



# Village of Walnut Creek, North Carolina

## Financial Report

June 30, 2021

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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, 2021, 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, 2021, 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 60 and 61, 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 62 and 63 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 March 22, 2022, 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.

*Carr, Rigg & Ingram, P.L.L.C.*

Goldsboro, North Carolina  
March 22, 2022

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## 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, 2021. 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 \$8,406,199 (net position).
- The government's total net position increased by \$808,326, due primarily to an increase in property taxes, intergovernmental state shared revenues, capital grants and contributions for the construction of sewer lines and improvements to sewer lift station.
- As of the close of the current fiscal year, the Village's governmental fund (General Fund) reported an ending fund balance of \$1,755,163, an increase of \$283,521 in comparison with the prior year. Approximately 73% percent of this total amount, or \$1,273,696, 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 \$1,273,696, or 110% percent of total general fund expenditures for the fiscal year.

### ***Overview of the Financial Statements***

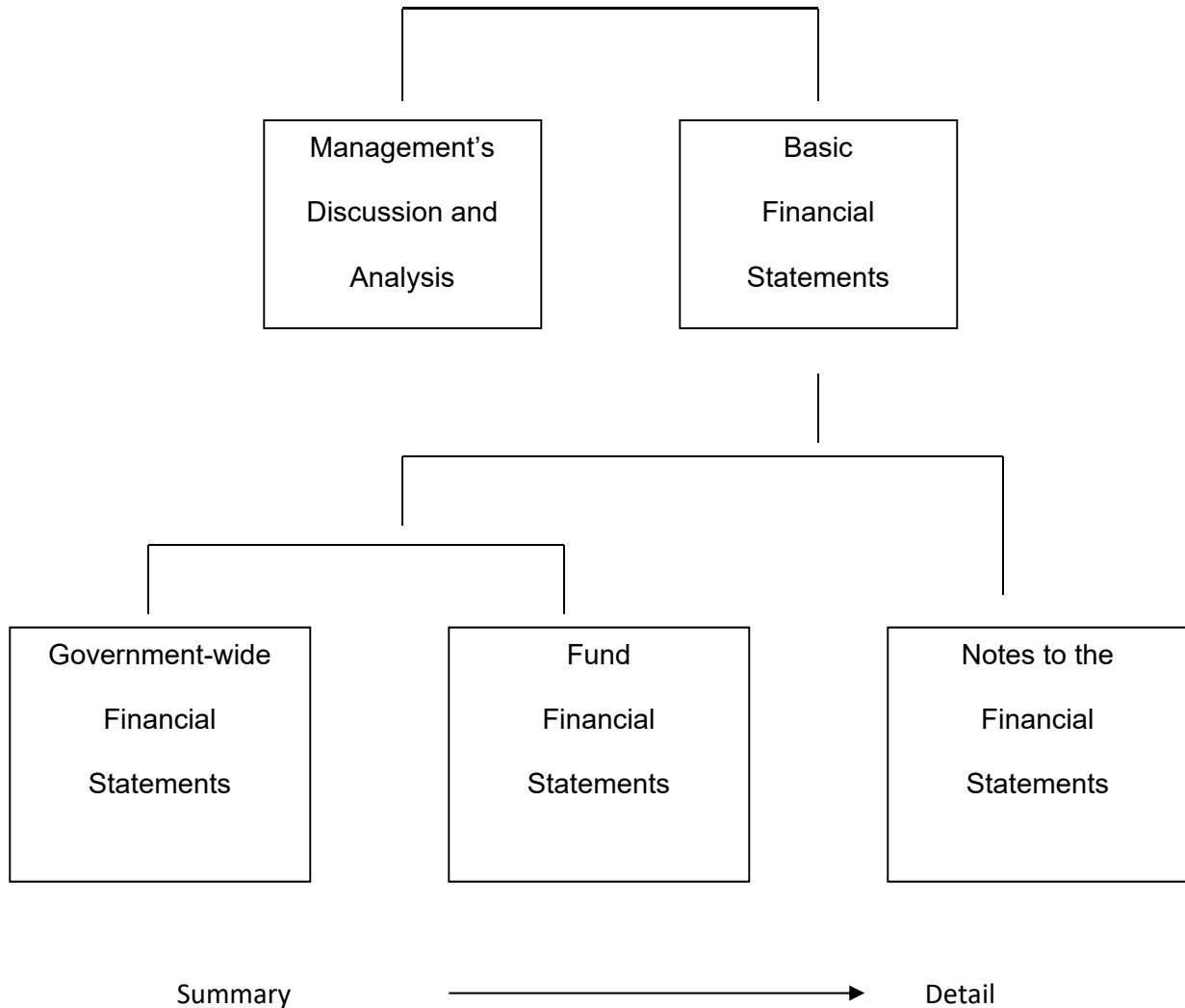
This discussion and analysis is intended to serve as an introduction to the Village's basic financial statements. The Village's basic financial statements consist of three components (see figure 1). They are as follows:

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

## Village of Walnut Creek Management's Discussion and Analysis

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 - 58 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 60 through 63 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 65 - 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,

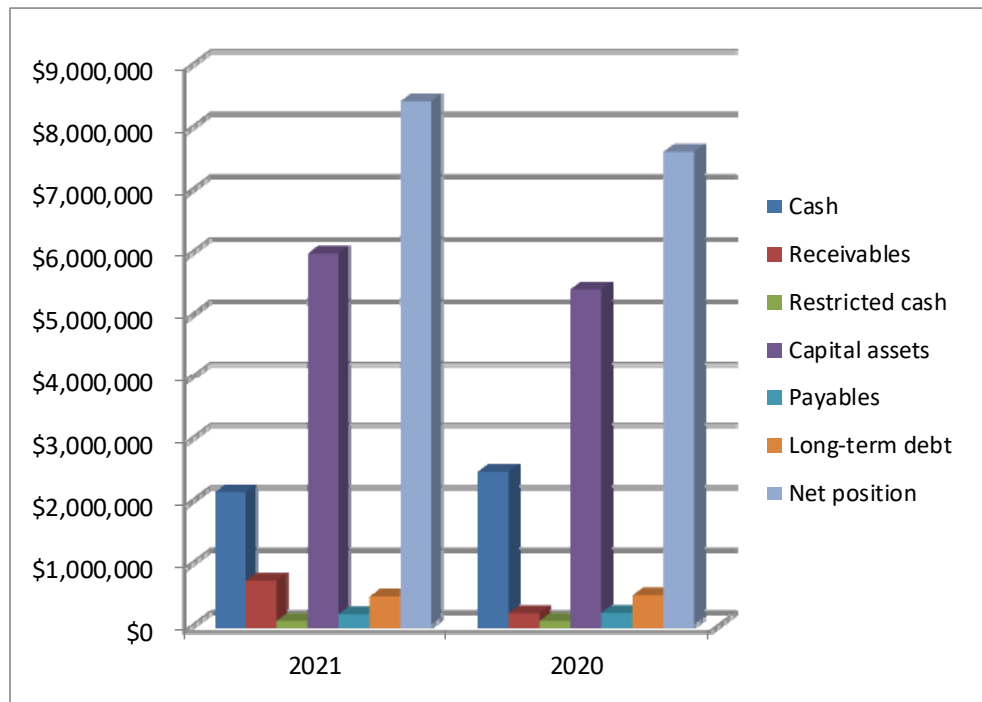
	Governmental Activities		Business-type Activities		Total Primary Government	
	2021	2020	2021	2020	2021	2020
Current assets	\$ 1,814,822	\$ 1,536,391	\$ 1,101,403	\$ 1,185,047	\$ 2,916,225	\$ 2,721,438
Non-current assets	3,420,822	3,553,698	2,551,218	1,846,565	5,972,040	5,400,263
Deferred outflows of resources	157,574	154,652	-	-	157,574	154,652
Total assets and deferred outflows of resources	5,393,218	5,244,741	3,652,621	3,031,612	9,045,839	8,276,353
Current liabilities	64,556	69,892	112,618	127,083	177,174	196,975
Long-term liabilities	227,732	168,398	234,734	312,979	462,466	481,377
Deferred inflows of resources	-	128	-	-	-	128
Total liabilities and deferred inflows of resources	292,288	238,418	347,352	440,062	639,640	678,480
Net investment in capital assets	3,420,822	3,553,698	2,238,239	1,455,341	5,659,061	5,009,039
Restricted net position	168,395	137,654	-	-	168,395	137,654
Unrestricted net position	1,511,713	1,314,971	1,067,030	1,136,209	2,578,743	2,451,180
Total net position	\$ 5,100,930	\$ 5,006,323	\$ 3,305,269	\$ 2,591,550	\$ 8,406,199	\$ 7,597,873

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 \$8,406,199 as of June 30, 2021. The Village's net position increased by \$808,326 for the fiscal year ended June 30, 2021. However, the largest portion of net position (67%) 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, \$168,395 or 2% represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$2,578,743 or 31% is unrestricted.

