

TOWN OF WALLACE
WALLACE, NORTH CAROLINA
ANNUAL FINANCIAL REPORT
Year Ended June 30, 2020

Mayor
Charles C. Farris Jr.

Mayor Pro-Tem
Wannetta Carlton

Commissioners
Frank Brinkley
Francisco Rivas-Diaz

William Carter

Jason Wells

Town Manager
Laurence Bergman

Town Clerk
Jackie Nicholson

Town of Wallace, North Carolina
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June 30, 2020

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FINANCIAL SECTION



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Independent Auditor's Report

To the Honorable Mayor and
Members of the Town Council
Wallace, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Wallace, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We 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. The financial statements of the Town of Wallace ABC Board were not audited in accordance with *Governmental Auditing Standards*.

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

evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation of the financial statements.

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

Opinions

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

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Town of Wallace, North Carolina. The combining and individual fund statements, budgetary schedules, and other schedules as well as the accompanying Schedule of Expenditures of Federal and State Awards as required by, *Title 2 U.S. Code of Federal Regulations (CFR) Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the *State Single Audit Implementation Act* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund statements, budgetary schedules, the Schedule of Expenditures of Federal and State Awards, and other schedules are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us. In our opinion, based on our audit, the procedures performed as described above, the combining and individual fund statements, budgetary schedules, the Schedule of Expenditures of Federal and State Awards, 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 January 29, 2021 on our consideration of Town of Wallace's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, and other matters. The purpose of the report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Wallace's internal control over financial reporting and compliance.

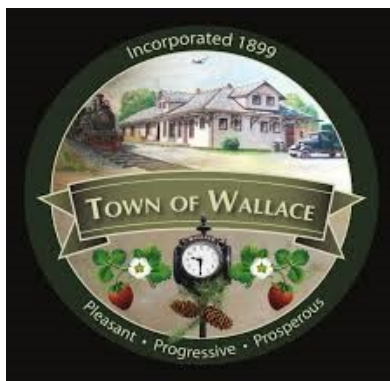
Thompson, Price, Scott, Adams & Co., PA

Wilmington, North Carolina

January 29, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

Town of Wallace
Management's Discussion and Analysis
June 30, 2020



As management of the Town of Wallace, we offer readers of the Town of Wallace's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2020. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

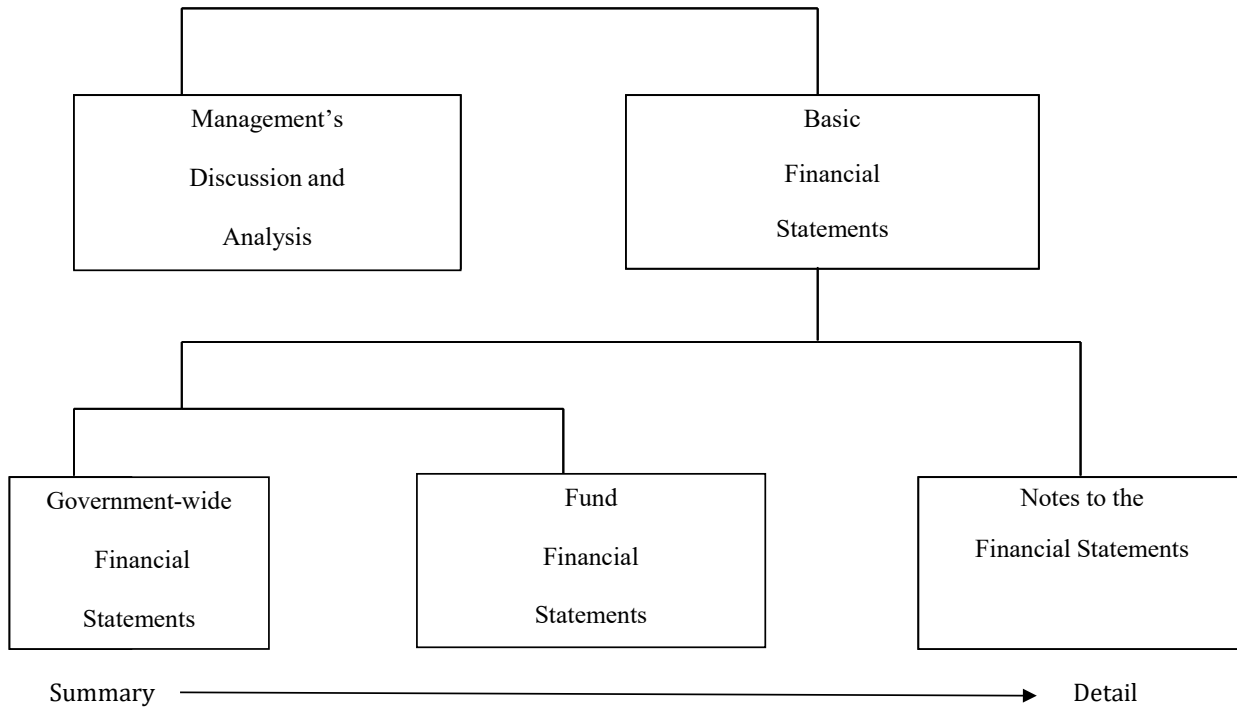
Financial Highlights

- The assets and deferred outflows of resources of the Town of Wallace exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$22,558,394 (*net position*).
- The government's total net position decreased by \$265,356, due to a decrease in business-type activities net position.
- As of the close of the current fiscal year, the Town of Wallace's governmental funds reported combined ending fund balances of \$2,456,257 an increase of \$719,259 in comparison with the prior year. Approximately 43% percent of this total amount, or \$1,068,049 is non spendable, restricted or assigned.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$2,168,120, or 43% of total general fund expenditures for the fiscal year.
- The Town of Wallace's total installment debt decrease by \$138,852 during the current fiscal year.

Overview of the Financial Statements

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

Required Components of Annual Financial Report
Figure 1



Basic Financial Statements

The first two statements (Exhibits 1 and 2) in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the Town’s financial status.

The next statements (Exhibits 3 through 8) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town’s government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; and 3) the proprietary fund statements.

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

Government-Wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the Town’s finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the Town’s financial status as a whole.

The two government-wide statements report the Town’s net position and how it has changed. Net position is the difference between the Town’s total assets and deferred outflows of resources and total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the Town’s financial condition.

The government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) component units. The governmental activities include most of the Town's basic services such as public safety, parks and recreation, and general administration. Property taxes, sales tax and State and federal grant funds finance most of these activities. The business-type activities are those that the Town charges customers to provide. These include the water and sewer services offered by the Town of Wallace. The final category is the component unit although legally separate from the Town, the ABC Board is important to the Town. The Town exercises control over the Board by appointing its members and because the Board is required to distribute its profits to the Town.

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

Fund Financial Statements

The fund financial statements (see Figure 1) provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Wallace, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the Town's budget ordinance. All of the funds of the Town of Wallace can be divided into two categories: governmental funds and proprietary funds.

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

The Town of Wallace adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the Town, the management of the Town, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the Town to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the Town complied with the budget ordinance and whether or not the Town succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the board; 2) the final budget as amended by the board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

Proprietary Funds – Town of Wallace has one proprietary fund. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. Town of Wallace uses enterprise funds to account for its water and sewer activities. These funds are the same as those functions shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements follow Exhibit 8 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information.

Interdependence with Other Entities- The Town depends on financial resources flowing from, or associated with, both the Federal Government and the State of North Carolina. Because of this dependency, the Town is subject to changes in specific flows of intergovernmental revenues based on modifications to Federal and State laws and Federal and State appropriations. It is also subject to changes in investment earnings and asset values associated with U.S. Treasury Securities because of actions by foreign government and other holders of publicly held U.S. Treasury Securities.

Government-Wide Financial Analysis

**Town of Wallace’s Net Position
Figure 2**

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 3,051,034	\$ 2,184,877	\$ 3,598,046	\$ 3,496,740	\$ 6,649,080	\$ 5,681,617
Capital assets	7,446,972	7,572,067	15,526,165	16,219,331	22,973,137	23,791,398
Total assets	10,498,006	9,756,944	19,124,211	19,716,071	29,622,217	29,473,015
Deferred outflows of resources	486,186	453,344	167,518	171,515	653,704	624,859
Long-term liabilities outstanding	1,852,252	1,431,563	5,119,258	5,335,247	6,971,510	6,766,810
Other liabilities	370,696	262,942	260,857	99,148	631,553	362,090
Total liabilities	2,222,948	1,694,505	5,380,115	5,434,395	7,603,063	7,128,900
Deferred inflows of resources	109,574	137,054	4,890	8,170	114,464	145,224
Net position:						
Net investment in capital assets	6,592,003	6,862,638	10,690,595	11,099,369	17,282,598	17,962,007
Restricted	1,038,813	773,583	-	-	1,038,813	773,583
Unrestricted	1,020,854	742,508	3,216,129	3,345,652	4,236,983	4,088,160
Total net position	\$ 8,651,670	\$ 8,378,729	\$ 13,906,724	\$ 14,445,021	\$ 22,558,394	\$ 22,823,750

As noted earlier, net position may serve over time as one useful indicator of a government’s financial condition. The assets and deferred outflows of the Town of Wallace exceeded liabilities and deferred inflows by \$22,558,394 as of June 30, 2020. The Town’s net position decreased by \$265,356 for the fiscal year ended June 30, 2020. However, the largest portion \$17,282,598 (77%) reflects the Town’s net investment in capital assets (e.g. land, buildings, machinery, and equipment). The Town of Wallace uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Wallace’s net 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 to the Town of Wallace’s net position \$1,038,813 (5%) represents resources that are subject to external restrictions on how they maybe used. The remaining balance of \$4,236,983 (18%) is unrestricted.

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

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 92.24%.
- Increase in grant revenue for Town.

Town of Wallace
Changes in Net Position
Figure 3

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues:						
Program Revenues						
Charges for Services	\$ 2,080,081	\$ 1,766,063	\$ 3,234,368	\$ 3,078,619	\$ 5,314,449	\$ 4,844,682
Operating grants and contributions	1,254,900	622,604	-	-	1,254,900	622,604
Capital grants and contributions	-	-	-	111,115	-	111,115
General revenues:						
Property taxes	1,588,206	1,510,927	-	-	1,588,206	1,510,927
Other taxes	1,562,900	1,414,329	-	-	1,562,900	1,414,329
Grants and contributions not restricted to specific programs	-	-	-	-	-	-
Other	20,735	21,703	52,932	19,813	73,667	41,516
Total revenues	6,506,822	5,335,626	3,287,300	3,209,547	9,794,122	8,545,173
Expenses:						
General government	836,993	536,321	-	-	836,993	536,321
Public Safety	2,034,079	1,619,181	-	-	2,034,079	1,619,181
Transportation	278,591	862,036	-	-	278,591	862,036
Environmental protection	1,630,636	460,691	-	-	1,630,636	460,691
Cultural and recreation	687,151	629,501	-	-	687,151	629,501
Economic Development	939,727	1,708,564	-	-	939,727	1,708,564
Interest on long-term debt	27,349	29,363	-	-	27,349	29,363
Water and Sewer	-	-	3,624,952	3,394,545	3,624,952	3,394,545
Total expenses	6,434,526	5,845,657	3,624,952	3,394,545	10,059,478	9,240,202
Increase (decrease) in net position before transfers	72,296	(510,031)	(337,652)	(184,998)	(265,356)	(695,029)
Transfers	200,645	-	(200,645)	-	-	-
Increase (decrease) in net position	272,941	(510,031)	(538,297)	(184,998)	(265,356)	(695,029)
Net position, beginning, previously reported	8,378,729	9,301,224	14,445,021	14,630,019	22,823,750	23,931,243
Restatement	-	(412,464)	-	-	-	(412,464)
Net position, beginning, restated	8,378,729	8,888,760	14,445,021	14,630,019	22,823,750	23,518,779
Net position, ending	\$ 8,651,670	\$ 8,378,729	\$ 13,906,724	\$ 14,445,021	\$ 22,558,394	\$ 22,823,750

Governmental activities. Governmental activities increase the Town's net position by \$272,941. Key elements of this increase are as follows:

- Increase in revenues.

