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Town of Wallace, North Carolina

# Annual Comprehensive Financial Report

*For the Year Ended June 30, 2021*

Prepared by the Finance Department



# TOWN OF WALLACE, NORTH CAROLINA

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## INTRODUCTORY SECTION





November 3, 2021

## **To the Honorable Mayor, Town Council and the Citizens of the Town of Wallace, North Carolina:**

It is our pleasure to submit to you the Town of Wallace's Annual Comprehensive Financial Report. State law requires every general-purpose local government to publish a complete set of audited financial statements annually. The financial statements must be presented in conformity with general accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. This report is published to fulfill that requirement for the fiscal year ending June 30, 2021.

Thompson, Price, Scott, Adams & Co, PA, a firm of independent certified public accountants, audited the Town's financial statements. The independent auditor expressed an opinion that the Town's financial statements for the fiscal year 2021 are fairly stated in conformity with GAAP. This is the most favorable conclusion and is commonly known as an "unmodified" or "clean" opinion. The independent auditor's report is presented after the Letter of Transmittal.

Responsibility for the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the Town. The management of the Town is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the Town are protected from loss, theft, or misuse, and to ensure that adequate financial information is compiled to allow for the preparation of financial statements in conformity with GAAP. Because the cost of internal control should not exceed the anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free from any material misstatements. We believe that the data presented is complete and reliable in all material respects.

The Town is required to undergo an additional audit designed to meet the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Information related to this audit is issued in a separate report.

GAAP requires management to provide a narrative, introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). The MD&A can be found immediately following the independent auditor's report. The information contained in this CAFR is the responsibility of the Town's management. The letter of transmittal is designed to complement the MD&A and should be read in conjunction.

## LETTER OF TRANSMITTAL

### History

Originally established as Duplin Crossroads in 1873, the Town was renamed and incorporated as Wallace in 1899 in honor of Stephen D Wallace, an official of the Atlantic Coast Line Railroad. Located in the southern corner of Duplin County, the Town consist of 3.07 square miles with a population of approximately 3,863. Wallace is the largest municipality in the county, and serves as a retail trade center, serving an estimated 50,000 people in the surrounding area.



### Profile of the Government

The Town operates in the Council/Manager form of Government. The mayor and five members are elected on a non-partisan at-large basis. The mayor serves a four-year term and board members serve four-year staggered terms. The mayor can only cast the tiebreaking vote. The Town Council holds policymaking and legislative authority. They are responsible for passing ordinances, adopting the annual budget, appointing board members and hiring the Town Manager. The Town Manager is responsible for managing and overseeing the daily operations of the Town.

The Council is required to adopt a fiscal year operating budget by no later than June 30<sup>th</sup> of each year. The Town Manager annually submits to the Town Board a proposed budget for the upcoming fiscal year. The Town's Department Heads submit recommendations to the Town Manager for consideration. The Manager then considers the budgetary constraints and develops the budget he presents to the Town Board. A public hearing is then held in order to give citizens an opportunity to review the document and communicate questions, concerns, or support of the recommendation. The budget is then adopted and takes effect beginning July 1st of each year.

The Town is a full-service community offering citizens police and fire protection, sanitation, recreation, community development, economic development, planning and zoning, public works, water, sewer, and stormwater services. The Town also owns and operates an airport. The financial report includes all of these various functions and activities related to the operations of the Town.

### Economic Conditions and Outlook

#### Local Economy

Agriculture has been a dominant factor in The Town's economy since its founding. Farming over the years has shifted from strawberries to tobacco to now livestock. Duplin County leads the country in poultry and hog production. The hog industry alone is estimated to provide \$800 million to the county's economy and supports over 4,000 jobs (*National Hog Farmer*, December 31, 2019). Wallace is home to Murphy Family Ventures and a House of Raeford poultry processing plant.

The Town has continued to see commercial growth along highway 41 in the Tin City area. Multiple retail businesses and restaurants have opened over the last few years in the area. Additionally, the historic downtown of Wallace continues to see revitalization. Burney's Sweets and More has opened downtown in a renovated building which also provides apartments above. Other revitalization projects are currently under way.

Duplin County has continued to see steady growth in its economy. While the unemployment rate increased significantly last year due to the Covid-19 pandemic and related shutdowns, it has returned to a low 4.3% as of June 2021, in line with the state average.

## Residential

River Landing is a premiere gated golf community just outside of Town limits. The community boasts two championship 18-hole courses designed by Clyde Johnston. The Landing course is ranked the 36<sup>th</sup> best course in North Carolina and The River course is ranked 21<sup>st</sup> in the state and 59<sup>th</sup> in the United States. River Landing has also become a popular wedding venue. The Town provides water and sewer utilities to the community.



Madison Grove is a new 66-unit apartment complex currently under construction in the Tin City area of Wallace. Future growth is anticipated in the area as additional parcels are being considered for residential development. The Town continues to expand its water and sewer systems in the area to meet anticipated demand.

## Recreational and Cultural Events

### Festival

The Town hosts the Carolina Strawberry Festival each May. After a 50-year hiatus, in 2011 community leaders brought the event back. The festival celebrates the Town's rich agricultural history and its place in history as one of the largest strawberry markets in the country. Unfortunately, due to the Covid-19 pandemic, the festival has had to be canceled the last two years.



### Museum

The historic train depot in the center of Town was restored in 2007. The museum allows visitors to step back in time and imagine what travel was like in the early 20<sup>th</sup> century. The museum boasts a large model train track and "Learning Station" for children to enjoy.

## Airport

Henderson Field, located in Pender County, is owned and operated by the Town of Wallace. The facility has a 4,138 ft runway, fuel farm, general aviation terminal and has an apron that can permanently store 14 aircraft. The airport currently has multiple projects underway that will extend its runway to 5500 ft, provide for an additional apron and also add a partial parallel taxiway. Projects are in the design phase and are anticipated to be completed by 2024.



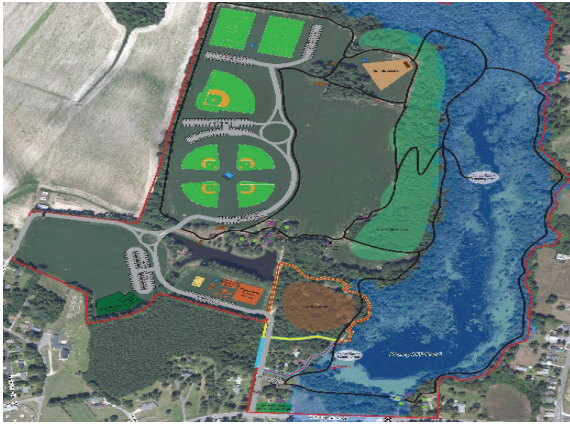
## Long Term Financial Planning

Wallace has continued to focus on the future through major initiatives that will continue to provide an attractive and safe community to its citizenry while maintaining a strong financial position. The Town has increased its unassigned fund balance steadily over the past few years. A sufficient unassigned fund balance ensures the Town the flexibility for unanticipated opportunities and needs during disasters and emergencies. The Town maintains a conservative approach with regards to budgeting and actively monitors its debt capacity.

As part of its long-term planning, the Town also maintains a five-year Capital Improvement Plan which serves as a planning document to ensure capital assets are well maintained. The process provides the ability to plan for capital needs and serves as the basis for determining future short and long-term debt issuance.



## Major Initiatives



**Boney Mill Pond Park** – In 2013 the Town was awarded a North Carolina Parks and Recreation Trust Fund Grant (PARTF) to purchase a 200-acre tract to be utilized as an additional park and recreation destination. The park's master plan provides for walking trails, playground, ball fields, disc golf, picnicking, canoeing, and kayaking, dog park, community gardens and flexible open green space. In September, the Town was awarded a second PARTF grant to begin the second phase of the project.

**Public Services Operations Center** - In 2016 the North Carolina National Guard donated its Wallace facility to the Town. The 13,400 square foot facility along with five acres, will quadruple the space the Town currently uses for public services. In September 2021, the Town began renovating the facility and moving its public services operations to the new location.

**Public Safety Operations Center** - In July 2021, Wallace entered into a contract with Stewart Cooper and Newell Architects to begin assessing the Town's facility needs for its fire and police departments. Both departments have outgrown their current facilities and a new space is needed. A new facility is envisioned to house public safety operations on the current Town Hall campus. Facility needs for administrative operations of the Town will also be reviewed as part of the assessment.

**Sewer Collection System Expansion** – The Town has multiple projects ongoing to expand and maintain its sewer collection system and maximize its wastewater treatment plant. Expansion projects include a 9-mile line extension from Rose Hill North Carolina to the Town's treatment plant which will service an existing industrial client and future residential development along Highway 117 North. A second project is underway which will provide development opportunities along River Road and improve collections service currently provided to River Landing.

## Acknowledgements

Preparation of this report could not have been accomplished without the cooperation and dedicated efforts of the Finance Department staff, the various employees who assisted in obtaining information, and our independent Certified Public Accountants, Thompson, Price, Scott, Adams & Co, PA. We would also like to thank the Mayor and Town Council for their interest and support in management of the financial operations of the Town in a responsible and professional manner.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Larry Bergman".

Larry Bergman  
Town Manager

A handwritten signature in black ink, appearing to read "Robert C. Taylor, Jr".

Robert C. Taylor, Jr  
Finance Director

# GOVERNING BODY

Wallace is governed by the council/manager form of government. Under this form of government, the Town Council, which is elected by the people, is the final authority on policy matters relating to Wallace's government. The Council appoints the Town Manager. The Town Manager is the chief administrator of the Town and serves at the discretion of the Council under a contracted term.

The Mayor and Town Council are the governing body of the Town. The Mayor acts as the head official of the government. The Mayor presides at all Town Council meetings and signs all documents authorized by the Council. The Mayor Pro-Tem is selected by each newly elected Council and assumes mayoral duties in the absence of the Mayor. The Mayor and Town Council establish general policies, ordinances, resolutions, adopts the annual budget, approves financing, and authorizes contracts on behalf of the Town. They also appoint the Town Manager, Town Attorney and Town Clerk.



CHARLES C. FARRIOR , JR  
MAYOR



WANETTA CARLTON  
MAYOR PRO-TEM



FRANK BRINKLEY  
COUNCIL MEMBER



JEFF CARTER  
COUNCIL MEMBER



FRANCISCO RIVAS-DIAZ  
COUNCIL MEMBER



JASON WELLS  
COUNCIL MEMBER

## **TOWN OF WALLACE MANAGEMENT STAFF**

Laurence C. Bergman  
Town Manager

Jacqueline E. Nicholson  
Town Clerk

Anna Heath, Burrows & Hall  
Town Attorney

Robert C. Taylor, Jr  
Finance Director

Rodney D. Fritz  
Planning Director

Brent M. Dean  
Public Services Director

Gage King  
Airport Manager

James E. Crayton  
Police Chief

Charles C. Farrior, III  
Fire Chief

David L. Bizzell  
Parks & Recreation Director

Sharon Robison  
Library Director

## **ADVISORY BOARDS AND COMMISSIONS**

Planning and Zoning Board  
Cameron Lee, Chairperson

ABC Board  
Jimmy Tate, Chairperson

Recreation Advisory Board  
Jeff Hargrove, Chairperson

Library Advisory Board  
Mills Bryant, Chairperson

Woman's Club Advisory Board

Airport Commission  
Larry Debose, Chairperson





FINANCIAL SECTION





Thompson, Price, Scott, Adams & Co., P.A.  
4024 Oleander Drive Suite 3  
Wilmington, North Carolina 28403  
Telephone (910) 791-4872  
Fax (910) 239-8294

## **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, 2021, 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, 2021, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

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

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis 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 November 16, 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*

*November 16, 2021*



# **MANAGEMENT'S DISCUSSION AND ANALYSIS**





# TOWN OF WALLACE, NORTH CAROLINA

## Management's Discussion and Analysis

June 30, 2021

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As management of the Town of Wallace, we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2021. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the 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 \$23,896,602 (*net position*).
- The government's total net position increased by \$1,304,362. An increase in the governmental activities amounts to \$406,127 while business type activities increased by \$898,235 including restatements. The increases were primarily due to increased revenues in both the General fund and the Water and Sewer Fund.
- At the close of the current fiscal year, the Town of Wallace's governmental funds reported combined ending fund balances of \$2,733,946 an increase of \$593,305 in comparison with the prior year. Approximately 39.61% of this total amount or \$1,082,065 is non spendable, restricted, committed, and assigned.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1,632,269 or 35.35% of total general fund expenditures, for the fiscal year.
- At June 30, 2021, the Town of Wallace's total debt decreased by 4.2% to \$5,451,253.

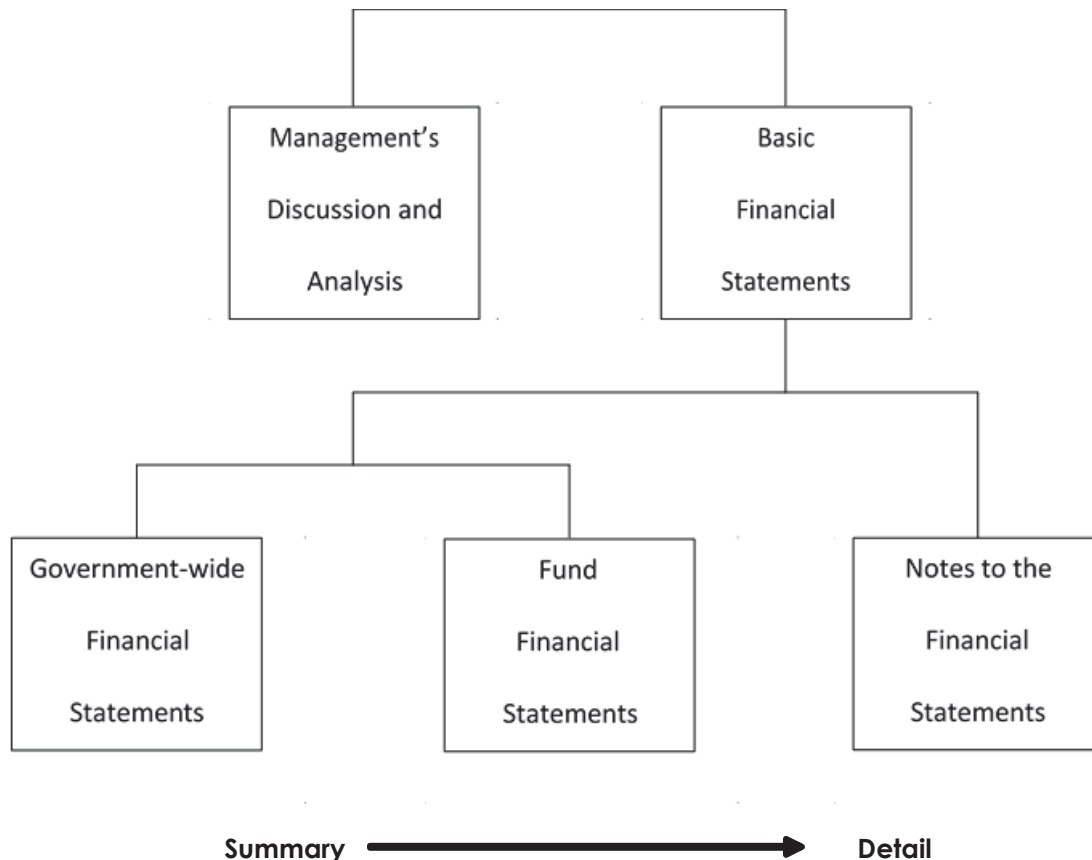
### Overview of the Financial Statements

The discussion and analysis are intended to serve as an introduction to the 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.

June 30, 2021

## Required Components of Annual Financial Report

**Figure 1**



### Basic Financial Statements

The first two statements (Exhibits A and B) 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 C through J) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town government. These statements provide more detail than the government-wide statements. There are four parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; 3) the proprietary fund statements.

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

# TOWN OF WALLACE, NORTH CAROLINA

## Management's Discussion and Analysis

June 30, 2021

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### 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 total of the Town's assets and deferred outflows of resources and the total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the Town's financial condition.

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

The government-wide financial statements are on Exhibits A and B of this report.

### Fund Financial Statements

The fund financial statements provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town's, 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 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. This method also has current financial resources 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 governmental 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 decision 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.

# TOWN OF WALLACE, NORTH CAROLINA

## Management's Discussion and Analysis

June 30, 2021

**Proprietary Funds** – The Town has one kind of proprietary fund – enterprise fund. Enterprise Funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses enterprise funds to account for its water and sewer, stormwater utility operations and its airport. These funds are the same as those separate activities 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 J.

**Other Information** – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town's progress in funding its obligation to provide pension benefits and other post-employment benefits to its employees. Required supplementary information can be found following the notes section.

**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 governments and other holders of publicly held U.S. Treasury Securities.

## Government-Wide Financial Analysis

The following is a summary of net position as of June 30, 2021 (as shown in Exhibit A) with comparative data for June 30, 2020.

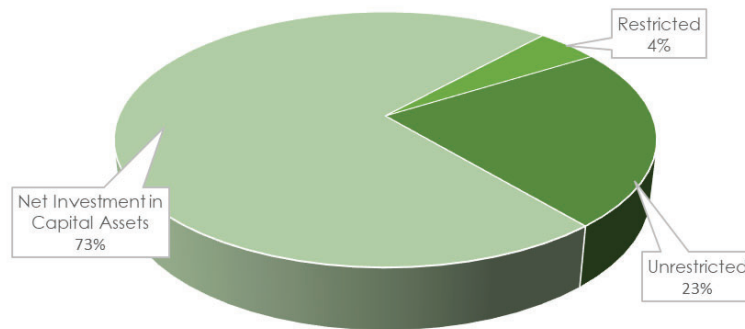
	Governmental Activities 2021	Governmental Activities 2020	Business Type Activities 2021	Business Type Activities 2020	Total Primary Government 2021	Total Primary Government 2020
<b>Assets</b>						
Current and other assets	\$ 3,068,466	\$ 2,726,225	\$ 4,639,724	3,922,855	\$ 7,708,190	\$ 6,649,080
Capital assets	4,341,478	4,405,210	18,502,509	18,567,927	22,843,987	22,973,137
<b>Total assets</b>	<u>7,409,944</u>	<u>7,131,435</u>	<u>23,142,233</u>	<u>22,490,782</u>	<u>30,552,177</u>	<u>29,622,217</u>
<b>Deferred outflows of resources</b>	<u>623,101</u>	<u>486,186</u>	<u>218,928</u>	<u>167,518</u>	<u>842,029</u>	<u>653,704</u>
<b>Liabilities</b>						
Accounts payable and accrued liabilities	1,491,399	345,957	517,229	251,750	2,008,628	597,707
Total long-term liabilities	736,830	1,852,252	4,632,077	5,119,258	5,368,907	6,971,510
<b>Total liabilities</b>	<u>2,228,229</u>	<u>2,198,209</u>	<u>5,149,306</u>	<u>5,371,008</u>	<u>7,377,535</u>	<u>7,569,217</u>
<b>Deferred inflows of resources</b>	<u>88,851</u>	<u>109,574</u>	<u>31,218</u>	<u>4,890</u>	<u>120,069</u>	<u>114,464</u>
<b>Net position</b>						
Net investment in capital assets	3,604,648	3,550,241	13,788,086	13,732,357	17,392,734	17,282,598
Restricted	836,445	1,038,813	222,268	-	1,058,713	1,038,813
Unrestricted	1,274,872	720,784	4,170,283	3,550,045	5,445,155	4,270,829
<b>Total net position</b>	<u>\$ 5,715,965</u>	<u>\$ 5,309,838</u>	<u>\$ 18,180,637</u>	<u>\$ 17,282,402</u>	<u>\$ 23,896,602</u>	<u>\$ 22,592,240</u>

# TOWN OF WALLACE, NORTH CAROLINA

## Management's Discussion and Analysis

June 30, 2021

**Total Net Position by Type**

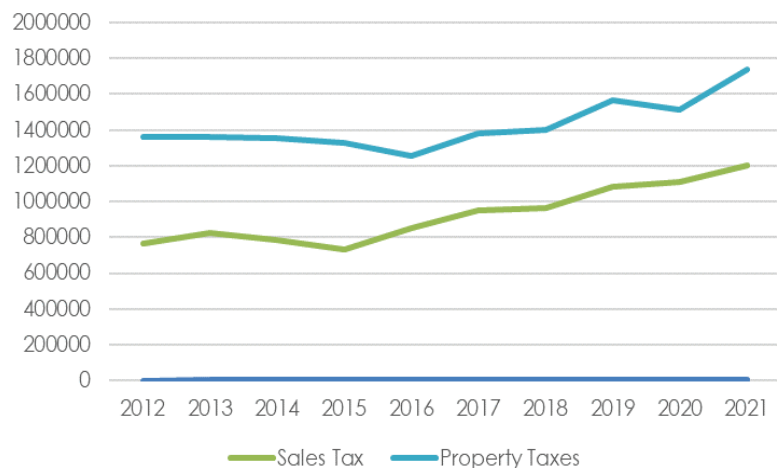


As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The Town's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$23,896,602 as of June 30, 2021. The Town's net position increased by \$1,304,362 during fiscal year ended June 30, 2021. One of the largest portions \$17,392,734 (73%) reflects the Town's net investment in capital assets (e.g., land, buildings, infrastructure, machinery, and equipment). The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town's net position \$1,058,713 (4 %) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$5,445,155 is unrestricted.