Government-wide Statement of Net Position Components – 6/30/2021 and 6/30/2020  
(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
- Grants from FEMA relating to Hurricanes Florence for the Sewer Capital Project Fund
- Contribution from the Golden Leaf Foundation for the Sewer Capital Project Fund

**Governmental activities:** Governmental activities increased the Village's net position by \$94,607. Key elements of this increase are as follows:

- Increases in property tax revenues and state shared intergovernmental revenues due to new home construction and overall state shared revenues and sales tax

## Village of Walnut Creek Management's Discussion and Analysis

**Business-type activities:** Business-type activities increased the Village's net position by \$713,719. Key elements of this increase are as follows:

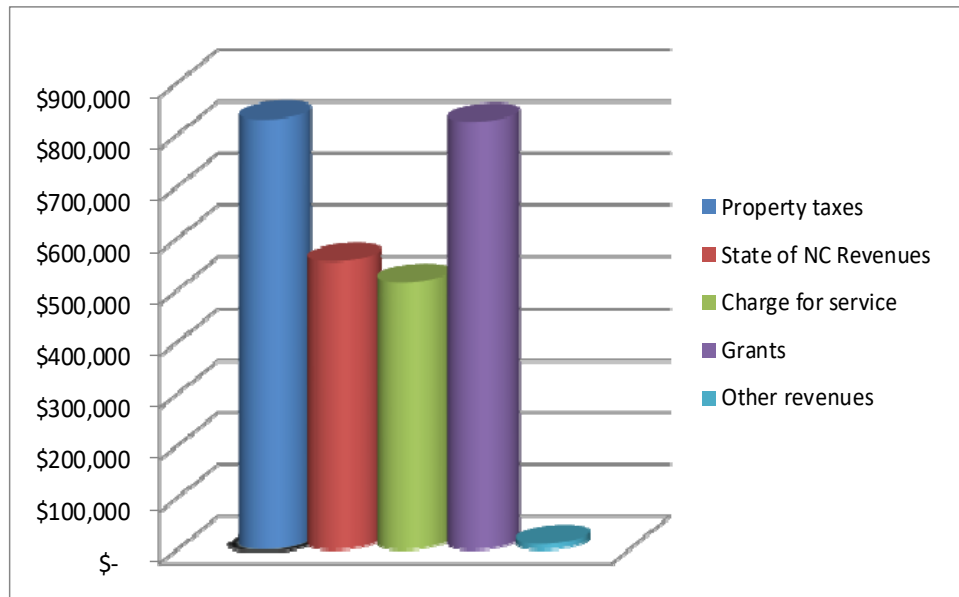
- Increase in operating revenues due to increases in the water and sewer rates
- Increases in operating expenditures for sewer from 2020 to 2021
- Capital grants and contributions of \$356,942 from the US Department of Homeland Security (FEMA) and \$401,296 from the Golden Leaf Foundation

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,

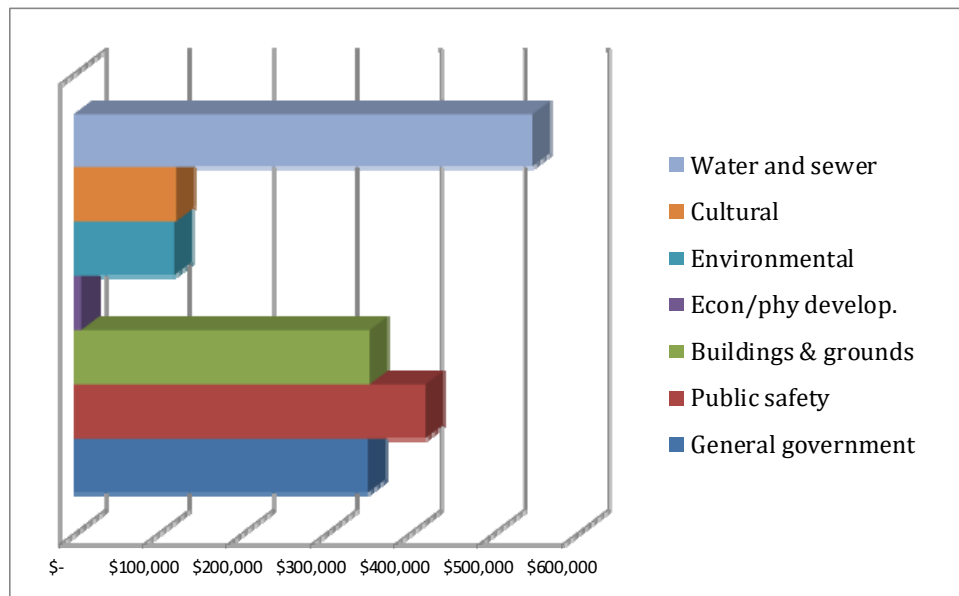
	2021			2020		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Revenues:						
Program revenues:						
Charges for services	\$ 12,142	\$ 502,686	\$ 514,828	\$ 15,298	\$ 388,864	\$ 404,162
Grants and contributions	66,184	758,238	824,422	314,989	-	314,989
General revenues:						
Property taxes	828,668	-	828,668	773,772	-	773,772
Unrestricted intergovernmental	554,687	-	554,687	510,737	-	510,737
Other	10,449	606	11,055	(47,317)	37,999	(9,318)
Total revenues	<u>1,472,130</u>	<u>1,261,530</u>	<u>2,733,660</u>	<u>1,567,479</u>	<u>426,863</u>	<u>1,994,342</u>
Expenses:						
General government	351,496	-	351,496	348,352	-	348,352
Public safety	420,281	-	420,281	390,241	-	390,241
Buildings and grounds	353,412	-	353,412	380,473	-	380,473
Economic/physical development	9,320	-	9,320	2,380	-	2,380
Environmental protection	120,314	-	120,314	111,714	-	111,714
Cultural and recreation	122,700	-	122,700	111,147	-	111,147
Water	-	255,087	255,087	-	100,504	100,504
Sewer	-	292,724	292,724	-	262,716	262,716
Total expenses	<u>1,377,523</u>	<u>547,811</u>	<u>1,925,334</u>	<u>1,344,307</u>	<u>363,220</u>	<u>1,707,527</u>
Increase (decrease) in net position	94,607	713,719	808,326	223,172	63,643	286,815
Net position, July 1	5,006,323	2,591,550	7,597,873	4,783,151	2,527,907	7,311,058
Net position, June 30	<u>\$ 5,100,930</u>	<u>\$ 3,305,269</u>	<u>\$ 8,406,199</u>	<u>\$ 5,006,323</u>	<u>\$ 2,591,550</u>	<u>\$ 7,597,873</u>

## Village of Walnut Creek Management's Discussion and Analysis

### Government-wide Revenues – 6/30/2021



### Government-wide Expenses – 6/30/2021



### *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 \$1,273,696, while total fund balance reached \$1,755,163. 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 110% percent of total General Fund expenditures, while total fund balance represents 152% 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, 2021, the minimum fund balance amount per the policy totaled \$577,514, with an amount available for working capital totaling \$577,514. 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 \$1,067,030 at the government-wide level, whereas net position comprised of net investment in capital assets amounted to \$2,238,239. The total increase in net position was \$713,719 from the previous fiscal year, primarily due to increases in water and sewer rates and operating expenses and capital grants and contributions totaling \$758,238 for the Sewer Capital Project Fund.

## Village of Walnut Creek Management's Discussion and Analysis

### *Capital Asset and Debt Administration*

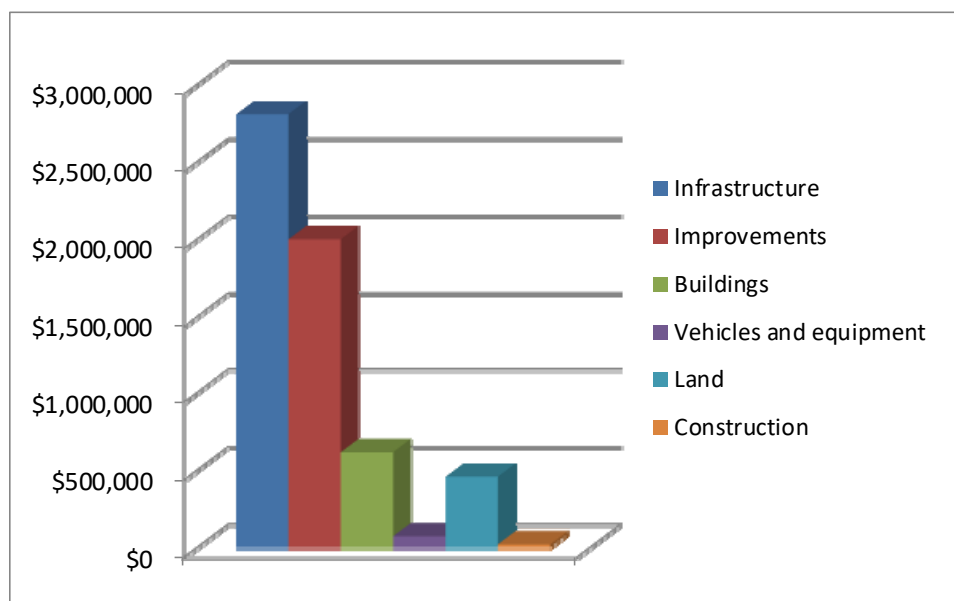
**Capital assets.** The Village's capital assets for its governmental and business-type activities as of June 30, 2021, totals \$5,972,040 (net of accumulated depreciation). These assets include land, buildings, infrastructure, machinery, and equipment.