Business-type activities. Business-type activities decreased the Town of Wallace's net position by \$538,297. Key elements of this decrease are as follows:

- Increase in expenses.
- Transfer to other funds.

Financial Analysis of the Town's Funds

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

Governmental Funds. The focus of the Town of Wallace's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Town of Wallace's financing requirements.

The general fund is the chief operating fund of the Town of Wallace. At the end of the current fiscal year, Town of Wallace's unassigned fund balance in the General Fund was \$2,168,120, while total fund balance reached \$3,235,470. The Governing Body of Town of Wallace has determined the town should maintain an available fund balance of 10% of general fund expenditures in case of unforeseen needs or opportunities, in addition to meeting the cash flow needs of the Town. The Town currently has an available fund balance of 43% of general fund expenditures, while total fund balance represent 64% of the same amount.

At June 30, 2020 the governmental funds of Town of Wallace reported a combined fund balance of \$2,456,257, with a net increase in fund balance of \$719,259. Included in this change in fund balance is an increase in the fund balance in the General Fund.

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

Proprietary Funds. The Town of Wallace's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to \$3,216,129. The total change in net position for the Water and Sewer Fund was (\$538,297). Other factors concerning the finances of these two funds have already been addressed in the discussion of the Town of Wallace's business-type activities.

Capital Asset and Debt Administration

Capital assets. The Town of Wallace's investment in capital assets for its governmental and business-type activities as of June 30, 2020 totals \$22,973,137 (net of accumulated depreciation). These assets include buildings, land, infrastructure, machinery and equipment, park facilities, and vehicles.

Major capital asset transactions during the year include the following:

- Purchase of vehicles and equipments.
- The project was completed and moved to fixed assets in General Fund.

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

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land	\$ 1,501,047	\$ 1,404,961	\$ 57,846	\$ 57,846	\$ 1,558,893	\$ 1,462,807
Buildings and other systems	1,684,156	1,670,057	15,466	19,451	1,699,622	1,689,508
Plant and distribution system	-	-	15,114,261	15,896,999	15,114,261	15,896,999
Improvements other than buildings	3,464,936	1,372,811	-	-	3,464,936	1,372,811
Machinery and equipment	102,102	118,228	181,034	162,434	283,136	280,662
Vehicles and motorized equipment	694,731	691,535	157,558	82,601	852,289	774,136
Construction in progress	-	2,014,475	-	-	-	2,014,475
Total	\$ 7,446,972	\$ 7,272,068	\$ 15,526,165	\$ 16,219,331	\$ 22,973,137	\$ 23,491,399

Additional information regarding the Town of Wallace's capital assets can be found in the notes of the Basic Financial Statements.

Long-term Debt. As of June 30, 2020 the Town of Wallace had total debt outstanding of \$5,690,539.

**Town of Wallace
Outstanding Debt
Figure 5**

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Financing Agreements	\$ 854,969	\$ 709,429	\$ 4,835,570	\$ 5,119,962	\$ 5,690,539	\$ 5,829,391
Total	\$ 854,969	\$ 709,429	\$ 4,835,570	\$ 5,119,962	\$ 5,690,539	\$ 5,829,391

Town of Wallace's Outstanding Debt

North Carolina General Statutes limit the amount of general obligation debt that a unit of government can issue up to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the Town of Wallace is \$20,657,974.

Additional information regarding the Town of Wallace's long-term debt can be found in the notes of the Basic Financial Statements.

Economic Factors and Next Year's Budgets and Rates

Budget Highlights for the Fiscal Year Ending June 30, 2021

Governmental Activities. Property taxes are expected to remain the same as the current tax rate. The Town will use increases in revenues to finance programs currently in place. No new revenues are anticipated and other current sources remain constant. Management continually seeks grants and funding from outside sources to supplement the Town's revenue streams.

Business-type Activities. The water and sewer rates remained the same.

Requests for Information

This report is designed to provide an overview of the Town's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Town Manager, Town of Wallace, 316 E. Murray St. or call Town Hall at 910-285-4136.

BASIC FINANCIAL STATEMENTS

Town of Wallace, North Carolina
Statement of Net Position
June 30, 2020

	Primary Government			Town of Wallace ABC Board
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 2,721,631	\$ 2,154,989	\$ 4,876,620	\$ 316,886
Restricted cash	167,018	-	167,018	-
Receivables (net)	1,033,149	514,757	1,547,906	-
Prepaid items	-	-	-	4,945
Inventories	29,236	28,300	57,536	154,825
Internal balances	(900,000)	900,000	-	-
Non Current Assets:				
Capital assets:				
Land, improvements, and construction in progress	1,501,047	57,846	1,558,893	16,302
Other capital assets, net of depreciation	5,945,925	15,468,319	21,414,244	45,161
Total capital assets	<u>7,446,972</u>	<u>15,526,165</u>	<u>22,973,137</u>	<u>61,463</u>
Total assets	<u>10,498,006</u>	<u>19,124,211</u>	<u>29,622,217</u>	<u>538,119</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 486,186</u>	<u>\$ 167,518</u>	<u>\$ 653,704</u>	<u>\$ 26,181</u>
LIABILITIES				
Current liabilities:				
Accounts payable and accrued expenses	\$ 271,339	\$ 156,032	\$ 427,371	\$ 66,978
Accrued interest	8,376	10,241	18,617	-
Compensated absences payable	90,981	94,584	185,565	-
Liabilities payable from restricted assets:				
Long-term liabilities:				
Compensated absences payable	80,682	-	80,682	-
Net pension liability - LGERS	729,484	283,688	1,013,172	21,574
Total pension liability - LEOSSA	187,117	-	187,117	-
Due within one year	229,416	368,685	598,101	-
Due in more than one year	625,553	4,466,885	5,092,438	-
Total liabilities	<u>2,222,948</u>	<u>5,380,115</u>	<u>7,603,063</u>	<u>88,552</u>
DEFERRED INFLOWS OF RESOURCES	<u>109,574</u>	<u>4,890</u>	<u>114,464</u>	<u>-</u>
NET POSITION				
Net investment in capital assets	6,592,003	10,690,595	17,282,598	61,463
Restricted for:				
Streets	167,018	-	167,018	-
State stabilization	809,711	-	809,711	-
USDA reserve	62,084	-	62,084	-
Working capital	-	-	-	65,807
Capital improvements	-	-	-	5,000
Unrestricted (deficit)	<u>1,020,854</u>	<u>3,216,129</u>	<u>4,236,983</u>	<u>343,478</u>
Total net position	<u>\$ 8,651,670</u>	<u>\$ 13,906,724</u>	<u>\$ 22,558,394</u>	<u>\$ 475,748</u>

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

Town of Wallace, North Carolina
Statement of Activities
For the Year Ended June 30, 2020

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Town of Wallace ABC Board
	Expenses	Charges for Services	Operating Grants and	Capital Grants and	Primary Government			
					Governmental Activities	Business-type Activities	Total	
Primary government:								
Governmental Activities:								
General government	\$ 836,993	\$ 911,241	\$ -	\$ -	\$ 74,248	\$ -	\$ 74,248	\$ -
Public safety	2,034,079	118,296	953,034	-	(962,749)	-	(962,749)	-
Cultural and recreation	687,151	33,009	-	-	(654,142)	-	(654,142)	-
Transportation	278,591	184,641	301,866	-	207,916	-	207,916	-
Economic development	939,727	-	-	-	(939,727)	-	(939,727)	-
Environmental protection	1,630,636	832,894	-	-	(797,742)	-	(797,742)	-
Interest on long-term debt	27,349	-	-	-	(27,349)	-	(27,349)	-
Total governmental activities	<u>6,434,526</u>	<u>2,080,081</u>	<u>1,254,900</u>	<u>-</u>	<u>(3,099,545)</u>	<u>-</u>	<u>(3,099,545)</u>	<u>-</u>
Business-type activities:								
Water and Sewer	3,624,952	3,234,368	-	-	-	(390,584)	(390,584)	-
Total business-type activities	<u>3,624,952</u>	<u>3,234,368</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(390,584)</u>	<u>(390,584)</u>	<u>-</u>
Total Primary Government	<u>\$ 10,059,478</u>	<u>\$ 5,314,449</u>	<u>\$ 1,254,900</u>	<u>\$ -</u>	<u>(3,099,545)</u>	<u>(390,584)</u>	<u>(3,490,129)</u>	<u>-</u>
Component unit:								
ABC Board	2,012,174	2,213,994	-	-	-	-	-	201,820
Total component unit	<u>\$ 2,012,174</u>	<u>\$ 2,213,994</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>201,820</u>
General revenues:								
Taxes:								
Property taxes, levied for general purpose					1,588,206	-	1,588,206	-
Local option sales tax					1,106,286	-	1,106,286	-
Other taxes and licenses					456,614	-	456,614	-
Grants and contributions not restricted to specific programs					-	-	-	-
Investment earnings, unrestricted					20,735	19,257	39,992	42
Miscellaneous					-	33,675	33,675	-
Total general revenues not including transfers					<u>3,171,841</u>	<u>52,932</u>	<u>3,224,773</u>	<u>42</u>
Transfers					200,645	(200,645)	-	-
Total general revenues and transferes					<u>3,372,486</u>	<u>(147,713)</u>	<u>3,224,773</u>	<u>42</u>
Change in net position					272,941	(538,297)	(265,356)	201,862
Net position, beginning					8,378,729	14,445,021	22,823,750	273,886
Net position, ending					<u>\$ 8,651,670</u>	<u>\$ 13,906,724</u>	<u>\$ 22,558,394</u>	<u>\$ 475,748</u>

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

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

	<u>Major Funds</u>			Total Governmental Funds
	<u>General Fund</u>	<u>Hurricane Florence Fund</u>	<u>Total Non- Major Funds</u>	
ASSETS				
Cash and cash equivalents	\$ 2,425,407	\$ 284,154	\$ 12,070	\$ 2,721,631
Restricted cash	167,018	-	-	167,018
Taxes receivables, net	276,224	-	-	276,224
Inventory	29,236	-	-	29,236
Due from other funds	100,000	-	-	100,000
Account receivables, net	709,012	699	-	709,711
Total assets	<u>\$ 3,706,897</u>	<u>\$ 284,853</u>	<u>\$ 12,070</u>	<u>\$ 4,003,820</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	\$ 195,203	\$ 69,793	\$ 6,343	\$ 271,339
Due to other funds	-	1,000,000	-	1,000,000
Total liabilities	<u>195,203</u>	<u>1,069,793</u>	<u>6,343</u>	<u>1,271,339</u>
DEFERRED INFLOWS OF RESOURCES				
Property taxes receivable	<u>276,224</u>	<u>-</u>	<u>-</u>	<u>276,224</u>
Total deferred inflows of resources	<u>276,224</u>	<u>-</u>	<u>-</u>	<u>276,224</u>
Fund balances:				
Non Spendable				
Inventory	29,236	-	-	29,236
Restricted				
Stabilization by State Statute	809,012	699	-	809,711
USDA Reserve	62,084	-	-	62,084
Streets - Powell Bill	167,018	-	-	167,018
Committed				
Economic development	-	-	5,727	5,727
Unassigned	<u>2,168,120</u>	<u>(785,639)</u>	<u>-</u>	<u>1,382,481</u>
Total fund balances	<u>3,235,470</u>	<u>(784,940)</u>	<u>5,727</u>	<u>2,456,257</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 3,706,897</u>	<u>\$ 284,853</u>	<u>\$ 12,070</u>	
Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1) are different because:				
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.				7,446,972
Deferred outflows of resources related to pensions are not reported in the funds.				486,186
Earned revenues considered deferred inflows of resources in fund statements.				276,224
Other long-term assets (accrued interest from taxes) are not available to pay current period expenditures and therefore are inflows of resources in the funds.				47,214
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds.				(1,026,632)
Deferred inflows of resources related to pensions are not reported in the funds				(109,574)
Other long-term liabilities (accrued interest) are not due and payable in the current period and therefore are not reported in the funds.				(8,376)
Net pension liability - LGERS.				(729,484)
Total pension liability - LEOSSA.				<u>(187,117)</u>
Net position of governmental activities				<u>\$ 8,651,670</u>