Several key aspects of the Town's financial operations are as follows:

- Overall property tax collection rate increased from 92.24% to 94.23%
- Property tax base grew by 8.9%
- State sales tax distributions increased by \$140,960 or 12.74%
- Governmental expenditures decreased 5.7%, excluding capital outlay
- Water and Sewer revenues increased by 8.2%
- Investment earnings decreased by 19.4%

**Property and Sales Tax Revenues**



# TOWN OF WALLACE, NORTH CAROLINA

## Management's Discussion and Analysis

June 30, 2021

### Town of Wallace's Changes in net position

	Governmental Activities	Governmental Activities	Business Type Activities	Business Type Activities	Total Primary Government	Total Primary Government
	2021	2020	2021	2020	2021	2020
<b>Revenues</b>						
Program Revenues						
Charges for services	\$ 799,817	\$ 1,716,595	\$ 4,285,806	\$ 3,597,854	\$ 5,085,623	\$ 5,314,449
Operating grants and contributions	1,436,735	1,254,900	354,063	-	1,790,798	1,254,900
Capital grants and contributions	-	-	-	-	-	-
General revenues					-	-
Property taxes	1,666,559	1,588,206	-	-	1,666,559	1,588,206
Other taxes	1,653,955	1,562,900				1,562,900
Other	40,022	20,735	16,370	52,932	56,392	73,667
<b>Total Revenues</b>	<b>5,597,088</b>	<b>6,143,336</b>	<b>4,656,239</b>	<b>3,650,786</b>	<b>8,599,372</b>	<b>9,794,122</b>
<b>Expenses</b>						
General government	934,733	836,993	-	-	934,733	836,993
Public safety	1,829,536	2,034,079	-	-	1,829,536	2,034,079
Transportation	746,960	278,591	-	-	746,960	278,591
Environmental protection	1,049,697	1,287,280	-	-	1,049,697	1,287,280
Cultural, and recreational	709,071	687,151	-	-	709,071	687,151
Economic development	50,007	939,727	-	-	50,007	939,727
Interest on debt	27,120	27,349	-	-	27,120	27,349
Water and Sewer	-	-	3,113,553	3,624,952	3,113,553	3,624,952
Stormwater	-	-	126,807	162,652	126,807	162,652
Airport Commisson	-	-	361,481	180,704	361,481	180,704
<b>Total Expenses</b>	<b>5,347,124</b>	<b>6,091,170</b>	<b>3,601,841</b>	<b>3,968,308</b>	<b>8,948,965</b>	<b>10,059,478</b>
<b>Increase (decrease) in net position before transfers</b>	<b>249,964</b>	<b>52,166</b>	<b>1,054,398</b>	<b>(317,522)</b>	<b>(349,593)</b>	<b>(265,356)</b>
<b>Transfers</b>	<b>156,163</b>	<b>200,645</b>	<b>(156,163)</b>	<b>(200,645)</b>	<b>-</b>	<b>-</b>
<b>Increase (decrease) in net position</b>	<b>406,127</b>	<b>252,811</b>	<b>898,235</b>	<b>(518,167)</b>	<b>(349,593)</b>	<b>(265,356)</b>
<b>Net Position, beginning</b>	<b>5,302,669</b>	<b>5,049,858</b>	<b>17,255,725</b>	<b>17,773,892</b>	<b>22,558,394</b>	<b>22,823,750</b>
<b>Restatements</b>	<b>7,169</b>	<b>-</b>	<b>26,677</b>	<b>-</b>	<b>33,846</b>	<b>-</b>
<b>Net Position, beginning restated</b>	<b>5,309,838</b>	<b>5,049,858</b>	<b>17,282,402</b>	<b>17,773,892</b>	<b>22,592,240</b>	<b>22,823,750</b>
<b>Net Position, ending</b>	<b>\$ 5,715,965</b>	<b>\$ 5,302,669</b>	<b>\$ 18,180,637</b>	<b>\$ 17,255,725</b>	<b>\$ 23,896,602</b>	<b>22,558,394</b>

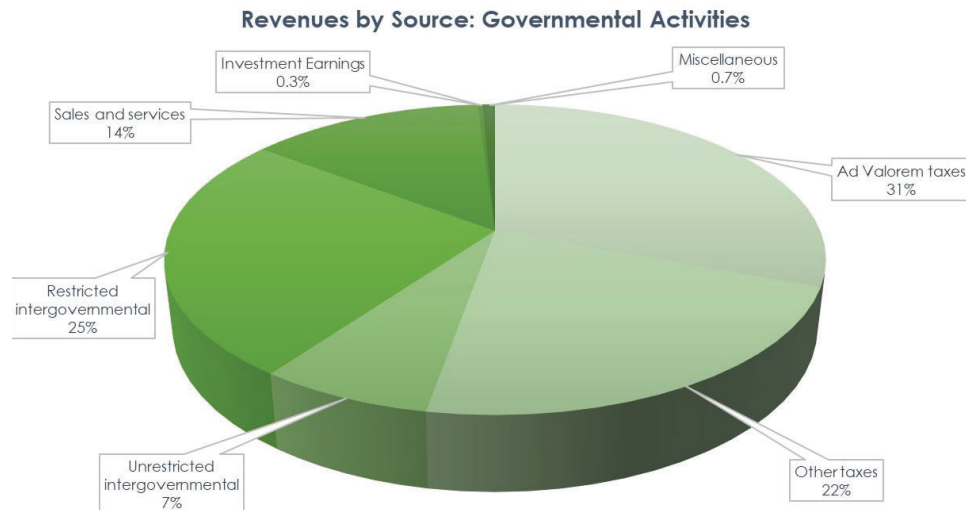
# TOWN OF WALLACE, NORTH CAROLINA

## Management's Discussion and Analysis

June 30, 2021

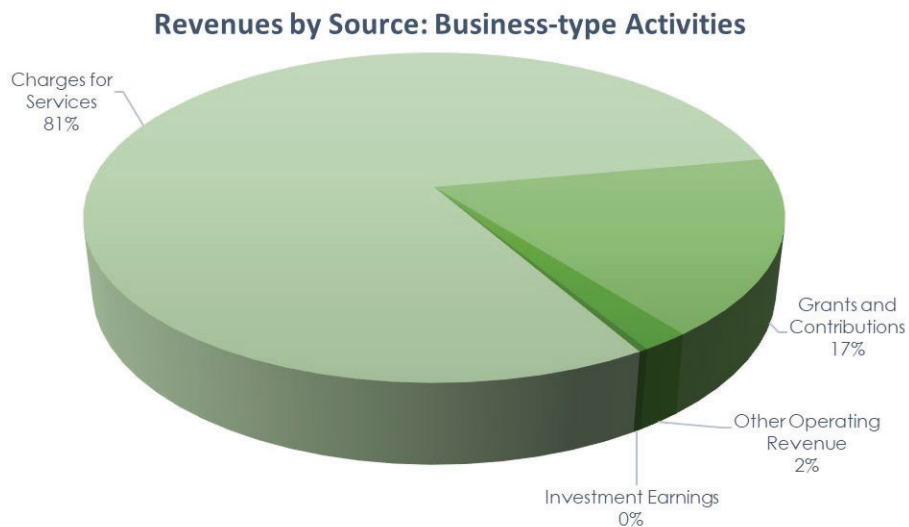
*Governmental Activities* – Governmental activities increased the Town's net position by \$406,127. Key elements of this decrease are as follows:

- Increase in property tax collections and sales tax collections
- A decrease in overall expenditures primarily in the Police Department and Debt Service



*Business-type Activities* – Business-type activities increased the Town's net position by \$898,235. Key elements for this overall increase were:

- Increase in utility revenues
- Capital projects in the Water and Sewer Fund and Airport Commission Fund
- Grant and capital contributions.



# TOWN OF WALLACE, NORTH CAROLINA

## Management's Discussion and Analysis

June 30, 2021

### Financial Analysis of the Town's Funds

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

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

The General Fund is the chief operating fund of the Town of Wallace. At the end of the current fiscal year, the Town of Wallace's fund balance available in the General Fund was \$1,632,269 while the total fund balance was \$2,478,125. The governing body of the Town of Wallace has determined that 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's current fund balance available as a percent of expenditures is 35.35%, while the total fund balance represents 53.67% of the same amount.

At June 30, 2021, the governmental funds of the Town of Wallace reported a combined governmental fund balance of \$2,733,946. The governmental funds for the Town include the General Fund, one major special revenue, three nonmajor special revenue funds, one debt service fund and one capital project 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. Total amendments to the General Fund increased total budget by \$317,408.

**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 was \$3,953,276, \$121,112 in the Stormwater Fund and \$95,895 in the Airport Commission Fund. The total change in unrestricted net position for the Water and Sewer, Stormwater and Airport Commission Funds were \$737,147, \$66,537, and \$19,606 respectively. The overall increase is a result of continued improvements to the infrastructure assets of each fund.

**Capital Assets** – The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2021, totals \$22,843,987 (net of accumulated depreciation). These assets include land, construction in process, buildings, machinery, vehicles, and equipment.

	Governmental Activities	Governmental Activities	Business Type Activities	Business Type Activities	Total Primary Government	Total Primary Government
	2021	2020	2021	2020	2021	2020
Land	\$ 1,235,724	\$ 1,235,724	\$ 323,169	\$ 323,169	\$ 1,558,893	\$ 1,558,893
Buildings & Systems	2,286,809	2,375,661	17,195,865	17,892,908	19,482,674	20,268,569
Equipment	177,289	209,118	329,979	201,161	507,268	410,279
Vehicles	641,656	584,707	90,978	150,689	732,634	735,396
Construction in Process	-	-	562,518	-	562,518	-
Total Capital assets, net	<u>\$ 4,341,478</u>	<u>\$ 4,405,210</u>	<u>\$ 18,502,509</u>	<u>\$ 18,567,927</u>	<u>\$ 22,843,987</u>	<u>\$ 22,973,137</u>

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



# TOWN OF WALLACE, NORTH CAROLINA

## Management's Discussion and Analysis

June 30, 2021

**Long-term Debt** – As of June 30, 2021, the Town had total debt outstanding of \$5,451,253. This debt consists of installment financing secured by either a building, system, equipment, or vehicle. All the debt is backed by the full faith and credit of the Town.

	Governmental Activities		Business Type Activities		Total Primary Government	
	2021	2020	2021	2020	2021	2020
Notes Payable	\$ -	\$ -	\$ 3,861,481	\$ 3,980,580	\$ 3,861,481	\$ 3,980,580
Installment Purchases	736,830	854,969	852,942	854,990	1,589,772	1,709,959
	<u>\$ 736,830</u>	<u>\$ 854,969</u>	<u>\$ 4,714,423</u>	<u>\$ 4,835,570</u>	<u>\$ 5,451,253</u>	<u>\$ 5,690,539</u>

Additional information on the Town's long-term debt can be found in Note III.B.6 of the Basic Financial Statements.

## Economic Factors and Next Year's Budget and Rates

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

- The unemployment rate for the Town of Wallace is presumably in line with that of Duplin County, which at June 30, 2021, was 4.3 percent. This was a slight increase over last year's rate but compares favorably to the State's unemployment rate of 4.6 percent and the national average rate of 5.2 percent for the same period.
- Wallace is located thirty minutes north of the Wilmington metropolitan and seventy-five minutes from the Raleigh beltline.
- Area Inflation and cost-of-living trends in the region compare similarly to national indices.
- The Town of Wallace is experiencing limited residential and commercial growth allowing for marginal increases in the tax base and additional utility revenues.
- The Town continues to maximize the use of its wastewater treatment plant by extending sewer services to new areas.

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

**Governmental Activities:** Ad valorem taxes and sales tax revenues represent the largest portion of revenue sources for governmental activities. The Town contracted out its tax collection to the County for the coming year. With the change, The Town anticipates its property tax collection rate will improve while at the same time reducing costs with the elimination of the tax collector position. The Town is also anticipating \$1.13 million dollars from the American Rescue Plan Act in coming year; however, these funds were not considered when preparing the Town's 2021-2022 budget and will be budgeted and accounted for separately when they become available. Total General Fund revenues budgeted for the fiscal year ending June 30, 2022, are \$4,954,955.

Budgeted expenditures in the General Fund are equal to budgeted revenues and are .05% more than the prior year.

Key highlights of the governmental budget include:

- No change in the property tax rate of \$0.62 per \$100 valuation. The expected revenue is \$1,748,419 based on a prior year collection rate of 92.23% and is 3.51% less than the previous year's budget.
- Sales tax revenue is anticipated to be \$1,188,500.
- Residential garbage rate remained unchanged at \$21.79 per month from the previous year.
- Major capital expenditures planned for FY21-22 include 3 police vehicles, various fire department equipment, 2 pickup trucks and 1 mower.
- The Town expects to spend approximately \$85,000 on street paving and resurfacing.

# TOWN OF WALLACE, NORTH CAROLINA

## Management's Discussion and Analysis

June 30, 2021

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**Business-Type Activities:** Utility rates for the 2021-2022 budget remained unchanged from the prior year. Operating expenses for all proprietary funds were established factoring the expected resources generated by revenues similar to the prior year rate structure. It is anticipated that consumer usage of water will increase minimally as the Town continues to see growth.

Key highlights of the business-type activities budget include:

- Water and sewer revenue is budgeted at \$3,690,500, a 6.47% increase over FY20-21.
- Stormwater fees are budgeted at \$190,000, a 1.06% increase over FY20-21
- Airport revenues are budgeted at the same level as FY 20-21 at \$143,600
- Major capital expenditures planned in the business-type activities include 1 dump truck, various wastewater treatment plant equipment and upgrades, remodeling and upfit on new public works operations center and an asphalt hot box.
- Debt service is budgeted at \$840,138, an increase of 6.99%.

### Requests for Information

This report is designed to provide an overview of the Town's finances for all 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 Finance Director, Town of Wallace, 316 E Murray Street, Wallace, NC 28513. You can also call 910-285-4136, visit our website at [www.wallacenc.gov](http://www.wallacenc.gov) or send an email to [mail@wallacenc.gov](mailto:mail@wallacenc.gov) for more information.

## **FINANCIAL STATEMENTS**



**TOWN OF WALLACE, NORTH CAROLINA**  
Statement of Net Position

**Exhibit A**

June 30, 2021

	<b>Governmental Activities</b>	<b>Business Type Activities</b>	<b>Total Primary Government</b>	<b>Component Unit ABC Board</b>
<b>Assets</b>				
Cash and investments	\$ 2,062,337	\$ 2,939,985	\$ 5,002,322	\$ 362,385
Restricted cash	760	-	760	-
Taxes receivable, net	209,845	-	209,845	-
Accounts receivable, net	101,476	749,553	851,029	-
Internal balances	(900,000)	900,000	-	-
Due from other governments	1,594,048	-	1,594,048	-
Prepaid expenses	-	-	-	63,205
Inventories	-	50,186	50,186	201,345
Total current assets	3,068,466	4,639,724	7,708,190	626,935
Noncurrent assets				
Capital assets:				
Land, non-depreciable improvements	1,235,724	885,687	2,121,411	316,302
Other capital assets, net of depreciation	3,105,754	17,616,822	20,722,576	61,330
Total capital assets	4,341,478	18,502,509	22,843,987	377,632
<b>Total Assets</b>	<b>7,409,944</b>	<b>23,142,233</b>	<b>30,552,177</b>	<b>1,004,567</b>
<b>Deferred outflows of resources</b>				
Pension deferrals-LGERS/LEOSSA	623,101	218,928	842,029	37,048
	623,101	218,928	842,029	37,048
<b>Liabilities</b>				
Accounts payable	124,675	45,776	170,451	90,046
Accrued interest payable	15,029	14,256	29,285	648
Due within one year				
Compensated absences	65,464	29,521	94,985	-
Notes payable	219,744	427,676	647,420	35,629
Due in more than a year				
Compensated absences	57,659	14,762	72,421	5,572
Pension Liability - LGERS	932,995	330,568	1,263,563	45,740
Pension Liability - LEOSSA	295,577	-	295,577	-
Notes payable	517,086	4,286,747	4,803,833	146,683
<b>Total Liabilities</b>	<b>2,228,229</b>	<b>5,149,306</b>	<b>7,377,535</b>	<b>324,318</b>
<b>Deferred inflows of resources</b>				
Pension deferrals-LGERS/LEOSSA	88,851	31,218	120,069	-
	88,851	31,218	120,069	-
<b>Net position</b>				
Net investment in capital assets	3,604,648	13,788,086	17,392,734	195,320
Restricted for:				
Capital Reserve	-	173,024	173,024	5,000
Debt Reserve	12,649	49,244	61,893	-
Stabilization by State Statue	802,408	-	802,408	-
Streets	760	-	760	-
Working capital	-	-	-	74,537
Public safety	20,628	-	20,628	-
Unrestricted	1,274,872	4,170,283	5,445,155	442,440
<b>Total net position</b>	<b>\$ 5,715,965</b>	<b>\$ 18,180,637</b>	<b>\$ 23,896,602</b>	<b>\$ 717,297</b>

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

**TOWN OF WALLACE, NORTH CAROLINA**  
Statement of Activities

**Exhibit B**

Year Ended June 30, 2021

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Unit
					Governmental Activities	Business-type Activities	Total	ABC Board
Governmental activities:								
General government	\$ 934,733	\$ -	\$ -	\$ -	\$ (934,733)	\$ -	\$ (934,733)	
Public safety	1,829,536	31,248	1,238	-	(1,797,050)	-	(1,797,050)	
Transportation	746,960	107,004	-	-	(639,956)	-	(639,956)	
Environmental protection	1,049,697	627,278	-	-	(422,419)	-	(422,419)	
Economic and phys. development	50,007	5,344	1,435,497	-	1,390,834	-	1,390,834	
Cultural and recreational	709,071	28,943	-	-	(680,128)	-	(680,128)	
Interest on long-term debt	27,120	-	-	-	(27,120)	-	(27,120)	
Total governmental activities	5,347,124	799,817	1,436,735	-	(3,110,572)	-	(3,110,572)	
Business-type activities:								
Water & Sewer	3,113,553	3,871,708	-	-	-	758,155	758,155	
Stormwater	126,807	197,233	-	17,577	-	88,003	88,003	
Airport Commission	361,481	216,865	-	336,486	-	191,870	191,870	
Total business-type activities	3,601,841	4,285,806	-	354,063	-	1,038,028	1,038,028	
Total primary government	\$ 8,948,965	\$ 5,085,623	\$ 1,436,735	\$ 354,063	(3,110,572)	1,038,028	(2,072,544)	
Component unit:								
ABC Board	\$ 2,269,170	\$ 2,510,709	\$ -	\$ -				\$ 241,539
Total component unit:	\$ 2,269,170	\$ 2,510,709	\$ -	\$ -				241,539
General revenues:								
Taxes:								
Property taxes, levied for general purpose					1,666,559	-	1,666,559	-
Local option sales tax					1,247,246	-	1,247,246	-
Other taxes					406,709	-	406,709	-
Unrestricted investment earnings					15,881	16,370	32,251	10
Miscellaneous					24,141	-	24,141	-
Transfers					156,163	(156,163)	-	-
Total general revenues and transfers					3,516,699	(139,793)	3,376,906	10
Change in net position					406,127	898,235	1,304,362	241,549
Net position - beginning					5,302,669	17,255,725	22,558,394	475,748
Prior Period Adjustments					7,169	26,677	33,846	-
Net position - beginning					5,309,838	17,282,402	22,592,240	475,748
Net position - ending					\$ 5,715,965	\$ 18,180,637	\$ 23,896,602	\$ 717,297