The significant capital asset additions during the year were:

- Replacement of water meters and software at a cost of \$36,027
- Donation of two vehicles for Police Department valued at \$34,000
- Construction of improvements to sewer lift station and sewer lines of \$792,074
- Engineering fees of \$20,375 for future repairs to the Lake Dam

Additional information on the Village's capital assets can be found on pages 43 and 44 of this report.

### **Government-wide Capital Assets – 6/30/2021**



## 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	
	2021	2020	2021	2020	2021	2020
Land	\$ 384,012	\$ 384,012	\$ 73,084	\$ 73,084	\$ 457,096	\$ 457,096
Buildings	615,323	632,747	-	-	615,323	632,747
Other improvements	1,999,770	2,128,132	-	-	1,999,770	2,128,132
Equipment	12,580	21,182	-	-	12,580	21,182
Vehicles	59,704	39,874	-	-	59,704	39,874
Infrastructure	329,058	347,751	2,478,134	1,773,481	2,807,192	2,121,232
Construction in progress	20,375	-	-	-	20,375	-
Total	<u>\$ 3,420,822</u>	<u>\$ 3,553,698</u>	<u>\$ 2,551,218</u>	<u>\$ 1,846,565</u>	<u>\$ 5,972,040</u>	<u>\$ 5,400,263</u>

**Long-term Debt.** As of June 30, 2021, the Village had total debt outstanding of \$312,979, excluding compensated absences and retirement related liability amounts. At June 30, 2021, 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	
	2021	2020	2021	2020	2021	2020
Compensated absences	\$ 21,352	\$ 24,013	\$ -	\$ -	\$ 21,352	\$ 24,013
Net pension liability	122,926	95,036	-	-	122,926	95,036
Special separation allowance (LEO)	88,792	55,352	-	-	88,792	55,352
State revolving loan	-	-	312,979	391,224	312,979	391,224
Total	<u>\$ 233,070</u>	<u>\$ 174,401</u>	<u>\$ 312,979</u>	<u>\$ 391,224</u>	<u>\$ 546,049</u>	<u>\$ 565,625</u>

Additional information on the Village's long-term debt can be found on page 56 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, 2021 with the minimum rate increasing to \$35.00 per month from \$62.61 per quarter.
- The Village's residential sewer rates increased effective July 1, 2020 from \$150 per quarter to \$60 per month.

## Village of Walnut Creek Management's Discussion and Analysis

### Budget Highlights for the Fiscal Year Ending June 30, 2022

**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 2021 amounts except for a reduction in the budget for contingencies of \$229,020. Estimated General Fund expenditures for fiscal year 2022 are \$1,352,150, compared to \$1,332,255 for fiscal year 2021.

**Business – type Activities:** Water and sewer revenues are expected to increase with additional customers, while the residential water and sewer rates will remain the same, and expenses are expected to remain stable during the upcoming year. Estimated expenditures in the Water and Sewer Fund for fiscal year 2022 are \$493,150, compared to \$609,550 for fiscal year 2021. The current year budget included a one-time expenditure of \$180,070 for the replacement of water meters throughout the Village.

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.walnutcreekncc.com](http://www.walnutcreekncc.com) or send an email to the Village Administrator at [robert.parchman@walnutcreekncc.com](mailto:robert.parchman@walnutcreekncc.com).

## **Village of Walnut Creek Council Members and Key Staff**

### Village Council Members

Danny Jackson, Mayor

Cyndi Dupuy, Mayor Pro Tem

Mike Daly

John Seegars

Phillip Moyer

### Administrative and Financial Staff

Robert Parchman, Village Administrator

Jacqui Whitmire, Village Clerk

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**Village of Walnut Creek**  
**Statement of Net Position**  
**June 30, 2021**  
**Exhibit 1**

	<b>Primary Government</b>		
	<b>Governmental</b>	<b>Business-type</b>	
	<b>Activities</b>	<b>Activities</b>	<b>Total</b>
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 1,657,105	\$ 473,822	\$ 2,130,927
Receivables (net)	441	441,943	442,384
Due from other governments	139,352	131,669	271,021
Internal balances	(37,569)	37,569	-
Restricted cash and cash equivalents	55,493	16,400	71,893
Total current assets	1,814,822	1,101,403	2,916,225
Non-Current assets:			
Capital assets:			
Land, non-depreciable improvements, and construction in progress	404,387	73,084	477,471
Other capital assets, net of depreciation	3,016,435	2,478,134	5,494,569
Total capital assets	3,420,822	2,551,218	5,972,040
Total assets	5,235,644	3,652,621	8,888,265
<b>Deferred outflows of resources</b>			
Pension deferrals	157,574	-	157,574
<b>Liabilities</b>			
Current liabilities:			
Accounts payable and accrued liabilities	32,768	17,973	50,741
Customer deposits	26,450	16,400	42,850
Current portion of long-term liabilities	5,338	78,245	83,583
Total current liabilities	64,556	112,618	177,174
Long-term liabilities:			
Net pension liability	122,926	-	122,926
Total pension liability	88,792	-	88,792
Due in more than one year	16,014	234,734	250,748
Total long-term liabilities	227,732	234,734	462,466
Total liabilities	292,288	347,352	639,640
<b>Net position</b>			
Net investment in capital assets	3,420,822	2,238,239	5,659,061
Restricted for:			
Stabilization by State Statute	139,352	-	139,352
Streets	29,043	-	29,043
Unrestricted	1,511,713	1,067,030	2,578,743
Total net position	\$ 5,100,930	\$ 3,305,269	\$ 8,406,199

*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, 2021**  
**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	\$ 351,496	\$ -	\$ -	\$ -	\$ (351,496)	\$ -	\$ (351,496)
Public safety	420,281	-	-	34,000	(386,281)	-	(386,281)
Buildings and grounds	353,412	-	31,560	-	(321,852)	-	(321,852)
Economic/physical development	9,320	2,167	-	-	(7,153)	-	(7,153)
Environmental protection	120,314	-	624	-	(119,690)	-	(119,690)
Cultural and recreation	122,700	9,975	-	-	(112,725)	-	(112,725)
Total governmental activities (See Note 1)	1,377,523	12,142	32,184	34,000	(1,299,197)	-	(1,299,197)
Business-type activities:							
Water	255,087	295,378	-	-	-	40,291	40,291
Sewer	292,724	207,308	-	758,238	-	672,822	672,822
Total business-type activities	547,811	502,686	-	758,238	-	713,113	713,113
Total primary government	\$ 1,925,334	\$ 514,828	\$ 32,184	\$ 792,238	(1,299,197)	713,113	(586,084)
General revenues:							
Taxes:							
Property taxes, levied for general purpose					828,668	-	828,668
Grant and contributions not restricted to specific programs					554,687	-	554,687
Unrestricted investment earnings					1,058	606	1,664
Miscellaneous					9,391	-	9,391
Total general revenues					1,393,804	606	1,394,410
Change in net position					94,607	713,719	808,326
Net position - beginning					5,006,323	2,591,550	7,597,873
Net position - ending					\$ 5,100,930	\$ 3,305,269	\$ 8,406,199

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



**Village of Walnut Creek**  
**Balance Sheet – Governmental Fund**  
**June 30, 2021**  
**Exhibit 3**

	General
<b>Assets</b>	
Cash and cash equivalents	\$ 1,657,105
Restricted cash	55,493
Receivables, net:	
Taxes	441
Due from other governments	139,352
<b>Total assets</b>	<b>\$ 1,852,391</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>	
Liabilities:	
Accounts payable and accrued expenses	\$ 32,768
Customer deposits	26,450
Due to other fund	37,569
<b>Total liabilities</b>	<b>96,787</b>
Deferred inflows of resources	
Property tax receivable	441
<b>Total deferred inflows of resources</b>	<b>441</b>
Fund balances	
Restricted:	
Stabilization by State Statute	139,352
Streets	29,043
Assigned:	
Disaster Response Reserve	200,000
Long Range Planning Reserve	60,008
Capital Asset Replacement Reserve	53,064
Unassigned	1,273,696
<b>Total fund balances</b>	<b>1,755,163</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 1,852,391</b>
<b>Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position</b>	
Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1) are different	
Total fund balance - governmental fund	\$ 1,755,163
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Gross capital assets at historical cost	7,745,769
Accumulated depreciation	(4,324,947)
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds.	
Total pension liability	(122,926)
Net pension liability	(88,792)
Compensated absences	(21,352)
Deferred outflows of resources related to pensions are not reported in the funds	157,574
Amounts for unavailable revenues considered deferred inflows of resources in fund statements	441
<b>Net position of governmental activities</b>	<b>\$ 5,100,930</b>