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

Town of Wallace, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2020

	<u>Major Funds</u>			<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>Hurricane Florence Fund</u>	<u>Total Non- Major Fund</u>	
REVENUES				
Ad valorem taxes	\$ 1,510,962	\$ -	\$ -	\$ 1,510,962
Unrestricted intergovernmental	1,560,874	-	-	1,560,874
Restricted intergovernmental	736,186	953,034	194,805	1,884,025
Permits and fees	759,017	-	-	759,017
Sales and services	530,910	-	-	530,910
Miscellaneous	-	161,029	-	161,029
Investment earnings	20,733	-	-	20,733
Total revenues	<u>5,118,682</u>	<u>1,114,063</u>	<u>194,805</u>	<u>6,427,550</u>
EXPENDITURES				
Current:				
General government	753,592	-	-	753,592
Public safety	2,002,406	-	-	2,002,406
Public works and transportation	724,852	-	-	724,852
Culture and recreation	695,979	-	-	695,979
Debt Service	256,061	-	-	256,061
Economic Development	-	-	199,684	199,684
Environmental protection	586,183	1,064,877	-	1,651,060
Total expenditures	<u>5,019,073</u>	<u>1,064,877</u>	<u>199,684</u>	<u>6,283,634</u>
Excess (deficiency) of revenues over	<u>99,609</u>	<u>49,186</u>	<u>(4,879)</u>	<u>143,916</u>
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	200,645	-	-	200,645
Local contribution	-	-	2,026	2,026
Transfers to other funds	-	-	-	-
Installment purchase obligations issued	372,672	-	-	372,672
Total other financing sources and uses	<u>573,317</u>	<u>-</u>	<u>2,026</u>	<u>575,343</u>
Net change in fund balance	672,926	49,186	(2,853)	719,259
Fund balances-beginning	2,562,544	(834,126)	8,580	1,736,998
Fund balances-ending	<u>\$ 3,235,470</u>	<u>\$ (784,940)</u>	<u>\$ 5,727</u>	<u>\$ 2,456,257</u>

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

Town of Wallace, North Carolina
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2020

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

Net changes in fund balances - total governmental funds	\$	719,259
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.</p>		
Capital outlay expenditures which were capitalized	411,986	
Depreciation expense for governmental assets	<u>(537,085)</u>	(125,099)
Loss on disposal of asset		-
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		187,117
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:</p>		
Change in unavailable revenue for tax revenues		(77,244)
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:</p>		
Change in compensated absences		(78,166)
Pension expense		(208,968)
Change in accrued interest		1,582
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>		
New long-term debt issued	(372,672)	
Principal payments on long-term debt	<u>227,132</u>	(145,540)
Total changes in net position of governmental activities	\$	<u>272,941</u>

Town of Wallace, North Carolina
General Fund and Annually Budgeted Special Revenue Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual
For the Year Ended June 30, 2020

	General Fund			Variance With Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
Ad valorem taxes	\$ 1,571,995	\$ 1,585,100	\$ 1,510,962	\$ (74,138)
Unrestricted intergovernmental	1,392,750	1,538,745	1,560,874	22,129
Restricted intergovernmental	616,408	757,376	736,186	(21,190)
Permits and fees	797,075	772,846	759,017	(13,829)
Sales and services	111,750	626,577	530,910	(95,667)
Investment earnings	31,700	20,307	20,733	426
Total revenues	<u>4,521,678</u>	<u>5,300,951</u>	<u>5,118,682</u>	<u>(182,269)</u>
Expenditures				
Current:				
General government	442,737	1,270,173	753,592	516,581
Public safety	1,740,771	2,040,493	2,002,406	38,087
Public works and transportation	267,308	778,787	724,852	53,935
Culture and recreation	933,859	761,417	695,979	65,438
Debt service	218,057	471,035	256,061	214,974
Environmental protection	918,946	614,567	586,183	28,384
Total expenditures	<u>4,521,678</u>	<u>5,936,472</u>	<u>5,019,073</u>	<u>917,399</u>
Revenues over (under) expenditures	-	(635,521)	99,609	735,130
Other financing sources (uses):				
Proceeds from installment purchase	-	355,000	372,672	
Fund Balance Appropriated	-	195,738	-	
Transfers (to)/from	-	84,783	200,645	
Total other financing sources (uses)	<u>-</u>	<u>635,521</u>	<u>573,317</u>	<u>(62,204)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	672,926	<u>\$ 672,926</u>
Fund balances:				
Beginning of year			<u>2,562,544</u>	
End of year, June 30			<u>\$ 3,235,470</u>	

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

Town of Wallace, North Carolina
Statement of Fund Net Position
Proprietary Fund
June 30, 2020

	<u>Major Enterprise Fund</u> <u>Water and Sewer</u> <u>Fund</u>
Assets	
Current assets:	
Cash and cash equivalents	\$ 2,154,989
Accounts Receivable (net)	514,757
Due from other funds	900,000
Inventories	28,300
Total current assets	3,598,046
Non current assets:	
Capital assets (net)	15,526,165
Total assets	19,124,211
Deferred Outflows of Resources	\$ 167,518
Liabilities	
Current liabilities:	
Accounts payable and accrued liabilities	\$ 156,032
Accrued interest	10,241
Compensated absences payable	94,584
Note payable - current	368,685
Total	629,542
Noncurrent liabilities:	
Compensated absences payable	-
Net pension liability - LGERS	283,688
Note payable - noncurrent	4,466,885
Total	4,750,573
Total liabilities	5,380,115
Deferred Inflows of Resources	4,890
Net Position	
Net investment in capital assets	10,690,595
Unrestricted	3,216,129
Total net position	\$ 13,906,724

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

Town of Wallace, North Carolina
Statement of Revenues, Expenses, and
Changes in Fund Net Position
Proprietary Fund
For the Year Ended June 30, 2020

	<u>Major Enterprise Fund</u>
	<u>Water and Sewer</u>
	<u>Fund</u>
Operating revenues:	
Charges for services	\$ 3,101,910
Water & Sewer taps	18,525
Other operating revenues	113,933
Total operating revenues	<u>3,234,368</u>
Operating expenses:	
Water maintenance and operation	1,414,219
Sewer maintenance and operation	1,176,381
Depreciation	896,484
Total operating expenses	<u>3,487,084</u>
Operating income	<u>(252,716)</u>
Nonoperating revenues (expenses):	
Investment earnings	19,257
Insurance proceeds	33,675
Interest and fees	(137,868)
Total nonoperating revenues (expenses)	<u>(84,936)</u>
Income before contributions and transfers	<u>(337,652)</u>
Transfers to other funds	<u>(200,645)</u>
Change in net position	(538,297)
Total net position, beginning	14,445,021
Total net position, ending	<u>\$ 13,906,724</u>

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

Town of Wallace, North Carolina
Proprietary Fund
Statement of Cash Flows
For The Year Ended June 30, 2020

		Major Enterprise Fund Water and Sewer Fund
Cash flows from operating activities:		
Cash received from customers	\$	3,268,043
Cash paid for goods and services		(1,267,562)
Cash paid to employees for services		(1,165,550)
Net cash provided by operating activities		834,931
Cash flows from noncapital financing activities:		
Transfers between funds		(200,645)
Net cash used by noncapital financing activities		(200,645)
Cash flows from capital and related financing activities:		
Proceeds from installment purchase		74,099
Acquisition and construction of capital assets		(203,317)
Principal paid on bond maturities and note agreements		(358,491)
Interest and fees paid on bond maturities and notes agreements		(137,868)
Net cash (used) by capital and related financing activities		(591,902)
Cash flows from investing activities:		
Interest on investments		19,257
Net decrease in cash and cash equivalents		61,641
Cash and cash equivalents:		
Beginning of year, July 1		2,093,348
End of year, June 30	\$	2,154,989

Town of Wallace, North Carolina
Proprietary Fund
Statement of Cash Flows
For The Year Ended June 30, 2020

	<u>Major Enterprise Fund</u> <u>Water and Sewer</u> <u>Fund</u>
Reconciliation of operating income to net cash provided by operating activities	
Operating income	\$ <u>(252,716)</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	896,484
Changes in assets, deferred outflows of resources and liabilities:	
(Increase) decrease in accounts receivable	(39,365)
(Increase) decrease in inventory	(300)
Increase (decrease) in accounts payable and accrued liabilities	101,682
(Increase) decrease in deferred outflows of resources for pensions	3,997
Increase (decrease) in net pension liability	68,402
Increase (decrease) in accrued interest	697
Increase (decrease) in accrued vacation	59,330
Increase (decrease) in deferred inflows of resources for pensions	<u>(3,280)</u>
Total adjustments	<u>1,087,647</u>
Net cash provided by operating activities	\$ <u><u>834,931</u></u>

NOTES TO THE FINANCIAL STATEMENTS

Town of Wallace, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

I. Summary of Significant Accounting Policies

The accounting policies of the Town of Wallace and its discretely presented component unit conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

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

Town of Wallace ABC Board

The members of the ABC Board's governing board are appointed by the Town. In addition, the ABC Board is required by State statute to distribute its surpluses to the General Fund of the Town. The ABC Board, which has a June 30 year-end, is presented as if it were a proprietary fund (discrete presentation). Complete financial statements for the ABC Board may be obtained from the entity's administrative offices at Town of Wallace ABC Board, 301 N. Norwood Street, Wallace, North Carolina 28466.

B. Basis of Presentation

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

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

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

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

The Town reports the following major governmental funds:

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

Special Revenue Fund-Hurricane Florence Fund. This fund is used to account for the funds and expenditures of the Town related to repairs from Hurricane Florence.

The town reports the following non-major governmental funds:

Special Revenue Fund-Sidewalk Fund. This fund is used to account for the funds and expenditures of the Town for sidewalk installation.

Capital Project Fund-Airport Project Fund. This fund is used to account for the funds and expenditures of the Town for airport projects.

The Town reports the following major enterprise funds:

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

C. Measurement Focus and Basis of Accounting

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

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town enterprise funds are charges to customers for sales and services. The Town also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water and sewer system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

The Town considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Sales taxes are considered a shared revenue for the Town of Wallace because the tax is levied by the 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. Grant revenues which are unearned at year-end are recorded as unearned revenues. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

D. Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund and the Enterprise Fund. All annual appropriations lapse at the fiscal-year end. Project ordinances are adopted for the Special Revenue Grant Project Fund, and the Sewer Capital Project Fund. 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. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations by more than 10%. The governing board must approve all amendments. During the year, several amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity

1. Deposits and Investments

All deposits of the Town and the ABC Board are made in board-designated official depositories and are secured as required by State law [G.S. 159-31]. The Town and the ABC Board may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the Town and the ABC Board may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

State law [G.S. 159-30(c)] authorizes the Town and the ABC Board to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States, obligations of the State of North Carolina, bonds and notes of any North Carolina local government or public authority, obligations of certain non-guaranteed federal agencies, certain high quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT). The Town's and the ABC Board's investments are generally reported at fair value. The NCCMT Government Portfolio, a SEC-registered (2a-7) money market mutual fund, is measured at fair value. The NCCMT-Term Portfolio is bond fund, has no rating and is measured at fair value. As of June 30, 2020, the Term Portfolio has a duration of .15 years. Because the NCCMT Government and Term Portfolios have a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months.

