

FISCAL YEAR ENDING JUNE 30, 2022

2022

ANNUAL COMPREHENSIVE FINANCIAL REPORT

TOWN OF WALLACE - NORTH CAROLINA





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Town of Wallace, North Carolina

Annual Comprehensive

Financial Report

For the Year Ended June 30, 2022

Prepared by the Finance Department

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INTRODUCTORY SECTION



December 31, 2022

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, 2022.

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 2022 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 3,883. 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 30th 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. The unemployment rate is a low 4.1% as of June 2022, 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 36th best course in North Carolina and The River course is ranked 21st in the state and 59th 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 and is scheduled to open in the fall of 2022. Additional residential neighborhoods are in the planning stages or have been approved that will provide over 500 homes to the Town. The Town continues to expand its water and sewer systems in the area to meet anticipated demand.

Recreational and Cultural Events

Festival

After a two-year hiatus due to Covid, the Carolina Strawberry Festival returned April 30 – May 1 to a large crowd. The festival celebrates the Town's rich agricultural history and its place in history as one of the largest strawberry markets in the country. Plans are already under way to make this year's festival bigger and better.



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 20th 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



Farrior Park at Boney Mill– 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 2021, the Town was awarded a second PARTF grant to begin the second phase of the project. A children's walking trail opened July 2022. Additional work is currently under way.

Grist Mill

The Town has received a Historic Preservation Grant through North Carolina Department of Natural and Cultural Resources to preserve the Grist Mill located at Boney Mill. The origins of the mill date back to before the Town was founded. The existing structure was rebuilt after Union troops burned the original structure during the Civil War.

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.

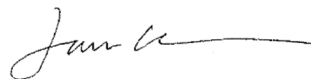
Sewer Collection System Expansion – The Town has multiple projects ongoing to expand and maintain its sewer collection system and maximize its wastewater treatment plant. Expansion projects include a 9-mile line extension from Rose Hill North Carolina to the Town's treatment plant which will service 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,



Larry Bergman
Town Manager



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.



JASON WELLS
MAYOR



WANETTA CARLTON
MAYOR PRO-TEM



FRANK BRINKLEY
COUNCIL MEMBER



JEFF CARTER
COUNCIL MEMBER



FRANCISCO RIVAS-DIAZ
COUNCIL MEMBER



JASON DAVIS
COUNCIL MEMBER

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

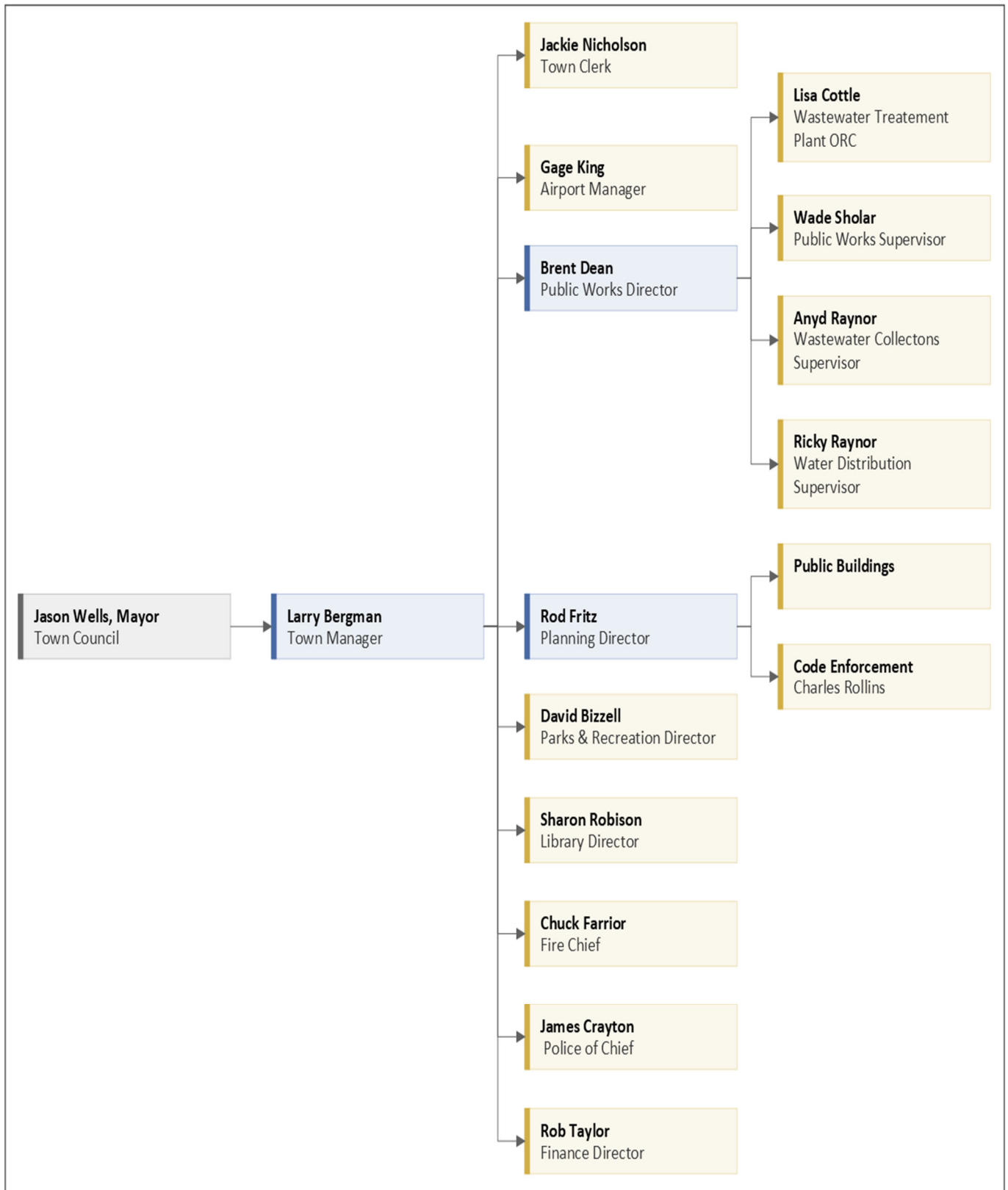
Recreation Advisory Board
Jeff Hargrove, Chairperson

Library Advisory Board
Mills Bryant, Chairperson

Woman's Club Advisory Board

Airport Commission
Larry Debose, Chairperson

ORGANIZATIONAL CHART





FINANCIAL SECTION



Thompson, Price, Scott, Adams & Co., P.A.
4024 Oleander Drive Suite 103
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 Audit of Financial Statements

Opinions

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, North Carolina as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Town of Wallace's basic financial statements as listed in the table of contents.

In our opinion, based upon our audit, the accompanying 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 aggregate remaining fund information of Town of Wallace as of June 30, 2022, and the respective changes in financial position and cash flows, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town of Wallace and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions. The financial statements of Town of Wallace ABC Board were not audited in accordance with *Governmental Auditing Standards*.

Responsibilities of Management for the Audit of 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; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raises substantial doubt about the Town of Wallace's ability to continue as a going concern for the twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Governmental Auditing Standards* will always detect material statement when it exists.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Governmental Auditing Standards* we

- exercised professional judgement and maintained professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsible to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit 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 Town of Wallace's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Wallace's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Local Government Employees' Retirement System Schedules of the Town's Proportionate Share of Net Pension Liability and Town Contributions, 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 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 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. The combining and individual fund financial statements, budgetary schedules, other schedules, and component unit schedule 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 financial statements, budgetary schedules, other schedules component unit schedules, and the schedule of expenditures of federal and state awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory information and the statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists; we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2022, on our consideration of the Town of Wallace's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Town of Wallace's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Wallace's internal control over financial reporting and compliance.

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

Wilmington, North Carolina

December 30, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

TOWN OF WALLACE, NORTH CAROLINA

Management's Discussion and Analysis

June 30, 2022

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, 2022. 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 \$25,863,530 (*net position*).
- The government's total net position increased by \$1,966,928. An increase in the governmental activities amounts to \$527,790 while business type activities increased by \$1,439,138. The increases were primarily due to increased grant revenues, particularly from the American Rescue Plan Act in the governmental funds and grants received in the airport enterprise fund.
- At the close of the current fiscal year, the Town of Wallace's governmental funds reported combined ending fund balances of \$3,066,193 an increase of \$332,247 in comparison with the prior year. Approximately 45.22% of this total amount or \$1,386,566 is non spendable, restricted, committed, and assigned.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1,679,267 or 35.39% of total general fund expenditures, for the fiscal year.
- At June 30, 2022, the Town of Wallace's total debt increased by 7.49% to \$5,859,309.

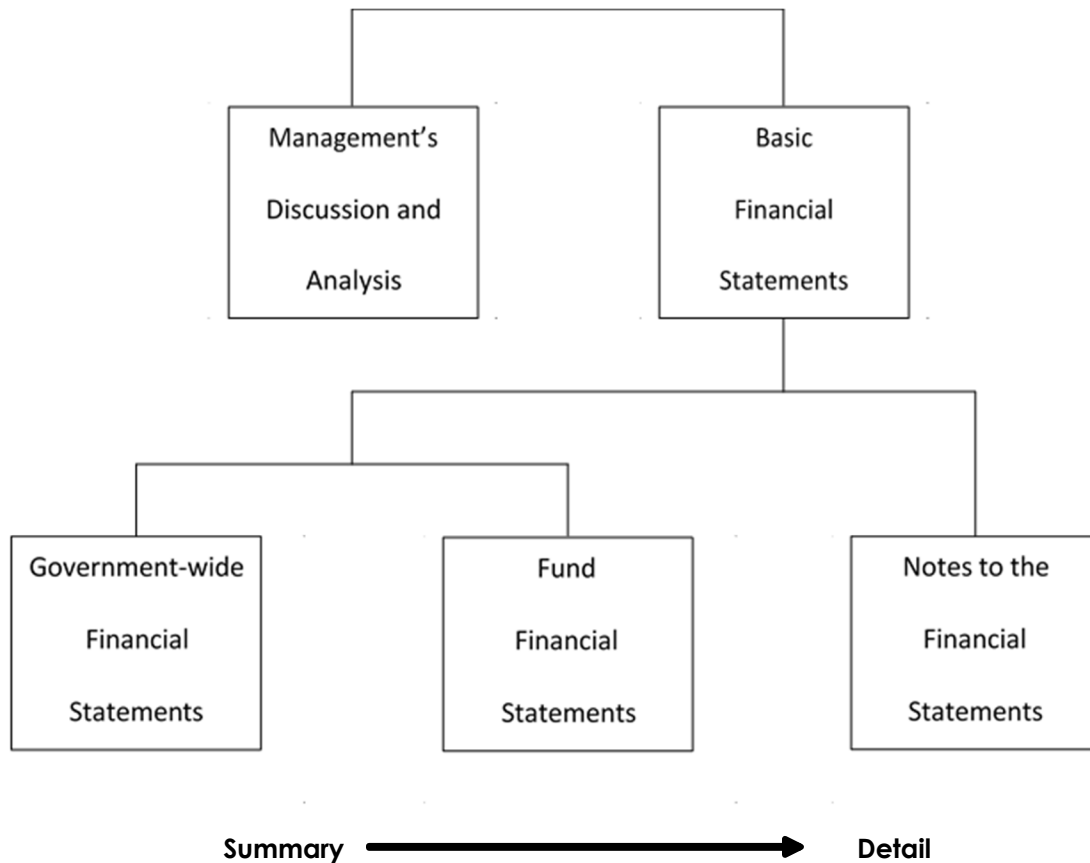
Overview of the Financial Statements

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, 2022

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, 2022

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.

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

TOWN OF WALLACE, NORTH CAROLINA

Management's Discussion and Analysis

June 30, 2022

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

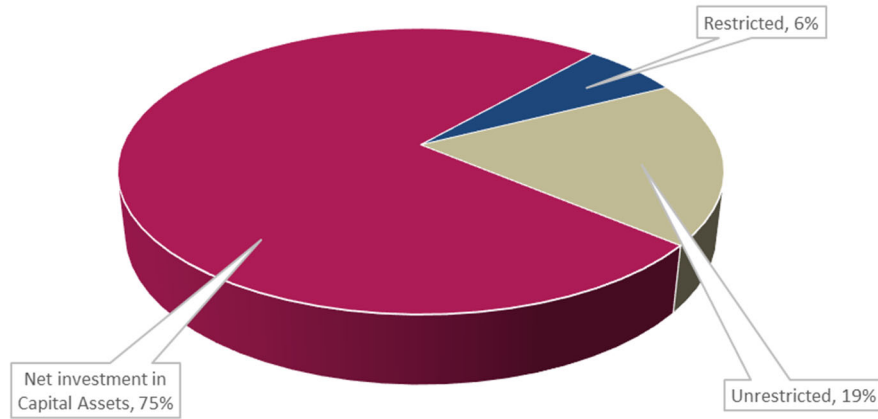
The following is a summary of net position as of June 30, 2022(as shown in Exhibit A) with comparative data for June 30, 2021.