*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, 2021**  
**Exhibit 4**

	General
<b>Revenues</b>	
Ad valorem taxes	\$ 829,087
Unrestricted intergovernmental	554,687
Restricted intergovernmental	32,184
Permits and fees	12,142
Investment earnings	1,058
Miscellaneous	9,391
<b>Total revenues</b>	<b>1,438,549</b>
<b>Expenditures</b>	
General government	254,078
Public safety	372,099
Buildings and grounds	296,982
Economic/physical development	29,695
Environmental protection	120,314
Culture and recreation	81,860
<b>Total expenditures</b>	<b>1,155,028</b>
Revenues over (under) expenditures	283,521
<b>Fund balance - beginning</b>	<b>1,471,642</b>
<b>Fund balance - ending</b>	<b>\$ 1,755,163</b>

**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	\$ 283,521
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	(187,251)
Capital asset acquisitions	20,375
Value of donated capital assets	34,000
Contributions to the pension plan in the current fiscal year not included on the Statement of Activities	37,390
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	(419)
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	2,661
Pension expense - LEOSSA	(18,803)
Pension expense - NCLGERS	(85,412)
<b>Total changes in net position of governmental activities</b>	<b>\$ 94,607</b>

*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, 2021**  
**Exhibit 5**

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
<b>Revenues</b>				
Ad valorem taxes	\$ 774,600	\$ 783,050	\$ 829,087	\$ 46,037
Unrestricted intergovernmental	464,500	464,500	554,687	90,187
Restricted intergovernmental	34,600	34,600	32,184	(2,416)
Permits and fees	8,000	8,000	12,142	4,142
Investment earnings	8,000	8,000	1,058	(6,942)
Miscellaneous	800	1,250	9,391	8,141
<b>Total revenues</b>	<b>1,290,500</b>	<b>1,299,400</b>	<b>1,438,549</b>	<b>139,149</b>
<b>Expenditures</b>				
General government	435,375	424,267	254,078	170,189
Public safety	351,320	376,320	372,099	4,221
Buildings and grounds	264,200	297,055	296,982	73
Economic/physical development	15,000	35,008	29,695	5,313
Environmental protection	121,000	121,000	120,314	686
Cultural and recreational	103,605	78,605	81,860	(3,255)
<b>Total expenditures</b>	<b>1,290,500</b>	<b>1,332,255</b>	<b>1,155,028</b>	<b>177,227</b>
Revenues over (under) expenditures	-	(32,855)	283,521	316,376
Appropriated fund balance	-	32,855	-	(32,855)
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	283,521	<u>\$ 283,521</u>
<b>Fund balance - beginning</b>			<u>1,471,642</u>	
<b>Fund balance - ending</b>			<u>\$ 1,755,163</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, 2021**  
**Exhibit 6**

	<b>Water and Sewer Fund</b>
<b>Assets</b>	
Current assets:	
Cash and equivalents	\$ 473,822
Restricted cash	16,400
Receivables (net)	441,943
Due from other governments	131,669
Due from other fund	37,569
<b>Total current assets</b>	<b>1,101,403</b>
Capital assets:	
Land and other non-depreciable assets	73,084
Other capital assets, net of depreciation	2,478,134
<b>Total capital assets (net)</b>	<b>2,551,218</b>
<b>Total assets</b>	<b>3,652,621</b>
<b>Liabilities</b>	
Current liabilities:	
Accounts payable	16,728
Customer deposits	16,400
Accrued interest	1,245
Revolving loan payable - current	78,245
<b>Total current liabilities</b>	<b>112,618</b>
Noncurrent liabilities:	
Revolving loan payable - noncurrent	234,734
<b>Total noncurrent liabilities</b>	<b>234,734</b>
<b>Total liabilities</b>	<b>347,352</b>
<b>Net Position</b>	
Net investment in capital assets	2,238,239
Unrestricted	1,067,030
<b>Total net position</b>	<b>\$ 3,305,269</b>

*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, 2021**  
**Exhibit 7**

	<b>Water and Sewer Fund</b>
<b>Operating revenues:</b>	
Charges for service	\$ 494,451
Other operating revenues	8,235
<b>Total operating revenues</b>	<b>502,686</b>
<b>Operating expenses:</b>	
Administration	
Other operating expenditures	415,206
Depreciation	123,448
<b>Total operating expenses</b>	<b>538,654</b>
Operating income (loss)	(35,968)
<b>Nonoperating revenues (expenses):</b>	
Interest earned and other	606
Interest and fees	(9,157)
<b>Total nonoperating revenue (expenses)</b>	<b>(8,551)</b>
Income (loss) before contributions and transfers	(44,519)
Capital contributions	758,238
Transfers from other funds	33,836
Transfers to other funds	(33,836)
Change in net position	713,719
<b>Total net position - beginning</b>	<b>2,591,550</b>
<b>Total net position - ending</b>	<b>\$ 3,305,269</b>

*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, 2021**  
**Exhibit 8**

	<b>Water and Sewer Fund</b>
<b>Cash Flows from Operating Activities</b>	
Cash received from customers and users	\$ 549,710
Cash paid for goods and services	(432,960)
Customer deposits received	3,600
Net cash provided by (used in) operating activities	120,350
<b>Cash Flows From Noncapital Activities</b>	
(Increase) decrease in due from other funds	(15,141)
Transfers from other funds	33,836
Transfers to other funds	(33,836)
Net cash provided by (used in) noncapital activities	(15,141)
<b>Cash Flows From Capital and Related Financing Activities</b>	
Acquisition and construction of capital assets	(828,101)
Principal payments on long-term debt	(78,245)
Interest payments on long-term debt	(9,468)
Capital contributions - federal grant	225,273
Net cash provided by (used in) capital and related financing activities	(690,541)
<b>Cash Flows From Investing Activities</b>	
Interest earned	606
Net change in cash and cash equivalents	(584,726)
<b>Cash and cash equivalents - beginning</b>	1,074,948
<b>Cash and cash equivalents - ending</b>	\$ 490,222
Unrestricted cash	\$ 473,822
Restricted cash	16,400
Total cash and cash equivalents	\$ 490,222
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:</b>	
Operating income (loss)	\$ (35,968)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities	
Depreciation	123,448
Change in assets and liabilities	
(Increase) decrease in accounts receivable (net)	47,024
Increase (decrease) in accounts payable	(17,754)
Increase (decrease) in customer deposits	3,600
Net cash provided by (used in) operating activities	\$ 120,350

*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 Village has no fiduciary funds to report. 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. The Sewer Capital Project Fund has been consolidated into the Water and Sewer Fund for financial reporting purposes. The budgetary comparison for the Sewer Capital Project Fund has been included in the supplemental information.

### ***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. A project ordinance is adopted for the Sewer Capital Project Fund. The enterprise fund project is consolidated with its respective operating fund for reporting purposes. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the project level for the multi-year funds. 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.

## **Village of Walnut Creek Notes to Financial Statements**

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. All amendments must be approved by the governing board. The budget ordinance must be adopted by July 1<sup>st</sup> 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 Net Position/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. Because the NCCMT Government Portfolio has a weighted average maturity of less than 90 days, it is presented as an investment with a maturity of less than 6 months.

The Village had no such investments at June 30, 2021.

#### ***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, 2021, 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	\$ 29,043
Customer deposits	26,450
Total governmental activities	55,493

### Business-Type Activities

Customer deposits	16,400
Total restricted cash	\$ 71,893

#### **4. Ad Valorem Taxes Receivable**

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 1<sup>st</sup>, the beginning of the fiscal year. The taxes are due on September 1<sup>st</sup> (lien date); however, interest does not accrue until the following January 6<sup>th</sup>. These taxes are based on the assessed values as of January 1, 2020.

#### **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 \$1,360 for trade and utility receivables. At June 30, 2021, taxes receivable are net of an allowance for doubtful accounts of \$87 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 30, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 30, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. General infrastructure assets acquired prior to July 1, 2003, consist of the road network and water and sewer system assets that were acquired or that received substantial improvements subsequent to July 1, 1980, and are reported at estimated historical cost using deflated replacement cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

## Village of Walnut Creek

### Notes to Financial Statements

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

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

#### **7. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Village has one item that meets this criterion, pension deferrals for the 2020/2021 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, 2021.

*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, 2021.

*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, 2021, the amount totaled \$577,514. See Note III, D for further Fund Balance information.

### **11. Defined Benefit Cost-Sharing Pension Plan**

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. Recently Issued Financial Accounting Standards**

#### ***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. 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. This Statement did not affect the Village's financial reporting or financial operations.

#### ***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



## Village of Walnut Creek Notes to Financial Statements

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. 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. This Statement did not affect the Village's financial reporting or financial operations.

### ***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 its 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. 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.

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 Board is currently reviewing this statement to determine the effect on its 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. This Statement did not affect the Village's financial reporting or financial operations.



## Village of Walnut Creek Notes to Financial Statements

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

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. 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. This Statement did not affect the Village's financial reporting or financial operations.

### ***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

## Village of Walnut Creek Notes to Financial Statements

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 its 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.

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.

## Village of Walnut Creek Notes to Financial Statements

- 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 its 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. 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

## Village of Walnut Creek Notes to Financial Statements

- 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.