In accordance with State law, the Town has invested in securities which are callable, and which provide for periodic interest rate increases in specific increments until maturity. These investments are reported at fair value as determined by quoted market prices.

2. Cash and Cash Equivalents

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

3. Restricted Assets

Powell Bill funds are also classified as restricted cash because they can only be expended only for the purposes outlined in G.S. 136-41.1 through 136-41.4

Town of Wallace Restricted Cash

Governmental Activities

General Fund	Streets	<u>\$ 167,018</u>
Total governmental activities		<u>\$ 167,018</u>
Total Restricted Cash		<u><u>\$ 167,018</u></u>

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1st the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2019. As allowed by State law, the Town has established a schedule of discounts that apply to taxes which are paid prior to the due date. In the Town's General Fund, ad valorem tax revenues are reported net of such discounts.

5. Allowances for Doubtful Accounts

All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. This amount is estimated by analyzing the percentage of receivables that were written off in prior years.

6. Inventory and Prepaid Items

The inventories of the Town and the ABC Board are valued at cost (first in, first out), which approximates market.

The inventories of the Town's enterprise funds and those of the Town of Wallace ABC Board consist of materials and supplies held for subsequent use. The cost of these inventories are expensed when consumed rather than when purchased.

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

7. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are as follows: land, \$10,000; buildings, improvements, substations, lines, and other plant and distribution systems, \$15,000; infrastructure, \$20,000; furniture and equipment, \$5,000; computer software and equipment, \$5,000; and vehicles \$5,000. Purchased or constructed capital assets are reported at cost or estimated historical cost. 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 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.

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	30
Buildings	50
Improvements	20
Vehicles	5
Furniture and equipment	10
Computer software and equipment	5

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

<u>Asset Class</u>	<u>Useful Lives</u>
Buildings	10-40
Furniture & Equipment	5-10
Vehicles	3-5
Leasehold Improvements	10-20
Computers, etc.	3

8. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town does have one item that meets this criterion, pension deferrals for the 2020 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has only two items that meet the criterion for this category - property taxes receivable and deferrals of pension expense.

9. Long-Term Obligations

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

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

10. Compensated Absences

The vacation policies of the Town and the ABC Board provide for a maximum carryover of two weeks earned vacation pay from one calendar year to the next. For the Town's government-wide and proprietary funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The Town has assumed a first-in, first-out method of using accumulated compensated time. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

Both the Town and the ABC Board's sick leave policies provide 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 neither the Town nor the ABC Board has any obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

11. Net Position/Fund Balances

Net Position

Net position in government-wide and proprietary fund financial statements are classified as net investment in capital assets, restricted, and unrestricted. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through state statute.

Fund Balances

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

The governmental fund types classify fund balances as follows:

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.

Inventories - portion of fund balance that is not an available resource because it represents the year-end balance of ending inventories, which are not spendable resources.

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

Restricted for Streets - Powell Bill portion of fund balance that is restricted by revenue source for street construction and maintenance expenditures. This amount represents the balance of total unexpended Powell Bill funds.

Committed Fund Balance - portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of Town of Wallace'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.

Committed for Economic Development - portion of fund balance assigned by the board for economic development.

Assigned Fund Balance - portion of fund balance that the Town of Wallace intends to use for specific purposes.

Subsequent year's expenditures – portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The governing body approves the appropriation; however the budget ordinance authorizes the manager to modify the appropriations by resource or appropriation within funds up to \$100,000.

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

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

12. Defined Benefit Cost - Sharing Plans

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 Town's employer contributions are recognized when due and the Town 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.

II. Stewardship, Compliance, and Accountability

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

1. Noncompliance with North Carolina General Statutes

None.

2. Contractual Violations

None.

B. Deficit Fund Balance or Net Position of Individual Funds

The Airport Project and Hurricane Florence Funds have a deficit fund balance due to timing issues related to income.

III. Detail Notes on All Funds

A. Assets

1. Deposits

All the deposits of the Town and the ABC Board are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's or ABC Board's agents in these units' names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town or ABC Board, these deposits are considered to be held by the Town's or ABC Boards agents in their names. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town, the ABC Board, or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town and the ABC Board under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town and the ABC Board have 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 Town complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2020, the Town's deposits had a carrying amount of \$5,043,338 and a bank balance of \$5,262,499. Of the bank balance, \$763,420 was covered by the federal depository insurance and the remainder was covered by collateral held under the pooling method. The carrying amount of deposits for the ABC Board was \$315,086 and a bank balance of \$370,986. All of the ABC Board bank balance was covered by federal depository insurance. At June 30, 2020, the Town's petty cash and the ABC Board's fund totaled \$300 and \$1,800 respectively.

2. Investments

At June 30, 2020 the Town held no investments.

3. Receivables - Allowances for Doubtful Accounts

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

	Accounts	Taxes and Related Accrued Interest	Due From Other Governments	Other	Total
Governmental Activities:					
General	\$ 308,234	\$ 323,438	\$ 401,477	\$ -	\$ 1,033,149
Other Governmental	-	-	-	-	-
Total Receivables	308,234	323,438	401,477	-	1,033,149
Allowance for doubtful accounts	-	-	-	-	-
Total Governmental Activities	\$ 308,234	\$ 323,438	\$ 401,477	\$ -	\$ 1,033,149
Business-Type Activities:					
Water and Sewer	\$ 477,313	\$ -	\$ 37,444	\$ -	\$ 514,757
Total Receivables	477,313	-	37,444	-	514,757
Allowance for doubtful accounts	-	-	-	-	-
Total Business-Type Activities	\$ 477,313	\$ -	\$ 37,444	\$ -	\$ 514,757

4. Capital Assets

Primary Government

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

	Beginning Balances	Increases	Transfers	Decreases	Ending Balances
Governmental activities:					
Capital assets not being depreciated:					
Land	\$ 1,404,961	\$ 96,086	\$ -	\$ -	\$ 1,501,047
Construction in progress	2,014,475	1,731	-	(2,016,206)	-
Total capital assets not being depreciated	3,419,436	97,817	-	(2,016,206)	1,501,047
Capital assets being depreciated:					
Buildings	2,674,855	74,643	-	-	2,749,498
Other improvements	3,496,120	2,016,206	-	-	5,512,326
Equipment	1,028,907	29,129	-	-	1,058,036
Vehicles and motorized equipment	2,678,483	210,397	-	-	2,888,880
Total capital assets being depreciated	9,878,365	2,330,375	-	-	12,208,740
Less accumulated depreciation for:					
Buildings	1,004,798	60,544	-	-	1,065,342
Other improvements	1,823,309	224,081	-	-	2,047,390
Equipment	910,678	45,256	-	-	955,934
Vehicles and motorized equipment	1,986,947	207,202	-	-	2,194,149
Total accumulated depreciation	5,725,732	\$ 537,083	\$ -	\$ -	6,262,815
Total capital assets being depreciated, net	4,152,633				5,945,925
Governmental activity capital assets, net	\$ 7,572,069				\$ 7,446,972

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

General Government	\$ 12,549
Public Safety	180,501
Public works and transportation	243,779
Environmental protection	18,916
Cultural and recreational	81,338
Total Depreciation Expense	<u>\$ 537,083</u>

Business-Type Activities:

	Beginning Balances	Increases	Transfers	Decreases	Ending Balances
Water and Sewer Enterprise Fund					
Capital assets not being depreciated:					
Land	\$ 57,846	\$ -	\$ -	\$ -	\$ 57,846
Construction in progress	-	-	-	-	-
Total capital assets not being depreciated	57,846	-	-	-	57,846
Capital assets being depreciated:					
Plant and Distribution Systems	30,319,818	-	-	-	30,319,818
Equipment	1,100,986	71,368	-	4,438	1,176,792
Vehicles	546,621	131,949	-	52,695	731,265
Buildings	91,344	-	-	-	91,344
Total capital assets being depreciated	32,058,769	203,317	-	57,133	32,319,219
Less accumulated depreciation for:					
Plant and Distribution Systems	14,422,819	782,738	-	-	15,205,557
Equipment	938,552	52,768	-	4,438	995,758
Vehicles	464,020	56,992	-	52,695	573,707
Buildings	71,893	3,985	-	-	75,878
Total accumulated depreciation	15,897,284	\$ 896,483	\$ -	\$ 57,133	16,850,900
Total capital assets being depreciated, net	16,161,485				15,468,319
Business-type activities capital assets, net	<u>\$ 16,219,331</u>				<u>\$ 15,526,165</u>

Discretely Presented Component Unit:

The capital assets for the ABC Board at June 30, 2020 are composed as follows:

	Beginning Balances	Increases	Transfers	Decreases	Ending Balances
Capital assets not being depreciated:					
Land	\$ 16,302	\$ -	\$ -	\$ -	\$ 16,302
Total capital assets not being depreciated	16,302	-	-	-	16,302
Capital assets being depreciated:					
Buildings and improvements	57,557	-	-	-	57,557
Equipment	21,144	3,959	-	-	25,103
Furniture and Fixtures	38,195	-	-	-	38,195
Total capital assets being depreciated	116,896	3,959	-	-	120,855
Less accumulated depreciation	70,650	\$ 5,044	\$ -	\$ -	75,694
Total capital assets being depreciated, net	\$ 46,246				45,161
ABC Board capital assets, net	<u>\$ 62,548</u>				<u>\$ 61,463</u>

B. Liabilities

1. Payables

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

	Vendors	Payroll Related Liabilities	Total
Governmental activities:			
General	\$ 123,547	\$ 33,209	\$ 156,756
Other governmental activities	114,583	-	114,583
Total Governmental activities	238,130	33,209	271,339
Business-type activities:			
Water and Sewer Enterprise	141,485	14,547	156,032
Total Business-type activities	\$ 141,485	\$ 14,547	\$ 156,032

2. Pension Plan and Postemployment Obligations

a. Local Governmental Employees' Retirement System

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

Benefits Provided. LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service. 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 or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

LGERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15 years of service as a LEO and have reached age 50, or have completed five years of creditable service as a LEO and have reached age 55, or have completed 15 years of creditable service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. The Town employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town's contractually required contribution rate for the year ended June 30, 2020, was 9.70% of compensation for law enforcement officers and 8.95% for general employees, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town were \$187,117 for the year ended June 30, 2020.

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

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

At June 30, 2020, the Town reported a liability of \$1,013,172 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018. The total pension liability was then rolled forward to the measurement date of June 30, 2019 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2019 (measurement date), the Town's proportion was 0.0371%, which was an increase of 0.00469% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the Town recognized pension expense of \$463,792. At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of		Deferred Inflows of Resources	
	Resources		Resources	
Differences between expected and actual experience	\$	173,481	\$	-
Changes of assumptions		165,130		
Net difference between projected and actual earnings on pension plan investments		24,713		-
Changes in proportion and differences between Town's contributions and proportionate share of contributions		18,022		17,464
Town's contributions subsequent to the measurement date		216,932		-
Total	\$	<u>598,278</u>	\$	<u>17,464</u>

\$216,932 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as an increase of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30</u>	
2021	\$ 177,934
2022	53,551
2023	99,816
2024	32,581
2025	-
Thereafter	-
	<u>\$ 363,882</u>

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

Inflation	3.00 percent
Salary Increases	3.50 to 8.10 percent, including inflation and productivity factor
Investment rate of return	7.00 percent, net of position plan investment expense, including inflation

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

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

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2019 are summarized in the following table:

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

The information above is based on 30 year expectations developed with the consulting actuary for the 2019 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

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

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

	<u>1% Decrease (6.00%)</u>	<u>Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
Town's proportionate share of the net pension liability (asset)	\$ 2,317,310	\$ 1,013,172	\$ (70,831)

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

b. Law Enforcement Officers Special Separation Allowance

1. *Plan Description*

The Town of Wallace administers a public employee retirement system (the *Separation Allowance*), a single-employer defined benefit pension plan that provides retirement benefits to the Town's qualified sworn law enforcement officers 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 0.85 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. The Town has made no contributions to this plan.

