determine the effect on the Village's financial statements. With the issuance of GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, the effective date of this statement has been extended by one year.

GASB Statement No. 92, *Omnibus 2020*

In January 2020, the GASB issued GASB Statement No. 92, *Omnibus 2020*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the following:

- The effective date of Statement No. 87, Leases, and Implementation Guide No. 2019-3, Leases, for interim financial reports
- Reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan
- The applicability of Statements No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68, as amended, and No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended, to reporting assets accumulated for postemployment benefits
- The applicability of certain requirements of Statement No. 84, Fiduciary Activities, to postemployment benefit arrangements
- Measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition
- Reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers
- Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature
- Terminology used to refer to derivative instruments.

Village of Walnut Creek Notes to Financial Statements

The requirements of this Statement are effective as follows:

- The requirements related to the effective date of Statement 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance.
- The requirements related to intra-entity transfers of assets and those related to the applicability of Statements 73 and 74 are effective for fiscal years beginning after June 15, 2020.
- The requirements related to application of Statement 84 to postemployment benefit arrangements and those related to nonrecurring fair value measurements of assets or liabilities are effective for reporting periods beginning after June 15, 2020.
- The requirements related to the measurement of liabilities (and assets, if any) associated with AROs in a government acquisition are effective for government acquisitions occurring in reporting periods beginning after June 15, 2020.

Earlier application is encouraged and is permitted by topic. The Village is currently reviewing this statement to determine the effect on the Village's financial statements. With the issuance of GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, the effective date of this statement has been extended by one year.

GASB Statement No. 91, *Conduit Debt Obligations*

In May 2019, the GASB issued GASB Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are 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. Earlier application is encouraged. The Village is currently reviewing this statement to determine the effect on the Village's financial statements. With the issuance of GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, the effective date of this statement has been extended by one year.

GASB Statement No. 90, *Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61*

Village of Walnut Creek Notes to Financial Statements

In August 2018, the GASB issued GASB Statement No. 90, *Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the 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. Earlier application is encouraged. The requirements should be applied retroactively, except for the provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquires a 100 percent equity interest. Those provisions should be applied on a prospective basis. The Village is currently reviewing this statement to determine the effect on the Village's financial statements. With the issuance of GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, the effective date of this statement has been extended by one year.

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*

In June 2018, the GASB issued GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

Village of Walnut Creek Notes to Financial Statements

The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The requirements of this Statement should be applied prospectively. The Village is currently reviewing this statement to determine the effect on the Village's financial statements. With the issuance of GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, the effective date of this statement has been extended by one year.

GASB Statement No. 87, *Leases*

In June 2017, the GASB issued GASB Statement No. 87, *Leases*. The objective of this Statement is 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.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The Village is currently reviewing this statement to determine the effect on the Village's financial statements. With the issuance of GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, the effective date of this statement has been postponed by 18 months.

GASB Statement No. 84, *Fiduciary Activities*

In January 2017, the GASB issued GASB Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. The Village is currently reviewing this statement to determine the effect on the Village's financial statements. With the issuance of GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, the effective date of this statement has been extended by one year.

Village of Walnut Creek Notes to Financial Statements

GASB Statement No. 83, *Certain Asset Retirement Obligations*

In November 2016, the GASB issued GASB Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged. The Village is currently reviewing this statement to determine the effect on the Village's financial statements. With the issuance of GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, the effective date of this statement has been extended by one year.

NOTE II – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Excess of Expenditures over Appropriations

For the fiscal year ended June 30, 2020, the following departments' expenditures exceeded amounts approved in the budget ordinance and subsequent amendments.

Public Safety	\$ 449
Buildings and grounds	68,727
Water expenditures	6,281

B. Retirement and 401K Contributions

For the fiscal year ended June 30, 2020, the Village did not contribute 5% (\$2,202) of salary (\$44,031) to a police officer's supplemental retirement income plan (401K) as required by NCGS Article 12E Chapter 143. The Village also did not contribute \$1,597 (16.01% of salary \$9,975) to the Local Government Employees' Retirement System (LGERS) as required by Article 3 of NCGS Chapter 128 for salary and bonuses paid to employees during the fiscal year.

Village of Walnut Creek Notes to Financial Statements

NOTE III – 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, 2020, the Village's deposits had a carrying amount of \$2,527,908 and a bank balance of \$2,523,700. Of the bank balances, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the Pooling Method. At June 30, 2020, the Village of Walnut Creek had \$200 cash on hand.

Village of Walnut Creek Notes to Financial Statements

2. Accounts Receivable

Receivables at the government-wide level at June 30, 2020, were as follows:

	Accounts	Taxes	Due from other governments	Total
Governmental activities:				
General	\$ -	\$ 990	\$ 104,799	\$ 105,789
Allowance for doubtful accounts	-	(130)	-	(130)
Total governmental activities	<u>\$ -</u>	<u>\$ 860</u>	<u>\$ 104,799</u>	<u>\$ 105,659</u>
Business-type activities:				
Water and sewer	\$ 88,810	\$ -	\$ -	\$ 88,810
Allowance for doubtful accounts	(1,139)	-	-	(1,139)
Total business-type activities	<u>\$ 87,671</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 87,671</u>

The due from other governments that is owed to the Village consists of the following:

Local option sales tax	\$ 72,348
Wayne County tax collections	9,625
State sales tax refund	11,330
Utility franchise and solid waste tax	11,496
 Total	 <u>\$ 104,799</u>

Village of Walnut Creek Notes to Financial Statements

3. Capital Assets

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

	Beginning Balance 7/1/19	Increases	Decreases	Ending Balance 6/30/20
Governmental Activities:				
Capital assets not being depreciated				
Land	\$ 384,012	\$ -	\$ -	\$ 384,012
Total capital assets not being depreciated	384,012	-	-	384,012
Capital assets being depreciated				
Buildings	888,831	-	-	888,831
Other improvements	3,977,123	46,020	(62,636)	3,960,507
Equipment	292,565	-	-	292,565
Vehicles and other motorized equipment	159,216	37,729	-	196,945
Infrastructure	1,968,534	-	-	1,968,534
Total capital assets being depreciated	7,286,269	83,749	(62,636)	7,307,382
Less accumulated depreciation				
Buildings	(237,905)	(18,179)	-	(256,084)
Other improvements	(1,704,680)	(127,695)	-	(1,832,375)
Equipment	(262,502)	(8,881)	-	(271,383)
Vehicles and other motorized equipment	(146,403)	(10,668)	-	(157,071)
Infrastructure	(1,594,516)	(26,267)	-	(1,620,783)
Total accumulated depreciation	(3,946,006)	(191,690)	-	(4,137,696)
Total capital assets being depreciated	3,340,263	(107,941)	(62,636)	3,169,686
Governmental activities capital assets, net	\$ 3,724,275	\$ (107,941)	\$ (62,636)	\$ 3,553,698

Depreciation expense was charged to functions/programs as follows:

General government	\$ 87,876
Public safety	13,401
Buildings and grounds	49,573
Cultural and recreation	40,840
Total	\$ 191,690

Village of Walnut Creek Notes to Financial Statements

	Beginning Balance 7/1/19	Increases	Decreases	Ending Balance 6/30/20
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	(1,288,789)	(116,535)	-	(1,405,324)
Total accumulated depreciation	(1,288,789)	(116,535)	-	(1,405,324)
Total capital assets being depreciated, net	1,890,016	(116,535)	-	1,773,481
Business-type activities capital assets, net	\$ 1,963,100	\$ (116,535)	\$ -	\$ 1,846,565
Depreciation expense was charged to functions/programs as follows:				
Water operations				\$ 1,473
Sewer operations				115,062
Total				\$ 116,535

Construction commitments

The Village of Walnut Creek has active construction projects as of June 30, 2020. At year-end, the government's commitments with contractors and engineers are as follows:

	Spent-to-date	Remaining Commitment
Ferguson - water meter replacement project	\$ -	\$ 189,817
Keen Corporation - lift station repairs	-	495,040
T.A. Loving - sewer line repairs	-	240,000
Total	\$ -	\$ 924,857

Village of Walnut Creek Notes to Financial Statements

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

Village of Walnut Creek Notes to Financial Statements

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, 2020, was 16.76% of compensation for law enforcement officers and 16.01% 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 \$50,239 for the year ended June 30, 2020.