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 its 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. 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.

## Village of Walnut Creek Notes to Financial Statements

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 its 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 its financial statements.

### ***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 Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

## Village of Walnut Creek Notes to Financial Statements

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 does not anticipate this Statement affecting its financial reporting or financial operations.

### ***GASB Statement No. 98, The Annual Comprehensive Financial Report***

In October 2021, the GASB issued Statement No. 98, *The Annual Comprehensive Financial Report*. This Statement establishes the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments. This Statement was developed in response to concerns raised by stakeholders that the common pronunciation of the acronym for comprehensive annual financial report sounds like a profoundly objectionable racial slur. This Statement's introduction of the new term is founded on a commitment to promoting inclusiveness. The requirements of this Statement are effective for fiscal years ending after December 15, 2021. Earlier application is encouraged. The Village implemented this statement for the year ended June 30, 2021, which did not have any affect on the Village's financial reporting for June 30, 2021.

## **NOTE II – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

### ***A. Excess of Expenditures over Appropriations***

For the fiscal year ended June 30, 2021, the following departments' expenditures exceeded amounts approved in the budget ordinance and subsequent amendments.

Cultural and recreational	\$ 3,255
Sewer expenditures	1,796

The Board will more closely review the budget reports to ensure compliance in future years.

### ***B. Retirement Contributions and Payroll Taxes***

For the fiscal year ended June 30, 2021, the Village did not contribute 10.15% (\$609) of salary (\$6,000) 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. The Village also did not make payments for payroll taxes, 401K contributions and retirement plan contributions in a timely manner on several occasions resulting in late payment penalties. Quarterly payroll reports for the quarter ended June 30, 2021 were not correct and will need to be amended.

## 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, 2021, the Village's deposits had a carrying amount of \$2,202,470 and a bank balance of \$2,250,070. Of the bank balances, \$320,138 was covered by federal depository insurance and the remainder was covered by collateral held under the Pooling Method. At June 30, 2021, the Village of Walnut Creek had \$350 cash on hand.



## Village of Walnut Creek Notes to Financial Statements

### 2. Accounts Receivable

Receivables at the government-wide level at June 30, 2021, were as follows:

	Accounts	Taxes	Due from other governments	Total
Governmental activities:				
General	\$ -	\$ 528	\$ 139,352	\$ 139,880
Allowance for doubtful accounts	-	(87)	-	(87)
Total governmental activities	<u>\$ -</u>	<u>\$ 441</u>	<u>\$ 139,352</u>	<u>\$ 139,793</u>
Business-type activities:				
Water and sewer	\$ 443,303	\$ -	\$ 131,669	\$ 574,972
Allowance for doubtful accounts	(1,360)	-	-	(1,360)
Total business-type activities	<u>\$ 441,943</u>	<u>\$ -</u>	<u>\$ 131,669</u>	<u>\$ 573,612</u>
The due from other governments that is owed to the Village consists of the following:				
Local option sales tax			\$	89,666
Wayne County tax collections				8,603
State sales tax refund				29,084
Utility franchise and solid waste tax				11,999
NC Department of Public Safety (FEMA)				131,669
Total			\$	<u>271,021</u>



## Village of Walnut Creek Notes to Financial Statements

### 3. Capital Assets

Capital asset activity for the year ended June 30, 2021 was as follows:

	Beginning Balance 7/1/20	Increases	Decreases	Ending Balance 6/30/21
<b>Governmental Activities:</b>				
Capital assets not being depreciated				
Land	\$ 384,012	\$ -	\$ -	\$ 384,012
Construction in progress	-	20,375	-	20,375
Total capital assets not being depreciated	384,012	20,375	-	404,387
Capital assets being depreciated				
Buildings	888,831	-	-	888,831
Other improvements	3,960,507	-	-	3,960,507
Equipment	292,565	-	-	292,565
Vehicles and other motorized equipment	196,945	34,000	-	230,945
Infrastructure	1,968,534	-	-	1,968,534
Total capital assets being depreciated	7,307,382	34,000	-	7,341,382
Less accumulated depreciation				
Buildings	(256,084)	(17,424)	-	(273,508)
Other improvements	(1,832,375)	(128,362)	-	(1,960,737)
Equipment	(271,383)	(8,602)	-	(279,985)
Vehicles and other motorized equipment	(157,071)	(14,170)	-	(171,241)
Infrastructure	(1,620,783)	(18,693)	-	(1,639,476)
Total accumulated depreciation	(4,137,696)	(187,251)	-	(4,324,947)
Total capital assets being depreciated, net	3,169,686	(153,251)	-	3,016,435
Governmental activities capital assets, net	\$ 3,553,698	\$ (132,876)	\$ -	\$ 3,420,822

Depreciation expense was charged to functions/programs as follows:

General government	\$ 85,975
Public safety	16,131
Buildings and grounds	44,305
Cultural and recreation	40,840
Total	\$ 187,251

## Village of Walnut Creek Notes to Financial Statements

	Beginning Balance 7/1/20	Increases	Decreases	Ending Balance 6/30/21
<b>Business-Type Activities:</b>				
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	828,101	-	4,006,906
Total capital assets being depreciated	3,178,805	828,101	-	4,006,906
Less accumulated depreciation				
Substation, lines and related equipment	(1,405,324)	(123,448)	-	(1,528,772)
Total accumulated depreciation	(1,405,324)	(123,448)	-	(1,528,772)
Total capital assets being depreciated, net	1,773,481	704,653	-	2,478,134
Business-type activities capital assets, net	\$ 1,846,565	\$ 704,653	\$ -	\$ 2,551,218
Depreciation expense was charged to functions/programs as follows:				
Water operations				\$ 6,877
Sewer operations				116,571
Total				\$ 123,448

### Construction commitments

The Village of Walnut Creek has active construction projects as of June 30, 2021. At year-end, the government's commitments with contractors and engineers are as follows:

	Spent-to-date	Remaining Commitment
Ferguson - water meter replacement project	\$ 180,070	\$ -
Keen Corporation - lift station repairs	513,580	-
T.A. Loving - sewer line repairs	250,450	-
Total	\$ 944,100	\$ -

***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 Annual Comprehensive Financial Report (ACFR) for the State of North Carolina. The State's ACFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at [www.osc.nc.gov](http://www.osc.nc.gov).

*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, 2021, was 10.84% of compensation for law enforcement officers and 10.15% 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 \$37,390 for the year ended June 30, 2021.

*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, 2021, the Village reported a liability of \$122,926 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019. The total pension liability was then rolled forward to the measurement date of June 30, 2020 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, 2020, the Village's proportion was 0.00344%, which was a decrease of 0.00004% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the Village recognized pension expense of \$48,022. At June 30, 2021, 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	\$ 15,523	\$ -
Changes of assumptions	9,148	-
Net difference between projected and actual earnings on pension plan investments	17,299	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	42,818	-
Village contributions subsequent to the measurement date	37,390	-
<b>Total</b>	<b>\$ 122,178</b>	<b>\$ -</b>

\$37,390 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, 2022. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year ended June 30:**

2022	\$ 30,030
2023	30,523
2024	19,115
2025	5,120
2026	-
<b>Total</b>	<b>\$ 84,788</b>

*Actuarial Assumptions.* The total pension liability in the December 31, 2019 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, 2019 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, 2020 are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
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 2020 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

## Village of Walnut Creek Notes to Financial Statements

using the discount rate of 7.00 percent, as well as what the Village's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent) or one percentage point higher (8.00 percent) than the current rate:

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Village's proportionate share of the net pension liability (asset)	\$ 249,403	\$ 122,926	\$ 17,814

*Pension plan fiduciary net position.* Detailed information about the pension plan's fiduciary net position is available in the separately issued Annual Comprehensive Financial Report (ACFR) 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	2
Active members	3
Total	5

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.

## Village of Walnut Creek Notes to Financial Statements

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

### 3. Actuarial Assumptions

The entry age actuarial cost method was used in the December 31, 2019 valuation. The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

- Discount rate 1.93%
- Projected salary increases \* 3.25 – 7.75%
  - \* Includes inflation at 2.50%
- Cost-of-living adjustments N/A

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, 2019 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, 2019.

**MORTALITY ASSUMPTION:** All mortality rates use Pub-2010 amount-weighted tables.

**MORTALITY PROJECTION:** All mortality rates are projected from 2010 using generational improvement with Scale MP-2019.

**DEATHS AFTER RETIREMENT (Healthy):** Mortality rates are based on the Safety Mortality Table for Retirees. Rates for all members are multiplied by 97% and Set Forward by 1 year.

**DEATHS AFTER RETIREMENT (Disabled Members at Retirement):** Mortality rates are based on the Non-Safety Mortality Table for Disabled Retirees. Rates are Set Back 3 years for all ages.

**DEATHS AFTER RETIREMENT (Survivors of Deceased Members):** Mortality rates are based on the Below-median Teachers Mortality Table for Contingent Survivors. Rates for male members are Set Forward 3 years. Rates for female members are Set Forward 1 year. Because the contingent survivor tables have no rates to age 45, the Below-median Teachers Mortality Table for Employees is used for ages less than 45.