All full-time law enforcement officers of the town are covered by the Separation Allowance. At December 31, 2019, the Separation Allowance's membership consisted of:

Retirees currently receiving benefits	1
Current employees:	
Inactive Members	-
Active Members	<u>16</u>
Total	<u>17</u>

2. *Summary of Significant Accounting Policies*

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

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

3. *Actuarial Assumptions*

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

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

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2019.

Mortality rates are based on the RP-2000 Mortality tables with adjustments for mortality improvements based on Scale AA.

4. *Contributions*

The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The Town paid \$0 as benefits came due for the reporting period.

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

At June 30, 2020, the Town reported a total pension liability of \$187,117. The total pension liability was measured as of December 31, 2019 based on a December 31, 2018 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2019 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2020, the Town recognized pension expense of \$11,438.

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 39,937	\$ 91,824
Changes of assumptions	15,489	5,176
Town benefit payments and plan administrative expenses made subsequent to the measurement date.	-	-
Total	<u>\$ 55,426</u>	<u>\$ 97,000</u>

\$0.00 paid as benefits came due and \$0.00 of administrative expenses subsequent to the measurement date are reported as deferred outflows of resources and will be recognized as a decrease of the total pension liability in the year ended June 30, 2021. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30</u>	
2021	(14,163)
2022	(14,163)
2023	(13,819)
2024	(11,084)
2025	8,632
Thereafter	3,023
	<u>\$ (41,574)</u>

Sensitivity of the Town's total pension liability to changes in the discount rate. The following presents the Town's total pension liability calculated using the discount rate of 3.26 percent, as well as what the Town's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.26 percent) or 1-percentage-point higher (4.26 percent) than the current rate:

	1 % Decrease	Discount Rate	1% Increase
	(2.26%)	(3.26%)	(4.26%)
Total pension liability	\$208,284	\$187,117	\$168,311

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

	<u>2020</u>
Beginning balance	\$ 125,386
Service Cost	21,008
Interest on the total pension liability	4,231
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	47,402
Changes of assumptions or other inputs	7,413
Benefit payments	(18,323)
Other changes	-
Ending balance of the total pension liability	<u>\$ 187,117</u>

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

The actuarial assumptions used in the December 31, 2018 valuation were based on the results of an actuarial experience study 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	\$ 463,792	\$ 11,438	\$ 475,230
Pension Liabilities	1,013,172	187,117	1,200,289
Proportionate share of the net pension liability	0.0371%	N/A	
Deferred of Outflows of Resources			
Differences between expected and actual experience	173,481	39,937	213,418
Changes of assumption	165,130	15,489	180,619
Net difference between projected and actual earnings on plan investments	24,713	-	24,713
Changes in proportion and differences between contributions and proportionate share of contributions	18,022	-	18,022
Benefit payments and administrative costs paid subsequent to the measurement date	216,932	-	216,932
Deferred of Inflows of Resources			
Difference between expected and actual experience	-	91,824	91,824
Changes of assumptions	-	5,176	5,176
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	17,464	-	17,464

c. Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description. The Town contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers and other employees employed by the Town. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy. Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. The law enforcement officers may also make voluntary contributions to the plan.

The Town made contributions of \$37,491 for the reporting year. No amounts were forfeited.

d. Other Employment Benefits

The Town has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000 or be less than \$25,000. Because all death benefit payments are made from the Death Benefit Plan, and not by the Town, the Town does not determine the number of eligible participants. The Town has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. Contributions are determined as a percentage of monthly payroll based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. The Town considers these contributions to be immaterial.

3. Deferred Outflows and Inflows of Resources

Deferred outflows reported on the Statement of Net Position:

<u>Source</u>	<u>Amount</u>
Contributions to pension plan in current fiscal year	\$ 216,932
Benefit payments made and administrative expenses for LEOSSA made subsequent to the measurement date	-
Differences between expected and actual experience	213,418
Changes of assumptions	180,619
Net difference between projected and actual earnings on pension plan investments	24,713
Changes in proportion and differences between Town's contributions and proportionate share of contributions	<u>18,022</u>
Total	<u>\$ 653,704</u>

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

	Statement of Net Position	General Fund Balance Sheet
Pension Deferrals	\$ 114,464	\$ -
Taxes Receivable less penalties (General Fund)	-	276,224
Total	<u>\$ 114,464</u>	<u>\$ 276,224</u>

4. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in three self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability and auto liability coverage of \$1 million per occurrence, property coverage up to the total insurance values of the property policy, and workers' compensation coverage up to statutory limits. The liability and property exposures are reinsured through commercial carriers for claims in excess of retentions as selected by the Board of Trustees each year. Excess insurance coverage is purchased by the Board of Trustees to protect against large worker's compensation claims that exceed certain dollar cost levels. Specific information on the limits of the reinsurance, and excess policies purchased by the Board of Trustees can be obtained by contacting the Risk Management Services Department of the NC League of Municipalities. The pools are audited annually by certified public accountants, and the audited financial statements are available to the Town upon request. The Town maintains employee health insurance through Cigna and the employees have an unlimited lifetime limit on coverage.

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

The Town has automatic flood coverage through their property insurance with the League of Municipalities. The property is insured up to \$5,000,000 with a per occurrence deductible of \$50,000.

The Town also carries commercial flood insurance through the Hartford in various assets related to the Town's sewer treatment facilities.

In accordance with G.S. 159-29, the Town's NCLM insurance policy covers the Town against employee dishonesty (\$25,000 limit, \$250 deductible), forgery or alteration (\$25,000 limit, \$250 deductible), and theft of money and securities (\$5,000 limit, \$250 deductible). The Town has adopted this system of blanket faithful performance bonding as an alternative to individual bonds. The finance officer and tax collector are individually bonded for \$50,000.

Town of Wallace ABC Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The ABC Board has property, general liability, workers' compensation, fidelity bond, and employee health coverage's. 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.

5. Claims, Judgments, and Contingent Liabilities

No claims or judgments existed as of June 30, 2020.

6. Long Term Obligations

a. Installment Purchases

Governmental Activities

USDA - Depot Loan I

The Town borrowed \$210,000 direct placement contract to finance a portion of the Depot renovation on November 2, 2006. Payments are due on November 2 of each year in the amount of \$12,922. The interest rate on this note is 4.375%. The amortization period for the note is 30 years. The lender has been granted a secured interest in the asset. A reserve account is maintained by the Town which is a loan requirement of the USDA, see note I, E, 9. The balance at June 30, 2020 was \$156,307.

USDA - Depot Loan II

The Town borrowed \$215,000 direct placement contract to finance a portion of the Depot renovation on November 2, 2006. Payments are due on November 2 of each year in the amount of \$13,229. The interest rate on this note is 4.375%. The amortization period for this note is 30 years. The lender has been granted a secured interest in the asset. A reserve account is maintained by the Town which is a loan requirement of the USDA, see note I, E, 9. The balance at June 30, 2020 is \$152,666.

USDA - Fire Truck

The Town borrowed \$450,000 direct placement contract to finance the purchase of a fire truck on July 7, 2010. Payments are due annually on July 7th of each year in the amount of \$33,112. The interest rate on this note is 4.00%. The amortization period for this note is 20 years. The lender has been granted a secured interest in the asset. A reserve account is maintained by the Town which is a loan requirement of the USDA, see note I, E, 9. The balance at June 30, 2020 is \$128,784.

First Bank - Police Cars

The Town borrowed \$86,928 direct placement contract to finance the purchase of vehicles on August 9, 2017. Payments are due annually on August 9th in the amount of \$28,976. The interest rate on this note is 2.00%. The amortization period for this note is 3 years. The lender has been granted a secured interest in the asset. The balance at June 30, 2020 is \$28,976.

First Bank - PD Vehicle

The Town borrowed \$70,711 direct placement contract to finance the purchase of vehicles on April 19, 2018. Payments are due annually on August 30th in the amount of \$22,814 to \$24,335. The interest rate on this note is 3.23%. The amortization period for this note is 3 years. The lender has been granted a secured interest in the asset. The balance at June 30, 2020 is \$24,335.

United Comm Bank - Police Cars

The Town borrowed \$64,699 direct placement contract to finance the purchase of vehicles on July 31, 2019. Payments are due monthly. The interest rate on this note is 3.15%. The amortization period for this note is 4 years. The lender has been granted a secured interest in the asset. The balance at June 30, 2020 is \$57,808.

Truist Bank - Police Cars

The Town borrowed \$34,866 direct placement contract to finance the purchase of vehicles on February 26, 2020. Payments are due monthly. The interest rate on this note is 2.12%. The amortization period for this note is 4 years. The lender has been granted a secured interest in the asset. The balance at June 30, 2020 is \$32,986.

First Bank - Campbell Center

The Town borrowed \$175,000 direct placement contract to finance the purchase of vehicles on March 26, 2020. Payments are due annual on May 1st in the amount of \$35,000. The interest rate on this note is 2.00%. The amortization period for this note is 5 years. The lender has been granted a secured interest in the asset. The balance at June 30, 2020 is \$175,000.

Truist Bank - PS Vehicle

The Town borrowed \$98,107 direct placement contract to finance the purchase of vehicles on June 8, 2020. Payments are due monthly. The interest rate on this note is 1.45%. The amortization period for this note is 4 years. The lender has been granted a secured interest in the asset. The balance at June 30, 2020 is \$98,107.

Business-Type Activities

USDA - Water Tank

The Town borrowed \$947,000 direct placement contract to finance the Tin City Water Tank project on April 16, 2007. Payments are due annually on April 16 of each year in the amount of \$49,244. The interest rate on this note is 4.125%. The amortization period for this note is 40 years. The lender has been granted a secured interest in the asset. A reserve account is maintained by the Town which is a loan requirement of the USDA, see note I, E, 9. The balance at June 30, 2020 is \$792,932.

Capital Grant for State Revolving Funds - Regional Wastewater Treatment Plant

The Town has borrowed \$6,188,200 that was approved for by the State to fund the regional wastewater treatment plant in the Town. Loan payments will not be required until after the completion of the project. The loan will be payable over a maximum twenty year period and the interest rate on this note will be 2.5%. Balance at June 30, 2020 is \$3,712,680.

NCDENR

The Town has borrowed \$138,258 that was approved for by the State to fund sanitary sewer rehabilitation (CS370445-05) on May 1, 2013. Payments are annually of \$3,456 with no stated interest rate. \$69,129 of the total amount has been forgiven. Balance at June 30, 2020 is \$44,934.

The Town has borrowed \$374,779 that was approved for by the State to fund sanitary sewer rehabilitation (CS370445-06) on May 1, 2015. Payments are annually of \$14,864 with no stated interest rate. Balance at June 30, 2020 is \$222,966.

First Bank - Vehicle

The Town borrowed \$74,099 direct placement contract to finance the purchase of vehicles on December 19, 2019. Payments are due monthly. The interest rate on this note is 2.07%. The amortization period for this note is 3 years. The lender has been granted a secured interest in the asset. The balance at June 30, 2020 is \$62,058.