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, 2020, the Village reported a liability of \$95,036 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018. The total pension liability was then rolled forward to the measurement date of June 30, 2019 utilizing update procedures incorporating the actuarial assumptions. The 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, 2019, the Village's proportion was 0.00348%, which was an increase of 0.00088% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the Village recognized pension expense of \$67,141. At June 30, 2020, the Village reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Village of Walnut Creek Notes to Financial Statements

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 16,273	\$ -
Changes of assumptions	15,489	-
Net difference between projected and actual earnings on pension plan investments	2,318	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	57,991	-
Village contributions subsequent to the measurement date	50,239	-
Total	\$ 142,310	\$ -

\$50,239 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, 2021. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2021	\$ 37,088
2022	21,797
2023	22,335
2024	10,851
Total	\$ 92,071

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

Inflation	3.0 percent
Salary increases	3.5 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, 2018 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, 2019 are summarized in the following table:

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

The information above is based on 30 year expectations developed with the consulting actuary for the 2019 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are 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)	\$ 217,365	\$ 95,036	\$ (6,644)

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, 2019, the Separation Allowance's membership consisted of:

Inactive members currently receiving benefits	1
Active members	3
Total	<u>4</u>

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.

Village of Walnut Creek Notes to Financial Statements

3. Actuarial Assumptions

The entry age actuarial cost method was used in the December 31, 2018 valuation. The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

- Inflation 2.50%
- Salary increases 3.50% to 7.35%, including inflation and productivity factor
- Discount rate 3.26%

The discount rate used to measure the TPL is the S&P Municipal Bond 20 Year High Grade Rate Index. The actuarial assumptions used in the December 31, 2018 valuation were based on the results of an experience study completed by the Actuary for the Local Government Employees' Retirement System for the five year period ending December 31, 2014.

DEATHS AFTER RETIREMENT (HEALTHY): RP-2014 Healthy Annuitant base rates projected to 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 \$17,089 and \$17,089, respectively, as benefits came due, for the fiscal year and June 30, 2020, and the calendar year ended December 31, 2019, 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, 2020, the Village reported a total pension liability of \$55,352. The total pension liability was measured as of December 31, 2019 based on a December 31, 2018 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2019 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2020, the Village recognized pension expense of \$14,111.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 3,150	\$ -
Changes of assumptions	647	128
Benefit payments and administrative expenses subsequent to the measurement date	8,545	-
Total	\$ 12,342	\$ 128

\$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, 2021. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:		
2021	\$	3,325
2022		344
Total	\$	3,669

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 3.26 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 (2.26 percent) or 1-percentage-point higher (4.26 percent) than the current rate:

	1% Decrease (2.26%)	Current Discount Rate (3.26%)	1% Increase (4.26%)
Total pension liability	\$ 58,083	\$ 55,352	\$ 52,725

Village of Walnut Creek Notes to Financial Statements

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

Pension liability 12/31/2018	\$	66,376
Changes for the year:		
Service cost		2,736
Interest on the total pension liability		2,105
Change in benefit terms		-
Difference between expected and actual experience in the measurement of the total pension liability		214
Changes in assumptions and other inputs		1,010
Benefit payments		(17,089)
Other changes		-
Net changes		(11,024)
Pension liability 12/31/2019	\$	55,352

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	\$ 67,141	\$ 14,111	\$ 81,252
Pension Liability	95,036	55,352	150,388
Proportionate share of the net pension liability	0.00348%	n/a	
Deferred of Outflows of Resources			
Differences between expected and actual experience	16,273	3,150	19,423
Changes of assumptions	15,489	647	16,136
Net difference between projected and actual earnings on plan investments	2,318	-	2,318
Changes in proportion and differences between contributions and proportionate share of contributions	57,991	-	57,991
Benefit payments and administrative costs paid subsequent to the measurement date	50,239	8,545	58,784
Deferred of Inflows of Resources			
Differences between expected and actual experience	-	-	-
Changes of assumptions	-	128	128
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 \$6,165 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 \$1,020 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	\$ 50,239
Benefit payments made and administrative expenses for LEOSSA	8,545
Differences between expected and actual experience	19,423
Changes of assumptions	16,136
Net difference between projected and actual earnings on pension plan investments	2,318
Changes in proportion and differences between employer contributions and proportionate share of contributions	57,991
Total	\$ 154,652

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	\$ -	\$ -
Changes of assumptions	128	-
Taxes receivable, less penalties (General Fund)	-	860
Total	\$ 128	\$ 860

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, 2020, 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, 2020.

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

6. Claims, Judgments and Contingent Liabilities

At June 30, 2020, the Village was not a defendant to any lawsuits.

Village of Walnut Creek Notes to Financial Statements

7. Operating Leases

At June 30, 2020, the Village had an operating lease for office equipment. Lease expense for the fiscal year ended June 30, 2020 was \$3,381. The following is a schedule of the minimum rental payments under the lease agreement as of June 30, 2020.

Year Ended June 30,	Payment
2021	\$ 3,168
2022	2,112
Total	\$ 5,280

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	
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	\$ 391,224	\$ 28,403	\$	419,627

Village of Walnut Creek Notes to Financial Statements

Changes in long-term debt for the fiscal year ended June 30, 2020 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion of Balance
Governmental Activities:					
Compensated absences	\$ 18,464	\$ 5,549	\$ -	\$ 24,013	\$ 6,003
Net pension liability (LERS)	61,681	33,355	-	95,036	-
Special separation allowance (LEO)	66,376	-	11,024	55,352	-
Governmental activities long-term liabilities	\$ 146,521	\$ 38,904	\$ 11,024	\$ 174,401	\$ 6,003
Business-Type Activities:					
State revolving loan	\$ 469,469	\$ -	\$ 78,245	\$ 391,224	\$ 78,245
Business-type activities liabilities	\$ 469,469	\$ -	\$ 78,245	\$ 391,224	\$ 78,245

At June 30, 2020, the Village of Walnut Creek had a legal debt margin of \$14,710,026.

C. Interfund Balances and Activity

Balances due to/from other funds at June 30, 2020, consist of the following:

Amounts Due from the General Fund to the Water and Sewer Fund as of June 30, 2020 for general operating expenses to be repaid in the next fiscal year total \$22,428.

D. Fund Balance

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

<i>Total Fund Balance - General Fund</i>	\$ 1,471,642
Less:	
Stabilization by State Statute	104,799
Streets - Powell Bill	32,855
Disaster Response Reserve	150,000
Long Range Planning Reserve	40,000
Capital Asset Replacement Reserve	28,064
Working Capital / Fund Balance Policy	604,175
Remaining Fund Balance	\$ 511,749

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

Village of Walnut Creek Notes to Financial Statements

NOTE IV – RELATED PARTY TRANSACTIONS

During the 2020 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 \$1,097.

NOTE V – 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 VI – SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 16, 2020, the date on which the financial statements were available to be issued.

In March 2020, the World Health Organization made the assessment that the outbreak of a novel coronavirus (COVID-19) can be characterized as a pandemic. As a result, certain operations of the Village have been affected. The ability of some residents to make tax and/or utility payments has and may at times be impacted by the effects of the pandemic, as well as, state shared revenues, local, state and federal grant funding. In response to this event, the Village, through Executive Order of the Governor, suspended its cut-off policies for non-payment of utilities and/or extended due dates and payment options of utilities and property taxes for residents. Continued effects of the pandemic may result in uncertainties and a negative impact on operating activities and results of the Village. The occurrence and extent of such an impact will depend on future developments, including (i) the duration and spread of the virus, (ii) government quarantine measures, (iii) voluntary and precautionary restrictions on travel or meetings, (iv) the effects on the financial markets, and (v) the effects on the economy overall, all of which are uncertain.