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

**TOWN OF WALLACE, NORTH CAROLINA****Exhibit C**

Balance Sheet  
 Governmental Funds  
 June 30, 2021

	<b>General</b>	<b>FEMA Hurricane Fund</b>	<b>Non-Major Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets</b>				
Cash and cash equivalents	\$ 1,795,943	\$ -	\$ 266,394	\$ 2,062,337
Taxes receivable, net	209,845	-	-	209,845
Accounts receivable, net	101,476	-	-	101,476
Due from other funds	194,996	-	-	194,996
Due from other governments	499,052	1,094,996	-	1,594,048
Restricted cash and cash equivalents	760	-	-	760
<b>Total assets</b>	<b>\$ 2,802,072</b>	<b>\$ 1,094,996</b>	<b>\$ 266,394</b>	<b>\$ 4,163,462</b>
<b>Liabilities:</b>				
Accounts payable and accrued liabilities	\$ 114,102	\$ -	\$ 10,573	\$ 124,675
Due to other funds	-	1,094,996	-	1,094,996
<b>Total liabilities</b>	<b>114,102</b>	<b>1,094,996</b>	<b>10,573</b>	<b>1,219,671</b>
<b>Deferred inflows of resources</b>	<b>209,845</b>	<b>-</b>	<b>-</b>	<b>209,845</b>
<b>Fund balances:</b>				
Restricted:				
Stabilization by State Statue	802,408	-	-	802,408
USDA Reserve	12,649	-	-	12,649
Streets	760	-	-	760
Public safety	17,969	-	2,659	20,628
Committed:				
Committed for debt service	-	-	66,457	66,457
Committed for economic development	5,000	-	167,993	172,993
Committed for sidewalks	7,070	-	-	7,070
Unassigned	1,632,269	-	18,712	1,650,981
<b>Total fund balances</b>	<b>2,478,125</b>	<b>-</b>	<b>255,821</b>	<b>2,733,946</b>
	<b>\$ 2,802,072</b>	<b>\$ 1,094,996</b>	<b>\$ 266,394</b>	<b>\$ 4,163,462</b>

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

**TOWN OF WALLACE, NORTH CAROLINA****Exhibit D**

Reconciliation of the Balance Sheet of Governmental Funds to the  
Statement of Net Position  
June 30, 2021

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

Fund balance - Total governmental funds	\$ 2,733,946
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Capital assets are not financial resources, and therefore, are not reported in the funds (see note 4).	4,341,478
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Long-term liabilities	(736,830)	
Compensated absences	(123,123)	
Pension liability - LGERS	(932,995)	
Pension liability - LEOSSA	<u>(295,577)</u>	
		(2,088,525)

Liabilities considered deferred inflows of resources in fund statements	209,845
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Deferred outflows of resources related to pensions are not reported in the funds	623,101
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Earned revenues considered deferred inflows of resources in fund statements LGERS & LEOSSA	(88,851)
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Accrued interest payable	(15,029)
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Net position of governmental activities	<u><u>\$ 5,715,965</u></u>
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The accompanying notes to the financial statements are an integral part of this statement.



**TOWN OF WALLACE, NORTH CAROLINA****Exhibit E**

Statement of Revenues, Expenditures, and Changes in Fund Balances  
 Governmental Funds  
 Year Ended June 30, 2021

	<b>General</b>	<b>FEMA Hurricane Fund</b>	<b>Non-Major Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Revenues</b>				
Ad Valorem taxes	\$ 1,739,002	\$ -	\$ -	\$ 1,739,002
Other taxes	1,247,246	-	-	1,247,246
Unrestricted intergovernmental	406,709	-	-	406,709
Restricted intergovernmental	354,494	1,058,653	22,350	1,435,497
Permits and fees	8,852	-	-	8,852
Sales and services	772,503	-	-	772,503
Investment earnings	15,881	-	-	15,881
Miscellaneous	32,456	-	-	32,456
Total revenues	<u>4,577,143</u>	<u>1,058,653</u>	<u>22,350</u>	<u>5,658,146</u>
<b>Expenditures</b>				
Current:				
General government	915,673	-	-	915,673
Public safety	1,618,082	-	-	1,618,082
Transportation	578,192	-	-	578,192
Environmental protection	438,024	605,713	-	1,043,737
Economic and physical development	-	-	50,007	50,007
Cultural and recreational	566,852	-	27,984	594,836
Debt service:				
Principal	156,436	-	63,714	220,150
Interest	17,724	-	2,743	20,467
Capital outlay	325,925	-	-	325,925
Total expenditures	<u>4,616,908</u>	<u>605,713</u>	<u>144,448</u>	<u>5,367,069</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>(39,765)</u>	<u>452,940</u>	<u>(122,098)</u>	<u>291,077</u>
<b>Other financing sources (uses)</b>				
Transfers from other funds	201,349	332,000	(302,214)	231,135
Transfers to other funds	(74,972)	-	-	(74,972)
Sale of capital assets	18,200	-	-	18,200
Insurance proceeds	6,025	-	-	6,025
Issuance of debt	121,840	-	-	121,840
Total other financing sources (uses)	<u>272,442</u>	<u>332,000</u>	<u>(302,214)</u>	<u>302,228</u>
<b>Net change in fund balances</b>	<u>232,677</u>	<u>784,940</u>	<u>(424,312)</u>	<u>593,305</u>
<b>Fund balance - beginning</b>	<u>3,235,470</u>	<u>(784,940)</u>	<u>680,133</u>	<u>3,130,663</u>
<b>Restatement prior period</b>	<u>7,169</u>	<u>-</u>	<u>-</u>	<u>7,169</u>
<b>Restatement -funds</b>	<u>(997,191)</u>	<u>-</u>	<u>-</u>	<u>(997,191)</u>
<b>Fund balance - ending</b>	<u>\$ 2,478,125</u>	<u>\$ -</u>	<u>\$ 255,821</u>	<u>\$ 2,733,946</u>

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

**TOWN OF WALLACE, NORTH CAROLINA****Exhibit F**

Reconciliation of the Statement of Revenues, Expenditures, and  
Changes in Fund Balances of Governmental Funds to the  
Statement of Activities  
Year Ended June 30, 2021

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

Net change in fund balances - total governmental funds \$ 593,305

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 outlay exceeded depreciation in the current period.

Capital Outlay	\$	325,925	
Depreciation		(388,945)	
Sale of Capital Assets		(12,840)	
Net Transfer of Capital Assets		12,128	(63,732)

Contributions to the pension plan in the current fiscal year are not included in the Statement of Activities 190,193

Benefit payments paid and administrative expense for the LEOSSA are not included on the Statement of Activities 16,941

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of longer-term debt consumes 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.

New long-term debt issued	(121,840)		
Principal payments	220,150		
Change in accrued interest payable	(6,653)		91,657

Revenues reported in the Statement of Activities that do not provide current resources are not recorded as revenues in the fund statements.

Change in unavailable revenue for tax revenues (66,379)

Some expenses reported in the statement of activities do not require the use of current financial resources, and, therefore, are not reported as expenditures in governmental funds.

Compensated absences	48,540		
Pension expense - LGERS	(402,807)		
Pension expense - LEOSSA	(1,591)		
			(355,858)

Change in net position of governmental activities \$ 406,127

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

**TOWN OF WALLACE, NORTH CAROLINA****Exhibit G**

Statement of Revenues, Expenditures, and Changes in Fund Balances  
 General Funds – Budget and Actual  
 Year Ended June 30, 2021

	<b>General Fund</b>			<b>Variance With Final Positive (Negative)</b>
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	
<b>Revenues:</b>				
Ad valorem taxes	\$ 1,736,800	\$ 1,732,002	\$ 1,739,002	\$ 7,000
Other taxes	1,008,495	1,028,495	1,247,246	218,751
Unrestricted intergovernmental	396,824	396,824	406,709	9,885
Restricted intergovernmental	327,059	327,059	354,494	27,435
Licenses and permits	14,500	15,350	8,852	(6,498)
Sales and services	769,600	798,650	772,503	(26,147)
Investment earnings	16,700	16,700	15,881	(819)
Miscellaneous	98,116	85,049	32,456	(52,593)
Total revenues	4,368,094	4,400,129	4,577,143	177,014
<b>Expenditures:</b>				
Current:				
General government	745,044	928,775	915,673	13,102
Public safety	1,530,562	1,746,910	1,618,082	128,828
Transportation	597,045	637,079	578,192	58,887
Environmental protection	450,773	450,973	438,024	12,949
Cultural and recreational	779,761	627,384	566,852	60,532
Debt service:				
Principal	277,006	232,314	156,436	75,878
Interest	64,062	33,222	17,724	15,498
Capital outlay	437,234	383,534	325,925	57,609
Total expenditures	4,881,487	5,040,191	4,616,908	423,283
<b>Other financing sources (uses):</b>				
Transfers from other funds	190,893	321,349	201,349	(120,000)
Transfers to other funds	(47,500)	(77,287)	(74,972)	2,315
Insurance proceeds	7,500	7,500	6,025	(1,475)
Sale of fixed assets	7,500	7,500	18,200	(10,700)
Issuance of debt	175,000	201,000	121,840	(79,160)
Fund balance appropriated	180,000	180,000	-	(180,000)
Total other financing sources (uses)	513,393	640,062	272,442	(389,020)
<b>Net change in fund balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>232,677</b>	<b>\$ 211,277</b>
<b>Fund Balances:</b>				
<b>Beginning of year, July 1</b>			3,235,470	
<b>Prior period adjustment</b>			7,169	
<b>Restatement</b>			(997,191)	
<b>End of year, June 30</b>			<b>\$ 2,478,125</b>	

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

**TOWN OF WALLACE, NORTH CAROLINA**
**Exhibit H**
**Statement of Net Position**
**Proprietary Funds**
**June 30, 2021**

	<b>Major Enterprise Funds</b>			
	<b>Water and Sewer Fund</b>	<b>Stormwater Fund</b>	<b>Airport Commission Fund</b>	<b>Total</b>
<b>Assets</b>				
Current assets				
Cash and investments	\$ 2,683,377	\$ 94,643	\$ 161,965	\$ 2,939,985
Accounts receivable (net)	616,199	27,587	105,767	749,553
Due from other funds	900,000	-	-	900,000
Inventories	28,300	-	21,886	50,186
Total current assets	4,227,876	122,230	289,618	4,639,724
Noncurrent assets				
Land and Construction in Progress	284,092	-	601,595	885,687
Capital assets, net of accumulated depreciation	14,903,076	83,649	2,630,097	17,616,822
Total noncurrent assets	15,187,168	83,649	3,231,692	18,502,509
<b>Total assets</b>	<b>19,415,044</b>	<b>205,879</b>	<b>3,521,310</b>	<b>23,142,233</b>
<b>Deferred outflows of resources</b>				
Pension deferrals	204,837	-	14,091	218,928
	204,837	-	14,091	218,928
<b>Liabilities</b>				
Current liabilities				
Accounts payable and accrued liabilities	56,593	1,118	2,321	60,032
Compensated absences, current	27,518	-	2,003	29,521
Current portion of long-term debt	418,169	9,507	-	427,676
Total current liabilities	502,280	10,625	4,324	517,229
Noncurrent liabilities				
Compensated absences, noncurrent	12,110	-	2,652	14,762
Net pension liability	305,222	-	25,346	330,568
Non-current portion of long-term debt	4,257,343	29,404	-	4,286,747
Total noncurrent liabilities	4,574,675	29,404	27,998	4,632,077
<b>Total liabilities</b>	<b>5,076,955</b>	<b>40,029</b>	<b>32,322</b>	<b>5,149,306</b>
<b>Deferred inflows of resources - pension</b>				
Pension deferrals	28,750	-	2,468	31,218
	28,750	-	2,468	31,218
<b>Net position</b>				
Net investment in capital assets	10,511,656	44,738	3,231,692	13,788,086
Capital reserve	-	-	173,024	173,024
Restricted - USDA reserve	49,244	-	-	49,244
Unrestricted	3,953,276	121,112	95,895	4,170,283
<b>Total net position</b>	<b>\$ 14,514,176</b>	<b>\$ 165,850</b>	<b>\$ 3,500,611</b>	<b>\$ 18,180,637</b>

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

**TOWN OF WALLACE, NORTH CAROLINA****Exhibit I**

Statement of Revenues, Expenditures, and Changes in Net Position  
 Proprietary Funds  
 Year Ended June 30, 2021

	<b>Major Enterprise Funds</b>			
	<b>Water and Sewer Fund</b>	<b>Stormwater Fund</b>	<b>Airport Commission Fund</b>	<b>Total</b>
<b>Operating revenues</b>				
Charges for services	\$ 3,411,520	\$ 197,233	\$ 137,051	\$ 3,745,804
Other operating revenue	460,188	17,577	416,300	894,065
Total operating revenues	3,871,708	214,810	553,351	4,639,869
<b>Operating expenses</b>				
Water & Sewer operations	2,274,806	-	-	2,274,806
Stormwater operations	-	113,741	-	113,741
Airport Commission operations	-	-	221,849	221,849
Depreciation	712,140	12,825	139,632	864,597
Total operating expenses	2,986,946	126,566	361,481	3,474,993
<b>Operating income (loss)</b>	884,762	88,244	191,870	1,164,876
<b>Nonoperating revenue (expense)</b>				
Investment earnings	15,673	344	353	16,370
Interest and other charges	(126,607)	(241)	-	(126,848)
Total nonoperating revenue (expense)	(110,934)	103	353	(110,478)
<b>Income (loss) before transfers and contributions</b>	773,828	88,347	192,223	1,054,398
Net Transfers in(out)	(190,893)	(10,456)	45,186	(156,163)
<b>Change in net position</b>	582,935	77,891	237,409	898,235
<b>Total net position - beginning</b>	13,906,724	85,799	3,263,202	17,255,725
Restatement - accounts payable	24,517	2,160	-	26,677
<b>Total net position - beginning, as restated</b>	13,931,241	87,959	3,263,202	17,282,402
<b>Total net position - ending</b>	\$ 14,514,176	\$ 165,850	\$ 3,500,611	\$ 18,180,637

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

**TOWN OF WALLACE, NORTH CAROLINA**  
Statement Cashflows  
Proprietary Funds  
Year Ended June 30, 2021

**Exhibit J**

	<b>Major Enterprise Funds</b>			
	<b>Water and Sewer Fund</b>	<b>Stormwater Fund</b>	<b>Airport Commission Fund</b>	<b>Total</b>
<b>Operating activities</b>				
Cash received from customers	\$ 3,310,078	\$ 191,787	\$ 140,560	\$ 3,642,425
Other operating revenue	460,188	17,577	310,693	788,458
Cash paid to employees	(819,058)	-	10,114	(808,944)
Cash paid for goods and services	(1,601,287)	(135,902)	(214,060)	(1,951,249)
<b>Net cash provided by (used in) operating activities</b>	<u>1,349,921</u>	<u>73,462</u>	<u>247,307</u>	<u>1,670,690</u>
<b>Noncapital financing activities</b>				
Transfers in (out)	(190,893)	(10,456)	45,186	(156,163)
<b>Net cash provided by (used in) noncapital financing activities</b>	<u>(190,893)</u>	<u>(10,456)</u>	<u>45,186</u>	<u>(156,163)</u>
<b>Capital and related financing activities</b>				
Acquisition and construction of capital assets	(388,124)	(86,913)	-	(475,037)
Proceeds from issuance of long-term debt	208,614	38,911	-	247,525
Principal paid on long-term debt	(368,672)	-	-	(368,672)
<b>Net cash provided (used) by capital and related financing activities</b>	<u>(548,182)</u>	<u>(48,002)</u>	<u>-</u>	<u>(596,184)</u>
<b>Investing activities</b>				
Investment earnings	15,673	344	353	16,370
Interest paid	(122,648)	(185)	-	(122,833)
Capital project expenditures	-	-	(336,272)	(336,272)
Net effect of prior period adjustments	24,517	2,160	-	26,677
<b>Net cash provided (used) in investing activities</b>	<u>(82,458)</u>	<u>2,319</u>	<u>(335,919)</u>	<u>(416,058)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<u>528,388</u>	<u>17,323</u>	<u>(43,426)</u>	<u>502,285</u>
<b>Cash and cash equivalents</b>				
<b>Beginning of year</b>	<u>2,154,989</u>	<u>77,320</u>	<u>205,391</u>	<u>2,437,700</u>
<b>End of year</b>	<u>\$ 2,683,377</u>	<u>\$ 94,643</u>	<u>\$ 161,965</u>	<u>\$ 2,939,985</u>

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

**TOWN OF WALLACE, NORTH CAROLINA**  
Statement Cashflows  
Proprietary Funds  
Year Ended June 30, 2021

**Exhibit J**

**Reconciliation of operating income (loss)**

**to net cash provided by  
(used in) operating activities**

Operating income (loss)	\$	884,762	\$	88,244	\$	191,870	\$	1,164,876
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:								
Depreciation		712,140		12,825		139,632		864,597
Change in assets and liabilities:								
(Increase) decrease in accounts receivable		(101,442)		(5,446)		(102,098)		(208,986)
(Increase) decrease in inventories		-		-		7,350		7,350
(Increase) decrease in deferred outflows		(37,319)		-		(14,091)		(51,410)
Increase (decrease) in accounts payable and accruals		(113,639)		(22,161)		439		(135,361)
Increase (decrease) in compensated absences payable		(54,956)		-		(3,609)		(58,565)
Increase in net pension liability		21,534		-		25,346		46,880
Increase (decrease) in deferred inflows		23,860		-		2,468		26,328
Total adjustments		<u>450,178</u>		<u>(14,782)</u>		<u>55,437</u>		<u>490,833</u>

**Net cash provided by (used in)  
operating activities**

\$	<u>1,334,940</u>	\$	<u>73,462</u>	\$	<u>247,307</u>	\$	<u>1,655,709</u>
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The accompanying notes to the financial statements are an integral part of this statement.





## **NOTES TO THE FINANCIAL STATEMENTS**



# TOWN OF WALLACE, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

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

The accounting policies of the Town of Wallace ("the Town") conform to U.S. 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 is a municipal corporation that is governed by an elected mayor and a Town Council which consists of a five-member Board of Commissioners. As required by U.S. generally accepted accounting principles ("GAAP"), these financial statements include all funds that are controlled by, or financially dependent, on the Town. As required by GAAP, these financial statements present all the fund types of the Town and its component units, legally separate entities for which the Town is financially accountable. The Wallace Housing Authority ("Authority"), which has a June 30 year-end, is presented as if it is a separate proprietary fund of the Town (discrete presentation). The authority is reported as a discrete unit as it provides no services or benefit to the Town.