The future minimum payments of the direct placement installment purchases as of June 30, 2020 are as follows:

Year Ended	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2021	229,416	24,227	368,685	126,595
2022	179,403	18,824	369,884	117,659
2023	106,759	14,748	358,304	108,742
2024	49,365	11,851	346,378	100,189
2025	49,993	11,868	347,148	91,685
2026-2030	85,401	45,354	1,748,449	329,694
2031-2035	105,790	24,966	837,981	134,914
2036-2040	48,842	3,223	164,639	81,581
2041-2045	-	-	201,514	44,706
2046-2050	-	-	92,588	5,764
Total	\$ 854,969	\$ 155,061	\$ 4,835,570	\$ 1,141,529

d. Changes in Long-Term Liabilities

	Balance 1-Jul-19	Increases	Decreases	Balance 30-Jun-20	Current Portion
Governmental activities:					
Compensated absences	\$ 93,497	\$ 117,794	\$ (39,628)	\$ 171,663	\$ 90,981
Net pension liability (LGERS)	553,591	175,893	-	729,484	-
Total pension liability (LEOSSA)	125,386	61,731	-	187,117	-
Direct Placement Installment Purchases	709,429	372,672	(227,132)	854,969	229,416
Total Governmental Activities	\$ 1,481,903	\$ 728,090	\$ (266,760)	\$ 1,943,233	\$ 320,397
Business-type activities:					
Water and Sewer Fund					
Compensated Absences	\$ 35,254	\$ 78,411	\$ (19,081)	\$ 94,584	\$ 94,584
Net pension liability (LGERS)	215,285	68,403	-	283,688	-
Direct Placement Installment Purchases	5,119,962	74,099	(358,491)	4,835,570	368,685
Total Water and Sewer Fund	\$ 5,370,501	\$ 220,913	\$ (377,572)	\$ 5,213,842	\$ 463,269

At June 30, 2020, the Town of Wallace had a legal debt margin of \$20,657,974.

C. Interfund Balances and Activity

a. Transfers to/from Other Funds

Transfers in (out) for the year ended June 30, 2020 are summarized below:

Fund	To	From	Purpose
Water Fund	\$ -	\$ 200,645	Operations
General Fund	200,645	-	

b. Interfund Balances

The composition of internal balances as of June 30, 2020 is as follows:

Payable Fund	Receivable Fund
Hurricane Florence Fund	\$ 1,000,000
Receivable Fund	
General Fund	100,000
Water and Sewer Fund	900,000
Total	\$ 1,000,000

All of the above were for operating expenditures.

IV. Related Party Transactions

None.

V. Jointly Governed Organization

The Town, in conjunction with nine counties and fifty other municipalities, established the Eastern Carolina Council. The participating governments established the Council to coordinate various funding received from federal and State agencies. Each participating government appoints one member to the Council's governing board,. The Town paid membership fees of \$3,700 to the Council during the fiscal year ended June 30, 2020.

Summary Disclosure of Significant Contingencies

VI. Federal and State Assisted Programs

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

D. Fund Balance

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

Total fund balance - General Fund	\$ 3,235,470
Less:	
Stabilization by State Statute	809,012
Streets - Powell Bill	167,018
Inventories	29,236
Debt Requirements - USDA	62,084
Remaining Fund Balance	\$ 2,168,120

The Town of Wallace has adopted a minimum fund balance policy for the General Fund which instructs management to conduct the business of the Town in such a manner that available fund balance is at least equal to or greater than 10% of budgeted expenditures. Any portion of the General Fund balance in excess of 10% of budgeted expenditures may be appropriated for one-time expenditures and may not be used for any purpose that would obligate the Town in a future budget.

VII. Significant Effects of Subsequent Events

There are no subsequent events that would have a material effect on the financial statements. Subsequent events have been analyzed through the date that the financial statements were available to be issued.

REQUIRED
SUPPLEMENTAL FINANCIAL DATA

This section contains additional information required by generally
accounting principals.

Schedule of the Proportionate Share of the Net Pension
Liability – Local Government Employees’ Retirement System

Schedule of Contributions – 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

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

Local Government Employees' Retirement System

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Town's proportion of the net pension liability (asset) (%)	0.0371%	0.0324%	0.0343%	0.0365%	0.0352%	0.0333%	0.0340%
Town's proportion of the net pension liability (asset) (\$)	\$ 1,013,172	\$ 768,876	\$ 523,703	\$ 775,501	\$ 158,155	\$ (196,149)	\$ 409,831
Town's covered-employee payroll	\$ 2,287,262	\$ 2,098,125	\$ 2,108,050	\$ 2,035,722	\$ 1,904,940	\$ 1,853,469	\$ 1,827,389
Town's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	44.30%	36.65%	24.84%	38.09%	8.30%	(10.58%)	22.43%
Plan fiduciary net position as a percentage of the total pension liability**	90.86%	91.63%	94.18%	91.47%	98.09%	102.64%	94.35%

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

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

**Town of Wallace, North Carolina
Town of Wallace's Contributions
Required Supplementary Information
Last Seven Fiscal Years**

Local Government Employees' Retirement System

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 216,932	\$ 182,652	\$ 161,705	\$ 157,146	\$ 138,509	\$ 136,619	132,150
Contributions in relation to the contractually required contribution	216,932	\$ 182,652	161,705	157,146	138,509	132,150	132,150
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered-employee payroll	\$ 2,278,819	\$ 2,287,262	\$ 2,098,125	\$ 2,108,050	\$ 2,035,722	\$ 1,904,940	1,853,469
Contributions as a percentage of covered-employee payroll	9.52%	7.99%	7.71%	7.45%	6.80%	7.17%	7.13%

Town of Wallace, North Carolina
Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance
June 30, 2020

	2020	2019	2018
Beginning balance	\$ 125,386	\$ 246,910	\$ 246,089
Service Cost	21,008	12,587	14,012
Interest on the total pension liability	4,231	7,531	9,168
Changes of benefit terms	-	-	-
Differences between expected and actual experience in the measurement of the total pension liability	47,402	(120,573)	(23,616)
Changes of assumptions or other inputs	7,413	(3,900)	18,426
Benefit payments	(18,323)	(17,169)	(17,169)
Other changes	-	-	-
Ending balance of the total pension liability	<u>\$ 187,117</u>	<u>\$ 125,386</u>	<u>\$ 246,910</u>

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

Town of Wallace, North Carolina
Schedule of Total Pension Liability as a Percentage of Covered Payroll
Law Enforcement Officers' Special Separation Allowance
June 30, 2020

	2020	2019	2018
Total pension liability	\$ 187,117	\$ 125,386	\$ 246,910
Covered payroll	806,851	524,166	584,906
Total pension liability as a percentage of covered payroll	23.19%	23.92%	42.21%

Notes to the schedules:

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

GENERAL FUND

The General Fund accounts for resources traditionally associated with government that are not required legally or by sound financial management to be accounted for in other funds.

Town of Wallace, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2020

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Ad valorem taxes:			
Taxes	\$	\$ 1,441,292	\$
Penalties and interest		69,670	
Total	<u>1,585,100</u>	<u>1,510,962</u>	<u>(74,138)</u>
Unrestricted intergovernmental:			
ABC Revenue		49,005	
Local option sales taxes		1,106,286	
Utilities sales tax		205,532	
Telecommunications sales tax		21,703	
Video franchise fee		18,525	
Beer and wine tax		17,312	
Insurance proceeds		20,687	
Tax Refunds		121,824	
Total	<u>1,538,745</u>	<u>1,560,874</u>	<u>22,129</u>
Restricted intergovernmental:			
ABC revenue for law enforcement		16,000	
Solid waste disposal tax		3,051	
Powell Bill allocation		114,463	
Other grants		602,672	
Total	<u>757,376</u>	<u>736,186</u>	<u>(21,190)</u>

Town of Wallace, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2020

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Permits and fees:			
Garbage Fees		640,721	
Planning/zoning fees		3,795	
Miscellaneous fees		12,499	
Fire fees		88,245	
Public safety fees/donations		13,757	
Total	<u>772,846</u>	<u>759,017</u>	<u>(13,829)</u>
Sales and services:			
Airport sales/rents		184,641	
Storm drain fees		192,173	
Library fees		7,402	
Recreation fees		25,607	
Concessions		12,659	
Rent		83,221	
Miscellaneous - sales of assets		25,207	
Total	<u>626,577</u>	<u>530,910</u>	<u>(95,667)</u>
Investment earnings	<u>20,307</u>	<u>20,733</u>	<u>426</u>
Total Revenues	<u>5,300,951</u>	<u>5,118,682</u>	<u>(182,269)</u>
General government:			
Administration:			
Salaries & benefits		97,155	
Operating expense		164,645	
Tree project		-	
Information technology		2,247	
Chamber of Commerce		-	
Capital Outlay		-	
Total	<u>604,119</u>	<u>264,047</u>	<u>340,072</u>

Town of Wallace, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2020

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Finance and Taxes:			
Salaries & benefits		100,087	
Operating expense		48,013	
Capital Outlay		-	
Total	<u>149,964</u>	<u>148,100</u>	<u>1,864</u>
Governing board:			
Salaries & benefits		24,574	
Professional services		24,070	
Operating expense		9,917	
Capital Outlay		-	
Total	<u>61,860</u>	<u>58,561</u>	<u>3,299</u>
Planning:			
Salaries & benefits		78,438	
Operating expense		11,647	
Capital Outlay		-	
Total	<u>109,530</u>	<u>90,085</u>	<u>19,445</u>
Public buildings:			
Salaries & benefits		43,008	
Operating expense		149,791	
Capital Outlay		-	
Total	<u>344,700</u>	<u>192,799</u>	<u>151,901</u>
Total General Government	<u>1,270,173</u>	<u>753,592</u>	<u>516,581</u>
Environmental:			
Salaries & benefits		3,111	
Operating expense		131,732	
Capital Outlay		30,753	
Contracted Services		420,587	
Total	<u>614,567</u>	<u>586,183</u>	<u>28,384</u>

Town of Wallace, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2020

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Public works and transportation:			
Streets:			
Salaries & benefits		261,070	
Operating expense		268,078	
Capital Outlay		15,000	
Total	<u>586,790</u>	<u>544,148</u>	<u>42,642</u>
Airport:			
Salaries & benefits		79,311	
Fuel for resale		79,119	
Operating expense		22,274	
Capital Outlay		-	
Total	<u>191,997</u>	<u>180,704</u>	<u>11,293</u>
Total Public Works	<u>778,787</u>	<u>724,852</u>	<u>53,935</u>
Public Safety:			
Police:			
Salaries & benefits		1,257,031	
Operating expense		306,903	
Capital Outlay		139,873	
Total	<u>1,705,876</u>	<u>1,703,807</u>	<u>2,069</u>
Animal control:			
Salaries & benefits		9,384	
Operating expense		2,925	
Capital Outlay		-	
Total	<u>16,915</u>	<u>12,309</u>	<u>4,606</u>
Fire:			
Salaries & benefits		16,372	
Operating expense		144,934	
Capital Outlay		124,984	
Total	<u>317,702</u>	<u>286,290</u>	<u>31,412</u>
Total Public Safety	<u>2,040,493</u>	<u>2,002,406</u>	<u>38,087</u>

Town of Wallace, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2020

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Cultural and recreation:			
Parks and recreation:			
Salaries & benefits		185,042	
Operating expense		164,747	
Capital Outlay		155,711	
Total	<u>558,977</u>	<u>505,500</u>	<u>53,477</u>
Library:			
Salaries & benefits		143,479	
Operating expense		30,816	
Capital Outlay		-	
Total	<u>185,590</u>	<u>174,295</u>	<u>11,295</u>
Depot:			
Salaries & benefits		-	
Operating expense		16,184	
Capital Outlay		-	
Total	<u>16,850</u>	<u>16,184</u>	<u>666</u>
Total Culture and Recreation	<u>761,417</u>	<u>695,979</u>	<u>65,438</u>
Debt Service:			
Debt principal		227,132	
Debt interest		28,929	
Total	<u>471,035</u>	<u>256,061</u>	<u>214,974</u>
Total Expenditures	<u>5,936,472</u>	<u>5,019,073</u>	<u>917,399</u>
Revenues over (under) expenditures	(635,521)	99,609	735,130