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 Liability (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 Seven Fiscal Years *
Schedule 1

	2020	2019	2018	2017	2016	2015	2014
Walnut Creek's proportion of the net pension liability (asset) (%)	0.00348%	0.00260%	0.00326%	0.00355%	0.00349%	0.00352%	0.00370%
Walnut Creek's proportion of the net pension liability (asset) (\$)	\$ 95,036	\$ 61,681	\$ 49,804	\$ 75,343	\$ 15,663	\$ (20,759)	\$ 44,599
Walnut Creek's covered-employee payroll	\$ 333,270	\$ 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	28.52%	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%	99.07%	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 Seven Fiscal Years
Schedule 2**

	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 50,239	\$ 50,309	\$ 43,347	\$ 34,514	\$ 16,937	\$ 19,512	\$ 18,522
Contributions in relation to the contractually required contribution	50,239	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>	<u>\$ -</u>
Walnut Creek's covered-employee payroll	\$ 307,800	\$ 333,270	\$ 291,007	\$ 256,951	\$ 259,925	\$ 270,109	\$ 245,920
Contributions as a percentage of covered-employee payroll	16.32%	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 Four Fiscal Years
Schedule 3

	2020	2019	2018	2017
Beginning balance	\$ 66,376	\$ 46,955	\$ 42,172	\$ 46,684
Service cost	2,736	1,956	1,828	1,642
Interest on the total pension liability	2,105	1,214	1,412	1,534
Change in benefit terms	-	-	-	-
Difference between expected and actual experience in the measurement of the total pension liability	214	34,723	10,812	-
Changes in assumptions and other inputs	1,010	(1,383)	1,908	(237)
Benefit payments	(17,089)	(17,089)	(11,177)	(7,451)
Other changes	-	-	-	-
Ending balance	<u>\$ 55,352</u>	<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 Four Fiscal Years
Schedule 4

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

	2020	2019	2018	2017
Total pension liability	\$ 55,352	\$ 66,376	\$ 46,955	\$ 42,172
Covered payroll	166,985	94,185	93,996	90,811
Total pension liability as a percentage of covered payroll	33.15%	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.

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, 2020
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2019)
Schedule 5

	2020 Budget	2020 Actual	Variance Positive (Negative)	2019 Actual
Revenues:				
Ad valorem taxes:				
Taxes	\$ 775,000	\$ 772,290	\$ (2,710)	\$ 769,373
Interest	-	1,419	1,419	1,296
Total	775,000	773,709	(1,291)	770,669
Unrestricted intergovernmental:				
Local option sales taxes	365,000	446,158	81,158	332,751
Utility franchise tax	55,000	61,031	6,031	62,415
Hold harmless	-	-	-	90,641
Beer and wine tax	3,800	3,548	(252)	3,573
Total	423,800	510,737	86,937	489,380
Restricted intergovernmental:				
State - Powell Bill allocation	34,300	33,798	(502)	34,112
Solid waste disposal tax	600	624	24	614
Federal - FEMA grant	284,000	280,567	(3,433)	73,728
Total	318,900	314,989	(3,911)	108,454
Permits and fees:				
Boat sticker fees	7,000	11,250	4,250	9,500
Building permits	2,000	4,048	2,048	4,731
Total	9,000	15,298	6,298	14,231
Investment earnings	7,700	6,133	(1,567)	8,216
Miscellaneous	500	9,186	8,686	4,030
Total revenues	1,534,900	1,630,052	95,152	1,394,980
Expenditures:				
General government:				
Administration:				
Salary and benefits	168,300	124,573	43,727	122,275
Other operating expenditures	190,675	94,082	96,593	88,967
Contract services	37,500	37,317	183	28,324
Total	396,475	255,972	140,503	239,566
Public safety:				
Police:				
Salaries and benefits	160,000	229,680	(69,680)	208,963
Other operating expenditures	84,000	25,925	58,075	38,905
Capital outlay	45,000	31,936	13,064	-
Total	289,000	287,541	1,459	247,868

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, 2020
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2019)
Schedule 5

	2020 Budget	2020 Actual	Variance Positive (Negative)	2019 Actual
Fire:				
Other operating expenditures	106,000	107,908	(1,908)	103,022
Total public safety	395,000	395,449	(449)	350,890
Buildings and grounds:				
Salaries and benefits	136,800	162,431	(25,631)	182,020
Utilities	34,500	31,089	3,411	31,075
Equipment and vehicle maintenance	20,000	21,699	(1,699)	18,625
Entrance improvements	18,000	15,324	2,676	13,755
Village owned properties	35,500	13,403	22,097	55,305
Village owned properties - FEMA	-	35,125	(35,125)	164,734
Hurricane Florence - FEMA	47,000	46,020	980	69,595
Other operating expenses	10,000	951	9,049	1,624
Capital outlay	2,000	5,793	(3,793)	972
Road maintenance	-	40,692	(40,692)	78,817
Total	303,800	372,527	(68,727)	616,522
Economic/physical development:				
Planning and zoning:				
Other operating expenditures	35,000	2,380	32,620	17,533
Environmental protection:				
Sanitation:				
Other operating expenditures	122,000	111,714	10,286	84,442
Cultural and recreational:				
Lake property and recreation:				
Property maintenance	312,625	70,307	242,318	74,220
Total expenditures	1,564,900	1,208,349	356,551	1,383,173
Revenues over (under) expenditures	(30,000)	421,703	451,703	11,807
Appropriated fund balance	30,000	-	(30,000)	-
Net change in fund balance	<u>\$ -</u>	<u>421,703</u>	<u>\$ 421,703</u>	11,807
Fund balances - beginning		<u>1,049,939</u>		<u>1,038,132</u>
Fund balances - ending		<u>\$ 1,471,642</u>		<u>\$ 1,049,939</u>

Village of Walnut Creek
Water and Sewer Fund Combining Schedules of
Revenues and Expenditures (Non-GAAP)
For the Fiscal Year Ended June 30, 2020
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2019)
Schedule 6

	Water and Sewer		Totals	
	Water Operating Fund	Sewer Operating Fund	2020	2019
Revenues:				
Operating revenue:				
Charges for services	\$ 205,901	\$ 160,743	\$ 366,644	\$ 341,756
Late fees	2,020	-	2,020	3,445
Reconnect fees	900	-	900	1,400
Tap fees	9,000	8,500	17,500	34,970
Back flow devices	1,800	-	1,800	3,700
Non-operating revenues	5,999	32,000	37,999	77,332
Total revenues	225,620	201,243	426,863	462,603
Expenditures:				
Administration:				
Other operating expenditures	99,031	136,604	235,635	282,344
Debt service	-	89,606	89,606	91,500
Total expenditures	99,031	226,210	325,241	373,844
Revenues over (under) expenditures	\$ 126,589	\$ (24,967)	\$ 101,622	\$ 88,759
Reconciliation from budgetary basis (modified accrual) to full accrual basis				
Revenue and other financing sources over (under) expenditures	\$ 126,589	\$ (24,967)	\$ 101,622	\$ 88,759
Reconciling items:				
Principal retirement	-	78,245	78,245	78,245
Accrued Interest	-	311	311	311
Depreciation	(1,473)	(115,062)	(116,535)	(117,525)
Total	(1,473)	(36,506)	(37,979)	(38,969)
Change in net position (full accrual)	\$ 125,116	\$ (61,473)	\$ 63,643	\$ 49,790

Village of Walnut Creek
Water and Sewer Fund Schedules of
Revenues and Expenditures (Non-GAAP)
For the Fiscal Year Ended June 30, 2020
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2019)
Schedule 7