	Governmental Activities	Governmental Activities	Business Type Activities	Business Type Activities	Total Primary Government	Total Primary Government
	2022	2021	2022	2021	2022	2021
Assets						
Current and other assets	\$ 3,391,767	\$ 3,068,466	\$ 4,240,005	4,639,724	\$ 7,631,772	\$ 7,708,190
Capital assets	5,049,564	4,341,478	20,295,152	18,502,509	25,344,716	22,843,987
Total assets	8,441,331	7,409,944	24,535,157	23,142,233	32,976,488	30,552,177
Deferred outflows of resources	706,914	623,101	258,169	218,928	965,083	842,029
Liabilities						
Accounts payable and accrued liabilities	423,772	1,491,399	519,203	517,229	942,975	2,008,628
Total long-term liabilities	1,766,760	736,830	4,423,124	4,632,077	6,189,884	5,368,907
Total liabilities	2,190,532	2,228,229	4,942,327	5,149,306	7,132,859	7,377,535
Deferred inflows of resources	713,958	88,851	231,224	31,218	945,182	120,069
Net position						
Net investment in capital assets	3,843,899	3,604,648	15,641,508	13,788,086	19,485,407	17,392,734
Restricted	1,308,571	836,445	278,333	222,268	1,586,904	1,058,713
Unrestricted	1,091,285	1,274,872	3,699,934	4,170,283	4,791,219	5,445,155
Total net position	\$ 6,243,755	\$ 5,715,965	\$ 19,619,775	\$ 18,180,637	\$ 25,863,530	\$ 23,896,602

TOWN OF WALLACE, NORTH CAROLINA
 Management's Discussion and Analysis

June 30, 2022

Total Net Position by Type

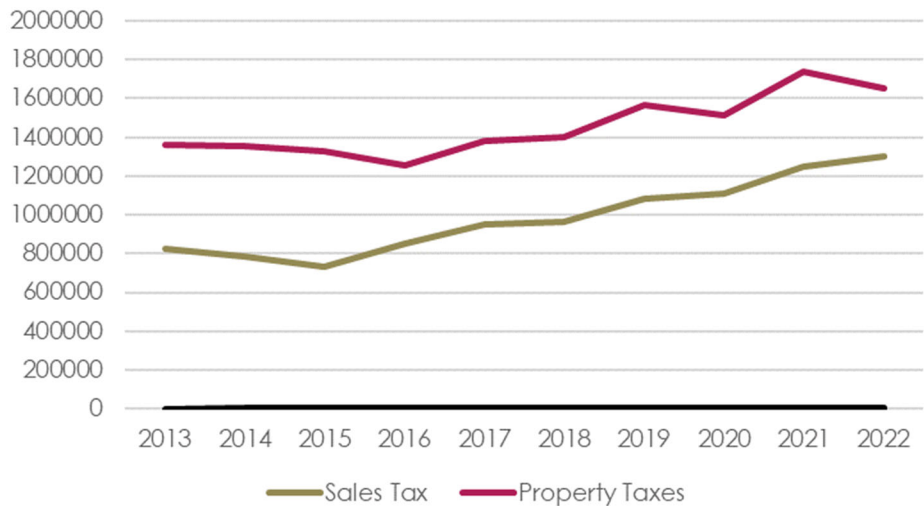


As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The Town's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$25,863,530 as of June 30, 2022. The Town's net position increased by \$1,966,928 during fiscal year ended June 30, 2022. One of the largest portions \$19,485,407 (75%) 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 \$1,587,013 (6%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$4,791,110 is unrestricted.

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

- Overall property tax collection rate increased from 94.29% to 96.52%
- Property tax base decreased by 2.5%
- State sales tax distributions increased by \$51,770 or 4%
- Governmental expenditures increased 18.77%, excluding capital outlay
- Water and Sewer revenues decreased by 10.9%
- Investment earnings decreased by 44%

Property and Sales Tax Revenues



TOWN OF WALLACE, NORTH CAROLINA
Management's Discussion and Analysis

June 30, 2022

Town of Wallace's Changes in net position

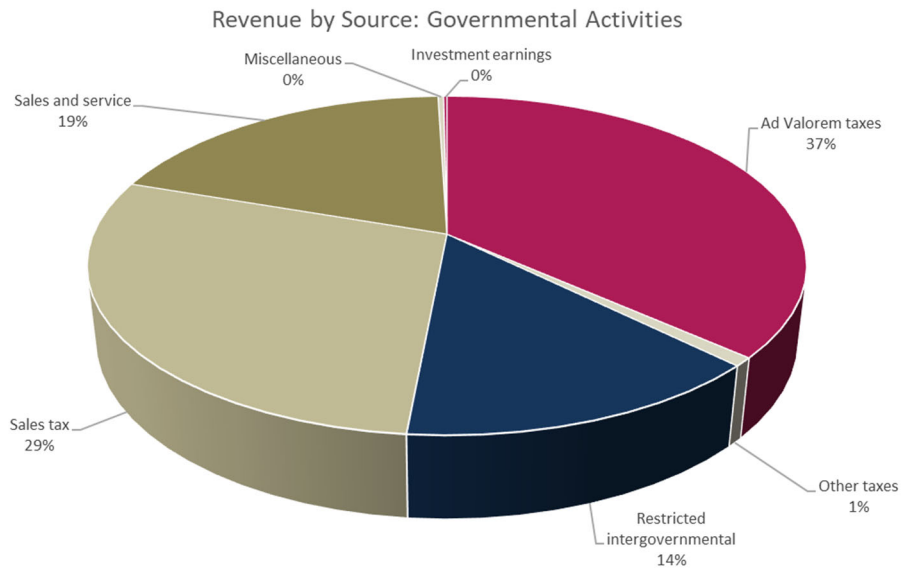
	Governmental Activities	Governmental Activities	Business Type Activities	Business Type Activities	Total Primary Government	Total Primary Government
	2022	2021	2022	2021	2022	2021
Revenues						
Program Revenues						
Charges for services	\$ 904,311	\$ 799,817	\$ 3,807,904	\$ 4,285,806	\$ 4,712,215	\$ 5,085,623
Operating grants and contributions	222,109	1,436,735	13,000	354,063	235,109	1,790,798
Capital grants and contributions	1,330,439	-	1,271,638	-	2,602,077	-
General revenues					-	-
Property taxes	1,650,098	1,666,559	-	-	1,650,098	1,666,559
Other taxes	1,715,178	1,653,955	-	-	1,715,178	-
Other	115,831	40,022	9,841	16,370	125,672	56,392
Total Revenues	5,937,966	5,597,088	5,102,383	4,656,239	11,040,349	8,599,372
Expenses						
General government	973,479	934,733	-	-	973,479	934,733
Public safety	1,645,589	1,829,536	-	-	1,645,589	1,829,536
Transportation	554,766	746,960	-	-	554,766	746,960
Environmental protection	495,501	1,049,697	-	-	495,501	1,049,697
Cultural, and recreational	778,584	709,071	-	-	778,584	709,071
Economic development	1,143,068	50,007	-	-	1,143,068	50,007
Interest on debt	28,799	27,120	-	-	28,799	27,120
Water and Sewer	-	-	2,872,567	3,113,553	2,872,567	3,113,553
Stormwater	-	-	124,571	126,807	124,571	126,807
Airport Commission	-	-	456,497	361,481	456,497	361,481
Total Expenses	5,619,786	5,347,124	3,453,635	3,601,841	9,073,421	8,948,965
Increase (decrease) in net position before transfers	318,180	249,964	1,648,748	1,054,398	1,966,928	(349,593)
Transfers	209,610	156,163	(209,610)	(156,163)	-	-
Increase (decrease) in net position	527,790	406,127	1,439,138	898,235	1,966,928	(349,593)
Net Position, beginning	5,715,965	5,309,838	18,180,637	17,282,402	23,896,602	24,246,195
Net Position, ending	\$ 6,243,755	\$ 5,715,965	\$ 19,619,775	\$ 18,180,637	\$ 25,863,530	\$ 23,896,602

TOWN OF WALLACE, NORTH CAROLINA
 Management's Discussion and Analysis

June 30, 2022

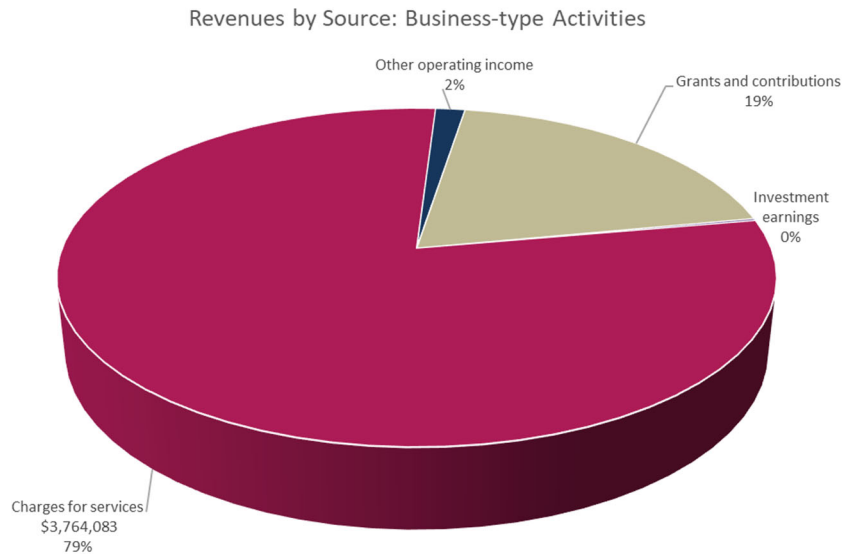
Governmental Activities – Governmental activities increased the Town's net position by \$527,790. Key elements of this increase are as follows:

- 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 \$1,439,138. 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, 2022

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 \$1,679,627 while the total fund balance was \$2,981,846. The governing body of the Town of Wallace has determined that the Town should maintain an available fund balance of 25% 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 35.39%, while the total fund balance represents 62.82% of the same amount.

At June 30, 2022, the governmental funds of the Town of Wallace reported a combined governmental fund balance of \$3,066,193. 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 \$111,468.

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 \$3,522,124, \$75,713 in the Stormwater Fund and \$102,097 in the Airport Commission Fund. The total change in unrestricted net position were decrease in the Water and Sewer and Stormwater Funds of \$431,152 and \$45,399 respectively and an increase of \$6,202 in the Airport Fund. The overall decreases were due to expenditures on capital projects while the increase in the Airport Fund was due to contributed capital.

Capital Assets – The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2022, totals \$25,344,716 (net of accumulated depreciation). These assets include land, construction in process, buildings, machinery, vehicles, and equipment.

	Governmental Activities		Business Type Activities		Total Primary Government	
	2022	2021	2022	2021	2022	2021
Land	\$ 1,235,724	\$ 1,235,724	\$ 536,421	\$ 323,169	\$ 1,772,145	\$ 1,558,893
Buildings & Systems	2,131,416	2,286,809	16,850,421	17,195,865	18,981,837	19,482,674
Equipment	150,922	177,289	395,693	329,979	546,615	507,268
Vehicles	1,531,502	641,656	228,678	90,978	1,760,180	732,634
Construction in Process	-	-	2,283,939	562,518	2,283,939	562,518
Total Capital assets, net	<u>\$ 5,049,564</u>	<u>\$ 4,341,478</u>	<u>\$ 20,295,152</u>	<u>\$ 18,502,509</u>	<u>\$ 25,344,716</u>	<u>\$ 22,843,987</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, 2022

Long-term Debt – As of June 30, 2022, the Town had total debt outstanding of \$5,859,309. 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.

	<u>Governmental</u> <u>Activities</u>	<u>Governmental</u> <u>Activities</u>	<u>Business</u> <u>Type</u> <u>Activities</u>	<u>Business</u> <u>Type</u> <u>Activities</u>	<u>Total</u> <u>Primary</u> <u>Government</u>	<u>Total</u> <u>Primary</u> <u>Government</u>
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Notes Payable	-	-	3,881,407	3,861,481	3,881,407	3,861,481
Installment purchase	1,205,665	736,830	772,237	852,942	1,977,902	1,589,772
Total Debt	<u>\$ 1,205,665</u>	<u>\$ 736,830</u>	<u>\$ 4,653,644</u>	<u>\$ 4,714,423</u>	<u>\$ 5,859,309</u>	<u>\$ 5,451,253</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, 2022, was 4.1 percent. This was a slight decrease over last year's rate
- Inflation continues to create challenges especially in budgeting fuel and supplies and borrowing rates.
- Wallace is located thirty minutes north of the Wilmington metropolitan and an 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, 2023

Governmental Activities: Ad valorem taxes and sales tax revenues represent the largest portion of revenue sources for governmental activities. The Town successfully contracted out its tax collection to the County in FY21-22, increasing its collection rate to over 96%. The Town received its first tranche from the American Rescue Plan Act last year totaling \$615,564. A second tranche of equal amount will be distributed in FY22/23. These funds were not considered when preparing the Town's 2022-2023 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 \$5,105,013.

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 \$1,781,000 is based on a prior year collection rate of 94.23% and is 1.99% less than the previous year's budget.
- Sales tax revenue is anticipated to be \$1,422,673.
- Multiple capital projects are ongoing or planned. The Town has budgeted \$215,500 in capital outlay in the FY22-23 budget. Project ordinances are used for the various other projects based on funding sources.
- The Town expects to spend approximately \$85,000 on street paving and resurfacing.