Component Unit	Reporting Method	Criteria for Inclusion	For Separate Financial Statements
Wallace ABC Board	Discrete	The members of the Board are appointed by the Town Council	Wallace ABC Board 301 N. Norwood Street Wallace, NC 28466

#### **B. Basis of Presentation**

*Government-wide Financial Statements:* The statement of net position and the statement of activities display information about the primary government. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the 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 fund:

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

# TOWN OF WALLACE, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

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**FEMA Hurricane Fund.** The FEMA Hurricane Fund is used to track expenditures and reimbursements related to repairs from Hurricane Florence

The Town reports the following major enterprise funds:

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

**Stormwater Fund.** This fund is used to account or the Town's stormwater operations.

**Airport Commission Fund.** This fund is used to account or the Town's airport operations.

Additionally, the Town reports the following nonmajor funds, by type:

**Special Revenue Funds.** The special revenue funds account for specific revenue sources (other than expendable trusts and agency funds or major capital projects) that are restricted or committed to expenditures for specified purposes other than debt service or capital projects. The Town maintains three special revenue funds: Police Unauthorized Substance Tax Fund, Federal and State Assistance Fund, and the Historic District Preservation Revolving Loan Fund.

**Capital Projects Funds.** The capital projects funds account for financial resources to be used for the acquisition or construction of major capital facilities. As of June 30, 2021, the Town had four capital projects funds that were open during the fiscal year, covering various construction projects: General Fund Capital Projects, Water and Sewer Capital Projects Fund, Stormwater Capital Projects Fund and Airport Capital Projects Fund.

**Debt Service Fund.** The Debt Service Fund accumulates resources to pay maturing principal and interest on certain installment obligations for equipment purchases.

### 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.

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

# TOWN OF WALLACE, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

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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 for the fiscal year in which they are received. Uncollected taxes that were billed during this period 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 Pitt 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. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then general revenues.

The effects of interfund activity have been eliminated from the government-wide financial statements.

### 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, Water and Sewer Fund, Stormwater Fund, and the Airport Commission Fund. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for capital project funds. All budgets are prepared using the modified accrual basis of accounting.

Expenditures may not legally exceed appropriations at the departmental level for the General Fund, special revenue funds, and enterprise funds and total expenditures for capital project funds. Any revisions that alter the total expenditures for capital project funds and expenditures at the departmental level for all other funds must be approved by the governing board. The Town Manager is authorized to transfer appropriations within a department. During the year, several amendments to the original budget were necessary, the effects of which were not material. 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 are made in board-designated official depositories and are secured as required by State law [G.S. 159-31]. The Town may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the Town 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 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'

# TOWN OF WALLACE, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS

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acceptances, and the North Carolina Capital Management Trust (NCCMT). The Town's investments are reported at fair value. The NCCMT – Government Portfolio, a SEC-registered (2a-7) external investment pool, is measured at amortized cost, which is the NCCMT's share price. Because the NCCMT Government Portfolio have a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months.

### 2. Cash and Cash Equivalents

The Town pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents. The Town consider 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 classified as restricted cash because they can be expended only for the purposes of maintaining, repairing, constructing, reconstructing or widening of local streets per G.S. 136-41.1 through 136-41.4.

#### Governmental Activities:

##### General Fund:

Powell Bill funds	\$	760
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### 4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1<sup>st</sup>, the beginning of the fiscal year. The taxes are due on September 1<sup>st</sup> (lien date); however, interest does not accrue until the following January 6<sup>th</sup>. These taxes are based on the assessed values as of January 1, 2020. As allowed by State law, the Town has established a schedule of discounts that apply to taxes that 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. Inventories

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

The inventories of the Town's enterprise funds and the ABC Board consist of materials and supplies held for subsequent use.

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 expenses 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 estimated life in excess of two years. The minimum capitalization threshold is \$5,000 for all capital assets. Purchased and constructed capital assets are reported at cost or estimated historical costs. Donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. 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

# TOWN OF WALLACE, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS

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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 and ABC Board are depreciated using the straight-line method over the following estimated useful lives:

<b>Assets</b>	<b>Estimated Useful Lives</b>
Computer Software and equipment	3 years
Buildings and improvements	10 - 50 years
Furniture and office equipment	10 years
Automobiles and trucks	5 - 10 years
Maintenance and construction Equipment	5 - 10 years
Water and sewer system	40 years

### 8. Deferred Outflows/Inflows of Resources

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

### 9. Long-Term Obligations

In the government-wide financial statement, 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 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.

The Town's and ABC Board's sick leave policies provides for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the

# TOWN OF WALLACE, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS

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determination of length of service for retirement benefit purposes. Since the Town does not have 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 available resource because it represents the year-end balance of ending inventories, which are not spendable resources.

Prepaid Items – payments made to vendors for services that will benefit periods beyond June 30, 2021, are recorded as prepaid items in both government-wide and fund financial statements.

**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 the total unexpended Powell Bills funds.

Restricted for USDA Reserve – Portion of fund balance that is restricted by USDA as reserves for loans payments.

Restricted for Public Safety – portion of fund balance restricted by revenue source for public safety via the unauthorized substance tax and alcohol education revenues transferred from the ABC Board to the General Fund. Portion also includes donor restricted contributions for the benefit of public safety programs.

**Committed Fund Balance** –portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of the Town of Wallace's governing body (highest level of decision-making authority). Any changes



# TOWN OF WALLACE, NORTH CAROLINA

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or removal of specific purpose requires majority action by the governing body. 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 sidewalks –portion of fund balance committed by Town Council for the construction of sidewalks and other capital improvements.

Committed for Debt Service –portion of fund balance committed by Town Council to pay for future debt service.

Committed for Economic Development –portion of fund balance committed by Town Council for establishment of historic district preservation revolving loan program and other economic development improvements.

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

Assigned for 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.

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 Director 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 Director has the authority to deviate from this policy if it is in the best interest of the Town.

The Town of Wallace has the following outstanding encumbrances as of June 30, 2021, which represent amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year-end.

Encumbrances:	
General Fund	\$ 6,884
Water and Sewer Fund	16,068
Stormwater Fund	15,937
Aggregate of Capital Project Funds	2,589,512

### 12. Pensions

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

### 13. Use of Estimates

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

# TOWN OF WALLACE, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS

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### B. Excess of Expenditures over Appropriations

For the fiscal year ended June 30, 2021, operating expenditures made by the Town in the Airport Commission Fund exceeded the authorized appropriations made by the governing board by \$8,061.

### III. Detail Notes on All Funds

#### A. Assets

##### 1. Deposits

All the deposits of the Town 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 agent in the Town's 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, these deposits are considered to be held by the Town and in its name. 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 or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town under the Pooling Method, the potential exists for under-collateralization. This risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town has no formal policy regarding custodial credit risk for deposits but relies on the State Treasurer to enforce standards of minimum 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, 2021 the Town's deposits had a carrying amount of \$5,002,782 and a bank balance of \$5,167,654. Of the bank balance, \$513,502 was covered by federal depository insurance and the remainder was covered by collateral held under the dedicated Method. At June 30, 2021, the Town's petty cash fund totaled \$300.

At June 30, 2021, the ABC Board's deposits had a carrying amount of \$360,785 and a bank balance of \$403,179. All of the bank balance, it was covered by federal depository insurance. The Board had cash on hand of \$1,600 at June 30, 2021.

##### 2. Investments

The Town held no investments at June 30, 2021.

**TOWN OF WALLACE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**

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

The amounts presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2021, is net of the following allowances for doubtful accounts:

	Taxes	Accounts	Due from other Governments	Total
Governmental Activities:				
General Fund	\$ 209,845	\$ 121,535	\$ 499,052	\$ 830,432
Major Funds	-	-	1,094,996	1,094,996
Allowance for doubtful accounts	-	(20,059)	-	(20,059)
Total governmental activities	<u>\$ 209,845</u>	<u>\$ 101,476</u>	<u>\$ 1,594,048</u>	<u>\$ 1,905,369</u>
Business-Type Activities:				
Water and Sewer Fund	\$ -	\$ 682,062	\$ 900,000	\$ 1,582,062
Stormwater Fund	-	33,769	-	33,769
Airport Commission Fund	-	105,767	-	105,767
Total receivables				
Allowance for doubtful accounts	-	(72,045)	-	(72,045)
Total business-type activities	<u>\$ -</u>	<u>\$ 749,553</u>	<u>\$ 900,000</u>	<u>\$ 1,649,553</u>

**4. Capital Assets**

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

	Balance July 1, 2020	Increases	Transfers	Decreases	Balance June 30, 2021
<b>Governmental activities:</b>					
Capital assets not being depreciated					
Land	\$ 1,235,724	\$ -	\$ -	\$ -	\$ 1,235,724
Total capital assets not being depreciated	1,235,724	-	-	-	1,235,724
<b>Capital assets being depreciated:</b>					
Buildings and structures	2,368,986	59,647	-	(108,686)	2,319,947
Other improvements	2,172,337	19,721	-	-	2,192,058
Furniture, equipment, and machinery	1,044,269	-	-	-	1,044,269
Vehicles and motor equipment	2,772,456	246,557	35,290	-	3,054,303
Total capital assets being depreciated	8,358,048	325,925	35,290	(108,686)	8,610,577
<b>Less Accumulated Depreciation:</b>					
Buildings and structures	994,711	57,656	-	(95,846)	956,521
Other improvements	1,170,951	97,724	-	-	1,268,675
Furniture, equipment, and machinery	835,151	31,829	-	-	866,980
Vehicles and motor equipment	2,187,749	201,736	23,162	-	2,412,647
Total accumulated depreciation	5,188,562	388,945	23,162	(95,846)	5,504,823
Total capital assets being depreciated, net	<u>3,169,486</u>				<u>3,105,754</u>
<b>Governmental activities capital assets, net</b>	<u>\$ 4,405,210</u>				<u>\$ 4,341,478</u>

**TOWN OF WALLACE, NORTH CAROLINA**  
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Depreciation expense was charged to functions/programs of the primary government as follows:

General government	\$ 13,859
Public safety	164,942
Transportation	122,734
Environmental protection	4,334
Cultural and recreation	83,076
	<u>\$ 388,945</u>

	Balance July 1, 2020	Increases	Transfers	Decreases	Balance June 30, 2021
<b>Water Sewer Fund:</b>					
<b>Business-type activities:</b>					
Capital assets not being depreciated					
Land	\$ 57,846	\$ -	\$ -	\$ -	\$ 57,846
Construction in progress	-	226,246	-	-	226,246
Total capital assets not being depreciated	<u>57,846</u>	<u>226,246</u>	<u>-</u>	<u>-</u>	<u>284,092</u>
<b>Capital assets being depreciated:</b>					
Plant and distribution systems	30,319,818	-	-	-	30,319,818
Buildings	91,344	-	-	-	91,344
Furniture, equipment, and machinery	1,185,258	161,878	-	(8,876)	1,338,260
Vehicles	722,796	-	(45,790)	(105,392)	571,614
Total capital assets being depreciated	<u>32,319,216</u>	<u>161,878</u>	<u>(45,790)</u>	<u>(114,268)</u>	<u>32,321,036</u>
<b>Less Accumulated Depreciation:</b>					
Plant and distribution systems	15,205,557	584,397	-	-	15,789,954
Buildings	75,878	3,189	-	-	79,067
Furniture, equipment, and machinery	995,758	72,421	-	(8,876)	1,059,303
Vehicles	573,707	52,133	(30,812)	(105,392)	489,636
Total accumulated depreciation	<u>16,850,900</u>	<u>\$ 712,140</u>	<u>\$ (30,812)</u>	<u>\$ (114,268)</u>	<u>17,417,960</u>
Total capital assets being depreciated, net	<u>15,468,316</u>				<u>14,903,076</u>
<b>Water and Sewer Fund Capital assets, net</b>	<u>\$ 15,526,162</u>				<u>\$ 15,187,168</u>

	Balance July 1, 2020	Increases	Transfers	Decreases	Balance June 30, 2021
<b>Stormwater Fund:</b>					
<b>Business-type activities:</b>					
<b>Capital assets being depreciated:</b>					
Plant and distribution systems	\$ -	\$ 36,002	\$ -	\$ -	\$ 36,002
Equipment and machinery	29,669	50,911	-	-	80,580
Total capital assets being depreciated	<u>29,669</u>	<u>86,913</u>	<u>-</u>	<u>-</u>	<u>116,582</u>
<b>Less Accumulated Depreciation:</b>					
Plant and distribution systems	-	11,025	-	-	11,025
Equipment and machinery	20,108	1,800	-	-	21,908
Total accumulated depreciation	<u>20,108</u>	<u>\$ 12,825</u>	<u>\$ -</u>	<u>\$ -</u>	<u>32,933</u>
<b>Stormwater Capital assets, net</b>	<u>\$ 9,561</u>				<u>\$ 83,649</u>

**TOWN OF WALLACE, NORTH CAROLINA**  
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	Balance July 1, 2020	Increases	Transfers	Decreases	Balance June 30, 2021
<b>Airport Commission Fund</b>					
<b>Business-type activities:</b>					
<b>Capital assets not being depreciated</b>					
Land	\$ 265,323	\$ -	\$ -	\$ -	\$ 265,323
Construction in progress	-	336,272	-	-	336,272
Total capital assets not being depreciated	265,323	336,272	-	-	601,595
<b>Capital assets being depreciated:</b>					
Buildings and facility improvements	3,710,249	-	-	-	3,710,249
Furniture, equipment, and machinery	102,775	-	-	-	102,775
Vehicles	8,000	-	10,500	-	18,500
Total capital assets being depreciated	3,821,024	-	10,500	-	3,831,524
<b>Less Accumulated Depreciation:</b>					
Buildings and facility improvements	947,070	134,432	-	-	1,081,502
Furniture, equipment, and machinery	100,675	2,100	7,650	-	110,425
Vehicles	6,400	3,100	-	-	9,500
Total accumulated depreciation	1,054,145	\$ 139,632	\$ 7,650	\$ -	1,201,427
Total capital assets being depreciated, net	2,766,879				2,630,097
<b>Airport Commission Fund Capital assets, net</b>	3,032,202				3,231,692
<b>Business-type activities capital assets, net</b>	\$ 18,567,925				\$ 18,502,509

Component Unit:

The capital assets of the ABC Board at June 30, 2021, consisted of the following:

	Balance June 30, 2020	Increases	Decreases	Decreases	Balance June 30, 2021
<b>Business-type activities:</b>					
<b>Capital assets not being depreciated</b>					
Land	\$ 16,302	\$ 300,000	\$ -	\$ -	\$ 316,302
Total capital assets not being depreciated	16,302	-	-	-	316,302
<b>Capital assets being depreciated:</b>					
Building	57,557	21,513	-	-	79,070
Furniture and Equipment	38,195	-	-	-	38,195
Improvements	25,103	-	-	-	25,103
Total capital assets being depreciated	120,855	21,513	-	-	142,368
<b>Less Accumulated Depreciation:</b>					
Total accumulated depreciation	75,693	\$ 5,345	\$ -	\$ -	81,038
Total capital assets being depreciated, net	45,162				61,330
<b>Component Unit capital assets, net</b>	\$ 61,464				\$ 377,632

# TOWN OF WALLACE, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS

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### B. Liabilities

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

*Benefits Provided.* LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

LGERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15 years of service as a LEO and have reached age 50, or have completed five years of creditable service as a LEO and have reached age 55, or have completed 15 years of creditable service as a LEO if killed in 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 of Wallace employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town of Wallace's contractually required contribution rate for the year ended June 30, 2021, was 10.84% of compensation for law enforcement officers and 10.15% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Wallace were \$260,660 for the year ended June 30, 2021.

*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

**TOWN OF WALLACE, NORTH CAROLINA**  
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may be paid. The acceptance of a refund payment cancels the individual's right to employer contributions, or any other benefit provided by LGERS.

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

At June 30, 2021, the Town reported a liability of \$1,263,563 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019.

The total pension liability was then rolled forward to the measurement date of June 30, 2020 utilizing update procedures incorporating the actuarial assumptions. The 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, 2020, the Town's proportion was 0.0354%, which was a decrease of 0.00174% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the Town recognized pension expense of \$435,200. At June 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 159,566	\$ -
Changes of assumptions	94,034	-
Net difference between projected and actual earnings on pension plan investments	177,813	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	13,517	48,925
Employer contributions subsequent to the measurement date *	260,660	
Total	<u>\$ 705,590</u>	<u>\$ 48,925</u>

\$260,660 was reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2022.

# TOWN OF WALLACE, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b><u>Year Ending June 30:</u></b>		
2022	\$	106,254
2023		150,538
2024		86,590
2025		52,623
2026		-
Thereafter		-
	<u>\$</u>	<u>396,005</u>

*Actuarial Assumptions.* The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation 3.0%  
 Salary increases 3.5% to 8.10%, including inflation and productivity factor  
 Investment rate of return 7.00%, net of pension plan investment expense, including inflation.

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

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

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

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

The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2020, are summarized in the following table:



**TOWN OF WALLACE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**

June 30, 2021

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

The information above is based on 30-year expectations developed with the consulting actuary for the 2020 asset, liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

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

*Sensitivity of the 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 liability calculated using the discount rate of 7.00 percent, as well as what the Town's proportionate share of the net pension liability 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:

	<b>1% Decrease (6.0%)</b>	<b>Discount Rate (7.0%)</b>	<b>1% Increase (8.0%)</b>
Town's proportionate share of the net pension liability (asset)	\$ 2,563,633	\$ 1,263,563	\$ 183,115

*Pension plan fiduciary net position.* Detailed information about the pension plan's fiduciary net position is available in the separately issued Annual Comprehensive Financial Report 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. The Separation Allowance is equal to .85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

# TOWN OF WALLACE, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

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 receiving benefits	2
Inactive plan members	0
Active plan members	<u>15</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 and refunds are recognized when due and payable in accordance with the terms of the plan.

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

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

Discount Rate	1.93%
Salary Increases	3.25-7.75%
Includes inflation at	2.50%
Cost of Living Adjustments	N/A

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 adjustment for mortality improvements based on Scale AA.

### 3. Contributions.

The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the benefit payments 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 \$30,611 as benefits came due for the reporting period.

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

At June 30, 2021, the Town reported a total pension liability of \$295,577. The total pension liability was measured as of December 31, 2020 based on a December 31, 2019 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2020 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2021, the Town recognized pension expense of \$30,611.

**TOWN OF WALLACE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**

June 30, 2021

	Deferred Outflows of Resources	Deferred Inflows of Resources
<b>Deferred of Outflows of Resources</b>		
Differences between expected and actual experience	\$ 49,942	\$ 67,603
Changes of assumptions	80,184	3,541
Net difference between projected and actual earnings of plan investments		-
Changes in proportion and differences between contributions and proportionate share of contributions		-
Benefit payments and administrative costs paid subsequent to the measurement date	6,313	
Total	<u>\$ 136,439</u>	<u>\$ 71,144</u>

\$6,313 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2022.

Other amounts reported as deferred inflows and outflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year ended June 30</b>		
2022	\$	2,016
2023		2,360
2024		5,095
2025		24,811
2026		19,202
Thereafter		5,498
	<u>\$</u>	<u>58,982</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 3.64 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 (0.93 percent) or 1-percentage-point higher (2.93 percent) than the current rate:

	1% Decrease (0.93%)	Discount Rate (1.93%)	1% Increase (2.93%)
Total pension liability	\$ 333,059	\$ 295,577	\$ 262,163

**TOWN OF WALLACE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**

June 30, 2021

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

	2021
Beginning balance	\$ 187,117
Service Cost	22,865
Interest on total pension liability	5,730
Difference between expected and actual experience	20,742
Changes in assumptions or other inputs	81,830
Benefit payments	(22,707)
Ending balance	<u>\$ 295,577</u>

The plan currently uses mortality tables that vary by age, and health status (i.e., disabled<sup>36</sup> and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

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

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

	LGERS	LEOSSA	Total
Pension Expense	\$ 435,200	\$ 30,611	\$ 465,811
Pension Liability	1,263,563	295,577	1,559,140
Proportionate share of the net pension liability	0.03536%	n/a	
Deferred Outflows of Resources			
Differences between expected and actual experience	159,566	49,942	209,508
Changes of assumptions	94,034	80,184	174,218
Net difference between projected and actual earnings on plan investments	177,813	-	177,813
Changes in proportion and differences between contributions and proportionate share of contributions	13,517	-	13,517
Benefit payments and administrative costs paid subsequent to the measurement date	260,660	6,313	266,973
Deferred of Inflows of Resources			
Differences between expected and actual experience	-	67,603	67,603
Changes of assumptions	-	3,541	3,541
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	48,925	-	48,925

# TOWN OF WALLACE, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

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### 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 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 Annual Comprehensive Financial Report for the State of North Carolina. The State's Annual Comprehensive Financial Report includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

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

The Town made contributions of \$36,598 from the Town for the reporting year. No amounts were forfeited.