	2020 Budget	2020 Actual	Positive (Negative) Variance	2019 Actual
Water revenue:				
Operating revenue:				
Charges for services	\$ 180,000	\$ 205,901	\$ 25,901	\$ 172,845
Late fees	1,700	2,020	320	3,445
Reconnect fees	500	900	400	1,400
Tap fees	7,500	9,000	1,500	18,470
Back flow devices	1,500	1,800	300	3,700
Total	191,200	219,621	28,421	199,860
Sewer revenue:				
Operating revenue:				
Charges for services:				
Residential	160,000	152,743	(7,257)	160,911
Commercial	8,000	8,000	-	8,000
Total	168,000	160,743	(7,257)	168,911
Sewer taps	7,500	8,500	1,000	16,500
Total	175,500	169,243	(6,257)	185,411
Non-operating revenue:				
Impact fees	26,000	32,000	6,000	68,000
Miscellaneous	500	-	(500)	1,212
Interest	7,500	5,999	(1,501)	8,120
Total	34,000	37,999	3,999	77,332
Total revenue	400,700	426,863	26,163	462,603
Water expenditures:				
Administration:				
Other operating expenditures	17,750.00	15,168	2,582	15,541
Purchase of water	75,000.00	83,863	(8,863)	74,511
Total	92,750	99,031	(6,281)	90,052
Sewer expenditures:				
Administration:				
Other operating expenditures	83,700	54,235	29,465	91,290
Sewer treatment fees	80,000	82,369	(2,369)	101,002
Total	163,700	136,604	27,096	192,292
Debt service:				
Principal retirement	78,500	78,245	255	78,245
Interest and fees	13,500	11,361	2,139	13,255
Total	92,000	89,606	2,394	91,500
Capital outlay:				
Sewer equipment	60,750	-	60,750	-
Total expenditures	409,200	325,241	83,959	373,844
Revenues over (under) expenditures	(8,500)	101,622	110,122	88,759
Appropriated fund balance	8,500	-	8,500	-
Revenues over (under) expenditures	\$ -	\$ 101,622	\$ 101,622	\$ 88,759

Village of Walnut Creek
Water and Sewer Fund Schedules of
Revenues and Expenditures (Non-GAAP)
For the Fiscal Year Ended June 30, 2020
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2019)
Schedule 7

	<u>2020 Actual</u>	<u>2019 Actual</u>
Reconciliation from budgetary basis (modified accrual) to full accrual basis		
Revenues over (under) expenditures	\$ 101,622	\$ 88,759
Reconciling items:		
Principal retirement	78,245	78,245
Accrued Interest	311	311
Depreciation	(116,535)	(117,525)
Total	(37,979)	(38,969)
Change in net position (full accrual)	\$ 63,643	\$ 49,790

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, 2020
Schedule 8

Fiscal Year	Uncollected Balance June 30, 2019	Additions	Collections and Credits	Uncollected Balance June 30, 2020
2019 - 2020	\$ -	\$ 772,722	\$ 771,913	\$ 809
2018 - 2019	797	-	746	51
2017 - 2018	-	-	-	-
2016 - 2017	-	-	-	-
2015 - 2016	-	-	-	-
2014 - 2015	-	-	-	-
2013 - 2014	24	-	-	24
2012 - 2013	5	-	-	5
2011 - 2012	58	-	-	58
2010 - 2011	43	-	-	43
	927	<u>\$ 772,722</u>	<u>\$ 772,659</u>	990
Less allowance for uncollectible accounts	<u>(130)</u>			<u>(130)</u>
Ad-valorem taxes receivable - net	<u>\$ 797</u>			<u>\$ 860</u>

Reconcilement with revenue

Ad valorem taxes - General Fund	\$ 773,709
Reconciling items:	
Taxes written off	369
Interest collected	<u>(1,419)</u>
Total collections and credits	<u>\$ 772,659</u>

Village of Walnut Creek
Analysis of Current Tax Levy – Village-Wide Levy
June 30, 2020
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	\$ 180,070,817	\$ 0.4200	\$ 756,298	\$ 703,487	\$ 52,811
Property taxed at prior year rate	4,001,321	0.4200	16,806	-	16,806
Penalties			163	163	-
Discoveries	-		305	305	-
Abatements - taxes	(196,817)	0.4200	(827)	(282)	(545)
Abatements - penalties	<u>-</u>		<u>(23)</u>	<u>(23)</u>	<u>-</u>
Total property valuation	<u><u>\$ 183,875,321</u></u>				
Net levy			\$ 772,722	\$ 703,650	\$ 69,072
Uncollected taxes at June 30, 2020			<u>(809)</u>	<u>(809)</u>	<u>-</u>
Current year's taxes collected			<u><u>\$ 771,913</u></u>	<u><u>\$ 702,841</u></u>	<u><u>\$ 69,072</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, 2020, 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 16, 2020.

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, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies. (2020-1 through 2020-3)

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2020-2 and 2020-3.

Village of Walnut Creek's Response to Findings

The Village of Walnut Creek's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Village's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the 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.

Cam, Riggs & Ingram, L.L.C.

Goldsboro, North Carolina
December 16, 2020

Village of Walnut Creek
Schedule of Findings and Responses
For the Fiscal Year Ended June 30, 2020

FINANCIAL STATEMENT FINDINGS

SIGNIFICANT DEFICIENCIES

2020-1 Utility Billing

Criteria: To ensure accurate and timely billing of utility revenues to customers, management must verify that utility billing rates are accurately entered into the utility billing software and also test the accuracy of utility bills prior to mailing bills to customers.

Condition: For the quarterly billing periods ended September 30, 2019, December 31, 2019 and March 31, 2020, the minimum sewer charge was entered incorrectly in the utility billing software. Management discovered the billing error during the quarter ended June 30, 2020.

Effect: Customers were charged an additional \$75 per quarter for the minimum sewer fee.

Cause: The minimum sewer charge per the Village's utility fee schedule was entered incorrectly in the utility billing software.

Recommendation: Management should review its fee schedule to verify that utility rates are entered correctly in the utility billing software. Management should also review utility bills to test the accuracy of the bills prior to mailing these bills to customers.

Views of responsible officials: The Village agrees with this finding and has set forth a corrective action plan.

Corrective action: The error was corrected for utility bills for the quarter ended June 30, 2020 and all customers were given a credit of up to \$75 per quarter for the previous three quarters utility bills. Management will immediately begin reviewing and testing utility billing rates to ensure that the correct billing rates are entered in the utility billing software and that utility bills are calculated accurately.

2020-2 Excess of Expenditures over Budget

Criteria: NC General Statute 159-8 requires that the Village adopt a balanced budget ordinance for all funds and NCGS 159-28 states that no obligation may be incurred in a program, function, or activity unless the budget ordinance includes an appropriation authorizing the obligation and an unencumbered balance remains in the appropriation sufficient to pay in the current fiscal year the sum obligated by the transaction for the current fiscal year.

Condition: Expenditures in several departments exceeded the amounts appropriated in the budget ordinance and subsequent amendments for the fiscal year ended June 30, 2020.

Effect: Expenditures exceeded budgeted amounts in the following departments:

Village of Walnut Creek
Schedule of Findings and Responses
For the Fiscal Year Ended June 30, 2020

Public Safety	\$ 449
Buildings and grounds	68,727
Water expenditures	6,281

Cause: The Village contributes 6.25 cents of its ad-valorem property tax levy to the Elroy Volunteer Fire Department. Ad-valorem property tax revenues exceeded the estimated revenues in the original budget, therefore the amount contributed to the volunteer fire department also exceeded the amount budgeted. Expenditures for purchases of water from the Eastern Wayne Sanitary District and street repairs exceeded the amounts approved in the original budget.

Recommendation: Management should review the budget ordinance and budget vs. actual income statement on a monthly basis in order to recommend any necessary budget amendments for Council approval. Management should also review any proposed expenditures to ensure that an unencumbered balance remains in the appropriation sufficient to pay the expenditure prior to approval of the expenditure.