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

TOWN OF WALLACE, NORTH CAROLINA

Management's Discussion and Analysis

June 30, 2022

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 utility rates were increased by 5%
- Water and sewer revenue is budgeted at \$3,950,000, a 7.03% increase over FY21-22.
- Stormwater fees are budgeted to remain unchanged from \$190,000
- Airport revenues are budgeted to decrease to \$138,500 mainly due to reduced rental income
- Major capital expenditures planned in the business-type activities include AMI water meters throughout the Town's water system, various wastewater treatment plant equipment and upgrades.
- Debt service is budgeted at \$850,800, 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 or send an email to mail@wallacenc.gov for more information.

FINANCIAL STATEMENTS

TOWN OF WALLACE, NORTH CAROLINA
Statement of Net Position

Exhibit A

June 30, 2022

	Governmental Activities	Business Type Activities	Total Primary Government	Component Unit ABC Board
Assets				
Cash and investments	\$ 2,295,139	\$ 3,436,859	\$ 5,731,998	\$ 302,471
Restricted cash and investments	17,044	-	17,044	-
Taxes receivable, net	133,223	-	133,223	-
Accrued interest on leases	109	-	109	-
Accounts receivable, net	166,894	727,114	894,008	-
Internal balances	(9,578)	9,578	-	-
Due from other governments	743,840	-	743,840	-
Prepaid expenses	-	-	-	2,154
Inventories	-	66,454	66,454	310,664
Leases receivable	15,660	-	15,660	-
Total current assets	<u>3,362,331</u>	<u>4,240,005</u>	<u>7,602,336</u>	<u>615,289</u>
Noncurrent assets				
Lease receivable, non-current	29,436	-	29,436	-
Capital assets:				
Land, non-depreciable improvements	1,235,724	2,820,360	4,056,084	316,302
Other capital assets, net of depreciation	3,813,840	17,474,792	21,288,632	1,393,394
Total capital assets	<u>5,049,564</u>	<u>20,295,152</u>	<u>25,344,716</u>	<u>1,709,696</u>
Total non-current assets	<u>5,079,000</u>	<u>20,295,152</u>	<u>25,374,152</u>	<u>1,709,696</u>
Total Assets	<u>8,441,331</u>	<u>24,535,157</u>	<u>32,976,488</u>	<u>2,324,985</u>
Deferred outflows of resources				
Pension deferrals-LGERS/LEOSSA	706,914	258,169	965,083	35,237
	<u>706,914</u>	<u>258,169</u>	<u>965,083</u>	<u>35,237</u>
Liabilities				
Accounts payable	147,256	84,448	231,704	132,974
Accrued interest payable	19,695	14,256	33,951	2,929
Due within one year				
Compensated absences	78,501	4,244	82,745	-
Notes payable	178,320	416,255	594,575	74,390
Due in more than a year				
Compensated absences	57,659	40,069	97,728	4,418
Pension Liability - LGERS	406,735	145,666	552,401	13,496
Pension Liability - LEOSSA	275,021	-	275,021	-
Notes payable	1,027,345	4,237,389	5,264,734	1,083,210
Total Liabilities	<u>2,190,532</u>	<u>4,942,327</u>	<u>7,132,859</u>	<u>1,311,417</u>
Deferred inflows of resources				
Leases	45,205	-	45,205	-
Pension deferrals-LGERS/LEOSSA	668,753	231,224	899,977	24,973
	<u>713,958</u>	<u>231,224</u>	<u>945,182</u>	<u>24,973</u>
Net position				
Net investment in capital assets	3,843,899	15,641,508	19,485,407	552,096
Restricted for:				
Capital Reserve	-	229,089	229,089	5,000
Debt Reserve	29,203	49,244	78,447	-
Stabilization by State Statue	1,187,232	-	1,187,232	-
Streets	17,044	-	17,044	-
Working capital	-	-	-	79,050
Public safety	30,026	-	30,026	-
Economic and physical development	45,175	-	45,175	-
Unrestricted	1,091,176	3,699,934	4,791,110	387,686
Total net position	<u>\$ 6,243,755</u>	<u>\$ 19,619,775</u>	<u>\$ 25,863,530</u>	<u>\$ 1,023,832</u>

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, 2022

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Unit ABC Board
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	
					Governmental Activities	Business-type Activities		
Governmental activities:								
General government	\$ 973,479	\$ -	\$ -	\$ -	\$ (973,479)	\$ -	\$ (973,479)	
Public safety	1,645,589	2,551	30,860	616,586	(995,592)	-	(995,592)	
Transportation	554,766	-	113,124	-	(441,642)	-	(441,642)	
Environmental protection	495,501	669,302	-	-	173,801	-	173,801	
Economic and phys. development	1,143,068	34,175	78,125	713,853	(316,915)	-	(316,915)	
Cultural and recreational	778,584	198,283	-	-	(580,301)	-	(580,301)	
Interest on long-term debt	28,799	-	-	-	(28,799)	-	(28,799)	
Total governmental activities	5,619,786	904,311	222,109	1,330,439	(3,162,927)	-	(3,162,927)	
Business-type activities:								
Water & Sewer	2,872,567	3,449,870	-	324,173	-	901,476	901,476	
Stormwater	124,571	178,087	-	17,577	-	71,093	71,093	
Airport Commission	456,497	179,947	13,000	929,888	-	666,338	666,338	
Total business-type activities	3,453,635	3,807,904	13,000	1,271,638	-	1,638,907	1,638,907	
Total primary government	\$ 9,073,421	\$ 4,712,215	\$ 235,109	\$ 2,602,077	(3,162,927)	1,638,907	(1,524,020)	
Component unit:								
ABC Board	\$ 2,358,437	\$ 2,664,894	\$ -	\$ -				\$ 306,457
Total component unit:	\$ 2,358,437	\$ 2,664,894	\$ -	\$ -				306,457
General revenues:								
Taxes:								
Property taxes, levied for general purpose					1,650,098	-	1,650,098	-
Local option sales tax					1,299,016	-	1,299,016	-
Other taxes					416,162	-	416,162	-
Unrestricted investment earnings					10,609	9,841	20,450	78
Miscellaneous					105,222	-	105,222	-
Transfers					209,610	(209,610)	-	-
Total general revenues and transfers					3,690,717	(199,769)	3,490,948	78
Change in net position					527,790	1,439,138	1,966,928	306,535
Net position - beginning					5,715,965	18,180,637	23,896,602	717,297
Net position - ending					\$ 6,243,755	\$ 19,619,775	\$ 25,863,530	\$ 1,023,832

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, 2022

	General	Major Grant Fund	Non-Major Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 2,182,387	\$ -	\$ 112,752	\$ 2,295,139
Restricted cash and cash equivalents	17,044	-	-	17,044
Receivables, net				
Taxes	133,223	-	-	133,223
Accounts	125,381	-	41,513	166,894
Interest	109	-	-	109
Due from other funds	263,979	-	-	263,979
Due from other governments	539,267	204,573	-	743,840
Lease receivable	45,096	-	-	45,096
Total assets	\$ 3,306,486	\$ 204,573	\$ 154,265	\$ 3,665,324
Liabilities:				
Accounts payable and accrued liabilities	\$ 146,321	\$ -	\$ 935	\$ 147,256
Due to other funds	-	204,573	68,983	273,556
Total liabilities	146,321	204,573	69,918	420,812
Deferred inflows of resources	178,319	-	-	178,319
Fund balances:				
Nonspendable				
Leases	109	-	-	109
Restricted:				
Stabilization by State Statue	1,145,610	-	41,513	1,187,123
USDA Reserve	29,203	-	-	29,203
Streets	17,044	-	-	17,044
Public safety	27,367	-	2,659	30,026
Committed:				
Committed for economic development	5,000	-	40,175	45,175
Committed for sidewalks	7,070	-	-	7,070
Assigned:				
Assigned: public safety building	70,816	-	-	70,816
Unassigned	1,679,627	-	-	1,679,627
Total fund balances	2,981,846	-	84,347	3,066,193
Total liabilities, deferred inflows of resources and fund balances	\$ 3,306,486	\$ 204,573	\$ 154,265	\$ 3,665,324

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, 2022

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

Fund balance - Total governmental funds		\$ 3,066,193
Capital assets are not financial resources, and therefore, are not reported in the funds (see note 4).		5,049,564
Long-term liabilities	(1,205,665)	
Compensated absences	(136,161)	
Pension liability - LGERS	(406,735)	
Pension liability - LEOSSA	<u>(275,021)</u>	
		(2,023,582)
Liabilities considered deferred inflows of resources in fund statements		178,319
Deferred outflows of resources related to pensions are not reported in the funds		706,914
Earned revenues considered deferred inflows of resources in fund statements LGERS, LEOSSA & Leases		(713,958)
Accrued interest payable		(19,695)
Net position of governmental activities		<u><u>\$ 6,243,755</u></u>

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, 2022

	<u>General</u>	<u>Major Grant Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues				
Ad Valorem taxes	\$ 1,650,098	\$ -	\$ -	\$ 1,650,098
Other taxes	1,299,016	-	-	1,299,016
Unrestricted intergovernmental	416,162	-	-	416,162
Restricted intergovernmental	222,109	651,615	678,824	1,552,548
Permits and fees	36,726	-	-	36,726
Sales and services	867,585	-	-	867,585
Investment earnings	10,609	-	-	10,609
Miscellaneous	13,574	-	-	13,574
Total revenues	<u>4,515,879</u>	<u>651,615</u>	<u>678,824</u>	<u>5,846,318</u>
Expenditures				
Current:				
General government	978,283	-	-	978,283
Public safety	1,723,376	-	-	1,723,376
Transportation	596,259	-	-	596,259
Environmental protection	460,795	36,051	-	496,846
Economic and physical development	-	-	1,143,068	1,143,068
Cultural and recreational	666,029	-	139,873	805,902
Debt service:				
Principal	154,684	-	65,071	219,755
Interest	22,747	-	1,386	24,133
Capital outlay	144,306	-	-	144,306
Total expenditures	<u>4,746,479</u>	<u>36,051</u>	<u>1,349,398</u>	<u>6,131,928</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(230,600)</u>	<u>615,564</u>	<u>(670,574)</u>	<u>(285,610)</u>
Other financing sources (uses)				
Transfers from other funds	753,755	(615,564)	70,000	208,191
Transfers to other funds	(111,082)	-	(57,900)	(168,982)
Sale of capital assets	84,798	-	-	84,798
Insurance proceeds	6,850	-	-	6,850
Issuance of debt	-	-	487,000	487,000
Total other financing sources (uses)	<u>734,321</u>	<u>(615,564)</u>	<u>499,100</u>	<u>617,857</u>
Net change in fund balances	503,721	-	(171,474)	332,247
Fund balance - beginning	2,478,125	-	255,821	2,733,946
Fund balance - ending	<u>\$ 2,981,846</u>	<u>\$ -</u>	<u>\$ 84,347</u>	<u>\$ 3,066,193</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, 2022

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

Net change in fund balances - total governmental funds \$ 332,247

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	\$	1,247,892	
Depreciation		(512,315)	
Sale of Capital Assets		84,798	
Net Transfer of Capital Assets		(20,875)	
			799,500

Contributions to the pension plan in the current fiscal year are not included in the Statement of Activities 224,001

Benefit payments paid and administrative expense for the LEOSSA are not included on the Statement of Activities 12,627

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		(688,591)	
Principal payments		219,756	
Change in accrued interest payable		(4,666)	
			(473,501)

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 (76,622)

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		(13,037)	
Pension expense - LGERS		(259,454)	
Pension expense - LEOSSA		(17,971)	
			(290,462)

Change in net position of governmental activities \$ 527,790

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, 2022

	General Fund			Variance With Final Positive Negative
	Original Budget	Final Budget	Actual	
Revenues:				
Ad valorem taxes	\$ 1,668,419	\$ 1,668,419	\$ 1,650,098	\$ (18,321)
Other taxes	1,132,500	1,132,500	1,299,016	166,516
Unrestricted intergovernmental	404,000	404,000	416,162	12,162
Restricted intergovernmental	223,125	223,125	222,109	(1,016)
Licenses and permits	18,500	18,500	36,726	18,226
Sales and services	833,500	833,500	867,585	34,085
Investment earnings	16,000	16,000	10,609	(5,391)
Miscellaneous	83,050	83,050	13,574	(69,476)
Total revenues	<u>4,379,094</u>	<u>4,379,094</u>	<u>4,515,879</u>	<u>136,785</u>
Expenditures:				
Current:				
General government	954,538	980,219	978,283	1,936
Public safety	1,681,842	1,742,500	1,731,275	11,225
Transportation	491,846	600,790	588,360	12,430
Environmental protection	435,500	461,000	460,795	205
Cultural and recreational	624,181	714,913	666,029	48,884
Debt service:				
Principal	217,821	231,497	154,684	76,813
Interest	32,420	34,557	22,747	11,810
Capital outlay	410,725	194,865	144,306	50,559
Total expenditures	<u>4,848,873</u>	<u>4,960,341</u>	<u>4,746,479</u>	<u>213,862</u>
Other financing sources (uses):				
Transfers from other funds	329,361	424,829	753,755	328,926
Transfers to other funds	(106,082)	(111,082)	(111,082)	-
Insurance proceeds	7,500	7,500	6,850	(650)
Sale of fixed assets	45,000	45,000	84,798	39,798
Issuance of debt	194,000	194,000	-	(194,000)
Fund balance appropriated	-	21,000	-	(21,000)
Total other financing sources (uses)	<u>469,779</u>	<u>581,247</u>	<u>734,321</u>	<u>153,074</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	503,721	<u>\$ 503,721</u>
Fund Balances:				
Fund balance beginning of year			<u>2,478,125</u>	
Fund balance end of year			<u>\$ 2,981,846</u>	