### 2. 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. All death benefit payments are made from the Death Benefit Plan. The Town has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. The Town considers these contributions to be immaterial.

### 3. Deferred Outflows and Inflows of Resources

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

<u>Source</u>	<u>Amount</u>
Contributions to pension plan in current fiscal year	\$ 260,660
Benefit payments and administrative expenses for LEOSSA made subsequent to measurement date	6,313
Benefit payments and administrative expenses for Differences between expected and actual experience	209,508
Changes in assumptions	174,218
Net difference between projected and actual Changes in proportion and differences between employer contributions and proportionate share of contributions	177,813
	13,517
Total	<u>\$ 842,029</u>

# TOWN OF WALLACE, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

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

	Statement of Net Position	General Fund Balance Sheet
Taxes receivable, net	\$ -	\$ 209,845
Changes in assumptions	3,541	-
Differences between expected and actual experience	74,114	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	48,925	-
Total	\$ 126,580	\$ 209,845

### 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 two self-

funded risk financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability coverage of \$2 million per occurrence, auto liability coverage of \$2 million per occurrence, property coverage up to the total insurance values of the property policy, and workers' compensation coverage up to the 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. The property liability pool has an aggregate limit for the total property losses in a single year, with the reinsurance limit based upon a percentage of the total insurance values. Specific information on the limits of the reinsurance, excess and stop loss policies purchased by the Board of Trustees can be obtained by contacting the Risk Management Services Department of the NC League of Municipalities. The pools are audited annually by certified public accountants, and the audited financial statements are available to the Town upon request. There have been no significant reductions in insurance coverage in the settled claims have not exceeded coverage in any of the past three fiscal years.

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

In accordance with G.S. 159-29, the Town's insurance policies cover the Town against employee dishonesty and theft of money and securities. The Town has adopted this system of blanket faithful performance bonding as an alternative to individual bonds. The finance officer is individually bonded for \$50,000.

The 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 Board has property, general liability, workers' compensation, fidelity bond, and employee health coverages. 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

The Town is contingently liable in respect to other claims in the normal course of its operations. Should the Town become liable in these matters, such liability would be satisfied by budgetary appropriation in excess of insurance coverage in a subsequent year.

# TOWN OF WALLACE, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

### 6. Long-Term Obligations

#### a. Governmental Activities Long-Term Debt

The Town issues debt through private and direct placements and public sales. Current outstanding debt includes private and direct placements only.

The Town's installment purchase obligation payable at June 30, 2021 are comprised of the following:

<b>Governmental Activities</b>	<b>Governmental Funds</b>
2006 Installment Purchase Contract, \$210,000 original issue for renovations to Train Depot, due in annual payments of \$12,922 through 2037 includes interest at 4.375%	\$ 146,539
2006 Installment Purchase Contract, \$215,000 original issue for renovations to Train Depot, due in annual payments of \$13,229 through 2037 includes interest at 4.375%	150,039
2014 Installment Purchase Contract, \$427,968 original issue to refinance fire truck, due in annual payments of \$66,457 through 2021, includes interest at 2.13%	65,071
2019 Installment Purchase Contract, \$64,699 original issue to purchase vehicles, due in monthly payments of \$1,885 through 2022 includes interest at 3.15%	25,893
2020 Installment Purchase Contract, \$34,866 original issue to purchase vehicles, due in monthly payments of \$1,000 through 2023 includes interest at 2.12%	21,570
2020 Installment Purchase Contract, \$175,000 original issue for renovations to recreational facility, due in annual payments of \$35,000 through 2024 plus interest at 2.00%	140,000
2020 Installment Purchase Contract, \$98,107 original issue to purchase vehicles, due in monthly payments of \$2,787 through 2023 includes interest 1.45%	65,877
2020 Installment Purchase Contract, \$52,110 original issue to purchase vehicles, due in annual payments of \$17,901 through 2023 includes interest at 1.52%	52,110
2020 Installment Purchase Contract, \$69,731 original issue to purchase vehicles, due in monthly payments of \$23,940 through 2023 includes interest at 1.49%	69,731
Total Governmental Activities	<u>\$ 736,830</u>

**TOWN OF WALLACE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**

June 30, 2021

<b>Business-Type Activities</b>	<b>Water &amp; Sewer Fund</b>
2007 Installment Purchase Contract, \$947,000 original issue for construction of water tank, due in annual payments of \$49,244 through 2051 including interest at 4.125%	\$ 776,396
2020 Installment Purchase Contract, \$74,099 original issue for the purchase of vehicle, due in monthly payments of \$2,126 through 2022 includes interest at 2.07%	37,635
2021 NCDEQ - DWI State Revolving Fund loan, \$966,000 original issue for the drilling of well due in annual payments of \$48,300 plus interest through 2041, interest at 1.11%	208,612
2012 Clean Water State Revolving Fund loan, \$6,187,800 original issue for the construction and rehabilitation of a regional wastewater treatment plant, due in semi annual payments interest and \$309,390 plus interest at 2.50% through 2032	3,403,290
2013 Clean Water State Revolving Fund loan, \$69,129 original issue for the rehabilitation of sewer lines due in annual payments of \$3,456 through 2033, interest at 0.00%	41,477
2015 Clean Water State Revolving Fund loan, \$297,288 original issue for the rehabilitation of sewer lines due in annual payments of \$14,864 through 2035, interest at 0.00%	208,102
Total Water Sewer Fund	<u>\$ 4,675,512</u>
	<b>Stormwater Fund</b>
2021 Installment Purchase Contract, \$38,911 original issue for mini excavator, due in annual payments of \$10,102 through 2025, includes interest at 1.53%	\$ 38,911
Total Stormwater Fund	<u>\$ 38,911</u>
Total Business-Type Activities	<u>\$ 4,714,423</u>



**TOWN OF WALLACE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**

*June 30, 2021*

Annual debt service requirements to maturity of the Town's private placement installment purchase contracts are as follows:

<b>Governmental Activities</b>				
<b>Year Ending June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>	
2022	\$ 219,744	\$ 20,607	\$ 240,352	
2023	136,214	16,130	152,344	
2024	90,575	13,836	104,411	
2025	49,951	11,200	61,151	
2026	15,636	10,515	26,151	
2027-2031	89,034	41,721	130,755	
2032-2036	110,300	20,455	130,755	
2037-2041	25,377	1,128	26,505	
Total	<u>\$ 736,830</u>	<u>\$ 135,593</u>	<u>\$ 872,423</u>	

<b>Business-Type Activities</b>				
<b>Year Ending June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>	
2022	\$ 427,676	\$ 120,586	\$ 548,262	
2023	416,255	110,987	527,242	
2024	404,379	101,835	506,214	
2025	405,378	92,564	497,943	
2026	363,341	83,340	446,681	
2027-2031	1,752,789	286,690	2,039,479	
2032-2036	515,517	110,321	625,838	
2037-2041	171,156	75,060	246,216	
2037-2041	257,932	38,782	296,714	
Total	<u>\$ 4,714,423</u>	<u>\$ 1,020,166</u>	<u>\$ 5,734,589</u>	

**TOWN OF WALLACE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**

June 30, 2021

d. Changes in long-term liabilities

A summary of changes in long-term debt obligations follows:

	Balance July 1, 2020	Increases	Decreases	Balance June 30, 2021	Current Portion
<b>Governmental activities:</b>					
Installment purchase contracts	\$ 854,969	\$ 102,011	\$ (220,150)	\$ 736,830	\$ 219,744
Compensated absences	171,663	-	(48,540)	123,123	65,464
Net pension liability (LGERS)	729,484	203,511		932,995	-
Net pension liability(LEOSSA)	187,117	108,460		295,577	-
Total	<u>\$ 1,943,233</u>	<u>\$ 413,982</u>	<u>\$ (268,690)</u>	<u>\$ 2,088,525</u>	<u>\$ 285,208</u>
	Balance July 1, 2020	Increases	Decreases	Balance June 30, 2021	Current Portion
<b>Business-Type Activities:</b>					
Installment purchase contracts	\$ 854,990	\$ 38,911	\$ (40,959)	\$ 852,942	\$ 427,676
Notes payable	3,980,580	208,614	(327,713)	3,861,481	-
Compensated absences	102,848	-	(58,565)	44,283	29,521
Net pension liability (LGERS)	283,688	46,880		330,568	-
Total	<u>\$ 5,222,106</u>	<u>\$ 294,405</u>	<u>\$ (427,237)</u>	<u>\$ 5,089,274</u>	<u>\$ 457,197</u>

Component Unit:

A summary of changes in long-term obligations of the ABC Board are as follows:

	Balance June 30, 2020	Increases	Decreases	Balance June 30, 2021	Current Portion
Net pension liability (LGERS)	21,574	24,166	-	45,740	-
Notes Payable	-	391,000	(208,687)	182,313	35,629
Compensated absences	-		-	5,572	-
Total	<u>\$ 21,574</u>	<u>\$ 415,166</u>	<u>\$ (208,687)</u>	<u>\$ 233,625</u>	<u>\$ 35,629</u>

7. Net Investment in Capital Assets

The total net investment in capital assets at June 30, 2021, is composed of the following:

	Governmental Activities	Business-Type Activities
Capital assets	\$ 4,341,478	\$ 18,502,509
Less: long-term debt	(736,830)	(4,714,423)
Net investment in capital assets	<u>\$ 3,604,648</u>	<u>\$ 13,788,086</u>

# TOWN OF WALLACE, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

### C. Interfund Balances and Activity

#### a. Transfers to/from Other Funds

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

To General Fund from Water and Sewer Fund for Operations	\$	190,893
To General Fund from Stormwater Fund for Operations		10,456
To Airport Funds from General Fund		(45,186)
Net Transfers	\$	<u>156,163</u>

Transfers are used to move unrestricted revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts providing matching funds for various grant programs.

#### b. Interfund Balances

The composition of internal balances as of June 30, 2021 is as follows:

<b>Payable Fund</b>		
FEMA Hurricane Fund	\$	(1,094,996)
<b>Receivable Funds</b>		
General Fund	\$	194,996
Water and Sewer Fund		900,000

All of the above were for operating expenditures.

### D. Fund Balance

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

Restricted:		
Stabilization by State Statute	802,408	
USDA Reserve	12,649	
Streets	760	
Public safety	17,969	
Committed:		
Committed for debt service	-	
Committed for economic development	5,000	
Committed for sidewalks	7,070	
Unassigned	1,632,269	
<b>Total fund balances</b>	<u>2,478,125</u>	

The Town 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.

# **TOWN OF WALLACE, NORTH CAROLINA**

## **NOTES TO THE FINANCIAL STATEMENTS**

*June 30, 2021*

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### **IV. Jointly Governed Organization**

#### **Eastern Carolina Council**

The Town, in conjunction with nine counties and fifty other municipalities, is a member of the Eastern Carolina Council. The Council coordinates 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 \$1,421 to the Council during the fiscal year ended June 30, 2021.

### **V. Summary Disclosure of Significant Contingencies**

#### **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 being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant monies.

### **VI. Claims and Judgments**

At June 30, 2021, the Town was a defendant to various lawsuits. In the opinion of the Town's management and the Town's attorney, the ultimate effect of these legal matters will not have a material adverse effect on the Town's financial position.

### **VII. Restatements**

During the fiscal year ended June 30, 2021, the Town determined that certain liabilities that were subject to accrual were overstated in both the General Fund and Water and Sewer Fund by \$7,169 and \$26,677 respectively. Therefore, an adjustment to beginning fund balances has been recoded to account for these changes.

The Town in the past has consolidated its General Fund, Stormwater Fund and Airport Commission Fund for reporting purposes in the annual financial statements. For the year ended June 30, 2021, the Town separated the funds and has reported the operations separately.

### **VIII. Significant Effects of Subsequent Events**

Subsequent events have been evaluated through November 16, 2021, the date which the financial statements were available to be issued. There were no recognized events meriting disclosure.

**REQUIRED  
SUPPLEMENTARY INFORMATION**



**TOWN OF WALLACE, NORTH CAROLINA**  
**Law Enforcement Officers' Special Separation Allowance**  
**Required Supplementary Information**

**Schedule A-1**

**June 30, 2021**

**Schedule of Changes in Total Pension Liability**

	2021	2020	2019	2018	2017
Beginning balance	\$ 187,117	\$ 125,386	\$ 246,910	\$ 246,089	\$ 15,885
Service Cost	22,865	21,008	12,587	14,012	8,455
Interest on total pension liability	5,730	4,231	7,531	9,168	9,168
Difference between expected and actual experience in the measurement of the total pension liability	20,742	47,402	(120,573)	(23,616)	-
Changes in assumptions or other inputs	81,830	7,413	(3,900)	18,426	(6,502)
Benefit payments	(22,707)	(18,323)	(17,169)	(17,169)	(17,169)
Ending balance	<u>\$ 295,577</u>	<u>\$ 187,117</u>	<u>\$ 125,386</u>	<u>\$ 246,910</u>	<u>\$ 246,089</u>

**Schedule of Total Pension Liability as a Percentage of Covered Payroll**

	2021	2020	2019	2018	2017
Total pension liability	\$ 295,577	\$ 187,117	\$ 125,386	\$ 246,910	\$ 246,089
Covered payroll	782,292	806,851	524,166	553,794	636,031
Total pension liability as a percentage of covered payroll	37.78%	23.19%	23.92%	44.59%	38.69%

Notes to the schedules:

The Town has no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 73 nor does the Plan provide pay related benefits.

The pension schedules are intended to show information for ten years. Additional years' information will be displayed as it becomes available.

**TOWN OF WALLACE, NORTH CAROLINA**  
**Local Government Employees' Retirement System**  
**Schedule of the Town's Proportionate Share of the Net Pension Liability (Asset)**

**Schedule A-2**

**Last Eight Fiscal Years**

	<u>2021</u>	<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) %	0.0354%	0.0371%	0.0324%	0.0343%	0.0365%	0.0352%	0.0333%	0.0340%
Town's proportionate share of the net pension liability (asset)	\$ 1,263,563	\$ 1,013,172	\$ 768,876	\$ 523,703	\$ 775,501	\$ 158,155	\$ (196,149)	\$ 409,831
Town's covered payroll	\$ 2,278,819	\$ 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	55.45%	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	88.61%	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.

The pension schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.



**TOWN OF WALLACE, NORTH CAROLINA**  
**Schedule of Town Contributions for**  
**Local Government Employee Retirement System**

**Schedule A-3**

**Last Eight Fiscal Years**

	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 260,660	\$ 216,932	\$ 182,652	\$ 161,705	\$ 157,146	\$ 138,509	\$ 136,619	\$ 132,150
Contribution in relation to the contractually required contribution	260,660	216,932	182,652	161,705	157,146	138,509	136,619	132,150
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Town's covered payroll	\$ 2,519,501	\$ 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	10.35%	9.52%	7.99%	7.71%	7.45%	6.80%	7.17%	7.13%

The pension schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.



## **SUPPLEMENTARY INFORMATION**



**TOWN OF WALLACE, NORTH CAROLINA**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances**  
**Budget and Actual - General Fund**

**Schedule A-4**

**Year Ended June 30, 2021**

	<b>Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Revenues</b>			
<b>Ad valorem taxes</b>			
Taxes	\$ 1,708,002	\$ 1,690,858	\$ (17,144)
Penalties and interest	24,000	48,144	24,144
<b>Total ad valorem taxes</b>	<u>1,732,002</u>	<u>1,739,002</u>	<u>7,000</u>
<b>Other taxes and licenses</b>			
Local option sales tax	<u>1,028,495</u>	<u>1,247,246</u>	<u>218,751</u>
<b>Total other taxes and licenses</b>			
<b>Unrestricted intergovernmental revenues</b>			
Franchise taxes	230,000	236,591	6,591
ABC revenues	25,000	16,445	(8,555)
Beer and wine tax	17,000	16,582	(418)
Fire sales and property tax	122,174	134,133	11,959
Other taxes and licenses	<u>2,650</u>	<u>2,958</u>	<u>308</u>
<b>Total unrestricted intergovernmental revenues</b>	<u>396,824</u>	<u>406,709</u>	<u>9,885</u>
<b>Restricted intergovernmental revenues</b>			
Powell Bill	114,250	107,004	(7,246)
ABC revenues - law enforcement	13,000	27,740	14,740
Grants	<u>199,809</u>	<u>219,750</u>	<u>19,941</u>
<b>Total restricted intergovernmental revenues</b>	<u>327,059</u>	<u>354,494</u>	<u>27,435</u>

**TOWN OF WALLACE, NORTH CAROLINA**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances**  
**Budget and Actual - General Fund (continued)**

**Schedule A-4**

**Year Ended June 30, 2021**

	<b>Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Revenues (continued)</b>			
<b>Permits and fees</b>			
Planning and zoning fees	\$ 4,000	\$ 4,010	\$ 10
Business licenses	9,000	1,334	(7,666)
Court costs, fees and police reports	2,350	3,508	1,158
<b>Total licenses and permits</b>	<u>15,350</u>	<u>8,852</u>	<u>(6,498)</u>
<b>Sales and services</b>			
Sanitation revenues	647,000	627,191	(19,809)
Library fees and donations	7,500	1,965	(5,535)
Rents	75,600	82,836	7,236
Recreation fees	37,500	26,978	(10,522)
Donations	31,050	33,533	2,483
<b>Total sales and services</b>	<u>798,650</u>	<u>772,503</u>	<u>(26,147)</u>
<b>Interest earned on investments</b>	<u>16,700</u>	<u>15,881</u>	<u>(819)</u>
<b>Miscellaneous</b>	<u>85,049</u>	<u>32,456</u>	<u>(52,593)</u>
<b>Total revenues</b>	<u>4,400,129</u>	<u>4,577,143</u>	<u>177,014</u>

**TOWN OF WALLACE, NORTH CAROLINA**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances**  
**Budget and Actual - General Fund (continued)**

**Schedule A-4**

**Year Ended June 30, 2021**

	<b>Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Expenditures</b>			
<b>General government</b>			
Governing body			
Salaries and employee benefits	\$	\$ 41,880	\$
Operating expenses		40,701	
Total	84,344	82,581	1,763
Administration			
Salaries and employee benefits		193,767	
Operating expenses		85,190	
Total	279,572	278,957	615
Finance			
Salaries and employee benefits		246,747	
Operating expenses		43,407	
Total	302,010	290,154	11,856
Public Buildings			
Salaries and employee benefits		86,582	
Operating expenses		60,004	
Total	155,089	146,586	8,503
Planning			
Salaries and employee benefits		82,933	
Operating expenses		34,462	
Total	117,760	117,395	365
<b>Total general government</b>	<b>938,775</b>	<b>915,673</b>	<b>23,102</b>
<b>Public safety</b>			
Police			
Salaries and employee benefits		1,231,051	
Operating expenses		223,347	
Capital outlay		221,982	
Total	1,751,183	1,676,380	74,803
Fire protection			
Salaries and employee benefits		38,894	
Operating expenses		124,790	
Capital outlay		24,575	
Total	229,761	188,259	41,502
<b>Total public safety</b>	<b>1,980,944</b>	<b>1,864,639</b>	<b>116,305</b>

**TOWN OF WALLACE, NORTH CAROLINA**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances**  
**Budget and Actual - General Fund (continued)**