**DEATHS PRIOR RETIREMENT:** Mortality rates are based on the Safety Mortality Tables for Employees.

### 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



## Village of Walnut Creek Notes to Financial Statements

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, 2021, and the calendar year ended December 31, 2020, the actuarial measurement period.

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

At June 30, 2021, the Village reported a total pension liability of \$88,792. The total pension liability was measured as of December 31, 2020 based on a December 31, 2019 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2020 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2021, the Village recognized pension expense of \$10,258.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 17,805	\$ -
Changes of assumptions	9,046	-
Benefit payments and administrative expenses subsequent to the measurement date	8,545	-
Total	\$ 35,396	\$ -

\$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, 2022. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

#### **Year ended June 30:**

2022	\$ 19,833
2023	7,018
Total	\$ 26,851

*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 1.93 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 (0.93 percent) or 1-percentage-point higher (2.93 percent) than the current rate:

	1% Decrease (0.93%)	Current Discount Rate (1.93%)	1% Increase (2.93%)
Total pension liability	\$ 92,239	\$ 88,792	\$ 85,437

## Village of Walnut Creek Notes to Financial Statements

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

Pension liability 12/31/2020	\$	55,352
Changes for the year:		
Service cost		3,007
Interest on the total pension liability		1,526
Change in benefit terms		-
Difference between expected and actual experience in the measurement of the total pension liability		30,792
Changes in assumptions and other inputs		15,204
Benefit payments		(17,089)
Other changes		-
Net changes		33,440
Pension liability 12/31/2021	\$	88,792

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

The actuarial assumptions used in the December 31, 2019, valuation was based on the results of an actuarial experience study for the period January 1, 2010, through December 31, 2014.

### ***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	\$ 48,022	\$ 10,258	\$ 58,280
Pension Liability	122,926	88,792	211,718
Proportionate share of the net pension liability	0.00344%	n/a	
Deferred of Outflows of Resources			
Differences between expected and actual experience	15,523	17,805	33,328
Changes of assumptions	9,148	9,046	18,194
Net difference between projected and actual earnings on plan investments	17,299	-	17,299
Changes in proportion and differences between contributions and proportionate share of contributions	42,818	-	42,818
Benefit payments and administrative costs paid subsequent to the measurement date	37,390	8,545	45,935
Deferred of Inflows of Resources			
Differences between expected and actual experience	-	-	-
Changes of assumptions	-	-	-
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-	-

## 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 Annual Comprehensive Financial Report (ACFR) for the State of North Carolina. The State's ACFR 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 \$14,122 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 Annual Comprehensive Financial Report (ACFR) for the State of North Carolina. The State's ACFR 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 \$1,000 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	\$ 37,390
Benefit payments made and administrative expenses for LEOSSA	8,545
Differences between expected and actual experience	33,328
Changes of assumptions	18,194
Net difference between projected and actual earnings on pension plan investments	17,299
Changes in proportion and differences between employer contributions and proportionate share of contributions	42,818
<b>Total</b>	<b>\$ 157,574</b>

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

Source	Statement of Net Position	General Fund Balance Sheet
Taxes receivable, less penalties (General Fund)	\$ -	\$ 441
<b>Total</b>	<b>\$ -</b>	<b>\$ 441</b>

## 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, 2021, the Village has a three year agreement with Waste Solution & Recycling for collection of recyclable materials. The Village also has a contract with Foster Lake and Pond Management for maintenance of the Village lakes and a contract with E&J Mowing for landscape maintenance. The following is a schedule of the minimum required payments under these service contract commitments as of June 30, 2021.

Year Ended June 30,	Waste Solution & Recycling	Foster Land & Pond Maintenance	E&J Mowing	Total
2022	\$ 98,496	\$ 69,600	\$ 32,500	\$ 200,596
2023	98,496	-	-	98,496
2024	98,496	-	-	98,496
Total	\$ 295,488	\$ 69,600	\$ 32,500	\$ 397,588

### 6. Claims, Judgments and Contingent Liabilities

At June 30, 2021, the Village was not a defendant to any lawsuits.

### 7. Operating Leases

At June 30, 2021, the Village had an operating lease for office equipment. Lease expense for the fiscal year ended June 30, 2021 was \$4,117. The following is a schedule of the minimum rental payments under the lease agreement as of June 30, 2021.

Year Ended June 30,	Payment
2022	\$ 2,243
Total	\$ 2,243

## Village of Walnut Creek Notes to Financial Statements

### 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	
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
<b>Total</b>	<b>\$ 312,979</b>	<b>\$ 18,935</b>	<b>\$</b>	<b>331,914</b>

Changes in long-term debt for the fiscal year ended June 30, 2021 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion of Balance
<b>Governmental Activities:</b>					
Compensated absences	\$ 24,013	\$ -	\$ 2,661	\$ 21,352	\$ 5,338
Net pension liability (LGERS)	95,036	27,890	-	122,926	-
Special separation allowance (LEO)	55,352	33,440	-	88,792	-
Governmental activities long-term liabilities	\$ 174,401	\$ 61,330	\$ 2,661	\$ 233,070	\$ 5,338
<b>Business-Type Activities:</b>					
State revolving loan	\$ 391,224	\$ -	\$ 78,245	\$ 312,979	\$ 78,245
Business-type activities liabilities	\$ 391,224	\$ -	\$ 78,245	\$ 312,979	\$ 78,245

At June 30, 2021, the Village of Walnut Creek had a legal debt margin of \$15,755,541.

#### C. Interfund Balances and Activity

Balances due to/from other funds at June 30, 2021, consist of the following:

Amounts Due from the General Fund to the Water and Sewer Fund as of June 30, 2021 for general operating expenses to be repaid in the next fiscal year totaling \$37,569.

## Village of Walnut Creek Notes to Financial Statements

Amounts Due from the Sewer Capital Project Fund to the Water and Sewer Fund as of June 30, 2021 for construction expenses to be repaid from grant proceeds receivable in the next fiscal year totaling \$532,965.

Transfers to/from other funds at June 30, 2021, consist of the following:

From the Water and Sewer Fund to the Sewer Capital Project Fund for construction expenses in excess of grant funds in the amount of \$33,836.

### ***D. Fund Balance***

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

<b><i>Total Fund Balance - General Fund</i></b>	<b>\$ 1,755,163</b>
Less:	
Stabilization by State Statute	139,352
Streets - Powell Bill	29,043
Disaster Response Reserve	200,000
Long Range Planning Reserve	60,008
Capital Asset Replacement Reserve	53,064
Working Capital / Fund Balance Policy	577,514
Remaining Fund Balance	<b>\$ 696,182</b>

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

### **NOTE IV – RELATED PARTY TRANSACTIONS**

During the 2021 fiscal year, the Village did not have any related party transactions.

### **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 March 22, 2022, 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.

*American Rescue Plan Grant*

The Village received \$137,199 from the United States Department of the Treasury from the American Rescue Plan in fiscal year 2022. The Village will receive an equal additional grant in fiscal year 2023. American Rescue Plan grant funds must be obligated by December 31, 2024 and expended by December 31, 2026. Grant funds can be expended for the following purposes:

- Support public health expenditures, by funding COVID-19 mitigation efforts, medical expenses, behavioral healthcare, and certain public health and safety staff;
- Address negative economic impacts caused by the public health emergency, including economic harms to workers, households, small businesses, impacted industries, and the public sector;
- Replace lost public sector revenue, using this funding to provide government services to the extent of the reduction in revenue experienced due to the pandemic;
- Provide premium pay for essential workers, offering additional support to those who have borne and will bear the greatest health risks because of their service in critical infrastructure sectors; and,
- Invest in water, sewer, and broadband infrastructure, making necessary investments to improve access to clean drinking water, support vital wastewater and stormwater infrastructure, and to expand access to broadband internet.