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

TOWN OF WALLACE, NORTH CAROLINA
Statement of Net Position
Proprietary Funds
June 30, 2022

Exhibit H

	Major Enterprise Funds			Total
	Water and Sewer Fund	Stormwater Fund	Airport Commission Fund	
Assets				
Current assets				
Cash and investments	3,234,740	\$ 98,310	\$ 103,809	\$ 3,436,859
Accounts receivable (net)	502,246	30,205	194,663	727,114
Due from other funds	9,578	-	-	9,578
Inventories	28,300	-	38,154	66,454
Total current assets	<u>3,774,864</u>	<u>128,515</u>	<u>336,626</u>	<u>4,240,005</u>
Noncurrent assets				
Land and Construction in Progress	1,126,290	-	1,694,070	2,820,360
Capital assets, net of accumulated depreciation	14,796,454	117,074	2,561,264	17,474,792
Total noncurrent assets	<u>15,922,744</u>	<u>117,074</u>	<u>4,255,334</u>	<u>20,295,152</u>
Total assets	<u>19,697,608</u>	<u>245,589</u>	<u>4,591,960</u>	<u>24,535,157</u>
Deferred outflows of resources				
Pension deferrals	241,059	-	17,110	258,169
	<u>241,059</u>	<u>-</u>	<u>17,110</u>	<u>258,169</u>
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities	58,393	1,048	39,263	98,704
Compensated absences, current	3,976	-	268	4,244
Current portion of long-term debt	406,602	9,653	-	416,255
Total current liabilities	<u>468,971</u>	<u>10,701</u>	<u>39,531</u>	<u>519,203</u>
Noncurrent liabilities				
Compensated absences, noncurrent	34,272	-	5,797	40,069
Net pension liability	134,543	-	11,123	145,666
Non-current portion of long-term debt	4,217,638	19,751	-	4,237,389
Total noncurrent liabilities	<u>4,386,453</u>	<u>19,751</u>	<u>16,920</u>	<u>4,423,124</u>
Total liabilities	<u>4,855,424</u>	<u>30,452</u>	<u>56,451</u>	<u>4,942,327</u>
Deferred inflows of resources - pension				
Pension deferrals	213,371	-	17,853	231,224
	<u>213,371</u>	<u>-</u>	<u>17,853</u>	<u>231,224</u>
Net position				
Net investment in capital assets	11,298,504	87,670	4,255,334	15,641,508
Restricted				
Capital reserve	-	51,754	177,335	229,089
USDA reserve	49,244	-	-	49,244
Unrestricted	3,522,124	75,713	102,097	3,699,934
Total net position	<u>14,869,872</u>	<u>\$ 215,137</u>	<u>\$ 4,534,766</u>	<u>\$ 19,619,775</u>

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, 2022

	Water and Sewer Fund	Stormwater Fund	Airport Commisson Fund	Total
Operating revenues				
Charges for services	\$ 3,388,472	\$ 195,664	\$ 179,947	\$ 3,764,083
Other operating revenue	61,398	-	13,000	74,398
Grant income	-	-	929,888	929,888
Total operating revenues	<u>3,449,870</u>	<u>195,664</u>	<u>1,122,835</u>	<u>4,768,369</u>
Operating expenses				
Water & Sewer operations	1,992,442	-	-	1,992,442
Stormwater operations	-	102,486	-	102,486
Airport Commission operations	-	-	309,557	309,557
Depreciation	754,817	21,504	146,940	923,261
Total operating expenses	<u>2,747,259</u>	<u>123,990</u>	<u>456,497</u>	<u>3,327,746</u>
Operating income (loss)	<u>702,611</u>	<u>71,674</u>	<u>666,338</u>	<u>1,440,623</u>
Nonoperating revenue (expense)				
Investment earnings	9,452	195	194	9,841
Interest and other charges	(125,308)	(581)	-	(125,889)
Capital contributions	-	-	324,173	324,173
Total nonoperating revenue (expense)	<u>(115,856)</u>	<u>(386)</u>	<u>324,367</u>	<u>208,125</u>
Income (loss) before transfers and contributions	<u>586,755</u>	<u>71,288</u>	<u>990,705</u>	<u>1,648,748</u>
Net Transfers in(out)	<u>(231,059)</u>	<u>(22,001)</u>	<u>43,450</u>	<u>(209,610)</u>
Change in net position	<u>355,696</u>	<u>49,287</u>	<u>1,034,155</u>	<u>1,439,138</u>
Total net position - beginning	14,514,176	165,850	3,500,611	18,180,637
Total net position - ending	<u>\$ 14,869,872</u>	<u>\$ 215,137</u>	<u>\$ 4,534,766</u>	<u>\$ 19,619,775</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, 2022

Exhibit J

	Major Enterprise Funds			Total
	Water and Sewer Fund	Stormwater Fund	Airport Commission Fund	
Operating activities				
Cash received from customers	\$ 3,952,756	\$ 193,046	\$ 196,658	\$ 4,342,460
Grants and other operating revenue	-	-	837,281	837,281
Cash paid to employees	(968,468)	-	(84,697)	(1,053,165)
Cash paid for goods and services	(984,436)	(102,542)	(204,633)	(1,291,611)
Net cash provided by (used in) operating activities	1,999,852	90,504	744,609	2,834,965
Noncapital financing activities				
Transfers in (out)	209,032	(22,001)	43,450	230,481
Net cash provided by (used in) noncapital financing activities	209,032	(22,001)	43,450	230,481
Capital and related financing activities				
Acquisition and construction of capital assets	(648,195)	(54,929)	-	(703,124)
Proceeds from issuance of long-term debt	366,897	-	-	366,897
Principal paid on long-term debt	(418,169)	(9,507)	-	(427,676)
Interest paid on long-term debt	-	(595)	-	(595)
Net cash provided (used) by capital and related financing activities	(699,467)	(65,031)	-	(764,498)
Investing activities				
Investment earnings	9,452	195	194	9,841
Capital project expenditures	(842,198)	-	(846,409)	(1,688,607)
Net cash provided (used) in investing activities	(958,054)	195	(846,215)	(1,804,074)
Net increase (decrease) in cash and cash equivalents	551,363	3,667	(58,156)	496,874
Cash and cash equivalents				
Beginning of year	2,683,377	94,643	161,965	2,939,985
End of year	\$ 3,234,740	\$ 98,310	\$ 103,809	\$ 3,436,859

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, 2022

Exhibit J

Reconciliation of operating income (loss)

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

Operating income (loss)	\$	702,611	\$	71,674	\$	666,338	\$	1,440,623
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:								
Depreciation		754,817		21,504		146,940		923,261
Change in assets and liabilities:								
(Increase) decrease in accounts receivable		564,284		(2,618)		(88,896)		472,770
(Increase) decrease in inventories		-		-		(16,268)		(16,268)
(Increase) decrease in deferred outflows		(36,222)		-		(3,019)		(39,241)
Increase (decrease) in accounts payable and accruals		1,800		(56)		36,942		38,686
Increase (decrease) in compensated absences payable		(1,380)		-		1,410		30
Increase (decrease) in net pension liability		(170,679)		-		(14,223)		(184,902)
Increase (decrease) in deferred inflows		184,621		-		15,385		200,006
Total adjustments		<u>1,297,241</u>		<u>18,830</u>		<u>78,271</u>		<u>1,394,342</u>

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

	\$	<u>1,999,852</u>	\$	<u>90,504</u>	\$	<u>744,609</u>	\$	<u>2,834,965</u>
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Cash and cash equivalents

Unrestricted	\$	<u>3,234,740</u>	\$	<u>98,310</u>	\$	<u>103,809</u>	\$	<u>3,436,859</u>
Total	\$	<u>3,234,740</u>	\$	<u>98,310</u>	\$	<u>103,809</u>	\$	<u>3,436,859</u>

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, 2022

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 Council. 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 ABC Board ("Board"), which has a June 30 year-end, is presented as if it is a separate proprietary fund of the Town (discrete presentation). The board 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. The ABC Board is required by State Statute to distribute its surpluses to the General Fund of the Town	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

TOWN OF WALLACE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2022

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.

Major Grant Fund. The Major Grant Fund (formerly FEMA Hurricane Fund) is used to track expenditures and reimbursements related to large Federal and State grants the Town receives.

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 for the Town's stormwater operations.

Airport Commission Fund. This fund is used to account for 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.

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town'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

TOWN OF WALLACE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2022

on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

The Town considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable 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 Duplin 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 the major grant fund and 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

TOWN OF WALLACE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2022

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' 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.

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

2. Cash and Cash Equivalents

The Town pools money from several funds to facilitate disbursement and investment and to maximize investment income. 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	\$	17,044
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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 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2021. 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. Lease Receivable

The Town's lease receivable is measured at the present value of lease payments expected to be received during the lease term.

A deferred inflow of resources is recorded for the lease. The deferred inflow of resources is recorded at the initiation of the lease in an amount equal to the initial recording of the lease receivable. The deferred inflow of resources is amortized on a straight-line basis over the term of the lease.

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7. Inventories and Prepaid Items

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.

8. 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 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:

<u>Assets</u>	<u>Estimated Useful Lives</u>
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

9. 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 assets that applies to future periods 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*, represent an acquisition of net position that applies to future periods 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.

10. 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

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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.

11. 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 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.

12. Net Position/Fund Balances

Net Position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

Nonspendable Fund Balance – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

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

Leases – portion of fund balance that is not an available resource because it represents the year-end balance of the lease receivable in excess of the deferred inflow or resources for the lease receivable, which are not a spendable resource.

Prepaid Items – payments made to vendors for services that will benefit periods beyond June 30, 2022, 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

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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 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 Public Safety Building – portion of fund balance that the Town intends to use for the construction of a new public safety building.

Unassigned Fund Balance – the portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds. The General Fund is the only fund that reports a positive unassigned fund balance.

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.

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The Town of Wallace has the following outstanding encumbrances as of June 30, 2022, which represent amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year-end.

Encumbrances:	
General Fund	\$ 217,092
Water and Sewer Fund	20,635
Aggregate of Capital Project Funds	1,204,407

13. 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.

14. 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.

II. Stewardship, Compliance, and Accountability

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

1. Noncompliance with North Carolina General Statutes

For the fiscal year ended June 30, 2022, actual expenditures exceeded budgeted expenditures in the Major Grant Fund. This over-expenditure occurred because the original estimated budget for the Hurricane Florence FEMA Disaster Recovery project ordinance was not amended to cover additional expenditures incurred and reimbursed by FEMA, insurance, and other sources.

2. Contractual Violations

None.

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

TOWN OF WALLACE, NORTH CAROLINA
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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, 2022, the Town's deposits had a carrying amount of \$2,496,906 and a bank balance of \$2,528,332. Of the bank balance, \$1,251,032 was covered by federal depository insurance and the remainder was covered by collateral held under the dedicated Method. At June 30, 2022, the Town's petty cash fund totaled \$300.

At June 30, 2022, the ABC Board's deposits had a carrying amount of \$300,671 and a bank balance of \$299,168. All of the bank balance, it was covered by federal depository insurance. The Board had cash on hand of \$1,800 at June 30, 2022.

2. Investments

At June 30, 2022, the Town had \$3,251,836 invested with the North Carolina Capital Management Trust's Government Portfolio, which carried a credit rating of AAAM by Standard & Poor's. The Town has no policy regarding credit risk

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, 2022, is net of the following allowances for doubtful accounts:

	Taxes	Accounts	Due from other Governments	Total
Governmental Activities:				
General Fund	\$ 133,223	\$ 147,288	\$ 539,267	\$ 819,778
Major Funds	-	-	204,573	204,573
Non Major Funds	-	41,513	-	41,513
Allowance for doubtful accounts	-	(21,907)	-	(21,907)
Total governmental activities	<u>\$ 133,223</u>	<u>\$ 166,894</u>	<u>\$ 743,840</u>	<u>\$ 1,043,957</u>
Business-Type Activities:				
Water and Sewer Fund	\$ -	\$ 574,733	\$ 9,578	\$ 584,311
Stormwater Fund	-	36,720	-	36,720
Airport Commission Fund	-	194,663	-	194,663
Total receivables	-	-	-	-
Allowance for doubtful accounts	-	(79,002)	-	(79,002)
Total business-type activities	<u>\$ -</u>	<u>\$ 727,114</u>	<u>\$ 9,578</u>	<u>\$ 736,692</u>

4. Lease Receivable

The Town has two leases with cell phone companies. Under the leases, the companies pay the Town \$5,673 per month in exchange for space on the Town's water tower. The lease receivable is measured as the present value of the future minimum rent payments expected to be received during the lease term at a discount rate of 3%.

TOWN OF WALLACE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS

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In fiscal year 2022, the Town recognized \$65,647 of lease revenue and \$2,428 of interest revenue under the lease.