Town of Wallace, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2020

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Other financing sources (uses):			
Proceeds from installment purchase	355,000	372,672	17,672
Transfers (to)/from other funds	<u>84,783</u>	<u>200,645</u>	<u>115,862</u>
Total	\$ <u>439,783</u>	<u>573,317</u>	\$ <u>133,534</u>
 Fund Balance Appropriated	 195,738	 -	 (195,738)
 Net change in fund balance	 \$ <u><u>-</u></u>	 672,926	 \$ <u><u>672,926</u></u>
 Fund balances:			
 Fund Balance, beginning		 <u>2,562,544</u>	
End of year, June 30		<u><u>\$ 3,235,470</u></u>	

OTHER MAJOR GOVERNMENTAL FUND

Major Governmental Funds - Hurricane Florence Fund

Town of Wallace, North Carolina
Special Revenue Fund - Hurricane Florence Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the year ended June 30, 2020

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Investment Income	\$	\$ -	\$
Insurance proceeds		161,029	
Restricted Revenue		953,034	
Total	<u>1,200,000</u>	<u>1,114,063</u>	<u>(85,937)</u>
Expenditures:			
Current:			
Environmental:		1,064,877	
Total expenditures	<u>1,200,000</u>	<u>1,064,877</u>	<u>135,123</u>
Revenues over expenditures	-	49,186	49,186
Fund Balance Appropriated	-	-	-
Other Financing Sources (Uses):			
Transfers In (Out)	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	49,186	<u>\$ 49,186</u>
Fund balances:			
Beginning of year, July 1		<u>(834,126)</u>	
End of year, June 30		<u>\$ (784,940)</u>	

SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

**Town of Wallace, North Carolina
Combining Balance Sheet
Non Major Governmental Funds
For the Fiscal Year Ended June 30, 2020**

	<u>Sidewalk Fund</u>	<u>Airport Project Fund</u>	<u>2020 Totals</u>
Assets			
Cash and Investments	\$ 12,070	\$ -	\$ 12,070
Accounts Receivable	-	-	-
Total Assets	<u>12,070</u>	<u>-</u>	<u>12,070</u>
Liabilities and Fund Balances			
Accounts payable and accrued liabilities	\$ -	\$ 6,343	\$ 6,343
Due to other funds	-	-	-
Total current liabilities	<u>-</u>	<u>6,343</u>	<u>6,343</u>
Fund Balances:			
Restricted			
Stabilization by State Statute	-	-	-
Economic development	<u>12,070</u>	<u>(6,343)</u>	<u>5,727</u>
Total Fund Balance	<u>12,070</u>	<u>(6,343)</u>	<u>5,727</u>
Total Liabilities and Fund Equity	<u>\$ 12,070</u>	<u>\$ -</u>	<u>\$ 12,070</u>

Town of Wallace, North Carolina
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
Non Major Governmental Funds
For the Fiscal Year Ended June 30, 2020

	Sidewalk Fund	Airport Project Fund	2020 Totals
Revenues:			
Local Revenues	\$ -	\$ 2,026	\$ 2,026
Investment Income	-	-	-
Restricted Revenue	-	194,805	194,805
Miscellaneous	-	-	-
Total Revenues	<u>-</u>	<u>196,831</u>	<u>196,831</u>
Expenditures:			
Current:			
Economic Development	<u>-</u>	<u>199,684</u>	<u>199,684</u>
Revenues over expenditures	-	(2,853)	(2,853)
Other Financing Sources (Uses):			
Transfers In (Out)	-	-	-
Fund balances:			
Beginning of year, July 1	<u>12,070</u>	<u>(3,490)</u>	<u>8,580</u>
End of year, June 30	<u>\$ 12,070</u>	<u>\$ (6,343)</u>	<u>\$ 5,727</u>

Town of Wallace, North Carolina
Special Revenue Fund - Sidewalk Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the year ended June 30, 2020

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Revenues:			
Investment Income	\$	\$ -	\$
Local revenues		-	
Restricted Revenue		-	
Total	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures:			
Current:			
Economic and physical development:			
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Revenues over expenditures	-	-	-
Fund Balance Appropriated	-	-	-
Other Financing Sources (Uses):			
Transfers In (Out)	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	\$ <u>-</u>	-	\$ <u>-</u>
Fund balances:			
Beginning of year, July 1		<u>12,070</u>	
End of year, June 30		\$ <u><u>12,070</u></u>	

Town of Wallace, North Carolina
Airport Project Fund
Schedule of Revenues, Expenditures, and
Budget and Actual (Non-GAAP)
From Inception and for the Fiscal Year Ended June 30, 2020

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues-Airport Projects:					
Restricted intergovernmental:					
Grant	\$ 100,000	\$ 519,240	\$ 194,805	\$ 714,045	\$ 614,045
Local revenues	10,000	21,696	2,026	23,722	13,722
Interest income	-	-	-	-	-
Total revenues	110,000	540,936	196,831	737,767	627,767
Expenditures-Airport Projects:					
Repairs and maintenance	-	-	-	-	-
Professional services	10,000	406,653	199,684	606,337	(596,337)
Contracted services	-	-	-	-	-
ROW	100,000	166,277	-	166,277	(66,277)
Contingency	-	-	-	-	-
Total expenditures	110,000	572,930	199,684	772,614	(662,614)
Revenues over (under) expenditures	-	(31,994)	(2,853)	(34,847)	(34,847)
Other financing sources:					
Transfer to/from general fund	-	28,504	-	28,504	28,504
Total other financing sources	-	28,504	-	28,504	28,504
Revenues and other sources over (under) expenditures	\$ -	\$ (3,490)	\$ (2,853)	\$ (6,343)	\$ (6,343)

ENTERPRISE FUNDS

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

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Charges for services:			
Water sales:			
Residential &			
Commercial	\$	\$ 3,101,910	\$
Miscellaneous		-	
Total	<u>3,281,430</u>	<u>3,101,910</u>	<u>(179,520)</u>
Water taps	<u>18,535</u>	<u>18,525</u>	<u>(10)</u>
Other operating revenues	<u>-</u>	<u>113,933</u>	<u>113,933</u>
Total Operating Revenues	<u>3,299,965</u>	<u>3,234,368</u>	<u>(65,597)</u>
Nonoperating revenues:			
Miscellaneous	45,160	33,675	(11,485)
Interest earnings	<u>22,150</u>	<u>19,257</u>	<u>(2,893)</u>
Total Revenues	<u>3,367,275</u>	<u>3,287,300</u>	<u>(79,975)</u>
Expenditures:			
Administration:			
Salaries and benefits		357,610	
Operating Expenses		150,500	
Capital Outlay		-	
Total water administration	<u>520,469</u>	<u>508,110</u>	<u>12,359</u>
Water Operations:			
Salaries and benefits		376,708	
Repairs and maintenance		68,017	
System maintenance		159,865	
Water testing		23,831	
Information technology		1,493	
Utilities		69,561	
Supplies		7,864	
Operating expenditures		198,770	
Capital outlay		-	
Total	<u>963,195</u>	<u>869,539</u>	<u>93,656</u>

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

Sewer Operations:			
Salaries and benefits		431,232	
Repairs and maintenance		14,978	
System maintenance		223,141	
Utilities		249,138	
Insurance		10,549	
Supplies		25,983	
Waste Water testing		53,886	
Contract services		7,750	
Operating expenditures		68,145	
Capital outlay		203,317	
Total	<u>1,347,273</u>	<u>1,288,119</u>	<u>59,154</u>
Debt service:			
Interest and fees		137,868	
Principal retirement		358,491	
Total debt service	<u>536,338</u>	<u>496,359</u>	<u>39,979</u>
Total expenditures	<u>3,367,275</u>	<u>3,162,127</u>	<u>205,148</u>
Other financing sources (uses):			
Transfers in (out)	-	(200,645)	(200,645)
Capital contributions	-	-	-
Fund balance appropriated	-	-	-
Total other financing sources (uses):	<u>-</u>	<u>(200,645)</u>	<u>(200,645)</u>
Fund balance appropriated	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other sources over expenditures and other uses	<u>\$ -</u>	<u>\$ (75,472)</u>	<u>\$ (75,472)</u>

**Reconciliation from budgetary basis
(modified accrual) to full accrual:**

Revenues over expenditures	\$ <u>(75,472)</u>
Reconciling items:	
Capital outlay	203,317
Depreciation	(896,484)
Capital contributions from project fund	-
Transfers (in) out to capital project	-
Expenses from project fund	-
Principal payments	358,491
Change in compensated absences	(59,330)
Increase (decrease) in net pension liability	(68,402)
(Increase) decrease in deferred outflows of resources for pensions	(3,997)
Increase (decrease) in deferred inflows of resources for pensions	3,280
Increase (decrease) in Inventory	<u>300</u>
Total reconciling items	<u>(462,825)</u>
Change in net position	\$ <u><u>(538,297)</u></u>

Town of Wallace, North Carolina
Water and Sewer Fund - FEMA Capital Project Fund
Schedule of Revenues, Expenditures, and
Budget and Actual (Non-GAAP)
From Inception and for the Fiscal Year Ended June 30, 2020

	Project Authorization	Actual Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues-Water & Sewer Projects:					
Restricted intergovernmental:					
FEMA	\$ 997,457	\$ 516,901	\$ -	\$ 516,901	\$ (480,556)
Insurance proceeds	2,543	2,571	-	2,571	28
Interest income	-	-	-	-	-
Total revenues	<u>1,000,000</u>	<u>519,472</u>	<u>-</u>	<u>519,472</u>	<u>(480,528)</u>
Expenditures-Water & Sewer Projects:					
Repairs and maintenance	461,120	461,118	-	461,118	2
Professional services	9,642	9,642	-	9,642	-
Contracted services	344,432	338,846	-	338,846	5,586
Other storm related	184,806	48,784	-	48,784	136,022
Contingency	-	-	-	-	-
Total expenditures	<u>1,000,000</u>	<u>858,390</u>	<u>-</u>	<u>858,390</u>	<u>141,610</u>
Revenues over (under) expenditures	<u>-</u>	<u>(338,918)</u>	<u>-</u>	<u>(338,918)</u>	<u>(338,918)</u>
Other financing sources:					
Transfer to/from water & sewer	-	900,000	-	900,000	900,000
Total other financing sources	<u>-</u>	<u>900,000</u>	<u>-</u>	<u>900,000</u>	<u>900,000</u>
Revenues and other sources over (under) expenditures	<u>\$ -</u>	<u>\$ 561,082</u>	<u>\$ -</u>	<u>\$ 561,082</u>	<u>\$ 561,082</u>

Town of Wallace, North Carolina
Water and Sewer Fund- Force Main Capital Project Fund
Schedule of Revenues, Expenditures, and
Budget and Actual (Non-GAAP)
From Inception and for the Fiscal Year Ended June 30, 2020