**Schedule A-4**

**Year Ended June 30, 2021**

	<b>Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Expenditures (continued)</b>			
<b>Transportation</b>			
Streets			
Salaries and employee benefits	\$	\$ 330,550	\$
Powell Bill and other operating expenses		247,642	
Capital outlay		19,721	
<b>Total streets</b>	<u>637,079</u>	<u>597,913</u>	<u>39,166</u>
<b>Environmental protection</b>			
Sanitation			
Other operating expenses	<u>450,973</u>	<u>438,024</u>	
<b>Total environmental protection</b>	<u>450,973</u>	<u>438,024</u>	<u>12,949</u>
<b>Cultural and recreational</b>			
Depot			
Other operating expenses	<u>28,517</u>	<u>18,564</u>	
Total	<u>28,517</u>	<u>18,564</u>	<u>9,953</u>
Library			
Salaries and employee benefits		148,035	
Operating expenses		45,433	
Total	<u>216,154</u>	<u>193,468</u>	<u>22,686</u>
Parks and recreation			
Salaries and employee benefits		208,126	
Operating expenses		146,694	
Capital outlay		59,647	
Total	<u>522,213</u>	<u>414,467</u>	<u>107,746</u>
<b>Total cultural and recreational</b>	<u>766,884</u>	<u>626,499</u>	<u>140,385</u>
<b>Debt service</b>			
Note principal	232,314	156,436	
Interest and fees	<u>33,222</u>	<u>17,724</u>	
<b>Total debt service</b>	<u>265,536</u>	<u>174,160</u>	<u>91,376</u>
<b>Total expenditures</b>	<u>5,040,191</u>	<u>4,616,908</u>	<u>423,283</u>
<b>Revenues over (under) expenditures</b>	<u>(640,062)</u>	<u>(39,765)</u>	<u>(246,269)</u>



**TOWN OF WALLACE, NORTH CAROLINA**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances**  
**Budget and Actual - General Fund (continued)**

**Schedule A-4**

**Year Ended June 30, 2021**

	<b>Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Other financing sources (uses)</b>			
Transfers from other funds	\$ 321,349	\$ 201,349	\$ (120,000)
Transfers to other funds	(77,287)	(74,972)	2,315
Sale of fixed assets	7,500	18,200	10,700
Issuance of Debt	201,000	121,840	(79,160)
Insurance proceeds	7,500	6,025	(1,475)
Fund balance appropriated	180,000	-	(180,000)
<b>Total other financing sources (uses)</b>	<b>640,062</b>	<b>272,442</b>	<b>(367,620)</b>
 <b>Revenues and other financing sources (uses) and appropriated fund balance over expenditures</b>	 <b>\$ -</b>	 <b>232,677</b>	 <b>\$ 232,677</b>
 <b>Fund balance</b>			
Beginning of year - July 1		3,235,470	
Restatement - prior period		7,169	
Restatement - funds		(997,191)	
End of year - June 30		<b>\$ 2,478,125</b>	

## TOWN OF WALLACE, NORTH CAROLINA

## Schedule A-5

## Schedule of Revenues, Expenditures and Changes in Fund Balance

## Budget and Actual – Major Governmental Fund – FEMA Hurricane Fund

June 30, 2021

	Project Authorization	Prior Years	Current Year	Total to Date	Variance Positive (Negative)
<b>Revenues</b>					
Restricted intergovernmental FEMA & State grants	\$ 1,200,000	\$ 1,108,747	\$ 1,058,653	\$ 2,167,400	\$ 967,400
<b>Total revenues</b>	1,200,000	1,108,747	1,058,653	2,167,400	967,400
<b>Expenditures</b>					
Environmental protection	1,200,000	2,375,941	605,713	2,981,654	(1,781,654)
<b>Total expenditures</b>	1,200,000	2,375,941	605,713	2,981,654	(1,781,654)
<b>Revenues over (under) expenditures</b>	-	(1,267,194)	452,940	(814,254)	(814,254)
<b>Other Financing Sources (Uses)</b>					
Insurance proceeds	-	482,254	-	482,254	(482,254)
Transfers in (out)					-
Federal & State assistance fund	-	-	332,000	332,000	(332,000)
Water & Sewer fund	-	-	-	-	-
General fund	-	-	-	-	-
Total other financing sources	-	482,254	332,000	814,254	(814,254)
Net change in fund balance	\$ -	\$ (784,940)	784,940	\$ -	\$ -
<b>Fund balance</b>					
Beginning of year - July 1			(784,940)		
End of year - June 30			\$ -		

## TOWN OF WALLACE, NORTH CAROLINA

## Schedule A-6

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
Non Major Governmental Funds

Year Ended June 30, 2021

	Special Revenue Funds			Debt Service Fund	Capital Projects Fund	Total
	Federal & State Assistance	Police Unauthorized Substance Tax Fund	HDP Loan Fund			
<b>Revenues</b>						
Restricted intergovernmental	\$ -	\$ 1,238	\$ -	\$ -	\$ 21,112	\$ 22,350
Total revenues	-	1,238	-	-	21,112	22,350
<b>Expenditures</b>						
Economic and physical development	50,007	-	-	-	-	50,007
Cultural and recreational	-	-	-	-	27,984	27,984
Installment note principal	-	-	-	63,714	-	63,714
Installment note interest	-	-	-	2,743	-	2,743
Total expenditures	50,007	-	-	66,457	27,984	144,448
<b>Excess (deficiency) of revenues over (under) expenditures</b>	(50,007)	1,238	-	(66,457)	(6,872)	(122,098)
<b>Net change in fund balances</b>	(50,007)	1,238	-	(66,457)	(6,872)	(122,098)
<b>Other Financing Sources (Uses)</b>						
Transfers in (out)						
General Fund	-	-	-	8,200	21,586	29,786
FEMA Hurricane Fund	(332,000)	-	-	-	-	(332,000)
Total other financing sources(uses)	(332,000)	-	-	8,200	21,586	(302,214)
Net change in fund balance	(382,007)	1,238	-	(58,257)	14,714	(424,312)
<b>Fund balance - beginning</b>	500,000	1,421	50,000	124,714	3,998	680,133
<b>Fund balance - ending</b>	\$ 117,993	\$ 2,659	\$ 50,000	\$ 66,457	\$ 18,712	\$ 255,821

**TOWN OF WALLACE, NORTH CAROLINA**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances**  
**Budget and Actual – Debt Service Fund**  
**Year Ended June 30, 2021**  
**(With Comparative Totals for June 30, 2020)**

**Schedule A-7**

	2021		Variance Positive (Negative)	2020
	Budget	Actual		
<b>Revenues</b>				
Restricted intergovernmental revenue	\$ -	\$ -	\$ -	\$ -
<b>Total revenues</b>	-	-	-	-
<b>Expenditures</b>				
<b>Debt service</b>				
Installment note principal	128,785	63,714	65,071	-
Installment note interest	4,130	2,743	1,387	-
<b>Total expenditures</b>	132,915	66,457	66,458	-
<b>Revenues over (under) expenditures</b>	(132,915)	(66,457)	66,458	-
<b>Other financing sources (uses):</b>				
Transfers in - General Fund	132,915	8,200	(124,715)	74,037
<b>Net change in fund balance</b>	\$ -	(58,257)	\$ (58,257)	74,037
<b>Fund balances</b>				
Beginning of year - July 1		124,714		50,677
End of year - June 30		\$ 66,457		\$ 124,714

## TOWN OF WALLACE, NORTH CAROLINA

## Schedule A-8

## Schedule of Revenues, Expenditures, and Changes in Fund Balances

## Budget and Actual – Police Unauthorized Substance Tax Fund

Year Ended June 30, 2021

(With Comparative Totals for June 30, 2020)

	2021		Variance Positive (Negative)	2020
	Budget	Actual		
<b>Revenues</b>				
Restricted intergovernmental revenue				
Unauthorized substance tax	\$ -	\$ 1,238	\$ 1,238	\$ 93
<b>Total revenues</b>	-	1,238	1,238	93
<b>Expenditures</b>				
Program expenses	-	-	-	-
<b>Total expenditures</b>	-	-	-	-
<b>Revenues over (under) expenditures</b>	-	1,238	1,238	93
<b>Other financing sources (uses):</b>				
Fund balance appropriated	-	-	-	-
<b>Net change in fund balance</b>	\$ -	1,238	\$ 1,238	93
<b>Fund balances</b>				
Beginning of year - July 1		1,421		1,328
End of year - June 30		\$ 2,659		\$ 1,421

**TOWN OF WALLACE, NORTH CAROLINA**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances**  
**Budget and Actual – Federal and State Grants Fund**

**Schedule A-9**

**From Inception and for Year Ended June 30, 2021**

	<b>Project Authorization</b>	<b>Prior Years</b>	<b>Current Year</b>	<b>Total to Date</b>	<b>Variance Positive (Negative)</b>
<b>Revenues</b>					
Restricted intergovernmental revenue	\$ 500,000	\$500,000	\$ -	\$ 500,000	\$ -
<b>Total revenues</b>	<u>500,000</u>	<u>500,000</u>	<u>-</u>	<u>500,000</u>	<u>-</u>
<b>Expenditures</b>					
Economic and physical development	<u>168,000</u>	<u>-</u>	<u>50,007</u>	<u>50,007</u>	<u>(117,993)</u>
<b>Total expenditures</b>	<u>168,000</u>	<u>-</u>	<u>50,007</u>	<u>50,007</u>	<u>(117,993)</u>
<b>Revenues over expenditures</b>	<u>332,000</u>	<u>500,000</u>	<u>(50,007)</u>	<u>449,993</u>	<u>117,993</u>
<b>Other Financing Sources (Uses)</b>					
Transfers in (out)					
FEMA Hurricane Fund	<u>(332,000)</u>	<u>-</u>	<u>(332,000)</u>	<u>27,321</u>	<u>359,321</u>
Net change in fund balance	<u>\$ -</u>	<u>\$500,000</u>	<u>(382,007)</u>	<u>\$ 477,314</u>	
Beginning of year - July 1			<u>500,000</u>		
End of year - June 30			<u>\$ 117,993</u>		

## TOWN OF WALLACE, NORTH CAROLINA

## Schedule A-10

## Schedule of Revenues, Expenditures, and Changes in Fund Balances

## Budget and Actual – Historic Downtown Preservation Loan Fund

## From Inception and for Year Ended June 30, 2021

	2021			2020
	Budget	Actual	Variance Positive (Negative)	
<b>Revenues</b>				
Restricted intergovernmental revenue	\$ -	\$ -	\$ -	\$ -
<b>Total revenues</b>	-	-	-	-
<b>Expenditures</b>				
Program expenses	-	-	-	-
<b>Total expenditures</b>	-	-	-	-
<b>Revenues over (under) expenditures</b>	-	-	-	-
<b>Other financing sources (uses):</b>				
Fund balance appropriated	-	-	-	-
<b>Net change in fund balance</b>	<u>\$ -</u>	-	<u>\$ -</u>	-
<b>Fund balances</b>				
Beginning of year - July 1		<u>50,000</u>		<u>50,000</u>
End of year - June 30		<u>\$ 50,000</u>		<u>\$ 50,000</u>

## TOWN OF WALLACE, NORTH CAROLINA

## Schedule A-11

## Schedule of Revenues, Expenditures, and Changes in Fund Balances

## Budget and Actual – Governmental Capital Projects Fund

## From Inception and for Year Ended June 30, 2021

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Totals To Date</u>	<u>Variance Positive (Negative)</u>
<b>Revenues</b>					
Restricted intergovernmental	\$ 92,050	\$ 29,550	\$ 21,112	\$ 50,662	\$ 41,388
<b>Total revenues</b>	<u>92,050</u>	<u>29,550</u>	<u>21,112</u>	<u>50,662</u>	<u>41,388</u>
<b>Expenditures</b>					
Fire trucks	1,104,285	-	-	-	1,104,285
Boney Mill Pond	<u>92,050</u>	<u>25,552</u>	<u>27,984</u>	<u>53,536</u>	<u>38,514</u>
<b>Total expenditures</b>	<u>1,196,335</u>	<u>25,552</u>	<u>27,984</u>	<u>53,536</u>	<u>1,142,799</u>
Revenues over (under) expenditures	<u>(1,104,285)</u>	<u>3,998</u>	<u>(6,872)</u>	<u>(2,874)</u>	<u>(1,101,411)</u>
<b>Other Financing Sources (Uses)</b>					
Operating transfers in:					
General Fund	21,586	-	21,586	21,586	-
Issuance of debt	<u>1,082,699</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,082,699</u>
<b>Total other financing sources</b>	<u>1,104,285</u>	<u>-</u>	<u>21,586</u>	<u>21,586</u>	<u>1,082,699</u>
<b>Net change in fund balance</b>	<u>\$ -</u>	<u>\$ 3,998</u>	<u>14,714</u>	<u>\$ 18,712</u>	<u>\$ (18,712)</u>
Fund balance at beginning of year			<u>3,998</u>		
Fund Balance at end of year			<u>\$ 18,712</u>		



**TOWN OF WALLACE, NORTH CAROLINA**  
**Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)**  
**Proprietary Fund – Water and Sewer Fund**

**Schedule A-12**

**Year Ended June 30, 2021**

	<b>Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Operating revenues</b>			
Water sales	\$ 1,325,815	\$ 1,320,169	\$ (5,646)
Sewer charges	1,943,735	2,085,616	141,881
Miscellaneous revenue	60,342	87,792	27,450
Water and sewer taps	18,000	5,735	(12,265)
Total operating revenues	3,347,892	3,499,312	151,420
<b>Nonoperating revenues and other financing sources</b>			
Interest earnings	19,150	15,673	(3,477)
<b>Total revenues</b>	<b>3,367,042</b>	<b>3,514,985</b>	<b>147,943</b>
<b>Operating expenditures</b>			
Administration			
Salaries and employee benefits		158,217	
Operating expenditures		142,377	
Total administration expenditures	301,494	300,594	900
Water Operations			
Salaries and employee benefits		244,259	
Operating expenditures		317,567	
Maintenance and repairs		245,757	
Total water expenditures	810,816	807,583	3,233
Sewer Operations			
Salaries and employee benefits		87,600	
Operating expenditures		112,255	
Maintenance and repairs		104,160	
Total sewer expenditures	306,847	304,015	2,832
Wastewater Treatment Operations			
Salaries and employee benefits		328,982	
Operating expenditures		487,288	
Maintenance and repairs		89,266	
Total wastewater treatment expenditures	929,407	905,536	23,871
Debt service			
Principal payments		368,670	
Interest and fees		126,243	
Total	495,281	494,913	368
Capital outlay	326,304	161,878	164,426
Total expenditures	3,170,149	2,974,519	195,630
Revenues over (under) expenditures	196,893	540,466	(343,573)
Other financing sources (uses):			
Transfers In(out)	(211,893)	(210,792)	1,101
Appropriated Fund Balance	15,000	-	15,000
Total other financing sources (uses)	(196,893)	(210,792)	16,101
Revenues and other sources over (under) expenditures and other uses	\$ -	\$ 329,674	\$ (329,674)

**TOWN OF WALLACE, NORTH CAROLINA****Schedule A-12****Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)****Proprietary Fund – Water and Sewer (continued)****Year Ended June 30, 2021**

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**Revenues and other sources over (under)  
expenditures and other uses****\$ 329,674**

## Reconciling items

Budgetary appropriations - capital outlay	161,878
Budgetary appropriations - debt principal	368,670
Depreciation	(712,140)
Increase in accrued interest payable	(3,959)
Decrease in accrued compensated absences	54,956
Intra-fund transfers	19,899
Net revenue and other financing sources from capital projects	372,396
Increase in deferred outflows	28,540
Increase in deferred inflows	(15,445)
Increase in net pension liability	(21,534)
Total reconciling items	<u>253,261</u>

**Change in net position****\$ 582,935**

## TOWN OF WALLACE, NORTH CAROLINA

## Schedule A-13

## Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)

## Proprietary Fund – Stormwater Fund

Year Ended June 30, 2021

	<b>Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Operating revenues</b>			
Stormwater Fees	\$ 188,000	\$ 197,233	\$ 9,233
Total operating revenues	188,000	197,233	9,233
<b>Nonoperating revenues and other financing sources</b>			
Interest earnings	-	344	344
<b>Total revenues</b>	188,000	197,577	9,577
<b>Operating expenditures</b>			
General operations			
Operating expenditures		24,141	
Maintenance and repairs		71,290	
Contracted services		135	
Total operating expenditures	95,600	95,566	34
Debt service			
Principal payments		-	
Interest and fees		185	
Total	17,855	185	17,670
Capital outlay	144,089	86,913	57,176
Other financing sources (uses):			
Transfers (to)/from other funds	(65,132)	(65,132)	-
Issuance of debt	80,000	38,911	41,089
Appropriated fund balance	54,676	-	54,676
Total expenditures and other financing uses	188,000	208,885	(20,885)
Revenues and other sources over (under) expenditures and other uses	\$ -	\$ (11,308)	\$ (11,308)

**TOWN OF WALLACE, NORTH CAROLINA****Schedule A-13****Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)****Proprietary Fund – Stormwater Fund (continued)****Year Ended June 30, 2021**

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<b>Revenues and other sources over (under) expenditures and other uses</b>	<b>\$ (11,308)</b>
Reconciling items	
Budget appropriations - capital outlay	86,913
Budget appropriations - debt principal	-
Increase in accrued interest	(56)
Depreciation	(12,825)
Issuance of debt	(38,911)
Net expenditures and other financing uses from capital project	(598)
Transfers to Capital Project Fund	<u>54,676</u>
Total reconciling items	<u>89,199</u>
<b>Change in net position</b>	<b><u>\$ 77,891</u></b>

## TOWN OF WALLACE, NORTH CAROLINA

## Schedule A-14

## Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)

## Proprietary Fund – Airport Commission Fund

Year Ended June 30, 2021

	<b>Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Revenues</b>			
<b>Operating revenues</b>			
Sales and Rentals	\$ 142,300	\$ 137,051	\$ (5,249)
Total operating revenues	142,300	137,051	(5,249)
<b>Nonoperating revenues</b>			
Grants	8,874	30,000	21,126
Interest earnings	150	353	203
Total operating revenues	9,024	30,353	21,329
<b>Total revenues</b>	<u>\$ 151,324</u>	<u>\$ 167,404</u>	<u>\$ 16,080</u>
<b>Expenditures</b>			
<b>Operating expenditures</b>			
Salaries and employee benefits		\$ 77,092	
Operating expenditures		126,864	
Maintenance and repairs		429	
Total	196,324	204,385	(8,061)
Revenues over (under) expenditures	(45,000)	(36,981)	8,019
Other financing sources (uses)			
Transfers (to) from other funds			
Transfers in	45,000	45,000	-
Total	45,000	45,000	-
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>\$ 8,019</u>	<u>\$ 8,019</u>

**TOWN OF WALLACE, NORTH CAROLINA****Schedule A-14****Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)****Proprietary Fund – Airport Commission Fund****Year Ended June 30, 2021**

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**Revenues and other sources over (under) expenditures  
and other uses**

Total revenues and other financing sources	\$ 8,019
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## Reconciling items

Depreciation	(139,632)
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Changes in accrued compensated absences	3,609
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Changes in inventory	(7,350)
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Net revenue and other financing sources from capital projects	336,486
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Revenue recognized in Capital Reserve Fund	50,000
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(Increase)decrease in Deferred Outflows	14,091
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Increase (decrease) in Deferred Inflows	(2,468)
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Increase in net pension liability	(25,346)
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Total reconciling items	<u>229,390</u>
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**Change in net position**

<b>Change in net position</b>	<b><u>\$ 237,409</u></b>
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## TOWN OF WALLACE, NORTH CAROLINA

## Schedule A-15

## Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)