5. Capital Assets

Capital asset activity for the Primary Government for the year ended June 30, 2022, was as follows:

	Balance				Balance
	July 1, 2021	Increases	Transfers	Decreases	June 30, 2022
Governmental activities:					
Capital assets not being depreciated					
Land	\$ 1,235,724	\$ -	\$ -	\$ -	\$ 1,235,724
Construction in progress	-	1,103,586		(1,103,586)	-
Total capital assets not being depreciated	1,235,724	1,103,586			1,235,724
Capital assets being depreciated:					
Buildings and structures	2,319,947	-	-	-	2,319,947
Other improvements	2,192,058	-	-	-	2,192,058
Furniture, equipment, and machinery	1,044,269	-	-	-	1,044,269
Vehicles and motor equipment	3,054,303	1,247,892	(24,183)	(332,104)	3,945,908
Total capital assets being depreciated	8,610,577	1,247,892	(24,183)	(332,104)	9,502,182
Less Accumulated Depreciation:					
Buildings and structures	956,521	57,669			1,014,190
Other improvements	1,268,675	97,724			1,366,399
Furniture, equipment, and machinery	866,980	26,367			893,347
Vehicles and motor equipment	2,412,647	330,555	3,308	(332,104)	2,414,406
Total accumulated depreciation	5,504,823	512,315	3,308	(332,104)	5,688,342
Total capital assets being depreciated, net	3,105,754				3,813,840
Governmental activities capital assets, net	\$ 4,341,478				\$ 5,049,564

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

General government	\$ 15,469
Public safety	270,880
Transportation	133,644
Environmental protection	4,332
Cultural and recreation	87,990
	<u>\$ 512,315</u>

TOWN OF WALLACE, NORTH CAROLINA
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June 30, 2022

	Balance				Balance
	July 1, 2021	Increases	Transfers	Decreases	June 30, 2022
Water Sewer Fund:					
Business-type activities:					
Capital assets not being depreciated					
Land	\$ 57,846	\$ -	\$ -	\$ -	\$ 57,846
Construction in progress	226,246	842,198	-	-	1,068,444
Total capital assets not being depreciated	<u>284,092</u>	<u>842,198</u>	<u>-</u>	<u>-</u>	<u>1,126,290</u>
Capital assets being depreciated:					
Plant and distribution systems	30,319,818	285,828	-		30,605,646
Buildings	91,344	117,136	-	(77,065)	131,415
Furniture, equipment, and machinery	1,338,260	45,938		(103,284)	1,280,914
Vehicles	571,614	171,802	24,183	(259,562)	508,037
Total capital assets being depreciated	<u>32,321,036</u>	<u>620,704</u>	<u>24,183</u>	<u>(439,911)</u>	<u>32,526,012</u>
Less Accumulated Depreciation:					
Plant and distribution systems	15,789,954	603,415			16,393,369
Buildings	79,067	8,761		(77,065)	10,763
Furniture, equipment, and machinery	1,059,303	82,398		(103,284)	1,038,417
Vehicles	489,636	60,243	(3,308)	(259,562)	287,009
Total accumulated depreciation	<u>17,417,960</u>	<u>\$ 754,817</u>	<u>\$ (3,308)</u>	<u>\$ (439,911)</u>	<u>17,729,558</u>
Total capital assets being depreciated, net	<u>14,903,076</u>				<u>14,796,454</u>
Water and Sewer Fund Capital assets, net	<u>\$ 15,187,168</u>				<u>\$ 15,922,744</u>

	Balance				Balance
	July 1, 2021	Increases	Transfers	Decreases	June 30, 2022
Stormwater Fund:					
Business-type activities:					
Capital assets being depreciated:					
Plant and distribution systems	\$ 36,002	\$ -	\$ -	\$ -	\$ 36,002
Equipment and machinery	80,580	54,929	-	-	135,509
Total capital assets being depreciated	<u>116,582</u>	<u>54,929</u>	<u>-</u>	<u>-</u>	<u>171,511</u>
Less Accumulated Depreciation:					
Plant and distribution systems	11,025	1,800	-	-	12,825
Equipment and machinery	21,908	19,704	-	-	41,612
Total accumulated depreciation	<u>32,933</u>	<u>\$ 21,504</u>	<u>\$ -</u>	<u>\$ -</u>	<u>54,437</u>
Stormwater Capital assets, net	<u>\$ 83,649</u>				<u>\$ 117,074</u>

TOWN OF WALLACE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2022

	Balance				Balance
	July 1, 2021	Increases	Transfers	Decreases	June 30, 2022
Airport Commission Fund					
Business-type activities:					
Capital assets not being depreciated					
Land	\$ 265,323	\$ 213,252	\$ -	\$ -	\$ 478,575
Construction in progress	336,272	1,170,582	-	(291,359)	1,215,495
Total capital assets not being depreciated	<u>601,595</u>	<u>1,383,834</u>	<u>-</u>	<u>(291,359)</u>	<u>1,694,070</u>
Capital assets being depreciated:					
Buildings and facility improvements	3,710,249	-	-	-	3,710,249
Furniture, equipment, and machinery	102,775	78,107	-	-	180,882
Vehicles	18,500	-	-	-	18,500
Total capital assets being depreciated	<u>3,831,524</u>	<u>78,107</u>	<u>-</u>	<u>-</u>	<u>3,909,631</u>
Less Accumulated Depreciation:					
Buildings and facility improvements	1,081,502	134,432	-	-	1,215,934
Furniture, equipment, and machinery	110,425	11,158	-	-	121,583
Vehicles	9,500	1,350	-	-	10,850
Total accumulated depreciation	<u>1,201,427</u>	<u>\$ 146,940</u>	<u>\$ -</u>	<u>\$ -</u>	<u>1,348,367</u>
Total capital assets being depreciated, net	<u>2,630,097</u>				<u>2,561,264</u>
Airport Commission Fund Capital assets, net	<u>\$ 3,231,692</u>				<u>\$ 4,255,334</u>

Component Unit:

The capital assets of the ABC Board at June 30, 2022, consisted of the following:

	Balance				Balance
	July 1, 2021	Increases	Decreases	Decreases	June 30, 2022
Business-type activities:					
Capital assets not being depreciated					
Land	\$ 316,302	\$ -	\$ -	\$ -	\$ 316,302
Total capital assets not being depreciated	<u>316,302</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>316,302</u>
Capital assets being depreciated:					
Building	79,070	1,184,004	-	-	1,263,074
Furniture and Equipment	38,195	126,083	-	-	164,278
Improvements	25,103	35,350	-	-	60,453
Total capital assets being depreciated	<u>142,368</u>	<u>1,345,437</u>	<u>-</u>	<u>-</u>	<u>1,487,805</u>
Less Accumulated Depreciation:					
Total accumulated depreciation	<u>81,038</u>	<u>\$ 13,373</u>	<u>\$ -</u>	<u>\$ -</u>	<u>94,411</u>
Total capital assets being depreciated, net	<u>61,330</u>				<u>1,393,394</u>
Component Unit capital assets, net	<u>\$ 377,632</u>				<u>\$ 1,709,696</u>

TOWN OF WALLACE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2022

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.

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, 2022, was 12.10% of compensation for law enforcement officers and 11.35% 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 \$318,899 for the year ended June 30, 2022.

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

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

At June 30, 2022, the Town reported a liability of \$552,401 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2020.

The total pension liability was then rolled forward to the measurement date of June 30, 2021 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension asset 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, 2022, the Town's proportion was 0.03602% which was a decrease of 0.00066% from its proportion measured as of June 30, 2021.

For the year ended June 30, 2022, the Town recognized pension expense of \$224,805. At June 30, 2022, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 175,739	\$ -
Changes of assumptions	347,049	-
Net difference between projected and actual earnings on pension plan investments	-	789,215
Changes in proportion and differences between employer contributions and proportionate share of contributions	14,829	28,963
Employer contributions subsequent to the measurement date	318,899	
Total	\$ 856,516	\$ 818,178

\$318,899 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, 2022

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

<u>Year Ending June 30:</u>	
2023	\$ 42,032
2024	(23,164)
2025	(57,925)
2026	(241,504)
2027	-
Thereafter	-
	<u>\$ (280,561)</u>

Actuarial Assumptions. The total pension liability in the December 31, 2020 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	6.50%, 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, 2020 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.

TOWN OF WALLACE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2022

The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2021, are summarized in the following table:

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

The information above is based on 30-year expectations developed with the consulting actuary for the 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 3.05%. All rates of return and inflation are annualized.

Discount rate. The discount rate used to measure the total pension liability was 6.50%. 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 6.50 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 (5.50 percent) or one percentage point higher (7.50 percent) than the current rate:

	1% Decrease (5.50%)	Discount Rate (6.50%)	1% Increase (7.50%)
Town's proportionate share of the net pension liability (asset)	\$ 2,144,376	\$ 552,401	\$ (757,701)

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.

TOWN OF WALLACE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2022

Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full-time law enforcement officers of the Town are covered by the Separation Allowance. At December 31, 2021, the Separation Allowance's membership consisted of:

Retirees receiving benefits	2
Inactive plan members	0
Active plan members	<u>14</u>
Total	<u>16</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, 2020 valuation. The total pension liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Discount Rate	2.25%
Salary Increases	3.25-7.75%
Includes inflation at	2.50%
Cost of Living Adjustments	N/A

The discount rate used to measure the TPL is the S&P Municipal Bond 20 Year High Grade Rate Index.

Mortality assumptions use Pub-2010 amount-weighted tables.

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 \$12,627 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, 2022, the Town reported a total pension liability of \$275,021. The total pension liability was measured as of December 31, 2021 based on a December 31, 2020 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2021 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2022, the Town recognized pension expense of \$30,975.

\$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.

TOWN OF WALLACE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2022

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 39,205	\$ 71,016
Changes of assumptions	63,049	10,783
Benefit payments and administrative costs paid subsequent to the measurement date	6,313	
Total	<u>\$ 108,567</u>	<u>\$ 81,799</u>

Year ended June 30

2023	\$ (4,206)
2024	(1,471)
2025	18,245
2026	12,636
2027	(1,068)
Thereafter	(3,681)
	<u>\$ 20,455</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 2.25 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 (1.25 percent) or 1-percentage-point higher (3.25 percent) than the current rate:

	1% Decrease (1.25%)	Discount Rate (2.25%)	1% Increase (3.25%)
Total pension liability	\$ 309,057	\$ 275,021	\$ 244,692

Schedule of Changes in Total Pension Liability
 Law Enforcement Officers' Special Separation Allowance:
 2022

Beginning balance	\$ 295,577
Service Cost	29,565
Interest on total pension liability	5,583
Difference between expected and actual experience	(32,604)
Changes in assumptions or other inputs	(10,473)
Benefit payments	(12,627)
Ending balance	<u>\$ 275,021</u>

TOWN OF WALLACE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2022

The plan currently uses mortality tables that vary by age, and health status (i.e., disabled³⁶ 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	\$ 224,805	\$ 30,975	\$ 255,780
Pension Liability	552,401	275,021	827,422
Proportionate share of the net pension liability	0.03602%	n/a	
Deferred Outflows of Resources			
Differences between expected and actual experience	175,739	39,205	214,944
Changes of assumptions	347,049	63,049	410,098
Net difference between projected and actual earnings on 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	14,829	-	14,829
Deferred of Inflows of Resources			
Differences between expected and actual experience	-	71,016	71,016
Changes of assumptions	-	10,783	10,783
Net difference between projected and actual earnings on plan investments	789,215	-	-
Changes in proportion and differences between contributions and proportionate share of	28,963	-	28,963

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 \$34,392 from the Town for the reporting year. No amounts were forfeited.