Views of responsible officials: The Village agrees with this finding and has set forth a corrective action plan.

Corrective action: Management will review and pre-audit all expenditures as required by NCGS 159-28 to ensure that an unencumbered budget appropriation remains which is sufficient to pay the expenditure prior to its approval. Management will also review budget to actual income statements on a monthly basis in order to recommend any necessary budget amendments to Council for their approval at the next regularly scheduled monthly Town Council meeting. This will be implemented for the fiscal year ending June 30, 2021.

2020-3 Contributions to Retirement and 401K

Criteria: NCGS Article 12E Chapter 143 requires the Village to contribute 5% of salary for each full-time law enforcement officer to the police officer's supplemental retirement income (401K) plan. Article 3 of NCGS Chapter 128 requires the Village to contribute a percentage of each full-time employee's compensation to the Local Government Employees' Retirement System (LGERS).

Condition: For the fiscal year ended June 30, 2020, the Village did not contribute to the supplemental retirement income (401K) plan for one full-time law enforcement officer. The Village also did not contribute a percentage of salary to the Local Government Employees' Retirement System (LGERS) for Christmas bonuses for full-time employees and the final payroll check for a former employee.

Effect: The Village underpaid 401K contributions for law enforcement officers by \$2,202 (\$44,301 X 5%) for the year ended June 30, 2020. The Village underpaid contributions to

Village of Walnut Creek
Schedule of Findings and Responses
For the Fiscal Year Ended June 30, 2020

the Local Government Employees' Retirement System (LGERS) by \$1,597 ($\$9,975 \times 16.01\%$) for the year ended June 30, 2020.

Cause: Payments for Christmas bonuses and the final paycheck for a former employee were not included in the monthly ORBIT reports to the State Treasurer the LGERS for the months of September and December 2019. One full-time law enforcement officer was not included in monthly reports to Prudential for the 401K plan for the fiscal year ended June 30, 2020.

Recommendation: Management should review monthly 401K and retirement reports to ensure that all eligible employees and their salaries are included. Salaries paid to full-time employees should be reconciled to monthly 401K and retirement reports to ensure that all full-time salaries are included.

Views of responsible officials: The Village agrees with this finding and has set forth a corrective action plan.

Corrective action: The management of the Village will review all future 401K and LGERS retirement reports each month and reconcile total salaries paid to all full-time employees to such reports to ensure that all eligible employees and their related salaries and retirement benefits are included. Management will contact Prudential, the administrator of the 401K plan, to contribute 5% of back salary for the one police officer not included in the 401K plan for fiscal year 2020. This will be completed prior to December 31, 2020.



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December 16, 2020

Village Council and Management of
Village of Walnut Creek, North Carolina

Dear Village Council and Management:

We are pleased to present the results of our audit of the 2020 financial statements of the Village of Walnut Creek, North Carolina (the "Village").

This report to the Council and Management summarizes our audit, the report issued and various analyses and observations related to the Village's accounting and reporting. The document also contains the communications required by our professional standards.

Our audit was designed to express an opinion on the Village's 2020 financial statements. We considered the Village's current and emerging business needs, along with an assessment of risks that could materially affect the financial statements, and aligned our audit procedures accordingly. We conducted the audit with the objectivity and independence that you, the Council and Management, expect. We received the full support and assistance of Village's personnel.

At Carr, Riggs & Ingram, LLC (CRI), we are continually evaluating the quality of our professionals' work in order to deliver audit services of the highest quality that will meet or exceed your expectations. We encourage you to provide any feedback you believe is appropriate to ensure that we do not overlook a single detail as it relates to the quality of our services.

This report is intended solely for the information and use of the Council, Management and others within the Village and should not be used by anyone other than these specified parties.

We appreciate this opportunity to work with you. If you have any questions or comments, please contact me at 919-751-8297 or mjordan@cricpa.com.

Very truly yours,

Michael C. Jordan, CPA

Michael C. Jordan, CPA

As discussed with the Council and Management during our planning process, our audit plan represented an approach responsive to the assessment of risk for the Village. Specifically, we planned and performed our audit to:

- Perform an annual audit, as required by North Carolina General Statutes, 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, in order to express an opinion on the Village's financial statements for the year ended June 30, 2020;
- Communicate directly with the Council and Management regarding the results of our procedures;
- Address with the Council and Management any accounting and financial reporting issues;
- Anticipate and respond to concerns of the Council and Management; and
- Other audit-related projects as they arise and upon request.

Required Communications

We have audited the financial statements of the Village of Walnut Creek, North Carolina (the “Village”) as of and for the year ended June 30, 2020, and have issued our report thereon dated December 16, 2020. Professional standards require that we provide you with the following information related to our audit:

MATTER TO BE COMMUNICATED	AUDITOR’S RESPONSE
Auditor’s responsibility under auditing standards generally accepted in the United State of America and <i>Government Auditing Standards</i> issued by the Comptroller General of the United States	<p>As stated in our engagement letter dated April 28, 2020, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements, of the governmental activities, the business-type activities, and each major fund, prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America (GAAP). Our audit of the financial statements does not relieve you or management of your responsibilities.</p> <p>As part of our audit, we considered the internal control of the Village. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.</p>
Client’s responsibility	<p>Management, with oversight from those charged with governance, is responsible for establishing and maintaining internal controls, including monitoring ongoing activities; for the selection and application of accounting principles; and for the fair presentation in the financial statements of financial position, results of operations, and cash flows in conformity with the applicable framework. Management is responsible for the design and implementation of programs and controls to prevent and detect fraud.</p>
Planned scope and timing of the audit	<p>Our initial audit plan was not significantly altered during our fieldwork.</p>
Management judgments and accounting estimates <i>The process used by management in forming particularly sensitive accounting estimates and the basis for the auditor’s conclusion regarding the reasonableness of those estimates.</i>	<p>Please see the following section titled “Accounting Policies, Judgments and Sensitive Estimates and CRI Comments on Quality.”</p>
Potential effect on the financial statements of any significant risks and exposures <i>Major risks and exposures facing the Board and how they are disclosed.</i>	<p>No such risks or exposures were noted.</p>

Required Communications

MATTER TO BE COMMUNICATED	AUDITOR'S RESPONSE
<p>Significant accounting policies, including critical accounting policies and alternative treatments within generally accepted accounting principles and the auditor's judgment about the quality of accounting principles</p> <ul style="list-style-type: none"> <i>The initial selection of and changes in significant accounting policies or their application; methods used to account for significant unusual transactions; and effect of significant policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.</i> <i>The auditor should also discuss the auditor's judgment about the quality, not just the acceptability, of the Board's accounting policies as applied in its financial reporting. The discussion should include such matters as consistency of accounting policies and their application, and clarity and completeness of the financial statements, including disclosures. Critical accounting policies and practices applied by the Board in its financial statements and our assessment of management's disclosures regarding such policies and practices (including any significant modifications to such disclosures proposed by us but rejected by management), the reasons why certain policies and practices are or are not considered critical, and how current and anticipated future events impact those determinations;</i> <i>Alternative treatments within GAAP for accounting policies and practices related to material items, including recognition, measurement, presentation and disclosure alternatives, that have been discussed with client management during the current audit period, the ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the auditor; Furthermore, if the accounting policy selected by management is not the policy preferred by us, discuss the reasons why management selected that policy, the policy preferred by us, and the reason we preferred the other policy.</i> 	<p>The significant accounting policies used by the Village are described in Note 1 of the financial statements. In May 2020, the GASB issued guidance which postponed the implementation of several accounting standards. Note 1 of the financial statements outlines the original implementation dates as well as the postponed implementation date. The below list outlines upcoming accounting standard changes currently being evaluated by the Village.</p> <ul style="list-style-type: none"> <i>GASB Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance</i> <i>GASB Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32</i> <i>GASB Statement No. 96, Subscription-Based Information Technology Arrangements</i> <i>GASB Statement No. 93, Replacement of Interbank Offered Rates</i> <i>GASB Statement No. 92, Omnibus 2020</i> <i>GASB Statement No. 91, Conduit Debt Obligations</i> <i>GASB Statement No. 90, Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61</i> <i>GASB Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period</i> <i>GASB Statement No. 87, Leases</i> <i>GASB Statement No. 84, Fiduciary Activities</i> <i>GASB Statement No. 83, Certain Asset Retirement Obligations</i> <p>We noted no transactions entered into by the Village during the fiscal year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.</p>
<p>Significant difficulties encountered in the audit</p> <p><i>Any significant difficulties, for example, unreasonable logistical constraints or lack of cooperation by management.</i></p>	<p>None.</p>