## **Village of Walnut Creek Required Supplementary Financial Data**

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

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- 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 Law Enforcement Officers' Special Separation Allowance
- Schedule of Total Pension Liability as a Percentage of Covered Payroll Law Enforcement Officers' Special Separation Allowance

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

	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Walnut Creek's proportion of the net pension liability (asset) (%)	0.00344%	0.00348%	0.00260%	0.00326%	0.00355%	0.00349%	0.00352%	0.00370%
Walnut Creek's proportion of the net pension liability (asset) (\$)	\$ 122,926	\$ 95,036	\$ 61,681	\$ 49,804	\$ 75,343	\$ 15,663	\$ (20,759)	\$ 44,599
Walnut Creek's covered-employee payroll	\$ 307,800	\$ 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	39.94%	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%	96.45%

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 Eight Fiscal Years  
Schedule 2**

	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Contractually required contribution	\$ 37,390	\$ 50,239	\$ 50,309	\$ 43,347	\$ 34,514	\$ 16,937	\$ 19,512	\$ 18,522
Contributions in relation to the contractually required contribution	37,390	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>	<u>\$ -</u>
Walnut Creek's covered-employee payroll	\$ 308,212	\$ 307,800	\$ 333,270	\$ 291,007	\$ 256,951	\$ 259,925	\$ 270,109	\$ 245,920
Contributions as a percentage of covered-employee payroll	12.13%	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 Five Fiscal Years**  
**Schedule 3**

	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
Beginning balance	\$ 55,352	\$ 66,376	\$ 46,955	\$ 42,172	\$ 46,684
Service cost	3,007	2,736	1,956	1,828	1,642
Interest on the total pension liability	1,526	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	30,792	214	34,723	10,812	-
Changes in assumptions and other inputs	15,204	1,010	(1,383)	1,908	(237)
Benefit payments	(17,089)	(17,089)	(17,089)	(11,177)	(7,451)
Other changes	-	-	-	-	-
Ending balance	<u>\$ 88,792</u>	<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 Five Fiscal Years**  
**Schedule 4**

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

	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
Total pension liability	\$ 88,792	\$ 55,352	\$ 66,376	\$ 46,955	\$ 42,172
Covered payroll	175,598	166,985	94,185	93,996	90,811
Total pension liability as a percentage of covered payroll	50.57%	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**

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

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- 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)
- Sewer Capital Project Fund Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Non-GAAP)

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**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, 2021**  
**(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2020)**  
**Schedule 5**

	2021 Budget	2021 Actual	Variance Positive (Negative)	2020 Actual
<b>Revenues:</b>				
Ad valorem taxes:				
Taxes	\$ 783,050	\$ 827,803	\$ 44,753	\$ 772,290
Interest	-	1,284	1,284	1,419
Total	783,050	829,087	46,037	773,709
Unrestricted intergovernmental:				
Local option sales taxes	401,000	493,384	92,384	446,158
Utility franchise tax	60,000	57,820	(2,180)	61,031
Beer and wine tax	3,500	3,483	(17)	3,548
Total	464,500	554,687	90,187	510,737
Restricted intergovernmental:				
State - Powell Bill allocation	34,000	31,560	(2,440)	33,798
Solid waste disposal tax	600	624	24	624
Federal - FEMA grant	-	-	-	280,567
Total	34,600	32,184	(2,416)	314,989
Permits and fees:				
Boat sticker fees	7,000	9,975	2,975	11,250
Building permits	1,000	2,167	1,167	4,048
Total	8,000	12,142	4,142	15,298
Investment earnings	8,000	1,058	(6,942)	6,133
Miscellaneous	1,250	9,391	8,141	9,186
Total revenues	1,299,400	1,438,549	139,149	1,630,052
<b>Expenditures:</b>				
General government:				
Administration:				
Salary and benefits	264,567	127,704	136,863	124,691
Other operating expenditures	118,700	94,682	24,018	93,964
Contract services	41,000	31,692	9,308	37,317
Total	424,267	254,078	170,189	255,972
Public safety:				
Police:				
Salaries and benefits	162,520	236,925	(74,405)	229,680
Other operating expenditures	75,400	24,675	50,725	25,925
Capital outlay	25,000	-	25,000	31,936
Total	262,920	261,600	1,320	287,541

**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, 2021**  
**(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2020)**  
**Schedule 5**

	<b>2021 Budget</b>	<b>2021 Actual</b>	<b>Variance Positive (Negative)</b>	<b>2020 Actual</b>
Fire:				
Other operating expenditures	113,400	110,499	2,901	107,908
Total public safety	376,320	372,099	4,221	395,449
Buildings and grounds:				
Salaries and benefits	102,300	141,938	(39,638)	162,431
Utilities	34,500	31,329	3,171	31,089
Equipment and vehicle maintenance	16,500	13,334	3,166	21,699
Entrance improvements	33,000	32,500	500	15,324
Village owned properties	58,000	39,460	18,540	13,403
Village owned properties - FEMA	-	-	-	35,125
Hurricane Florence - FEMA	-	-	-	46,020
Other operating expenses	12,900	2,625	10,275	951
Capital outlay	2,000	296	1,704	5,793
Road maintenance	37,855	35,500	2,355	40,692
Total	297,055	296,982	73	372,527
Economic/physical development:				
Planning and zoning:				
Other operating expenditures	35,008	29,695	5,313	2,380
Environmental protection:				
Sanitation:				
Other operating expenditures	121,000	120,314	686	111,714
Cultural and recreational:				
Lake property and recreation:				
Property maintenance	78,605	81,860	(3,255)	70,307
Total expenditures	1,332,255	1,155,028	177,227	1,208,349
Revenues over (under) expenditures	(32,855)	283,521	316,376	421,703
Appropriated fund balance	32,855	-	(32,855)	-
Net change in fund balance	<u>\$ -</u>	<u>283,521</u>	<u>\$ 283,521</u>	<u>421,703</u>
Fund balances - beginning		<u>1,471,642</u>		<u>1,049,939</u>
Fund balances - ending		<u>\$ 1,755,163</u>		<u>\$ 1,471,642</u>

**Village of Walnut Creek**  
**Water and Sewer Fund Combining Schedules of**  
**Revenues and Expenditures (Non-GAAP)**  
**For the Fiscal Year Ended June 30, 2021**  
**(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2020)**  
**Schedule 6**

	Water and Sewer		Totals	
	Water Operating	Sewer Operating	2021	2020
	Fund	Fund		
<b>Revenues:</b>				
Operating revenue:				
Charges for services	\$ 287,143	\$ 207,308	\$ 494,451	\$ 366,644
Late fees	7,235	-	7,235	2,020
Reconnect fees	400	-	400	900
Tap fees	500	-	500	17,500
Back flow devices	100	-	100	1,800
Non-operating revenues	606	-	606	37,999
<b>Total revenues</b>	<b>295,984</b>	<b>207,308</b>	<b>503,292</b>	<b>426,863</b>
<b>Expenditures:</b>				
Administration:				
Other operating expenditures	248,210	166,996	415,206	250,803
Debt service	-	87,713	87,713	89,606
Capital outlay	36,027	-	36,027	-
<b>Total expenditures</b>	<b>284,237</b>	<b>254,709</b>	<b>538,946</b>	<b>340,409</b>
Revenues over (under) expenditures	11,747	(47,401)	(35,654)	86,454
Other financing sources (uses)				
Transfers to Capital Project Fund	-	(33,836)	(33,836)	-
<b>Revenues over (under) expenditures</b>	<b>\$ 11,747</b>	<b>\$ (81,237)</b>	<b>\$ (69,490)</b>	<b>\$ 86,454</b>
<b>Reconciliation from budgetary basis (modified accrual) to full accrual basis</b>				
Revenue and other financing sources over (under) expenditures	\$ 11,747	\$ (81,237)	\$ (69,490)	\$ 86,454
Reconciling items:				
Principal retirement	-	78,245	78,245	78,245
Capital outlay	36,027	-	36,027	-
Accrued Interest	-	311	311	311
Depreciation	(6,877)	(116,571)	(123,448)	(116,535)
Sewer Capital Project Fund				
Capital contributions	-	758,238	758,238	-
Transfer from Water & Sewer Fund'	-	33,836	33,836	-
<b>Total</b>	<b>29,150</b>	<b>754,059</b>	<b>783,209</b>	<b>(37,979)</b>
<b>Change in net position (full accrual)</b>	<b>\$ 40,897</b>	<b>\$ 672,822</b>	<b>\$ 713,719</b>	<b>\$ 48,475</b>

**Village of Walnut Creek**  
**Water and Sewer Fund Schedules of**  
**Revenues and Expenditures (Non-GAAP)**  
**For the Fiscal Year Ended June 30, 2021**  
**(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2020)**  
**Schedule 7**

	2021 Budget	2021 Actual	Positive (Negative) Variance	2020 Actual
Water revenue:				
Operating revenue:				
Charges for services	\$ 203,400	\$ 287,143	\$ 83,743	\$ 205,901
Late fees	4,650	7,235	2,585	2,020
Reconnect fees	500	400	(100)	900
Tap fees	2,000	500	(1,500)	9,000
Back flow devices	400	100	(300)	1,800
Total	210,950	295,378	84,428	219,621
Sewer revenue:				
Operating revenue:				
Charges for services:				
Residential	177,100	205,998	28,898	152,743
Availabilty fee	-	1,310	1,310	-
Commercial	8,000	-	(8,000)	8,000
Total	185,100	207,308	22,208	160,743
Sewer taps	2,000	-	(2,000)	8,500
Total	187,100	207,308	20,208	169,243
Non-operating revenue:				
Impact fees	4,000	-	(4,000)	32,000
Interest	7,500	606	(6,894)	5,999
Total	11,500	606	(10,894)	37,999
Total revenue	409,550	503,292	93,742	426,863
Water expenditures:				
Administration:				
Other operating expenditures	31,100	16,523	14,577	15,168
Repalcement of meters	200,000	144,042	55,958	15,168
Purchase of water	78,000	87,645	(9,645)	83,863
Total	309,100	248,210	60,890	114,199
Sewer expenditures:				
Administration:				
Other operating expenditures	85,200	60,668	24,532	54,235
Sewer treatment fees	80,000	106,328	(26,328)	82,369
Total	165,200	166,996	(1,796)	136,604
Debt service:				
Principal retirement	78,245	78,245	-	78,245
Interest and fees	9,468	9,468	-	11,361
Total	87,713	87,713	-	89,606
Capital outlay:				
Water and sewer equipment	47,537	36,027	11,510	-
Total expenditures	609,550	538,946	70,604	340,409
Revenues over (under) expenditures	(200,000)	(35,654)	164,346	86,454
Other financing sources (uses)				
Transfers to Capital Project Fund	(166,000)	(33,836)	132,164	-
Total other financing sources (uses)	(166,000)	(33,836)	132,164	-
Appropriated fund balance	366,000	-	366,000	-
Revenues over (under) expenditures	\$ -	\$ (69,490)	\$ (201,654)	\$ 86,454