TOWN OF WALLACE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2022

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 are comprised of the following:

<u>Source</u>	<u>Amount</u>
Contributions to pension plan in current fiscal year	\$ 318,899
Benefit payments and administrative expenses for LEOSA made subsequent to measurement date	6,313
Benefit payments and administrative expenses for Differences between expected and actual experience	214,944
Changes in assumptions	410,098
Net difference between projected and actual Changes in proportion and differences between employer contributions and proportionate share of contributions	-
	14,829
Total	<u>\$ 965,083</u>

TOWN OF WALLACE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2022

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

	Statement of Net Position	General Fund Balance Sheet
Taxes receivable, net	\$ -	\$ 133,223
Leases receivable	45,205	45,096
Changes in assumptions	10,783	-
Differences between expected and actual experience	860,231	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	28,963	-
Total	<u>\$ 945,182</u>	<u>\$ 178,319</u>

4. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in 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, 2022

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, 2022 are comprised of the following:

<u>Governmental Activities</u>	<u>Governmental Funds</u>
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%	\$ 140,028
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%	143,375
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%	3,755
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%	9,908
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%	105,000
2020 Installment Purchase Contract, \$98,107 original issue to purchase vehicles, due in monthly payments of \$2,787 through 2023 includes interest 1.45%	33,177
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%	35,001
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%	46,830
2021 Installment Purchase Contract, \$487,000 original issue to purchase fire trucks, due in annual payments of \$30511 through 2041, includes interest at 2.25%	487,000
2022 Installment Purchase Contract, \$250,000 original issue for renovations of Public Services Center, due in annual payments of \$28,215 through 2032, includes interest at 2.23%	201,591
Total Governmental Activities	<u>\$ 1,205,665</u>

TOWN OF WALLACE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2022

Business-Type Activities	Water & Sewer Fund
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%	\$ 759,558
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%	12,679
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%	530,301
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	3,093,900
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%	34,564
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%	193,238
Total Water Sewer Fund	\$ 4,624,240
	Stormwater Fund
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%	\$ 29,404
Total Stormwater Fund	\$ 29,404
Total Business-Type Activities	\$ 4,653,644

TOWN OF WALLACE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2022

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

Governmental Activities				
Year Ending				
June 30	Principal	Interest	Total	
2023	\$ 178,320	\$ 32,139	\$	210,459
2024	133,628	28,913		162,541
2025	93,989	25,913		119,902
2026	60,667	23,526		84,193
2027	62,848	31,245		94,093
2028-2032	293,375	74,029		367,404
2033-2037	273,664	40,435		314,099
2038-2042	109,174	9,784		118,958
Total	\$ 1,205,665	\$ 265,984	\$	1,471,649

Business-Type Activities				
Year Ending				
June 30	Principal	Interest	Total	
2023	\$ 416,255	\$ 115,533	\$	531,788
2024	404,378	105,989		510,367
2025	405,379	96,493		501,872
2026	396,229	87,269		483,498
2027	397,063	78,164		475,227
2028-2032	1,998,937	214,470		2,213,407
2033-2037	231,650	100,970		332,620
2038-2041	171,156	96,128		267,284
2037-2041	232,597	38,782		271,379
Total	\$ 4,653,644	\$ 933,798	\$	5,587,442

TOWN OF WALLACE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2022

d. Changes in long-term liabilities

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

	Balance			Balance	Current
	July 1, 2021	Increases	Decreases	June 30, 2022	Portion
Governmental activities:					
Installment purchase contracts	\$ 736,830	\$ 688,591	\$ (219,756)	\$ 1,205,665	\$ 178,320
Compensated absences	123,123	86,806	(73,769)	136,160	78,501
Net pension liability (LGERS)	932,995	-	(526,260)	406,735	-
Net pension liability(LEOSSA)	295,577	-	(20,556)	275,021	-
Total	<u>\$ 2,088,525</u>	<u>\$ 775,397</u>	<u>\$ (840,341)</u>	<u>\$ 2,023,581</u>	<u>\$ 256,821</u>
Business-Type Activities:					
Installment purchase contracts	\$ 852,942	\$ 369,989	\$ (450,694)	\$ 772,237	\$ 327,711
Notes payable	3,861,481	208,614	(327,713)	3,881,407	88,544
Compensated absences	44,283	33,954	(33,924)	44,313	4,244
Net pension liability (LGERS)	330,568	-	(184,902)	145,666	-
Total	<u>\$ 5,089,274</u>	<u>\$ 612,557</u>	<u>\$ (997,233)</u>	<u>\$ 4,843,623</u>	<u>\$ 420,499</u>

Component Unit:

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

	Balance			Balance	Current
	July 1, 2021	Increases	Decreases	June 30, 2022	Portion
Net pension liability (LGERS)	45,740	-	(32,244)	13,496	-
Notes Payable	182,313	1,020,000	(44,713)	1,157,600	74,390
Total	<u>\$ 228,053</u>	<u>\$ 1,020,000</u>	<u>\$ (76,957)</u>	<u>\$ 1,171,096</u>	<u>\$ 74,390</u>

7. Net Investment in Capital Assets

The total net investment in capital assets at June 30, 2022, is composed of the following:

	Governmental	Business-Type
	Activities	Activities
Capital assets	\$ 5,049,564	\$ 20,295,152
Less: long-term debt	(1,205,665)	(4,653,644)
Net investment in capital assets	<u>\$ 3,843,899</u>	<u>\$ 15,641,508</u>

TOWN OF WALLACE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2022

C. Interfund Balances and Activity

a. Transfers to/from Other Funds

Transfers to/from other funds at June 30, 2022, consist of the following:

To General Fund from Water and Sewer Fund for Operations	\$ 231,059
To General Fund from Stormwater Fund for Operations	22,001
To Airport Funds from General Fund	(43,450)
Net Transfers	<u>\$ 209,610</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, 2022, is as follows:

Payable Fund	
Major Grant Fund	\$ (204,574)
Receivable Funds	
General Fund	\$ 194,996
Water and Sewer Fund	9,578

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 Statue	\$ 1,145,719
USDA Reserve	29,203
Streets	17,044
Public safety	27,367
Committed:	
Committed for economic development	5,000
Committed for sidewalks	7,070
Assigned:	
Assigned: public safety building	70,816
Unassigned	1,679,627
Total fund balance	<u>\$ 2,981,846</u>

TOWN OF WALLACE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2022

The Town has adopted a minimum unassigned 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 25% of budgeted expenditures. Any portion of the General Fund balance in excess of 25% 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.

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 \$1,399 to the Council during the fiscal year ended June 30, 2022.

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, 2022, 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. Significant Effects of Subsequent Events

Subsequent events have been evaluated through December 30, 2022, 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, 2022

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Beginning balance	\$ 295,577	\$ 187,117	\$ 125,386	\$ 246,910	\$ 246,089	\$ 15,885
Service Cost	29,565	22,865	21,008	12,587	14,012	8,455
Interest on total pension liability	5,583	5,730	4,231	7,531	9,168	9,168
Difference between expected and actual experience in the measurement of the total pension liability	(32,604)	20,742	47,402	(120,573)	(23,616)	-
Changes in assumptions or other inputs	(10,473)	81,830	7,413	(3,900)	18,426	(6,502)
Benefit payments	(12,627)	(22,707)	(18,323)	(17,169)	(17,169)	(17,169)
Ending balance	<u>\$ 275,021</u>	<u>\$ 295,577</u>	<u>\$ 187,117</u>	<u>\$ 125,386</u>	<u>\$ 246,910</u>	<u>\$ 9,837</u>

Schedule of Total Pension Liability as a Percentage of Covered Payroll

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total pension liability	\$ 275,021	\$ 295,577	\$ 187,117	\$ 125,386	\$ 246,910	\$ 246,089
Covered-employee payroll	699,257	782,292	806,851	524,166	553,794	636,031
Total pension liability as a percentage of covered payroll	39.33%	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 Nine Fiscal Years

	<u>2022</u>	<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) (%)	0.03602%	0.03536%	0.03710%	0.03240%	0.03430%	0.03650%	0.03520%	0.03330%	0.03400%
Town's proportionate share of the net pension liability (asset)(\$)	\$ 552,401	\$ 1,263,563	\$ 1,013,172	\$ 768,876	\$ 523,703	\$ 775,501	\$ 158,155	\$ (196,149)	\$ 409,831
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	\$ 1,827,389
Town's proportionate share of the net pension liability (asset) as a percentage	21.93%	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 liability	91.63%	94.18%	91.47%	98.09%	99.07%	102.64%	94.35%	96.45%	96.45%

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 Nine Fiscal Years

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 318,899	\$ 260,660	\$ 216,932	\$ 182,652	\$ 161,705	\$ 157,146	\$ 138,509	\$ 136,619	\$ 132,150
Contribution in relation to the contractually required contribution	318,899	260,660	216,932	182,652	161,705	157,146	138,509	136,619	132,150
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Town's covered payroll	\$ 2,757,908	\$ 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	11.56%	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
Combining Balance Sheet – Nonmajor Funds

Schedule A-4

Year Ended June 30, 2022

	Special Revenue Funds			Debt Service Fund	Capital Projects Fund	Total
	Federal & State Assistance	Police Unauthorized Substance Tax Fund	HDP Loan Fund			
Assets						
Restricted cash and investments	\$ 60,093	\$ 2,659	\$ 50,000	\$ -	\$ -	\$ 112,752
Accounts Receivable	-	-	-	-	41,513	41,513
	-	-	-	-	-	-
Total assets	\$ 60,093	\$ 2,659	\$ 50,000	\$ -	\$ 41,513	\$ 154,265
Liabilities:						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 935	\$ 935
Due to other funds	-	-	-	-	68,983	68,983
Total liabilities	-	-	-	-	69,918	69,918
Fund balances:						
Restricted:						
Restricted, other	60,093	2,659	50,000	-	(28,405)	84,347
Total fund balances	60,093	2,659	50,000	-	(28,405)	84,347
Total liabilities and fund balances	\$ 60,093	\$ 2,659	\$ 50,000	\$ -	\$ 41,513	\$ 154,265

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

Schedule A-5

Year Ended June 30, 2022

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues			
Ad valorem taxes			
Taxes	\$ 1,618,419	\$ 1,631,361	\$ 12,942
Penalties and interest	50,000	18,737	(31,263)
Total ad valorem taxes	<u>1,668,419</u>	<u>1,650,098</u>	<u>(18,321)</u>
Other taxes and licenses			
Local option sales tax	1,132,500	1,299,016	166,516
Total other taxes and licenses	<u>1,132,500</u>	<u>1,299,016</u>	<u>166,516</u>
Unrestricted intergovernmental revenues			
Franchise taxes	242,000	231,691	(10,309)
ABC revenues	5,000	1,700	(3,300)
Beer and wine tax	18,000	13,430	(4,570)
Fire sales and property tax	136,000	166,054	30,054
Other taxes and licenses	3,000	3,287	287
Total unrestricted intergovernmental revenues	<u>404,000</u>	<u>416,162</u>	<u>12,162</u>
Restricted intergovernmental revenues			
Powell Bill	115,000	113,124	(1,876)
ABC revenues - law enforcement	30,000	30,860	860
Grants	78,125	78,125	-
Total restricted intergovernmental revenues	<u>223,125</u>	<u>222,109</u>	<u>(1,016)</u>
Revenues (continued)			
Permits and fees			
Planning and zoning fees	5,000	24,570	19,570
Business licenses	12,000	9,605	(2,395)
Court costs, fees and police reports	1,500	2,551	1,051
Total licenses and permits	<u>18,500</u>	<u>36,726</u>	<u>18,226</u>
Sales and services			
Sanitation revenues	650,000	669,302	19,302
Library fees and donations	8,500	2,801	(5,699)
Rents	97,000	88,711	(8,289)
Recreation fees	46,500	73,051	26,551
Donations	31,500	36,148	4,648
Total sales and services	<u>833,500</u>	<u>870,013</u>	<u>36,513</u>
Interest earned on investments	<u>16,000</u>	<u>8,072</u>	<u>(7,928)</u>
Miscellaneous	<u>83,050</u>	<u>13,574</u>	<u>(69,476)</u>
Total revenues	<u>4,379,094</u>	<u>4,515,770</u>	<u>136,676</u>

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

Schedule A-5

Year Ended June 30, 2022

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Expenditures			
General government			
Governing body			
Salaries and employee benefits	\$	\$ 50,240	\$
Operating expenses		<u>37,970</u>	
Total	88,412	88,210	202
Administration			
Salaries and employee benefits		211,628	
Operating expenses		<u>80,056</u>	
Total	291,761	291,684	77
Finance			
Salaries and employee benefits		202,875	
Operating expenses		<u>61,740</u>	
Total	264,999	264,615	384
Public Buildings			
Salaries and employee benefits		97,704	
Operating expenses		<u>59,781</u>	
Total	157,809	157,485	324
Planning			
Salaries and employee benefits		148,816	
Operating expenses		<u>27,473</u>	
Total	177,238	176,289	949
Total general government	<u>980,219</u>	<u>978,283</u>	<u>1,936</u>
Public safety			
Police			
Salaries and employee benefits		1,320,109	
Operating expenses		224,239	
Capital outlay		<u>17,670</u>	
Total	1,657,344	1,562,018	95,326
Fire protection			
Salaries and employee benefits		44,465	
Operating expenses		134,345	
Capital outlay		<u>66,598</u>	
Total	246,156	245,408	748
Total public safety	<u>1,903,500</u>	<u>1,807,426</u>	<u>96,074</u>
Transportation			
Streets			
Salaries and employee benefits		367,130	
Powell Bill and other operating expenses		229,129	
Capital outlay		<u>26,771</u>	
Total streets	<u>634,655</u>	<u>623,030</u>	<u>11,625</u>
Environmental protection			
Sanitation			
Other operating expenses	461,000	<u>460,795</u>	
Total environmental protection	<u>461,000</u>	<u>460,795</u>	<u>205</u>

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

Schedule A-5

Year Ended June 30, 2022

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Cultural and recreational			
Depot			
Other operating expenses	\$ 23,246	\$ 22,897	\$
Total	<u>23,246</u>	<u>22,897</u>	<u>349</u>
Library			
Salaries and employee benefits		162,051	
Operating expenses		36,564	
Total	<u>198,901</u>	<u>198,615</u>	<u>286</u>
Parks and recreation			
Salaries and employee benefits		260,500	
Operating expenses		184,017	
Capital outlay		33,485	
Total	<u>492,766</u>	<u>478,002</u>	<u>14,764</u>
Total cultural and recreational	<u>714,913</u>	<u>699,514</u>	<u>15,399</u>
Debt service			
Note principal	231,497	154,684	
Interest and fees	34,557	22,747	
Total debt service	<u>266,054</u>	<u>177,431</u>	<u>88,623</u>
Total expenditures	<u>4,960,341</u>	<u>4,746,479</u>	<u>213,862</u>
Revenues over (under) expenditures	<u>(581,247)</u>	<u>(230,600)</u>	<u>(77,077)</u>
Other financing sources (uses)			
Transfers from other funds	424,829	753,755	328,926
Transfers to other funds	(111,082)	(111,082)	-
Sale of fixed assets	45,000	84,798	39,798
Issuance of Debt	194,000	-	(194,000)
Insurance proceeds	7,500	6,850	(650)
Fund balance appropriated	21,000	-	(21,000)
Total other financing sources (uses)	<u>581,247</u>	<u>734,321</u>	<u>153,074</u>
Revenues and other financing sources (uses) and appropriated fund balance over expenditures	<u>\$ -</u>	<u>503,721</u>	<u>\$ 503,721</u>
Fund balance			
Beginning of year - July 1		2,478,125	
End of year - June 30		<u>\$ 2,981,846</u>	