Required Communications

MATTER TO BE COMMUNICATED	AUDITOR'S RESPONSE
Disagreements with management <i>Disagreements, whether or not subsequently resolved, about matters significant to the financial statements or auditor's report. This does not include those that came about based on incomplete facts or preliminary information.</i>	None.
Other findings or issues <i>Matters significant to oversight of the financial reporting practices by those charged with governance. For example, an entity's failure to obtain the necessary type of audit, such as one under Government Auditing Standards, in addition to GAAS.</i>	None.
Matters arising from the audit that were discussed with, or the subject of correspondence with, management <i>Business conditions that might affect risk or discussions regarding accounting practices or application of auditing standards.</i>	None.
Corrected and uncorrected misstatements <i>All significant audit adjustments arising from the audit, whether or not recorded by the Village, that could individually or in the aggregate have a significant effect on the financial statements. We should also inform the Village about uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented, that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements taken as a whole. Any internal control deficiencies that could have prevented the misstatements.</i>	Please see the following section titled "Summary of Audit Adjustments."
Major issues discussed with management prior to retention <i>Any major accounting, auditing or reporting issues discussed with management in connection with our initial or recurring retention.</i>	None.
Consultations with other accountants <i>When management has consulted with other accountants about significant accounting or auditing matters.</i>	None of which we are aware.
Written representations <i>A description of the written representations the auditor requested (or a copy of the representation letter).</i>	See "Management Representation Letter" section.
Internal control deficiencies <i>Any significant deficiencies or material weaknesses in the design or operation of internal control that came to the auditor's attention during the audit.</i>	See "Internal Control Findings" section.

Required Communications

MATTER TO BE COMMUNICATED	AUDITOR'S RESPONSE
<p>Fraud and illegal acts <i>Fraud involving management, or the Village, those responsible for internal controls, or causing a material misstatement of the financial statements, where the auditor determines there is evidence that such fraud may exist. Any illegal acts coming to the auditor's attention involving senior management and any other illegal acts, unless clearly inconsequential.</i></p>	<p>We are unaware of any fraud or illegal acts involving management or causing material misstatement of the financial statements.</p>
<p>Parties in interest and prohibited transactions <i>Any parties in interest in the Village, prohibited transactions as defined by GAAP, and other reportable transactions.</i></p>	<p>No prohibited transactions were noted. Transactions with parties in interest and other reportable transactions were properly disclosed in the notes to the financial statements, in accordance with GAAP.</p>
<p>Other information in documents containing audited financial statements <i>The external auditor's responsibility for information in a document containing audited financial statements, as well as any procedures performed and the results.</i></p>	<p>Our responsibility related to documents (including annual reports, websites, etc.) containing the financial statements is to read the other information to consider whether:</p> <ul style="list-style-type: none"> • Such information is materially inconsistent with the financial statements; and • We believe such information represents a material misstatement of fact. <p>We have not been provided any such items to date and are unaware of any other documents that contain the audited financial statements.</p>

Accounting Policies, Judgments and Sensitive Estimates & CRI Comments on Quality

We are required to communicate our judgments about the quality, not just the acceptability, of the Village's accounting principles as applied in its financial reporting. We are also required to communicate critical accounting policies and sensitive accounting estimates. The Council may wish to monitor throughout the year the process used to compute and record these accounting estimates. The table below summarizes our communications regarding these matters.

AREA	ACCOUNTING POLICY	CRITICAL POLICY?	JUDGMENTS & SENSITIVE ESTIMATE	COMMENTS ON QUALITY OF ACCOUNTING POLICY & APPLICATION
Capital Assets	Based upon our audit procedures, with respect to the Village's capital assets, we noted that it estimates the annual provision for depreciation expense on estimated useful lives of the capital assets in accordance with all applicable standards and guidelines. The Village calculates depreciation expense using the straight-line method.	X	The Village's estimate of the useful life of its capital assets. The estimated useful lives of Village's capital assets are based on a detailed management review.	The Village's policy is in accordance with all applicable accounting guidelines.
Pension Asset / Liability	In accordance with GASB No. 68 and No. 73, the Village presents within the financial statements its proportionate share of the NC Local Government Employees Retirement System's (LGERS) asset or liability and Law Enforcement Officers' Special Separation Allowance (LEOSSA). In addition, the Village presents certain Required Supplementary Information regarding Net Pension Asset / Liability for both plans.	X	The Village's estimate of its proportionate share of the LGERS's and asset or liability is based actuarial assumptions. Therefore, estimates may differ from the actual amounts. The Village's estimate of its LEOSSA liability is based actuarial assumptions. Therefore, estimates may differ from the actual amounts.	The Village's policy regarding its valuation of the LGERS and LEOSSA are in accordance with all applicable accounting guidelines.

Accounting Policies, Judgments and Sensitive Estimates & CRI Comments on Quality

AREA	ACCOUNTING POLICY	CRITICAL POLICY?	JUDGMENTS & SENSITIVE ESTIMATE	COMMENTS ON QUALITY OF ACCOUNTING POLICY & APPLICATION
Compensated Absences	<p>The Village estimates the accrued liability at year-end for amounts owed to its employees for compensated absences ("Vacation Policy") in accordance with all applicable standards and guidelines.</p> <p>The Village calculates the annual liability at the prevailing rates of compensation.</p>	X	The Village's estimate of its accrued liability for compensated absences is based upon the established compensation levels at year-end which may differ from the actual amounts.	The Village's policy is in accordance with all applicable accounting guidelines.

During the course of our audit, we accumulate differences between amounts recorded by the Village and amounts that we believe are required to be recorded under GAAP. Those adjustments are either recorded (corrected) by the Village or passed (uncorrected). There were no uncorrected adjustments for the year. Following this page are adjustments that were recorded (corrected).

QUALITATIVE MATERIALITY CONSIDERATIONS

In evaluating the materiality of audit differences when they do arise, we consider both quantitative and qualitative factors, for example:

- Whether the difference arises from an item capable of precise measurement or whether it arises from an estimate, and, if so, the degree of imprecision inherent in the estimate.
- Whether the difference masks a change in earnings or other trends.
- Whether the difference changes a net decrease in assets to addition, or vice versa.
- Whether the difference concerns an area of the Village's operating environment that has been identified as playing a significant role in the Village's operations or viability.
- Whether the difference affects compliance with regulatory requirements.
- Whether the difference has the effect of increasing management's compensation – for example, by satisfying requirements for the award of bonuses or other forms of incentive compensation.
- Whether the difference involves concealment of an unlawful transaction.
- Whether the difference involves concealment of a prohibited transaction, or transaction with a party in interest, as defined by GAAP or any applicable federal, state or local laws.