## Water and Sewer Capital Projects Fund

From Inception and for the Year Ended June 30, 2021

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Totals To Date</u>	<u>Variance Positive (Negative)</u>
<b>Revenues</b>					
Restricted intergovernmental	<u>\$ 7,678,327</u>	<u>\$ 569,472</u>	<u>\$ 547,530</u>	<u>\$ 1,117,002</u>	<u>\$ 6,561,325</u>
<b>Total revenues</b>	<u>7,678,327</u>	<u>569,472</u>	<u>547,530</u>	<u>1,117,002</u>	<u>6,561,325</u>
 <b>Expenditures</b>					
Maple Creek Force Main(830)	1,259,060	44,282	17,057	61,339	1,197,721
Water Well Project	985,320	30,160	193,268	223,428	761,892
Valley Protein Sewer Line Ext	4,433,947	35,045	15,921	50,966	4,382,981
FEMA - Matthew	<u>1,000,000</u>	<u>858,390</u>	<u>-</u>	<u>858,390</u>	<u>141,610</u>
<b>Total expenditures</b>	<u>7,678,327</u>	<u>967,877</u>	<u>226,246</u>	<u>1,194,123</u>	<u>6,484,204</u>
Revenues over (under) expenditures	<u>-</u>	<u>(398,405)</u>	<u>321,284</u>	<u>(77,121)</u>	<u>77,121</u>
 <b>Other Financing Sources (Uses)</b>					
Operating transfers in:					
Water & Sewer Fund	<u>-</u>	<u>900,000</u>	<u>(880,101)</u>	<u>19,899</u>	<u>(19,899)</u>
<b>Total other financing sources</b>	<u>-</u>	<u>900,000</u>	<u>(880,101)</u>	<u>19,899</u>	<u>(19,899)</u>
 <b>Net change in fund balance</b>	<u>\$ -</u>	<u>\$ 501,595</u>	<u>(558,817)</u>	<u>\$ (57,222)</u>	<u>\$ 57,222</u>
 Fund balance at beginning of year			<u>501,595</u>		
 Fund Balance at end of year			<u>\$ (57,222)</u>		

## TOWN OF WALLACE, NORTH CAROLINA

## Schedule A-16

## Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)

## Stormwater Capital Projects Fund

Year Ended June 30, 2021

	<u>Project Authorization</u>	<u>Totals to Date</u>	<u>Current Year</u>	<u>Totals To Date</u>	<u>Variance Positive (Negative)</u>
<b>Revenues</b>					
Restricted intergovernmental	\$ 574,092	\$ -	\$ 17,577	\$ 17,577	\$ 556,515
<b>Total revenues</b>	<u>574,092</u>	<u>-</u>	<u>17,577</u>	<u>17,577</u>	<u>556,515</u>
<b>Expenditures</b>					
Little Rockfish Creek Drainage	628,768	-	18,175	18,175	610,593
<b>Total expenditures</b>	<u>628,768</u>	<u>-</u>	<u>18,175</u>	<u>18,175</u>	<u>610,593</u>
Revenues over (under) expenditures	<u>(54,676)</u>	<u>-</u>	<u>(598)</u>	<u>(598)</u>	<u>(54,078)</u>
<b>Other Financing Sources (Uses)</b>					
Operating transfers in:					
Stormwater Fund	54,676		54,676	54,676	-
<b>Total other financing sources</b>	<u>54,676</u>		<u>54,676</u>	<u>54,676</u>	<u>-</u>
<b>Net change in fund balance</b>	<u>\$ -</u>	<u>\$ -</u>	<u>54,078</u>	<u>\$ 54,078</u>	<u>\$ (54,078)</u>
Fund balance at beginning of year			<u>-</u>		
Fund Balance at end of year			<u>\$ 54,078</u>		



## TOWN OF WALLACE, NORTH CAROLINA

## Schedule A-17

## Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)

## Airport Capital Projects Fund

Year Ended June 30, 2021

	Project Authorization	Prior Years	Current Year	Totals To Date	Variance Positive (Negative)
<b>Revenues</b>					
Restricted intergovernmental	\$ 1,262,607	\$ 259,234	\$ 336,486	\$ 595,720	\$ 666,887
<b>Total revenues</b>	<u>1,262,607</u>	<u>259,234</u>	<u>336,486</u>	<u>595,720</u>	<u>666,887</u>
<b>Expenditures</b>					
Land acquisition - Sullivan parcel	96,390	96,390	-	96,390	-
Fuel farm improvements	78,107	78,107	-	78,107	-
Runway extension and improvements	25,190	25,190	-	25,190	-
AWOS land acquisition	116,862	116,862	-	116,862	-
AWOS site preparation	270,425	-	247,240	247,240	23,185
Runway extension design	85,840	-	49,278	49,278	36,562
Runway extension land acquisition	675,905	-	39,754	39,754	636,151
<b>Total expenditures</b>	<u>1,348,719</u>	<u>316,549</u>	<u>336,272</u>	<u>652,821</u>	<u>695,898</u>
Revenues over (under) expenditures	<u>(86,112)</u>	<u>(57,315)</u>	<u>214</u>	<u>(57,101)</u>	<u>(29,011)</u>
<b>Other Financing Sources (Uses)</b>					
Operating transfers in:					
Airport Capital Reserve Fund	86,112	50,972	6,129	56,436	29,676
<b>Total other financing sources</b>	<u>86,112</u>	<u>50,972</u>	<u>6,129</u>	<u>56,436</u>	<u>29,676</u>
<b>Net change in fund balance</b>	<u>\$ -</u>	<u>\$ (6,343)</u>	<u>6,343</u>	<u>\$ (665)</u>	<u>\$ 665</u>
Fund balance at beginning of year			<u>(6,343)</u>		
Fund Balance at end of year			<u>\$ -</u>		

**TOWN OF WALLACE, NORTH CAROLINA**  
**Schedule of Ad Valorem Taxes Receivable**

**Schedule A-18**

**June 30, 2021**

Fiscal Year	Uncollected Balance June 30, 2020	Additions	Collections and Credits	Uncollected Balance June 30, 2021
2020-2021	\$ -	\$ 1,621,609	\$ 1,527,992	93,617
2019-2020	116,877	-	64,923	56,934
2018-2019	63,306	-	46,412	20,760
2017-2018	39,066	-	28,501	13,275
2016-2017	32,975	-	25,684	12,090
2015-2016	17,098	-	13,277	5,006
2014-2015	1,623	2,681	577	3,727
2013-2014	1,286	2,856	309	3,833
2012-2013	1,020	-	417	603
2011-2012	1,115	-	1,115	-
	<u>\$ 274,366</u>	<u>\$ 1,627,146</u>	<u>\$ 1,709,207</u>	
Ad valorem taxes receivable - net				<u>\$ 209,845</u>
Ad valorem taxes - General Fund				\$ 1,739,002
Reconciling Items				
Discounts, Releases and Refunds				17,731
Writeoffs & Adjustments				618
Penalites and Interest Collected				<u>(48,144)</u>
Subtotal				<u>(29,795)</u>
Total Collections and Credits				<u>\$ 1,709,207</u>

**TOWN OF WALLACE, NORTH CAROLINA**  
**Analysis of Current Tax Levy**  
**Town-Wide Levy**

**Schedule A-19**

**June 30, 2021**

	<u>Town - Wide</u>			<u>Total Levy</u>	
	<u>Property Valuation</u>	<u>Rate</u>	<u>Total Levy</u>	<u>Property excluding Registered Motor Vehicles</u>	<u>Registered Motor Vehicles</u>
<b>Original Levy:</b>					
Property taxed at current year's rate	\$ 261,549,839	0.62	\$ 1,621,609	\$ 1,448,150	\$ 173,459
Total	<u>261,549,839</u>		<u>1,621,609</u>	<u>1,448,150</u>	<u>173,459</u>
Total property valuation	<u>\$ 261,549,839</u>				
Net Levy			1,621,609	1,448,150	173,459
Uncollected taxes as of June 30, 2021			<u>93,617</u>	<u>93,617</u>	<u>-</u>
Current year's taxes collected			<u>\$ 1,527,992</u>	<u>\$ 1,354,533</u>	<u>\$ 173,459</u>
<b>Current levy collection percentage</b>			<b><u>94.23%</u></b>	<b><u>93.54%</u></b>	<b><u>100.00%</u></b>
Prior year collection percentage			<u>92.24%</u>	<u>91.55%</u>	<u>100.00%</u>





## STATISTICAL SECTION



**TOWN OF WALLACE, NORTH CAROLINA**  
Net Position by Component

**Table 1**

*Last Ten Fiscal Years*  
(unaudited)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Governmental activities:										
Net investment in capital assets	\$ 4,917,585	\$ 5,289,698	\$ 5,604,294	\$ 6,466,511	\$ 6,857,690	\$ 6,837,630	\$ 6,857,164	\$ 6,862,638	\$ 6,592,003	\$ 3,604,648
Restricted for stabilization	508,131	380,752	649,844	717,091	667,405	685,565	685,045	650,566	809,711	802,408
Restricted	191,259	235,641	304,875	375,480	285,567	255,496	225,903	123,017	71,389	33,437
Unrestricted	1,104,274	811,934	404,303	205,401	1,042,280	1,233,855	1,533,112	742,508	1,178,567	1,274,872
Total governmental activities net position	6,091,583	6,443,902	7,195,545	6,698,809	6,207,307	9,012,546	9,301,224	8,378,729	8,651,670	5,715,365
Business-type activities:										
Net investment in capital assets	12,063,560	12,328,763	12,120,014	11,973,951	11,899,488	11,693,946	11,470,801	11,099,369	10,690,595	13,788,086
Restricted	-	-	-	-	-	-	-	-	-	222,268
Unrestricted	4,089,156	3,607,681	3,610,682	3,557,627	3,239,963	2,976,679	3,159,218	3,345,652	3,216,129	4,170,283
Total business-type activities net position	16,152,716	15,936,444	15,730,696	15,531,578	15,139,451	14,670,625	14,630,019	14,445,021	13,906,724	18,180,637
Primary government:										
Net investment in capital assets	16,981,145	17,618,461	17,724,308	18,440,462	18,757,178	18,531,576	18,327,965	17,962,007	17,282,598	17,392,734
Restricted for stabilization	508,131	380,752	649,844	717,091	667,405	685,565	685,045	650,566	809,711	802,408
Restricted	191,259	235,641	304,875	375,480	285,567	255,496	225,903	123,017	71,389	255,705
Unrestricted	5,193,430	4,419,615	4,014,985	3,763,028	4,282,243	4,210,534	4,692,330	4,088,160	4,394,696	5,445,155
Total primary government net position	\$ 22,873,965	\$ 22,654,469	\$ 22,694,012	\$ 23,296,061	\$ 23,992,393	\$ 23,683,171	\$ 23,931,243	\$ 22,823,750	\$ 22,558,394	\$ 23,896,002

**TOWN OF WALLACE, NORTH CAROLINA**  
Changes in Net Position

**Table 2**

*Last Ten Fiscal Years*  
(unaudited)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
<b>Expenses</b>										
Governmental activities										
General government	\$ 746,496	\$ 526,802	\$ 292,334	\$ 391,103	\$ 505,590	\$ 439,004	\$ 482,721	\$ 536,321	\$ 836,993	\$ 934,733
Public safety	1,209,200	1,190,552	1,260,644	1,598,342	1,531,092	1,560,339	1,590,036	1,619,181	2,034,079	1,829,536
Transportation	812,099	1,721,559	1,098,052	660,951	861,953	730,813	895,923	862,036	278,591	746,960
Environmental Protection	459,618	445,124	477,757	464,517	436,538	447,456	405,873	460,691	1,630,636	1,049,697
Cultural and Recreational	551,837	682,900	696,562	497,300	625,798	590,840	631,588	629,501	687,151	709,071
Economic Development	19,107	-	-	-	-	29,451	153,837	1,708,564	939,727	27,120
Interest on long-term debt	56,836	38,754	49,328	60,204	72,406	28,900	20,980	29,363	27,349	27,120
Total governmental activities expenses	3,855,193	4,605,691	3,874,677	3,672,417	4,033,377	3,826,803	4,180,958	5,845,657	6,434,526	5,324,237
Business-type activities:										
Water and Sewer	2,096,218	2,850,575	2,675,780	2,974,785	3,609,122	4,149,495	3,401,642	3,394,545	3,624,952	3,113,553
Stormwater	-	-	-	-	-	-	-	-	-	126,807
Airport	-	-	-	-	-	-	-	-	-	361,481
Total business-type activities expenses	2,096,218	2,850,575	2,675,780	2,974,785	3,609,122	4,149,495	3,401,642	3,394,545	3,624,952	3,601,841
Total primary government expenses	\$ 5,951,411	\$ 7,456,266	\$ 6,550,457	\$ 6,647,202	\$ 7,642,499	\$ 7,976,298	\$ 7,582,600	\$ 9,240,202	\$ 10,059,478	\$ 8,926,078
<b>Program Revenues</b>										
Governmental activities										
Charges for services:										
Refuse collection	\$ 603,448	\$ 605,861	\$ 621,870	\$ 680,164	\$ 841,109	\$ 791,808	\$ 792,079	\$ 821,954	\$ 832,894	\$ 627,278
Culture and recreation	49,626	34,817	69,272	59,612	56,614	73,736	55,728	66,722	33,009	28,943
Other activities	300,738	432,868	348,018	396,896	1,285,317	387,249	420,747	877,387	1,214,178	143,596
Grants and contributions	620,972	992,103	667,556	1,116,213	296,949	221,995	430,187	622,604	1,254,900	-
Total governmental activities program revenues	1,574,784	2,065,649	1,706,716	2,252,885	2,479,989	1,474,788	1,698,741	2,388,667	3,334,981	799,817
Business-type activities:										
Charges for services:										
Water and Sewer	2,570,189	2,549,870	2,463,917	2,666,591	3,134,850	3,159,534	3,117,056	3,078,619	3,234,368	3,871,708
Stormwater	-	-	-	-	-	-	-	-	-	197,233
Airport	-	-	-	-	-	-	-	-	-	216,865
Capital grants and contributions	1,229,304	69,129	-	161,295	77,491	516,901	74,246	111,115	-	354,063
Total business-type activities program revenues	3,799,493	2,618,999	2,463,917	2,827,886	3,212,341	3,676,435	3,191,302	3,189,734	3,234,368	4,639,869
Total primary government program revenues	\$ 5,374,277	\$ 4,684,648	\$ 4,170,633	\$ 5,080,771	\$ 5,692,330	\$ 5,151,223	\$ 4,890,043	\$ 5,578,401	\$ 6,569,349	\$ 5,439,686
<b>Net (Expense)/Revenue</b>										
Governmental activities	\$ (2,280,409)	\$ (2,540,042)	\$ (2,167,961)	\$ (1,419,532)	\$ (1,553,388)	\$ (2,352,015)	\$ (2,482,217)	\$ (3,456,990)	\$ (3,099,545)	\$ (4,524,420)
Business-type activities	1,703,275	(231,576)	(211,863)	(146,899)	(396,781)	(473,060)	(210,340)	(204,811)	(390,584)	1,038,028
Total primary government net expense	\$ (577,134)	\$ (2,771,618)	\$ (2,379,824)	\$ (1,566,431)	\$ (1,950,169)	\$ (2,825,075)	\$ (2,692,557)	\$ (3,661,801)	\$ (3,490,129)	\$ (3,486,392)



**TOWN OF WALLACE, NORTH CAROLINA**  
Changes in Net Position (continued)

**Table 2**

*Last Ten Fiscal Years*  
(unaudited)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
<b>General Revenues and Other Changes in Net Position</b>										
Governmental activities:										
Taxes										
Property taxes	\$ 1,381,659	\$ 1,393,898	\$ 1,314,589	\$ 1,309,148	\$ 1,320,371	\$ 1,433,284	\$ 1,456,732	\$ 1,510,927	\$ 1,588,206	\$ 1,666,559
Sales taxes	675,949	708,421	762,931	788,324	851,678	951,426	964,228	1,085,089	1,106,286	1,247,246
Franchise taxes	417,870	431,932	335,449	321,940	467,658	352,265	339,274	329,240	456,614	406,709
Investment earnings	4,018	2,557	283	1,217	2,140	2,895	10,661	21,703	20,735	15,881
Miscellaneous	22,344	10	-	-	-	-	-	-	-	24,141
Transfers	-	-	-	-	-	-	-	-	200,645	156,163
Total governmental activities	2,501,840	2,536,818	2,413,252	2,420,629	2,641,847	2,739,870	2,770,895	2,946,959	3,372,486	3,516,699
Business-type activities:										
Investment earnings	20,981	15,304	6,115	4,976	4,654	1,663	12,908	19,813	19,257	16,370
Miscellaneous	-	-	-	20,555	-	2,571	156,826	-	33,675	-
Transfers	-	-	-	-	-	-	-	-	(200,645)	(156,163)
Total business-type activities	20,981	15,304	6,115	25,531	4,654	4,234	169,734	19,813	(147,713)	(139,793)
Total primary government	\$ 2,522,821	\$ 2,552,122	\$ 2,419,367	\$ 2,446,160	\$ 2,646,501	\$ 2,744,104	\$ 2,940,629	\$ 2,966,772	\$ 3,224,773	\$ 3,376,906
Changes in Net Assets:										
Governmental activities	\$ 221,431	\$ (3,224)	\$ 245,291	\$ 1,001,097	\$ 1,088,459	\$ 387,855	\$ 288,678	\$ (510,031)	\$ 272,941	\$ 406,127
Business-type activities	1,724,256	(216,272)	(205,748)	(121,368)	(392,127)	(468,826)	(40,606)	(184,998)	(538,297)	898,235
Prior period adjustments	-	-	-	(277,680)	-	-	-	(412,464)	-	-
Total primary gov't change in net position	\$ 1,945,687	\$ (219,496)	\$ 39,543	\$ 602,049	\$ 696,332	\$ (80,971)	\$ 248,072	\$ (1,107,493)	\$ (265,356)	\$ 1,304,362

**TOWN OF WALLACE, NORTH CAROLINA**  
General Governmental Revenues by Sources

**Table 3**

*Last Ten Fiscal Years*  
(unaudited)

<b>Fiscal Year</b>	<b>Property Taxes</b>	<b>Sales Tax</b>	<b>Intergovernmental</b>	<b>Permits and Licenses</b>	<b>(1) Sales and Services</b>	<b>Investment Earnings</b>	<b>Miscellaneous Revenue</b>	<b>Total</b>
2012	\$ 1,359,341	\$ 764,729	\$ 541,955	\$ 89,715	\$ 913,506	\$ 4,018	\$ 51,024	\$ 3,724,288
2013	1,363,500	822,422	1,310,034	91,767	905,447	2,557	76,332	4,572,059
2014	1,355,397	786,615	975,710	136,712	877,041	283	29,018	4,160,776
2015	1,328,949	730,999	1,495,478	169,678	953,464	1,217	10,480	4,690,265
2016	1,256,867	851,678	755,635	106,316	1,615,977	2,140	32,944	4,621,557
2017	1,382,291	951,426	541,461	92,404	1,154,108	2,895	6,281	4,130,866
2018	1,402,246	964,228	586,785	95,242	1,134,810	10,661	38,502	4,232,474
2019	1,562,438	1,085,089	487,742	108,440	1,245,861	21,703	48,748	4,560,021
2020	1,510,962	1,106,286	1,190,774	105,797	1,171,631	20,733	12,499	5,118,682
2021	1,739,002	1,247,246	761,203	8,852	772,503	15,881	32,456	4,577,143

(1) Airport fuel sales and stormwater fees were reported under sales and services through 2020

**TOWN OF WALLACE, NORTH CAROLINA**

## General Governmental Expenditures

*Last Ten Fiscal Years*

(unaudited)

**Table 4**

<u>Fiscal Year</u>	<u>General Government</u>	<u>Public Safety</u>	<u>Transportation</u>	<u>Environmental Protection</u>	<u>Cultural and Recreational</u>	(1) <u>Airport Commission</u>	<u>Debt Service</u>	<u>Total</u>
2012	\$ 719,487	\$ 1,104,629	\$ 460,726	\$ 430,881	\$ 610,000	\$ 263,738	\$ 235,332	\$ 3,824,793
2013	724,331	1,121,015	453,003	442,446	473,917	255,522	243,111	3,713,345
2014	689,517	1,235,490	381,445	463,887	654,072	612,099	185,424	4,221,934
2015	385,147	1,519,567	386,872	450,647	524,576	149,868	165,085	3,581,762
2016	522,566	1,405,380	500,646	422,668	519,074	257,141	602,883	4,230,358
2017	420,856	1,301,754	475,321	433,586	512,418	170,767	264,780	3,579,482
2018	472,234	1,408,271	485,770	397,543	541,063	262,039	283,315	3,850,235
2019	525,459	1,441,950	587,897	460,300	548,974	163,181	353,142	4,080,903
2020	753,592	1,737,549	529,148	555,430	540,268	180,704	256,061	4,552,752
2021	915,673	1,618,082	578,192	438,024	566,852	-	174,160	4,290,983