**Village of Walnut Creek**  
**Water and Sewer Fund Schedules of**  
**Revenues and Expenditures (Non-GAAP)**  
**For the Fiscal Year Ended June 30, 2021**  
**(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2020)**  
**Schedule 7**

	<u>2021 Actual</u>	<u>2020 Actual</u>
<b>Reconciliation from budgetary basis (modified accrual) to full accrual basis</b>		
Revenues over (under) expenditures	\$ (69,490)	\$ 86,454
Reconciling items:		
Principal retirement	78,245	78,245
Capital outlay	36,027	-
Accrued Interest	311	311
Depreciation	(123,448)	(116,535)
Sewer Capital Project Fund		
Capital contributions	758,238	-
Transfer from Water & Sewer Fund'	33,836	-
Total	783,209	(37,979)
Change in net position (full accrual)	\$ 713,719	\$ 48,475

**Village of Walnut Creek**  
**Sewer Capital Project Fund**  
**Schedule of Revenues, Expenditures and Changes in**  
**Fund Balance – Budget vs. Actual (Non-GAAP)**  
**From Inception and for the Fiscal Year Ended June 30, 2021**  
**Schedule 8**

	Project Authorization			Prior	Current	Total to	Variance
	August 26, 2020	Amendments	June 30, 2021	Years	Year	Date	Positive (Negative)
<b>Revenues:</b>							
Restricted intergovernmental revenues:							
FEMA grant	\$ 356,940	\$ -	\$ 356,940	\$ -	\$ 356,942	\$ 356,942	\$ 2
Miscellaneous revenues:							
Golden Leaf Foundation	401,296	-	401,296	-	401,296	401,296	-
Total revenues	758,236	-	758,236	-	758,238	758,238	2
<b>Expenditures:</b>							
Legal / Administrative fees							
Engineering	-	166,000	166,000	-	28,044	28,044	137,956
Construction - lift stations	495,040	-	495,040	-	513,580	513,580	(18,540)
Construction - sewer lines	240,000	-	240,000	-	250,450	250,450	(10,450)
Contingency	23,196	-	23,196	-	-	-	23,196
Total expenditures	758,236	166,000	924,236	-	792,074	792,074	132,162
Revenues over (under) expenditures	-	(166,000)	(166,000)	-	(33,836)	(33,836)	132,164
<b>Other Financing Sources (Uses):</b>							
Transfer from other funds	-	166,000	166,000	-	33,836	33,836	(132,164)
Total other financing sources (uses)	-	166,000	166,000	-	33,836	33,836	(132,164)
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

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

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

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**Village of Walnut Creek**  
**Schedule of Ad Valorem Taxes Receivable**  
**June 30, 2021**  
**Schedule 9**

<b>Fiscal Year</b>	<b>Uncollected Balance June 30, 2020</b>	<b>Additions</b>	<b>Collections and Credits</b>	<b>Uncollected Balance June 30, 2021</b>
2020 - 2021	\$ -	\$ 827,384	\$ 826,945	\$ 439
2019 - 2020	809	-	808	1
2018 - 2019	51	-	50	1
2017 - 2018	-	-	-	-
2016 - 2017	-	-	-	-
2015 - 2016	-	-	-	-
2014 - 2015	-	-	-	-
2013 - 2014	24	-	-	24
2012 - 2013	5	-	-	5
2011 - 2012	58	-	-	58
2010 - 2011	43	-	43	-
	990	\$ 827,384	\$ 827,846	528
Less allowance for uncollectible accounts	(130)			(87)
Ad-valorem taxes receivable - net	\$ 860			\$ 441

Reconcilement with revenue

Ad valorem taxes - General Fund	\$ 829,087
Reconciling items:	
Taxes written off	43
Interest collected	(1,284)
<b>Total collections and credits</b>	<u>\$ 827,846</u>

**Village of Walnut Creek**  
**Analysis of Current Tax Levy – Village-Wide Levy**  
**June 30, 2021**  
**Schedule 10**

	Total Property Valuation	Rate	Amount of Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy					
Property taxed at current year rate	\$ 192,766,532	\$ 0.4200	\$ 809,620	\$ 742,553	\$ 67,067
Property taxed at prior year rate	4,386,797	0.4200	18,425	-	18,425
Penalties			231	231	-
Discoveries	499,416	0.4200	2,098	2,098	-
Abatements - taxes	(708,483)	0.4200	(2,976)	(2,042)	(934)
Abatements - penalties	-		(14)	(14)	-
Total property valuation	<u>\$ 196,944,261</u>				
Net levy			\$ 827,384	\$ 742,826	\$ 84,558
Uncollected taxes at June 30, 2021			(439)	(439)	-
Current year's taxes collected			<u>\$ 826,945</u>	<u>\$ 742,387</u>	<u>\$ 84,558</u>
Current levy collection percentage			<u>99.95%</u>	<u>99.94%</u>	<u>100.00%</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, 2021, 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 March 22, 2022.

**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) as a basis for designing 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.

*Carr, Rigg & Ingram, P.L.L.C.*

Goldsboro, North Carolina

March 22, 2022

**Village of Walnut Creek**  
**Schedule of Findings and Responses**  
**For the Fiscal Year Ended June 30, 2021**

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**FINANCIAL STATEMENT FINDINGS**

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**SIGNIFICANT DEFICIENCIES**

**2020-1 Utility Billing (Repeat)**

**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:** The per 1,000 gallon water charges were entered incorrectly in the utility billing software.

**Effect:** Customers using more than 20,000 gallons per month were charged an additional \$16.10 per month for the water fees.

**Cause:** The range of gallons for water charges 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:** 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 (Repeat)**

**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, 2021.

**Village of Walnut Creek**  
**Schedule of Findings and Responses**  
**For the Fiscal Year Ended June 30, 2021**

**Effect:** Expenditures exceeded budgeted amounts in the following departments:

Cultural and recreation	\$ 3,255
Sewer expenditures	1,796

**Cause:** The Village contracts with Foster Lake and Pond Management to maintain the two lake in the Village at a cost of \$5,800 per month. The annual budget for this contract is \$69,600. The Village paid an additional fee to Foster Land and Pond Management of \$7,422 which was not included in the budget to spray insecticide for the lakes. Expenditures for sewer treatment fees paid to the City of Goldsboro 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, 2022.

**2020-3 Contributions to Retirement (Repeat)**

**Criteria:** 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, 2021, the Village did not contribute a percentage of salary to the Local Government Employees' Retirement System (LGERS) for Christmas bonuses for full-time employees.

**Effect:** The Village underpaid contributions to the Local Government Employees' Retirement System (LGERS) by \$609 (\$6,000 X 10.15%) for the year ended June 30, 2021.

**Cause:** Payments for Christmas bonuses were not included in the monthly ORBIT reports to the State Treasurer the LGERS for the month December 2020.

**Village of Walnut Creek**  
**Schedule of Findings and Responses**  
**For the Fiscal Year Ended June 30, 2021**

**Recommendation:** Management should review monthly retirement reports to ensure that all eligible employees and their salaries are included. Salaries paid to full-time employees should be reconciled to monthly 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 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. This will be completed prior to June 30, 2022.

**Village of Walnut Creek  
Corrective Action Plan  
For the Fiscal Year Ended June 30, 2021**

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**FINANCIAL STATEMENT FINDINGS**

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**SIGNIFICANT DEFICIENCIES**

**Finding: 2020-1 Utility Billing**

Name of contact person: Robert Parchman, Village Administrator

Corrective Action: 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.

Proposed Completion Date: March 31, 2022.

**Finding: 2020-2 Excess of Expenditures over Budget**

Name of contact person: Robert Parchman, Village Administrator

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.

Proposed Completion Date: June 30, 2022.

**Finding: 2020-3 Contributions to Retirement**

Name of contact person: Robert Parchman, Village Administrator

Corrective Action: The management of the Village will review all future 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.

Proposed Completion Date: June 30, 2022.



**Village of Walnut Creek**  
**Summary Schedule of Prior Audit Findings**  
**June 30, 2021**

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**FINANCIAL STATEMENT FINDINGS**

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**SIGNIFICANT DEFICIENCIES**

**Finding: 2020-1 Utility Billing**

Status: Uncorrected.

**Finding: 2020-2 Excess of Expenditures over Budget**

Status: Uncorrected.

**Finding: 2020-3 Contributions to Retirement**

Status: Uncorrected.

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