Summary of Audit Adjustments

Account	Description	Debit	Credit
Adjusting Journal Entries			
Adjusting Journal Entries JE # 9			
To record depreciation expense W&S fund			
2-2910-2925-000	Investment in Capital Assets	116,534.43	
2-2910-2925-000	Investment in Capital Assets	117,525.39	
2-7000-7100-799	Depreciation expense	1,473.22	
2-7000-7300-899	Sewer depreciation expense	115,061.21	
2-1800-1802-000	Water accumulated depreciation		1,473.22
2-1800-1803-000	Sewer accumulated depreciation		115,061.21
2-2999-0000-000	Enterprise net assets		116,534.43
2-2999-0000-000	Enterprise net assets		117,525.39
Total		350,594.25	350,594.25
Adjusting Journal Entries JE # 10			
To adjust due to / from other funds and close PY net income for water & sewer Fund to retained earnings			
2-1300-0000-000	Due to other funds	10,373.55	
2-2999-0000-000	Enterprise net assets	26,454.75	
1-1300-0000-000	Due to other funds		10,373.55
1-2960-0000-000	General fund balance unassigned		26,454.75
Total		36,828.30	36,828.30
Adjusting Journal Entries JE # 12			
To adjust reserve by state statute to actual			
1-2910-2913-000	Reserved by State Statute	254,294.33	
1-2960-0000-000	General fund balance unassigned		254,294.33
Total		254,294.33	254,294.33
Adjusting Journal Entries JE # 13			
To adjust franchise tax receivable to actual. and to record June 2020 MV Taxes receivable from Wayne county			
1-1230-0002-000	Utility Franchise Tax	881.57	
1-1230-0004-000	County of Wayne	5,056.86	
1-3100-3103-000	Taxes - vehicles		5,034.56
1-3100-3105-000	Taxes - ad valorem interest & penalty		22.30
1-3300-3324-000	Utility franchise tax		881.57
Total		5,938.43	5,938.43

Summary of Audit Adjustments

Adjusting Journal Entries JE # 16

To correct beginning Fund Balance

1-2150-2156-000	Other deductions payable	3,296.66	
1-2960-0000-000	General fund balance unassigned	1,031.63	
1-2960-0000-000	General fund balance unassigned		3,296.66
1-4100-4120-111	401(k) contribution		322.66
1-4100-4120-113	State retirement V of WC		708.97
Total		4,328.29	4,328.29

Adjusting Journal Entries JE # 17

Tr record accounts payable

1-4100-4120-103	Audit	3,000.00	
1-4100-4120-165	Miscellaneous expense	3,459.74	
1-2110-2111-000	General accounts payable		6,459.74
Total		6,459.74	6,459.74

Total Adjusting Journal Entries

658,443.34 658,443.34

Reclassifying Journal Entries

Reclassifying Journal Entries JE # 6

To reclassify purchase of utility body for PW truck1

1-4200-4210-230	Equipment purchase	3,792.67	
1-4200-4210-210	Vehicle & equipment maintenance		3,792.67
Total		3,792.67	3,792.67

Reclassifying Journal Entries JE # 15

To allocate payroll taxes & benefits to departments

1-4200-4210-104	Health Insurance	27,581.96	
1-4200-4210-111	401K contributions	1,020.00	
1-4200-4210-113	State Retirement	16,858.53	
1-4200-4210-115	FICA	8,520.37	
1-4300-4310-104	Health Insurance	32,776.56	
1-4300-4310-111	401K Contributions	8,366.66	
1-4300-4310-113	State Retirement	21,452.88	
1-4300-4310-115	FICA	11,976.07	
1-4100-4120-104.04	Medical Insurance		60,358.52
1-4100-4120-111	401(k) contribution		9,386.66
1-4100-4120-113	State retirement V of WC		38,311.41
1-4100-4120-115	FICA contribution V of WC		20,496.44
Total		128,553.03	128,553.03

Total Reclassifying Journal Entries

132,345.70 132,345.70

Summary of Audit Adjustments

GASB Entries

GASB Entries JE # 2

To record accrued interest

2-2110-2113-000	Accrued interest	311.27	
2-7000-8800-887	Loan Interest		311.27
Total		311.27	311.27

GASB Entries JE # 4

To record deferred inflows , outflows & pension liability for LEOSSA

1-1902-000-000	Def Outflow - LEO SSA	3,797.00	
1-1902-000-000	Def Outflow - LEO SSA	8,545.00	
1-2960-0000-000	General fund balance unassigned	37,572.00	
1-4300-4310-119	PD Retiree Separation Allowance	5,566.00	
1-1903-000-000	Def Inflow - LEO SSA		128.00
1-2722-000-000	NPL LEO SSA		55,352.00
Total		55,480.00	55,480.00

GASB Entries JE # 5

To record vacation pay.

1-2960-0000-000	General fund balance unassigned	18,463.70	
1-4100-4120-101	Clerk	476.97	
1-4200-4210-112	Maintenance supervisor	2,976.69	
1-4300-4310-120	Chief of police	2,095.45	
1-2150-0000-000	Vacation payable		24,012.81
Total		24,012.81	24,012.81

GASB Entries JE # 7

To record capital outlay fixed asset additions

1-1701-0000-000	Govt acts depreciable capital assets	46,020.00	
1-1761-0000-000	Vehicles	5,792.67	
1-2910-2925-000	Investment in Capital Assets		51,812.67
Total		51,812.67	51,812.67

Summary of Audit Adjustments

GASB Entries JE # 8

To record fixed assets and depreciatiton

1-1700-0000-000	Govt acts non-depreciable capital assets	384,011.96	
1-1701-0000-000	Govt acts depreciable capital assets	7,058,899.20	
1-1701-0000-000	Govt acts depreciable capital assets	164,734.00	
1-1761-0000-000	Vehicles	159,216.22	
1-2960-0000-000	General fund balance unassigned	21,112.67	
1-3600-3640-000	Gain (Loss) on Sale of Assets	62,636.00	
1-7000-7000-000	General depreciation expense	191,689.83	
1-1701-0000-000	Govt acts depreciable capital assets		159,216.22
1-1800-0000-000	Govt acts accumulated depreciation		4,137,695.94
1-2910-2925-000	Investment in Capital Assets		3,469,949.22
1-2960-0000-000	General fund balance unassigned		191,689.83
1-4200-4210-230	Equipment purchase		5,792.67
1-4200-4210-272	VOP - Hurricane Florence		46,020.00
1-6200-0000-620	Capital Asset Replacement Plan CARP		31,936.00
Total		8,042,299.88	8,042,299.88

GASB Entries JE # 11

To record deferred inflows outflows and liability for NCLGERS pension

1-1900-000-000	Deferred Outflows	142,310.00	
1-4200-4210-113	State Retirement	16,902.00	
1-2721-000-000	Net Pension Liability		95,036.00
1-2960-0000-000	General fund balance unassigned		64,176.00
Total		159,212.00	159,212.00

GASB Entries JE # 14

To adjust taxes receivable to full accrual

1-2600-2610-000	General deferred revenues	990.05	
1-1210-1216-000	Personal property tax receivable		129.84
1-2960-0000-000	General fund balance unassigned		796.58
1-3100-3101-000	Taxes - ad valorem		63.63
Total		990.05	990.05
Total GASB Entries		8,334,118.68	8,334,118.68

Management Representation Letter

December 16, 2020

Carr, Riggs & Ingram, L.L.C.
P.O. Box 10588
Goldsboro, NC 27532

This representation letter is provided in connection with your audit of the financial statements of the Village of Walnut Creek (the "Village"), which comprise the respective financial position of the governmental activities, business-type activities, and each major fund as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows for the years then ended, and the disclosures (collectively, the "financial statements"), for the purpose of expressing opinions as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of December 16, 2020, the following representations made to you during your audit.

Financial Statements

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated April 28, 2020, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP and for preparation of the supplementary information in accordance with the applicable criteria.
- 2) The financial statements referred to above are fairly presented in conformity with U.S. GAAP and include all properly classified funds and other financial information of the Village required by generally accepted accounting principles to be included in the financial reporting entity.
- 3) We acknowledge our responsibility for 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.
- 4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- 5) Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
- 6) Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with U.S. GAAP.
- 7) Adjustments or disclosures have been made for all events, including instances of noncompliance, subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements or in the schedule of findings and responses.
- 8) We are in agreement with the adjusting journal entries you have proposed, and they have been posted to the accounts.