TOWN OF WALLACE, NORTH CAROLINA
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual – Major Governmental Fund
June 30, 2022

Schedule A-6

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	<u>Variance Positive (Negative)</u>
Revenues					
Restricted intergovernmental					
ARPA grant	\$ 1,231,128	\$ -	\$ 615,564	\$ 615,564	\$ (615,564)
FEMA & State grants	1,200,000	2,167,400	36,051	2,203,451	1,003,451
Total revenues	<u>2,431,128</u>	<u>2,167,400</u>	<u>651,615</u>	<u>2,819,015</u>	<u>387,887</u>
Expenditures					
Environmental protection	1,200,000	2,981,654	36,051	3,017,705	(1,817,705)
Total expenditures	<u>1,200,000</u>	<u>2,981,654</u>	<u>36,051</u>	<u>3,017,705</u>	<u>(1,817,705)</u>
Revenues over (under) expenditures	<u>1,231,128</u>	<u>(814,254)</u>	<u>615,564</u>	<u>(198,690)</u>	<u>(1,429,818)</u>
Other Financing Sources (Uses)					
Transfers in (out)					-
Insurance proceeds	-	482,254	-	482,254	(482,254)
Federal & State assistance fund	-	332,000	-	332,000	(332,000)
General Fund - Revenue Replace	(995,491)	-	(379,927)	(379,927)	(615,564)
General Fund - Premium Pay	(123,137)	-	(123,137)	(123,137)	
Water & Sewer Cap Project Fund	(112,500)	-	(112,500)	(112,500)	-
Total other financing sources	<u>(1,231,128)</u>	<u>814,254</u>	<u>(615,564)</u>	<u>198,690</u>	<u>(1,429,818)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balance at beginning of year			<u>-</u>		
Fund balance at end of year			<u>\$ -</u>		

TOWN OF WALLACE, NORTH CAROLINA

Schedule A-7

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

Year Ended June 30, 2022

	Special Revenue Funds			Debt Service	Capital	Total
	Federal & State Assistance	Police Unauthorized Substance Tax Fund	HDP Loan Fund	Fund	Projects Fund	
Revenues						
Restricted intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ 678,824	\$ 678,824
Total revenues	-	-	-	-	678,824	678,824
Expenditures						
Economic and physical development	-	-	-	-	1,143,068	1,143,068
Cultural and recreational	-	-	-	-	139,873	139,873
Principal retirement	-	-	-	65,071	-	65,071
Interest and other charges	-	-	-	1,386	-	1,386
Total expenditures	-	-	-	66,457	1,282,941	1,349,398
Excess (deficiency) of revenues over (under) expenditures	-	-	-	(66,457)	(604,117)	(670,574)
Net change in fund balances	-	-	-	(66,457)	(604,117)	(670,574)
Other Financing Sources (Uses)						
Transfers in (out)						
General Fund	(57,900)	-	-	-	70,000	12,100
Issuance of debt	-	-	-	-	487,000	487,000
Total other financing sources(uses)	(57,900)	-	-	-	557,000	499,100
Net change in fund balance	(57,900)	-	-	(66,457)	(47,117)	(171,474)
Fund balance at beginning of year	117,993	2,659	50,000	66,457	18,712	255,821
Fund balance at end of year	\$ 60,093	\$ 2,659	\$ 50,000	\$ -	\$ (28,405)	\$ 84,347

TOWN OF WALLACE, NORTH CAROLINA
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual – Federal and State Grants Fund
Year Ended June 30, 2022

Schedule A-8

From Inception and for Year Ended June 30, 2022

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	<u>Positive (Negative)</u>
Revenues					
Restricted intergovernmental revenue	\$ 500,000	\$500,000	\$ -	\$ 500,000	\$ -
Total revenues	<u>500,000</u>	<u>500,000</u>	<u>-</u>	<u>500,000</u>	<u>-</u>
Expenditures					
Economic and physical development	50,007	50,007	-	50,007	-
Total expenditures	<u>50,007</u>	<u>50,007</u>	<u>-</u>	<u>50,007</u>	<u>-</u>
Revenues over expenditures	<u>449,993</u>	<u>449,993</u>	<u>-</u>	<u>449,993</u>	<u>-</u>
Other Financing Sources (Uses)					
Transfers in (out)					
General Fund	(117,993)	-	(57,900)	(57,900)	60,093
Major Grant Fund	(332,000)	(332,000)	-	(332,000)	-
Total other financing sources(uses)	<u>(449,993)</u>	<u>(332,000)</u>	<u>(57,900)</u>	<u>(389,900)</u>	<u>60,093</u>
Net change in fund balance	<u>\$ -</u>	<u>\$117,993</u>	<u>(57,900)</u>	<u>\$ 60,093</u>	
Fund balance at beginning of year			<u>117,993</u>		
Fund balance at end of year			<u>\$ 60,093</u>		

TOWN OF WALLACE, NORTH CAROLINA
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual – Police Unauthorized Substance Tax Fund
Year Ended June 30, 2022
(With Comparative Totals for June 30, 2021)

Schedule A-9

	2022		Variance Positive (Negative)	2021
	Budget	Actual		
Revenues				
Restricted intergovernmental revenue				
Unauthorized substance tax	\$ -	\$ -	\$ -	\$ 1,238
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,238</u>
Expenditures				
Program expenses	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,238</u>
Other financing sources (uses):				
Fund balance appropriated	-	-	-	-
Net change in fund balance	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>1,238</u>
Fund balance at beginning of year		<u>2,659</u>		<u>1,421</u>
Fund balance at end of year		<u>\$ 2,659</u>		<u>\$ 2,659</u>

TOWN OF WALLACE, NORTH CAROLINA
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual – Historic Downtown Preservation Loan Fund

Schedule A-10

From Inception and for Year Ended June 30, 2022

	2022			2021
	Budget	Actual	Variance Positive (Negative)	
Revenues				
Restricted intergovernmental revenue	\$ -	\$ -	\$ -	\$ -
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures				
Program expenses	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other financing sources (uses):				
Fund balance appropriated	-	-	-	-
Net change in fund balance	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>-</u>
Fund balance at beginning of year		<u>50,000</u>		<u>50,000</u>
Fund balance at end of year		<u>\$ 50,000</u>		<u>\$ 50,000</u>

TOWN OF WALLACE, NORTH CAROLINA
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual – Debt Service Fund
From Inception and for Year Ended June 30, 2022

Schedule A-11

	2022		Variance Positive (Negative)	2021 Actual
	Budget	Actual		
Revenues				
Restricted intergovernmental revenue	\$ -	\$ -	\$ -	\$ -
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures				
Debt service:				
Principal retirement	128,785	65,071	63,714	63,714
Interest and other charges	4,130	1,386	2,744	2,744
Total expenditures	<u>132,915</u>	<u>66,457</u>	<u>66,458</u>	<u>66,458</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(132,915)</u>	<u>(66,457)</u>	<u>66,458</u>	<u>(66,458)</u>
Other financing sources (uses)				
Transfers in - General Fund	<u>132,915</u>	<u>-</u>	<u>(132,915)</u>	<u>132,915</u>
Net change in fund balance	<u>\$ -</u>	<u>(66,457)</u>	<u>\$ (66,457)</u>	<u>66,457</u>
Fund balance at beginning of year		<u>66,457</u>		<u>-</u>
Fund balance at end of year		<u>\$ -</u>		<u>\$ 66,457</u>

TOWN OF WALLACE, NORTH CAROLINA
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual – Governmental Capital Projects Fund
From Inception and for Year Ended June 30, 2022

Schedule A-12

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Totals To Date</u>	<u>Variance Positive (Negative)</u>
Revenues					
Restricted intergovernmental	\$ 1,349,585	\$ 50,662	\$ 678,824	\$ 729,486	\$ 620,099
Total revenues	<u>1,349,585</u>	<u>50,662</u>	<u>678,824</u>	<u>729,486</u>	<u>620,099</u>
Expenditures					
Fire Trucks	1,104,284	-	1,103,586	1,103,586	698
Boney Mill Pond - Farris Park PARTF	995,679	53,536	139,873	193,409	802,270
Public Safety Building	70,000	-	39,482	39,482	30,518
Inclusive Playground	325,000	-	-	-	325,000
Total expenditures	<u>2,494,963</u>	<u>53,536</u>	<u>1,282,941</u>	<u>1,336,477</u>	<u>1,158,486</u>
Revenues over (under) expenditures	<u>(1,145,378)</u>	<u>(2,874)</u>	<u>(604,117)</u>	<u>(606,991)</u>	<u>(538,387)</u>
Other Financing Sources (Uses)					
Operating transfers in:					
General Fund	657,680	21,586	70,000	91,586	566,094
Issuance of debt	487,698	-	487,000	487,000	698
Total other financing sources	<u>1,145,378</u>	<u>21,586</u>	<u>557,000</u>	<u>578,586</u>	<u>698</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 18,712</u>	<u>(47,117)</u>	<u>\$ (28,405)</u>	<u>\$ (537,689)</u>
Fund balance at beginning of year			<u>18,712</u>		
Fund Balance at end of year			<u>\$ (28,405)</u>		

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

Schedule A-13

Year Ended June 30, 2022

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Operating revenues			
Water sales	\$ 1,350,000	1,340,264	\$ (9,736)
Sewer charges	2,275,500	1,960,622	(314,878)
Miscellaneous revenue	65,000	61,398	(3,602)
System development fees	5,000	30,452	25,452
Water and sewer taps	5,000	57,134	52,134
Total operating revenues	<u>3,700,500</u>	<u>3,449,870</u>	<u>(250,630)</u>
Nonoperating revenues and other financing sources			
Interest earnings	15,000	9,452	(5,548)
Total revenues	<u>3,715,500</u>	<u>3,459,322</u>	<u>(256,178)</u>
Operating expenditures			
Administration			
Salaries and employee benefits		219,334	
Operating expenditures		182,930	
Total administration expenditures	<u>402,720</u>	<u>402,264</u>	<u>456</u>
Water Operations			
Salaries and employee benefits		284,674	
Operating expenditures		296,205	
Maintenance and repairs		189,137	
Total water expenditures	<u>784,979</u>	<u>770,016</u>	<u>14,963</u>
Sewer Operations			
Salaries and employee benefits		92,605	
Operating expenditures		79,025	
Maintenance and repairs		192,047	
Total sewer expenditures	<u>373,325</u>	<u>363,677</u>	<u>9,648</u>
Wastewater Treatment Operations			
Salaries and employee benefits		371,855	
Operating expenditures		460,592	
Maintenance and repairs		177,955	
Total wastewater treatment expenditures	<u>1,027,154</u>	<u>1,010,402</u>	<u>16,752</u>
Debt service			
Principal payments		418,169	
Interest and fees		125,321	
Total	<u>574,482</u>	<u>543,490</u>	<u>30,992</u>
Capital outlay			
	<u>632,781</u>	<u>620,704</u>	<u>12,077</u>
Total expenditures	<u>3,795,441</u>	<u>3,710,553</u>	<u>84,888</u>
Revenues over(under) expenditures	(79,941)	(251,231)	171,290
Other financing sources (uses):			
Transfers In(out)	(357,059)	(357,059)	-
Sale of fixed assets	160,000	202,920	(42,920)
Issuance of debt	100,000	-	100,000
Appropriated Fund Balance	177,000	-	177,000
Total other financing sources (uses)	<u>79,941</u>	<u>(154,139)</u>	<u>234,080</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>(405,370)</u>	<u>\$ 405,370</u>

TOWN OF WALLACE, NORTH CAROLINA

Schedule A-13

Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)**Proprietary Fund – Water and Sewer (continued)****Year Ended June 30, 2022**

Revenues and other sources over (under) expenditures and other uses	(405,370)
Reconciling items	
Capital outlay	620,704
Debt retirement	418,169
Depreciation	(754,817)
(Increase) decrease in accrued interest payable	13
(Increase) decrease in accrued compensated absences	1,380
Net expenditures and other financing uses from capital projects	842,198
Loan proceeds - Water & Sewer Capital Project Fund	(369,989)
Transfers in to Water & Sewer Capital Projects Fund	314,091
Disposal of capital assets	(184,564)
Increase (decrease) in deferred outflows	36,222
(Increase) decrease in deferred inflows	(184,621)
Pension Expense	22,280
Total reconciling items	<u>761,066</u>
Change in net position	<u>355,696</u>