	Project Authorization	Actual Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues-Water & Sewer Projects:					
Restricted intergovernmental:					
Grants	\$ 830,000	\$ -	\$ -	\$ -	\$ (830,000)
Insurance proceeds	429,060	-	-	-	(429,060)
Local revenues	-	-	-	-	-
Interest income	-	-	-	-	-
Total revenues	<u>1,259,060</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,259,060)</u>
Expenditures-Water & Sewer Projects:					
Repairs and maintenance	-	-	-	-	-
Professional services	228,500	8,243	9,188	17,431	211,069
Contracted services	50,000	-	-	-	50,000
Construction	861,100	-	19,350	19,350	841,750
Contingency	119,460	4,701	2,800	7,501	111,959
Total expenditures	<u>1,259,060</u>	<u>12,944</u>	<u>31,338</u>	<u>44,282</u>	<u>1,214,778</u>
Revenues over (under) expenditures	<u>-</u>	<u>(12,944)</u>	<u>(31,338)</u>	<u>(44,282)</u>	<u>(44,282)</u>
Other financing sources:					
Transfer to/from water & sewer	-	-	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other sources over (under) expenditures	<u>\$ -</u>	<u>\$ (12,944)</u>	<u>\$ (31,338)</u>	<u>\$ (44,282)</u>	<u>\$ (44,282)</u>

Town of Wallace, North Carolina
Water and Sewer Fund- Valley Protein Capital Project Fund
Schedule of Revenues, Expenditures, and
Budget and Actual (Non-GAAP)
From Inception and for the Fiscal Year Ended June 30, 2020

	Project Authorization	Actual Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues-Water & Sewer Projects:					
Restricted intergovernmental:					
Grants	\$ 4,383,947	\$ -	\$ -	\$ -	\$ (4,383,947)
Insurance proceeds	-	-	-	-	-
Local revenues	50,000	50,000	-	50,000	-
Interest income	-	-	-	-	-
Total revenues	<u>4,433,947</u>	<u>50,000</u>	<u>-</u>	<u>50,000</u>	<u>(4,383,947)</u>
Expenditures-Water & Sewer Projects:					
Repairs and maintenance	-	-	-	-	-
Professional services	551,500	12,968	10,805	23,773	527,727
Contracted services	50,000	-	-	-	50,000
Construction	3,260,628	-	-	-	3,260,628
Contingency	571,819	-	6,387	6,387	565,432
Total expenditures	<u>4,433,947</u>	<u>12,968</u>	<u>17,192</u>	<u>30,160</u>	<u>4,403,787</u>
Revenues over (under) expenditures	<u>-</u>	<u>37,032</u>	<u>(17,192)</u>	<u>19,840</u>	<u>19,840</u>
Other financing sources:					
Transfer to/from water & sewer	-	-	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other sources over (under) expenditures	<u>\$ -</u>	<u>\$ 37,032</u>	<u>\$ (17,192)</u>	<u>\$ 19,840</u>	<u>\$ 19,840</u>

Town of Wallace, North Carolina
Water and Sewer Fund- Water Wellls Capital Project Fund
Schedule of Revenues, Expenditures, and
Budget and Actual (Non-GAAP)
From Inception and for the Fiscal Year Ended June 30, 2020

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues-Water & Sewer Projects:					
Restricted intergovernmental:					
Grants	\$ -	\$ -	\$ -	\$ -	\$ -
Loan proceeds	966,000	-	-	-	(966,000)
Closing costs	19,320	-	-	-	(19,320)
Interest income	-	-	-	-	-
Total revenues	<u>985,320</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(985,320)</u>
Expenditures-Water & Sewer Projects:					
Administration	146,200	-	9,000	9,000	137,200
Professional services	-	-	-	-	-
Engineering	69,050	-	18,211	18,211	50,839
Construction	750,750	-	7,255	7,255	743,495
Tow closing costs	19,320	-	579	579	18,741
Total expenditures	<u>985,320</u>	<u>-</u>	<u>35,045</u>	<u>35,045</u>	<u>950,275</u>
Revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>(35,045)</u>	<u>(35,045)</u>	<u>(35,045)</u>
Other financing sources:					
Transfer to/from water & sewer	-	-	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other sources over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (35,045)</u>	<u>\$ (35,045)</u>	<u>\$ (35,045)</u>

OTHER SCHEDULES

This section includes additional information on property taxes.

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

Town of Wallace, North Carolina
General Fund
Schedule of Ad Valorem Taxes Receivable
June 30, 2020

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2019</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Uncollected Balance June 30, 2020</u>
2019-2020	\$	\$ 1,505,906	\$ (1,389,029)	\$ 116,877
2018-2019	88,984	-	(25,678)	63,306
2017-2018	54,889	-	(15,823)	39,066
2016-2017	39,040	-	(6,065)	32,975
2015-2016	21,629	-	(4,531)	17,098
2014-2015	1,749	-	(126)	1,623
2013-2014	1,326	-	(40)	1,286
2012-2013	1,020	-	-	1,020
2011-2012	1,115	-	-	1,115
2010-2011	1,858	-	-	1,858
	<u>\$ 211,610</u>	<u>\$ 1,505,906</u>	<u>\$ (1,441,292)</u>	<u>276,224</u>
Ad valorem taxes receivable - net				\$ <u>276,224</u>
<u>Reconcilement with revenues:</u>				
Ad valorem taxes - General Fund				\$ 1,510,962
Reconciling items:				
Discounts, Releases, Refunds				-
Interest collected				<u>(69,670)</u>
Total collections and credits				<u>\$ 1,441,292</u>

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

	Town - Wide			Total Levy	
				Property exclusing Registered Motor Vehicles	Registered Motor Vehicles
	<u>Property Valuation</u>	<u>Rate</u>	<u>Total Levy</u>		
Original levy:					
Property taxed at current year's rate	\$ 268,911,786	\$ 0.56	\$ 1,505,906	\$ 1,382,670	\$ 123,236
Penalties				-	-
Total	<u>268,911,786</u>		<u>1,505,906</u>	<u>1,382,670</u>	<u>123,236</u>
Total property valuation	\$ <u>268,911,786</u>				
Net levy			1,505,906	1,382,670	123,236
Uncollected taxes at June 30, 2020			<u>(116,877)</u>	<u>(116,877)</u>	<u>-</u>
Current year's taxes collected			\$ <u>1,389,029</u>	\$ <u>1,265,793</u>	\$ <u>123,236</u>
Current levy collection percentage			<u>92.24%</u>	<u>91.55%</u>	<u>100.00%</u>

COMPLIANCE SECTION



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**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***

Independent Auditor's Report

To the Honorable Mayor and
Members of the Town Council
Wallace, 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 accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Town of Wallace as of and for the year ended June 30, 2020, and the related notes to the financial statement, which collectively comprises the Town of Wallace's basic financial statements, and have issued our report thereon dated January 29, 2021. The financial statements of the Town of Wallace ABC Board were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Town of Wallace's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Town of Wallace's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town'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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency or 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 internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies, listed as 2020-001.

Compliance and Other Matters

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

Town of Wallace's Response to Findings

The Town of Wallace's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Town's response was not subject 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.

Thompson, Price, Scott, Adams & Co., PA

Wilmington, North Carolina

January 29, 2021



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Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; With OMB Uniform Guidance and the State Single Audit Implementation Act

Independent Auditor's Report

To the Honorable Mayor and
Members of the Town Council
Wallace, North Carolina

Report on Compliance for Each Major Federal Program

We have audited the Town of Wallace, compliance with the types of compliance requirements described in the OMB *Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the Town of Wallace's major federal programs for the year ended June 30, 2020. The Town of Wallace's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of Federal and State Statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Town of Wallace's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State Single Audit Implementation Act. Those standards, the Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Wallace's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Town of Wallace's compliance.

Opinion on Each Major Federal Program

In our opinion, the Town of Wallace complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control Over Compliance

Management of the Town of Wallace is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town of Wallace's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Council's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Thompson, Price, Scott, Adams & Co., PA

Wilmington, North Carolina

January 29, 2021

Town of Wallace, North Carolina
 Schedule of Findings and Questioned Costs
 For the Year Ended June 30, 2020

Section I. Summary of Auditor's Results

Financial Statements

Type of report auditor issued on whether the financial statements audited were prepared in accordance to GAAP: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? yes No

Significant Deficiency(s) identified? yes No Reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified? yes No

Significant Deficiency(s) identified? yes None Reported

Type of auditor's report issued on compliance for major federal programs: Unmodified.

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? yes No

Identification of major federal programs:

CFDA Numbers	Names of Federal Program or Cluster
97.036	Disaster Grants – Public Assistance (Presidentially Declared Disasters)

Dollar threshold used to distinguish between Type A and Type B Programs \$750,000

Auditee qualified as low-risk auditee? yes No

Town of Wallace, North Carolina
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2020

Section II – Financial Statement Findings

SIGNIFICANT DEFICIENCY

2020-001 Segregation of Duties

Criteria: Duties should be segregated to provide reasonable assurance that transactions are handled appropriately.

Condition: There is a lack of segregation of duties among Town personnel.

Effect: Transactions could be mishandled.

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

Identification of a repeat finding: This is a repeat finding from the immediate previous audit, 2019-001.

Recommendation: The duties should be separated as much as possible, and alternative controls should be used to compensate for lack of separation. The governing board should provide some of these controls.

Views of responsible officials and planned corrective actions: The Town agrees with this finding and will adhere to the corrective action plan to follow.

Section III – Federal Award Findings

None reported.

Section IV – State Award Findings

None reported.

Town of Wallace, North Carolina
Corrective Action Plan
For the Year Ended June 30, 2020

Section II – Financial Statement Findings

SIGNIFICANT DEFICIENCY

2020-001

Segregation of Duties

Name of contact person: Charles C. Farrior Jr., Mayor

Correction Action: The duties will be separated as much as possible and alternative controls will be used to compensate for lack of separation. The governing board will become more involved in providing some of these controls.

Proposed Completion Date: The Board will implement the above procedure immediately.

Section III – Federal Award Findings

None reported.

Section IV – State Award Findings

None reported.

Town of Wallace, North Carolina
Summary Schedule of Prior Year Audit Findings
For the Year Ended June 30, 2020

Status:	2019-001	Still occurring.
	2019-002	Corrected.

TOWN OF WALLACE, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2020

Grantor/Pass-through Grantor/Program Title 1(a)	Federal CFDA Number 1(a)(b)	State/ Pass-through Grantor's Number 1(c)	Fed. (Direct & Pass-through) Expenditures 1(c),2	State Expenditures 1(d)	Local Expenditures 1(d)
Federal Grants:					
Cash Programs:					
<u>U.S. Dept. of Transportation</u>					
Passed-through the N.C. Department of Transportation:					
Airport Improvement Program	20.106	36237.56.13.1	70,296	-	-
Airport Improvement Program	20.106	36237.56.14.1	22,671	-	-
Airport Improvement Program	20.106	36237.56.14.2	101,839	-	-
<u>U.S. Department of Homeland Security</u>					
Passed-through N.C. Department of Public Safety					
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036		798,658	266,219	-
Total assistance - federal programs			<u>993,464</u>	<u>266,219</u>	<u>-</u>
State Grants:					
Cash Assistance:					
<u>N.C. Department of Environmental Quality:</u>					
Wastewater - Asset Inventory and Assessment Grant		E-AIA-W-2017-00000071-2346-536919	-	14,639	-
<u>N.C. Department of Public Safety</u>					
Governor's Crime Commission Grant			-	24,652	-
<u>N.C. Department of Transportation:</u>					
Powell Bill			-	157,713	-
Rail Corridor Mowing and Cleanup			-	1,875	-
Airport Improvement Program		DOT-8	-	2,519	-
Total assistance - State programs			<u>-</u>	<u>201,398</u>	<u>-</u>
Total assistance			<u>\$ 993,464</u>	<u>\$ 467,618</u>	<u>\$ -</u>

Notes to the Schedule of Expenditures of Federal and State Financial Awards:

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal and State awards (SEFSA) includes the federal and State grant activity of the Town of Wallace under the programs of the federal government and the State of North Carolina for the year ended June 30, 2020. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of the Town of Wallace, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Town of Wallace.

Note 2: Summary of Significant Accounting Policies

Expenditures reported in the SEFSA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3: Indirect Cost Rate

The Town of Wallace has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.