Management Representation Letter

- 9) The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.
- 10) Guarantees, whether written or oral, under which the Village is contingently liable, if any, have been properly recorded or disclosed.
- 11) We acknowledge all oral communications made by the auditor.
- 12) Receivables recorded in the financial statements represent valid claims against debtors for transactions arising on or before the balance sheet date and have been reduced to their estimated net realizable value.
- 13) In regard to the assistance in the preparation of the financial statements and related notes and maintaining the capital asset / depreciation file performed by you, we have—
 - 1) Assumed all management responsibilities.
 - 2) Designated Peggy Page within senior management, who has suitable skill, knowledge, or experience to oversee the services.
 - 3) Evaluated the adequacy and results of the services performed.
 - 4) Accepted responsibility for the results of the services.

Information Provided

- 14) We have provided you with:
 - a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records (including information obtained from outside of the general and subsidiary ledgers), documentation, and other matters and all audit or relevant monitoring reports, if any, received from funding sources.
 - b) Additional information that you have requested from us for the purpose of the audit.
 - c) Unrestricted access to persons within the Village from whom you determined it necessary to obtain audit evidence.
 - d) Minutes of the meetings of the Village or summaries of actions of recent meetings for which minutes have not yet been prepared.
- 15) All material transactions have been recorded in the accounting records and are reflected in the financial statements.
- 16) We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- 17) We have no knowledge of any fraud or suspected fraud that affects the Village and involves—
 - Management,
 - Employees who have significant roles in internal control, or
 - Others where the fraud could have a material effect on the financial statements.
- 18) We have no knowledge of any allegations of fraud or suspected fraud affecting the Village's financial statements communicated by employees, former employees, regulators, or others.
- 19) Except as made known to you, we have no knowledge of instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements.

- 20) We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
- 21) We have disclosed to you the identity of the Village's related parties and all the related party relationships and transactions, including any side agreements of which we are aware.

Government-specific

- 22) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
- 23) We have taken timely and appropriate steps to remedy fraud or noncompliance with provisions of laws, regulations, contracts, and grant agreements that you have reported to us.
- 24) We have a process to track the status of audit findings and recommendations.
- 25) We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
- 26) The Village has no plans or intentions that may materially affect the carrying value or classification of assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fund balance or net position.
- 27) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts, and legal and contractual provisions for reporting specific activities in separate funds.
- 28) We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that we believe have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.
- 29) We have identified and disclosed to you all instances, which have occurred or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that we believe have a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.
- 30) We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of abuse that could be quantitatively or qualitatively material to the financial statements or other financial data significant to the audit objectives.
- 31) There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
- 32) As part of your audit, you assisted with preparation of the financial statements and related notes and maintaining the capital asset / depreciation file. We acknowledge our responsibility as it relates to those nonaudit services, including that we assume all management responsibilities; oversee the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of the services performed; and accept responsibility for the results of the services. We have reviewed, approved, and accepted responsibility for those financial statements and disclosures.
- 33) Except as noted within the financial statements, the Village has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.

Management Representation Letter

- 34) The Village has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
- 35) The Village is not aware of any component units or joint ventures with an equity interest, that are required to be presented within the financial statements or related notes.
- 36) The financial statements properly classify all funds and activities in accordance with [GASB Statement No. 34](#), as amended, and [GASBS No. 84](#).
- 37) All funds that meet the quantitative criteria in [GASBS Nos. 34](#) and [37](#) for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
- 38) Components of net position (net investment in capital assets; restricted; and unrestricted) and classifications of fund balance (nonspendable, restricted, committed, assigned, and unassigned) are properly classified and, if applicable, approved.
- 39) Provisions for uncollectible receivables have been properly identified and recorded.
- 40) Deposits are properly classified as to risk and are properly disclosed.
- 41) Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
- 42) Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
- 43) Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
- 44) The Village is not aware of any special and extraordinary items that are required to be presented within the financial statements.
- 45) Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated.
- 46) We have appropriately disclosed the Village's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.
- 47) We are following our established accounting policy regarding which resources (that is, restricted, committed, assigned, or unassigned) are considered to be spent first for expenditures for which more than one resource classification is available. That policy determines the fund balance classifications for financial reporting purposes.
- 48) We acknowledge that the Village was not required to have a Federal and/or State Single Audit performed for the fiscal year ended June 30, 2020.
- 49) We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.
- 50) We believe that the actuarial assumptions and methods used by the State of North Carolina to measure pension liabilities and costs for financial accounting purposes of the Village's participation in the Local Government Employees' Retirement System are appropriate in the circumstances and the information

Management Representation Letter

supplied by the North Carolina Department of State Treasurer, Retirement Division and State and Local Fiscal Management Division to record adjustments is accurate.

- 51) We believe that the actuarial assumptions and methods used by Cavanaugh Macdonald Consulting, LLC to measure pension liabilities and costs for financial accounting purposes of the Village's Law Enforcement Officers' Special Separation Allowance are appropriate in the circumstances and the information supplied by Cavanaugh Macdonald Consulting, LLC to record adjustments is accurate.
- 52) With respect to the individual fund financial statements, budgetary schedules, and other schedules:
- a) We acknowledge our responsibility for presenting the individual fund financial statements, budgetary schedules, and other schedules in accordance with accounting principles generally accepted in the United States of America, and we believe the individual fund financial statements, budgetary schedules, and other schedules, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America. The methods of measurement and presentation of the individual fund financial statements, budgetary schedules, and other schedules have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.
 - b) If the individual fund financial statements, budgetary schedules, and other schedules are not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date we issue the supplementary information and the auditor's report thereon.

Signature: _____

Signature: _____

Title: _____

Title: _____



Carr, Riggs & Ingram, LLC
2805 North Park Drive
Goldsboro, North Carolina 27532

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December 16, 2020

Village Council and Management of
Village of Walnut Creek, North Carolina

In planning and performing our audit of the financial statements of the governmental activities, business-type activities and each major fund of Village of Walnut Creek, North Carolina (the "Village") as of and for the year ended June 30, 2020, in accordance with auditing standards generally accepted in the United States of America ("GAAS"), we considered the Village's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of issuing our report on the financial statements, but not for the purpose of expressing opinions on the effectiveness of the Village's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control.

During our audit, we noted areas where the Village can strengthen its internal controls and have presented these on the attached table and listed these as 2019-01 and 2019-02. A separate report dated December 16, 2020, contains our communication on the Village's internal controls. This letter does not affect our report dated December 16, 2020, on the financial statements of the Village.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various governmental unit personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This communication is intended solely for the information and use of the Council and Management, and others within the Village, and is not intended to be and should not be used by anyone other than these specified parties. The Village's response to the deficiencies identified in our audit has not been subjected to the audit procedures applied in the audits of the financial statements and, accordingly, we express no opinion on it.

Carr, Riggs & Ingram, LLC

Internal Control Findings

The following legend should be used in conjunction with reviewing the “Rating” of each of the identified internal control items:

IP = Improvement Point	D = Control Deficiency	SD = Significant Deficiency	MW = Material Weakness
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CONTROL NUMBER	RATING	AREA	ITEM NOTED	SUGGESTION	MANAGEMENT ACTION
2019-01 Repeat	IP	Information Technology General Controls	During our audit, we noted that a physical listing containing all usernames and passwords utilized by the Village was kept in a physical folder in close proximity to the Village’s computer.	CRI recommends disposing of the physical listing and to not keep passwords utilized by the Village in written form.	Management has reviewed the results of the improvement point and concurs with the assessment of the issues identified. The Village will consider implementing controls relating to this improvement point.
2019-02 Repeat	IP	Information Technology General Controls	During our audit, we noted that the Village has not attempted to restore the Quickbooks files that have been backed up onto an external USB drive.	CRI recommends periodically restoring the files to ensure that the backup process is functioning correctly.	Management has reviewed the results of the improvement point and concurs with the assessment of the issues identified. The Village will consider implementing controls relating to this improvement point.