(1) Airport Commission reported separately beginning 2021  
Schedule does not include capital outlay

# TOWN OF WALLACE, NORTH CAROLINA

**Table 5**

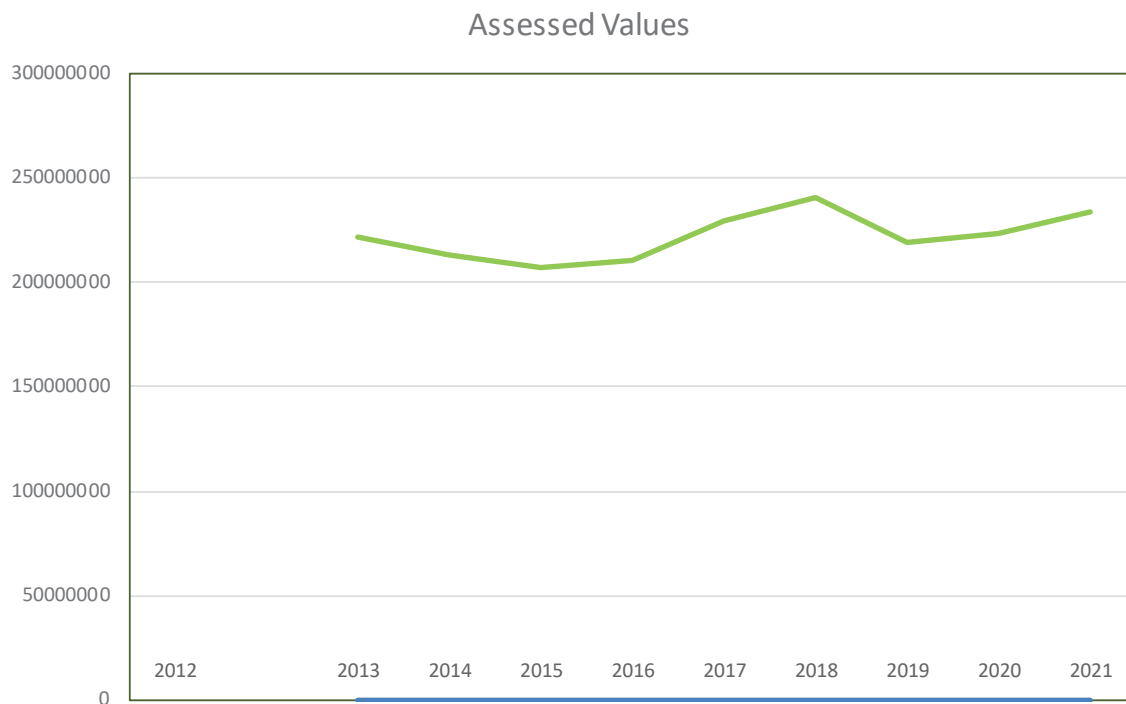
## Assessed Value and Estimated Actual Value of Taxable Property

*Last Ten Fiscal Years*  
(unaudited)

Fiscal Year Ending	Real Property Residential and Commercial Property	Personal Property Motor Vehicle and Other Personal Property	Total Taxable Assessed Value	(1) Total Direct Tax Rate	Estimated Actual Taxable/Market Value	(2) Assessed Value as a Percentage of Market Value
2012	233,400,357	15,823,214	249,225,583	0.56	249,225,583	100.00%
2013	221,498,929	29,066,071	250,567,013	0.56	250,567,013	100.00%
2014	212,788,571	21,057,321	233,847,907	0.56	233,847,907	100.00%
2015	206,949,153	14,940,000	221,891,168	0.59	221,891,168	100.00%
2016	210,894,915	16,017,119	226,914,050	0.59	226,914,050	100.00%
2017	229,075,085	17,553,390	246,630,492	0.59	246,630,492	100.00%
2018	240,462,742	16,389,194	256,853,953	0.62	256,853,953	100.00%
2019	219,356,935	18,416,935	237,775,890	0.62	237,775,890	100.00%
2020	223,011,290	19,876,774	242,890,085	0.62	242,890,085	100.00%
2021	233,572,581	27,977,258	261,549,839	0.62	261,549,839	100.00%

(1) Per \$100 Value

(2) Source: Duplin County Tax Assessor's Office



**TOWN OF WALLACE, NORTH CAROLINA**  
Direct and Overlapping Property Tax Rates

**Table 6**

*Last Ten Fiscal Years*  
(unaudited)

Fiscal Year Ending	Town Direct Rates				Fire District	Duplin County
	Basic Rate	Total Direct				
2012	\$ 0.56	\$ 0.56	\$ -	\$ 0.7100		
2013	0.56	0.56	-	0.7100		
2014	0.56	0.56	-	0.7200		
2015	0.59	0.59	-	0.7300		
2016	0.59	0.59	-	0.7300		
2017	0.59	0.59	-	0.7300		
2018	0.62	0.62	-	0.6950		
2019	0.62	0.62	-	0.7150		
2020	0.62	0.62	-	0.7350		
2021	0.62	0.62	0.0700	0.7350		

Note: Tax rates are based on \$100 per assessed valuation

Source: Finance Dept & Duplin County Tax Assessor

**TOWN OF WALLACE, NORTH CAROLINA**  
Principal Taxpayers

**Table 7**

*Last Ten Fiscal Years*  
(unaudited)

Taxpayer	Year Ended June 30 2021			Year Ended June 30 2012		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
WALMART REAL ESTATE BUSINESS TRUST	\$ 12,914,200	1	4.94%	\$ 12,512,600	1	5.72%
DUKE ENERGY PROGRESS	5,483,539	2	2.10%	4,123,692	2	1.89%
GRAHM LIMITED PARTNERSHIP	4,352,500	3	1.66%	4,345,700	4	1.99%
CROWN COURT, LLC	3,145,220	4	1.20%	2,777,690	6	1.27%
PIEDMONT NATURAL GAS	2,894,543	5	1.11%	4,378,614	3	2.00%
SMV WALLACE, LLC	2,882,320	6	1.10%	2,868,420	7	1.31%
FIRST BANK	2,159,900	7	0.83%			
BRYANT, JOSEPH D ETAL	2,102,600	8	0.80%			
EAST COAST REALTY INVESTMENT	2,037,850	9	0.78%			
MILLEDGE, LUCILLE DEMPSEY HRS	1,930,400	10	0.74%			
IRONSIDE INVESTMENT				3,601,388	5	1.65%
WALMART STORES EAST, LP				2,510,113	7	1.15%
VINCENT PROPERTIES INC				2,265,852	8	1.04%
CAROLINA TELEPHONE & TELEGRAPH				2,131,039	10	0.97%
<b>Totals</b>	<b>\$ 39,903,072</b>		<b>15.26%</b>	<b>\$ 41,515,107</b>		<b>18.99%</b>

Source: Finance Dept and Duplin County Tax Office

**TOWN OF WALLACE, NORTH CAROLINA**  
Property tax Levies and Collections

**Table 8**

*Last Ten Fiscal Years*  
(unaudited)

Fiscal Year Ending 30-Jun	Total Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Total Collections to Date	
		Amount	Percentage of Levy	Amount	Percentage of Levy
2012	\$ 1,395,652	\$ 1,290,164	92.44%	1,394,537	99.92%
2013	1,403,164	1,316,834	93.85%	1,402,561	99.96%
2014	1,309,537	1,247,558	95.27%	1,305,704	99.71%
2015	1,309,146	1,221,000	93.27%	1,305,419	99.72%
2016	1,338,781	1,244,607	92.97%	1,333,775	99.63%
2017	1,455,108	1,354,420	93.08%	1,443,018	99.17%
2018	1,490,869	1,384,175	92.84%	1,477,594	99.11%
2019	1,474,198	1,385,214	93.96%	1,453,438	98.59%
2020	1,505,906	1,389,029	92.24%	1,448,972	96.22%
2021	1,621,609	1,527,992	94.23%	1,527,992	94.23%

**TOWN OF WALLACE, NORTH CAROLINA**  
Legal Debt Margin Information

**Table 9**

*Last Ten Fiscal Years*  
(unaudited)

<u>Fiscal Year</u>	<u>Debt Limit</u>	<u>Less: Total Net Debt Applicable to Limit</u>	<u>Legal Debt Margin</u>	<u>Total Net Debt Applicable to the Limit as a Percentage of Debt Limit</u>
2012	\$ 18,675,678	\$ 9,723,154	\$ 8,952,524	52.06%
2013	18,478,497	9,541,721	8,936,776	51.64%
2014	17,246,578	8,942,887	8,303,691	51.85%
2015	17,105,498	8,907,009	8,198,489	52.07%
2016	17,883,580	7,911,983	9,971,597	44.24%
2017	19,649,580	7,238,969	12,410,611	36.84%
2018	20,265,140	6,570,781	13,694,359	32.42%
2019	20,350,542	5,829,391	14,521,151	28.64%
2020	20,657,974	5,690,539	14,967,435	27.55%
2021	20,923,987	5,451,253	15,472,734	26.05%

**Legal Debt Margin Calculation for Fiscal Year Ending 2021**

Assessed value	\$ 261,549,839
Debt limit (8% of assessed value)	20,923,987
Debt applicable to limit:	5,451,253
Legal debt margin	<u>\$ 15,472,734</u>

Note: Under state finance law, the Name of Government's outstanding general obligation debt should not exceed 8 percent of total assessed property value. By law, the general obligation debt subject to the limitation may be offset by amounts set aside for repaying general obligation bonds.



**TOWN OF WALLACE, NORTH CAROLINA**  
Demographic and Economic Statistics

**Table 10**

*Last Ten Fiscal Years*  
(unaudited)

	1	2	2	3
		Personal Income (thousands of dollars)	County Public School Enrollment	County Unemployment Rate
<u>Year</u>	<u>Population</u>			
2012	4,007	30,804	9,158	9.9%
2013	4,023	31,112	9,315	9.4%
2014	4,032	32,419	9,597	9.4%
2015	4,080	32,317	9,703	6.1%
2016	4,059	17,960	9,952	5.1%
2017	4,044	18,945	9,860	4.6%
2018	4,040	33,440	9,660	4.5%
2019	4,024	19,455	9,877	4.0%
2020	3,963	35,208	9,634	4.1%
2021	(4)	(4)	(4)	4.3%

1 North Carolina State Demographer

2 Duplin County

3 North Carolina Employment Security Commission

4 Information unavailable for this period

**TOWN OF WALLACE, NORTH CAROLINA**
**Table 11**

## Full-time Equivalent City Government Employees by Function/ Program

*Last Ten Fiscal Years*

(unaudited)

Function/Program	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
General government										
Administration	2	2	2	2	2	2	2	2	2	2
Finance	1	1	1	1	2	2	3	2	4	4
Tax Collector	1	1	1	1	1	1	1	1	1	-
Buildings	-	-	-	-	-	1	-	2	2	2
Public Safety										
Sworn Officers	10	9	11	16	16	12	13	16	15	14
Civilians	3	3	4	4	4	4	4	4	4	4
Planning & Zoning	1	1	1	1	1	-	1	1	1	2
Streets	5	5	5	6	6	7	7	6	6	7
Cultural and Recreation	3	3	3	3	3	2	3	3	3	4
Library	2	2	3	3	3	3	3	2	3	3
Water & Sewer										
Administration	2	2	2	2	2	2	2	2	2	2
Water	2	2	3	3	4	4	4	4	5	5
Collections	1	1	1	1	1	1	1	1	1	1
Wastewater Treatment Plant	4	4	5	6	6	5	6	5	4	6
Airport	1	1	1	1	1	1	1	1	1	1
Total	38	37	43	50	52	47	51	52	54	57

Source:

Town Finance Department as of 6/30/21

**TOWN OF WALLACE, NORTH CAROLINA**  
Capital Asset Statistics by Function/Program

**Table 12**

*Last Ten Fiscal Years*  
(unaudited)

Function/Program	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units	20	20	20	20	20	20	20	20	20	20
Fire Stations	1	1	1	1	1	1	1	1	1	1
Other public works										
Streets (miles)	22.91	22.91	22.91	22.91	22.91	22.91	22.91	22.91	22.99	22.99
Traffic signals	7	7	7	7	7	7	7	7	7	7
Parks and recreation										
Acreage	28	226	226	226	226	226	226	226	226	226
Playgrounds	1	1	1	1	1	1	1	1	1	1
Tennis courts	5	5	5	5	5	5	5	5	5	5
Baseball/softball diamonds	3	3	3	3	3	3	3	3	3	3
Soccer/football fields	1	1	1	1	1	1	1	1	1	1
Recreational centers	1	1	1	1	1	1	1	1	1	1
Water										
Water mains (miles)	60	60	60	60	60	60	60	60	60	61
Fire hydrants	300	300	300	300	300	300	300	300	300	300
Wastewater										
Sanitary sewers (miles)	40	40	40	40	40	40	40	40	40	44
Treatment capacity (MGD)	5.42	5.42	5.42	5.42	5.42	5.42	5.42	5.42	5.42	5.42

Sources: Town departments

**TOWN OF WALLACE, NORTH CAROLINA**  
Operating Indicators by Function/Program

**Table 13**

*Last Ten Fiscal Years*  
(unaudited)

Function/Program	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
General Government										
Zoning Compliance Issued	NA	NA	NA	NA	NA	NA	NA	35	62	75
Police										
Citations	429	416	514	1,488	45	231	305	832	728	346 <sup>1</sup>
Physical Arrests	78	83	67	98	487	41	61	166	81	78 <sup>1</sup>
Fire stations										
Emergency Responses	304	273	294	301	286	284	374	305	265	205 <sup>1</sup>
Other public works										
Streets Resurfaced (linear ft.)	NA	NA	NA	2,094	787	876	1,275	2,700	2,638	2,068
Parks and recreation										
Program Participants	NA	NA	455	526	592	542	552	564	328	541 <sup>2</sup>
Library										
Total Visitors	NA	34,451	34,079	30,712	29,040	34,054	24,520	24,123	24,961	6,988 <sup>2</sup>
New Library Patrons	NA	NA	NA	NA	NA	NA	NA	NA	NA	555 <sup>2</sup>
Book Checkouts	NA	47,139	50,858	40,712	39,040	39,054	44,348	42,132	41,584	28,446 <sup>2</sup>
Internet Patrons	NA	13,443	13,084	12,902	12,641	11,355	10,827	7,158	6,829	1,728 <sup>2</sup>
Billing and Collections										
New Account Connections	NA	239	188	220	256	203	221	259	237	223
Water/Sewer Operations										
Customers	1,824	1,884	1,894	1,901	1,985	1,926	1,959	1,946	1,967	1,990
Water Consumption	NA	190,865,475	198,516,402	183,214,547	174,963,434	192,366,469	167,011,882	178,832,126	183,159,199	241,995,543
Wastewater Treatment Plant										
Gallons Treated - millions	NA	NA	NA	516.14	456.08	432.05	524.02	593.37	544.04	587.78
Airport										
Gallons Fuel Sold annually	8,004	NA	NA	NA	NA	NA	32,378	23,869	20,851	26,430

Sources: Town departments

1 - Data is collected on a calendar year. Current year data is first six months

2 - Participation in recreational activities and visitors to the library were significantly effected due to the Covid-19 pandemic



## SINGLE AUDIT AND COMPLIANCE SECTION





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Wilmington, North Carolina 28403  
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Fax (910) 239-8294

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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, 2021, 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 November 16, 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) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 material weaknesses. However, material weaknesses may exist that have not been identified.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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*.

#### 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*

*November 16, 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, North Carolina, 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, 2021. 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, 2021.

## 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 Town 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

November 16, 2021

Town of Wallace, North Carolina  
Schedule of Findings and Questioned Costs  
For the Fiscal Year Ended June 30, 2021

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**Section I.            Summary of Auditor's Results**

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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    Xno

• Significant Deficiency(s) identified?                \_\_\_yes    Xno

Noncompliance material to financial  
statements noted?    \_\_\_yes    Xno

Federal Awards

Internal control over major State programs:

• Material weakness(es) identified?                    \_\_\_yes    Xno

• Significant Deficiency(s) identified                    \_\_\_yes    Xnone reported

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

Any audit findings disclosed that are required  
to be reported in accordance with the Federal  
Single Audit Implementation Act                                \_\_\_yes    Xno

Identification of major federal programs:

CFDA No(s).                    Names of Federal

14.228                                Community Development Block Grant

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

Auditee qualified as low-risk auditee?                                \_\_\_yes    Xno

Town of Wallace, North Carolina  
Schedule of Findings and Questioned Costs  
For the Fiscal Year Ended June 30, 2021

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**Section II – Financial Statement Findings**

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None.

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**Section III – Federal Award Findings and Questioned Costs**

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None.

Town of Wallace, North Carolina  
Summary Schedule of Prior Audit Findings  
For the Fiscal Year Ended June 30, 2021

Finding: 2020-001  
Status: Corrected.



**TOWN OF WALLACE, NORTH CAROLINA**
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**

YEAR ENDED JUNE 2021

<b>Grantor/Pass Through Grantor/Program Title</b>	<b>Federal CFDA Number</b>	<b>State/Pass-through Grantor's Number</b>	<b>Federal (Direct and Pass Through) Expenditures</b>	<b>State Expenditures</b>	<b>Passed-Through to Subrecipients</b>
<b>FEDERAL GRANTS</b>					
<b>Cash Programs</b>					
US Department of Housing and Urban Development Passed-through the NC Department of Commerce Community Development Block Grant - State's Program	14.228	FEMA-4393-DR-NC	382,007	-	-
US Department of Transportation Passed-through the N. C. Department of Transportation Airport Improvement Program	20.106	36237.56.14.2	3,337	-	-
Airport Improvement Program	20.106	36237.56.14.3	30,000	-	-
Airport Improvement Program	20.106	36237.56.14.4	216,008	-	-
US Department of Homeland Security Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA 4285-DR-NC	288,408	-	-
<b>Total Assistance - Federal Programs</b>			<u>919,760</u>	<u>-</u>	<u>-</u>
<b>STATE GRANTS</b>					
<b>Cash Programs</b>					
NC Department of Environmental Quality Division of Water Quality Connect NC Bond		H-SRP-18-0173	-	203,529	-
NC Department of Public Safety NC Governor's Crime Commission Grant			-	57,652	-
NC Department of Transportation Rail Corridor Mowing and Cleanup			-	1,875	-
Powell Bill		DOT-4	-	115,570	-
Airport Improvement Program		DOT-8	-	39,754	-
<b>Total Assistance - State Programs</b>			<u>-</u>	<u>418,380</u>	<u>-</u>
<b>Total Federal and State Assistance</b>			<u>\$ 919,760</u>	<u>\$ 418,380</u>	<u>\$ -</u>

## **TOWN OF WALLACE, NORTH CAROLINA**

### **Schedule of Expenditures of Federal and State Awards**

*FOR THE YEAR ENDED JUNE 30, 2021*

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#### **Note 1: Basis of Presentation**

The accompanying schedule of expenditures of federal and State awards (SEFA) 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, 2021. The information in this SEFA 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, it is not intended to, and does not, present the financial position, changes in net position, or cash flows of the Town.

#### **Note 2: Summary of Significant Accounting Policies**

Expenditures reported in the SEFA 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 has elected not to use the 10- percent de minimis indirect cost rate as allowed under the Uniform Guidance.

#### **Note 4: Loan/loan guarantee outstanding balances**

Balances outstanding at June 30, 2021 for North Carolina DEQ was \$176,393.