TOWN OF WALLACE, NORTH CAROLINA

Schedule A-14

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

Proprietary Fund – Stormwater Fund

Year Ended June 30, 2022

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Operating revenues			
Stormwater Fees	\$ 190,000	\$ 195,664	\$ 5,664
Total operating revenues	<u>190,000</u>	<u>195,664</u>	<u>5,664</u>
Nonoperating revenues and other financing sources			
Interest earnings	200	195	(5)
Total revenues	<u>190,200</u>	<u>195,859</u>	<u>5,659</u>
Operating expenditures			
General operations			
Salaries and employee benefits		13,859	
Operating expenditures		15,056	
Maintenance and repairs		71,248	
Total operating expenditures	<u>103,096</u>	<u>100,163</u>	<u>2,933</u>
Debt service			
Principal payments		9,507	
Interest and fees		595	
Total	<u>10,103</u>	<u>10,102</u>	<u>1</u>
Capital outlay	<u>55,000</u>	<u>54,929</u>	<u>71</u>
Other financing sources (uses):			
Transfers (to)/from other funds	(22,001)	(22,001)	-
Issuance of debt	-	-	-
Appropriated fund balance	-	-	-
Total other financing sources (uses)	<u>(22,001)</u>	<u>(22,001)</u>	<u>-</u>
Total expenditures and other financing uses	<u>190,200</u>	<u>187,195</u>	<u>3,005</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>\$ 8,664</u>	<u>\$ 8,664</u>
Revenues and other sources over (under) expenditures and other uses		\$ 8,664	
Reconciling items			
Capital outlay		54,929	
Debt retirement		9,507	
(Increase) decrease in accrued interest		14	
Depreciation		(21,504)	
Capital project expenditures		(2,323)	
Total reconciling items		<u>40,623</u>	
Change in net position		<u>\$ 49,287</u>	

TOWN OF WALLACE, NORTH CAROLINA

Schedule A-15

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

Proprietary Fund – Airport Commission Fund

Year Ended June 30, 2022

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues			
Operating revenues			
Sales and Rentals	\$ 187,050	\$ 179,947	\$ (7,103)
Total operating revenues	<u>187,050</u>	<u>179,947</u>	<u>(7,103)</u>
Nonoperating revenues			
Grants	13,000	13,000	-
Interest earnings	150	194	44
Total operating revenues	<u>13,150</u>	<u>13,194</u>	<u>44</u>
Total revenues	<u>\$ 200,200</u>	<u>\$ 193,141</u>	<u>\$ (7,059)</u>
Expenditures			
Operating expenditures			
Salaries and employee benefits	84,250	\$ 82,254	
Operating expenditures	156,250	158,544	
Maintenance and repairs	4,700	3,009	
Total	<u>245,200</u>	<u>243,807</u>	<u>1,393</u>
Revenues over (under) expenditures	<u>(45,000)</u>	<u>(50,666)</u>	<u>(5,666)</u>
Other financing sources (uses)			
Transfers (to) from other funds			
Transfers in	45,000	43,450	-
Total	<u>45,000</u>	<u>43,450</u>	<u>(1,550)</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>\$ (7,216)</u>	<u>\$ (7,216)</u>
Revenues and other sources over (under) expenditures and other uses			
Total revenues and other financing sources		\$ (7,216)	
Reconciling items			
Depreciation		(146,940)	
(Increase) decrease in accrued compensated absences		(1,410)	
Changes in inventory		16,268	
Capital Project Fund capital contributions		245,422	
Net revenue and other financing sources from capital projects		879,888	
Revenue recognized in Capital Reserve Fund		50,000	
(Increase)decrease in Deferred Outflows		(3,019)	
Increase (decrease) in Deferred Inflows		15,385	
Increase (decrease) in net pension liability		(14,223)	
Total reconciling items		<u>1,041,371</u>	
Change in net position		<u>\$ 1,034,155</u>	

TOWN OF WALLACE, NORTH CAROLINA

Schedule A-16

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, 2022

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Totals To Date</u>	<u>Variance Positive (Negative)</u>
Revenues					
Restricted intergovernmental	\$ 7,213,277	\$ 50,000	\$ -	50,000	\$ 7,163,277
Total revenues	7,213,277	50,000	-	50,000	7,163,277
Expenditures					
Maple Creek Force Main(830)	1,259,060	61,339	59,403	120,742	1,138,318
Water Well Project	985,320	223,428	376,208	599,636	385,684
Valley Protein Sewer Line Ext	4,433,947	50,966	4,429	55,395	4,378,552
Sewer Rehabilitation NW Railroad & Main	1,550,685	-	23,612	23,612	1,527,073
Public Operations Center Renovations	475,000	-	365,046	365,046	109,954
AMI System	15,000	-	13,500	13,500	1,500
Total expenditures	8,719,012	335,733	842,198	1,177,931	7,541,081
Revenues over (under) expenditures	(1,505,735)	(285,733)	(842,198)	(1,127,931)	(377,804)
Other Financing Sources (Uses)					
Operating transfers in:					
General Fund	250,000	-	201,591	201,591	48,409
Major Grant Fund	112,500	-	112,500	112,500	-
Water & Sewer Fund	177,235	19,899	126,000	145,899	31,336
Issuance of Debt	966,000	208,612	369,989	578,601	387,399
Total other financing sources	1,505,735	228,511	810,080	1,038,591	387,399
Net change in fund balance	<u>\$ -</u>	<u>\$ (57,222)</u>	<u>(32,118)</u>	<u>(89,340)</u>	<u>\$ 9,595</u>
Fund balance at beginning of year			<u>(57,222)</u>		
Fund balance at end of year			<u>\$ (89,340)</u>		

TOWN OF WALLACE, NORTH CAROLINA

Schedule A-17

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

Stormwater Capital Projects Fund

Year Ended June 30, 2022

	<u>Project Authorization</u>	<u>Totals to Date</u>	<u>Current Year</u>	<u>Totals To Date</u>	<u>Variance Positive (Negative)</u>
Revenues					
Restricted intergovernmental	\$ 944,092	\$ 17,577	\$ 72,530	\$ 90,107	\$ 853,985
Total revenues	<u>944,092</u>	<u>17,577</u>	<u>72,530</u>	<u>90,107</u>	<u>853,985</u>
Expenditures					
Golden Leaf Storm Drain Project	250,000	-	530	530	249,470
StRAP Grant Storm Drain Project	120,000	-	220	220	119,780
Little Rockfish Creek Drainage	<u>628,768</u>	<u>18,175</u>	<u>74,104</u>	<u>92,279</u>	<u>536,489</u>
Total expenditures	<u>998,768</u>	<u>18,175</u>	<u>74,854</u>	<u>93,029</u>	<u>536,489</u>
Revenues over (under) expenditures	<u>(54,676)</u>	<u>(598)</u>	<u>(2,324)</u>	<u>(2,922)</u>	<u>317,496</u>
Other Financing Sources (Uses)					
Operating transfers in:					
Stormwater Fund	<u>54,676</u>	<u>54,676</u>	-	<u>54,676</u>	-
Total other financing sources	<u>54,676</u>	<u>54,676</u>	-	<u>54,676</u>	-
Net change in fund balance	<u>\$ -</u>	<u>\$ 54,078</u>	<u>(2,324)</u>	<u>\$ 51,754</u>	<u>\$ 317,496</u>
Fund balance at beginning of year			<u>54,078</u>		
Fund balance at end of year			<u>\$ 51,754</u>		

TOWN OF WALLACE, NORTH CAROLINA

Schedule A-18

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

Airport Capital Projects Fund

Year Ended June 30, 2022

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Totals To Date</u>	<u>Variance Positive (Negative)</u>
Revenues					
Restricted intergovernmental	\$ 2,234,895	\$ 286,795	\$ 879,888	\$ 1,166,683	\$ 1,068,212
Total revenues	<u>2,234,895</u>	<u>286,795</u>	<u>879,888</u>	<u>1,166,683</u>	<u>1,068,212</u>
Expenditures					
AWOS site preparation	294,425	246,575	41,437	288,012	6,413
Runway extension design	85,840	49,278	36,562	85,840	-
Runway extension land acquisition	1,753,635	39,754	682,032	721,786	1,031,849
Runway Rehabilitation	187,107	-	119,857	119,857	67,250
Total expenditures	<u>2,321,007</u>	<u>335,607</u>	<u>879,888</u>	<u>1,215,495</u>	<u>1,105,512</u>
Revenues over (under) expenditures	<u>(86,112)</u>	<u>(48,812)</u>	<u>-</u>	<u>(48,812)</u>	<u>(37,300)</u>
Other Financing Sources (Uses)					
Operating transfers in:					
Airport Capital Reserve Fund	86,112	48,812	-	48,812	37,300
Total other financing sources	<u>86,112</u>	<u>48,812</u>	<u>-</u>	<u>48,812</u>	<u>37,300</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balance at beginning of year			-		
Fund balance at end of year			<u>\$ -</u>		

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

Schedule A-19

June 30, 2022

Fiscal Year	Uncollected Balance June 30, 2021	Additions	Collections and Credits	Uncollected Balance June 30, 2022
2021-2022	\$ -	\$ 1,580,912	1,525,934	54,978
2020-2021	93,617	-	55,645	37,972
2019-2020	56,934	-	38,626	18,308
2018-2019	20,760	-	14,417	6,343
2017-2018	13,275	-	7,681	5,594
2016-2017	12,090	-	5,442	6,648
2015-2016	5,006	-	3,390	1,616
2014-2015	3,727	-	2,944	783
2013-2014	3,833	-	2,852	981
2012-2013	603	-	603	-
	\$ 209,845	\$ 1,580,912	\$ 1,657,534	
				\$ 133,223
				\$ 1,650,098
				16,777
				9,396
				(18,737)
				7,436
				\$ 1,657,534

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

Schedule A-20

June 30, 2022

	<u>Town - Wide</u>		<u>Property excluding Registered Motor Vehicles</u>	<u>Registered Motor Vehicles</u>
	<u>Property Valuation</u>	<u>Rate</u>		
Original Levy:				
Property taxed at current year's rate	\$ 254,985,876	0.62	\$ 1,580,912	\$ 1,407,277
Total	<u>254,985,876</u>		<u>1,580,912</u>	<u>1,407,277</u>
Total property valuation	<u>\$ 254,985,876</u>			
Net Levy			1,580,912	1,407,277
Uncollected taxes as of June 30, 2022			<u>54,978</u>	<u>54,631</u>
Current year's taxes collected			<u>\$ 1,525,934</u>	<u>\$ 1,352,647</u>
Current levy collection percentage			<u>96.52%</u>	<u>96.12%</u>
Prior year collection percentage			<u>94.23%</u>	<u>93.54%</u>
			<u>100.00%</u>	



STATISTICAL SECTION

Contents

Financial Trends

These schedules contain trend information to help the readers understand how the Town's financial performance and well-being have changed over time.

Revenue Capacity

These schedules contain information to help the reader assess the Town's most significant local revenue sources, property tax

Debt Capacity

These schedules present information to help the reader assess the affordability of the Town's current levels of outstanding debt and the Town's ability to issue additional debt in the future.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the Town's financial activities take place.

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the Town's financial report relates to the services the Town provides and the activities it performs.

TOWN OF WALLACE, NORTH CAROLINA
Net Position by Component

Table 1

Last Ten Fiscal Years
 (unaudited)

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Governmental activities:										
Net investment in capital assets	\$ 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	\$ 3,843,899
Restricted for stabilization	380,752	649,844	717,091	667,405	685,565	685,045	650,566	809,711	802,408	1,187,232
Restricted	235,641	304,875	375,480	285,567	255,496	225,903	123,017	71,389	33,437	121,448
Unrestricted	811,934	404,303	205,401	1,042,280	1,233,855	1,533,112	742,508	1,178,567	1,274,872	1,091,176
Total governmental activities net position	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	6,243,755
Business-type activities:										
Net investment in capital assets	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	15,641,508
Restricted	-	-	-	-	-	-	-	-	222,268	278,333
Unrestricted	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	3,699,934
Total business-type activities net position	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	19,619,775
Primary government:										
Net investment in capital assets	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	19,485,407
Restricted for stabilization	380,752	649,844	717,091	667,405	685,565	685,045	650,566	809,711	802,408	1,187,232
Restricted	235,641	304,875	375,480	285,567	255,496	225,903	123,017	71,389	255,705	399,781
Unrestricted	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	4,791,110
Total primary government net position	\$ 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	\$ 25,863,530

TOWN OF WALLACE, NORTH CAROLINA
Changes in Net Position

Table 2

Last Ten Fiscal Years
 (unaudited)

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Expenses										
Governmental activities										
General government	\$ 526,802	\$ 292,334	\$ 391,103	\$ 505,590	\$ 439,004	\$ 482,721	\$ 536,321	\$ 836,993	\$ 934,733	\$ 973,479
Public safety	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	1,645,589
Transportation	1,721,559	1,098,052	660,951	861,953	730,813	895,923	862,036	278,591	746,960	554,766
Environmental Protection	445,124	477,757	464,517	436,538	447,456	405,873	460,691	1,630,636	1,049,697	495,501
Cultural and Recreational	682,900	696,562	497,300	625,798	590,840	631,588	629,501	687,151	709,071	778,584
Economic Development	-	-	-	-	29,451	153,837	1,708,564	939,727	27,120	28,799
Interest on long-term debt	38,754	49,328	60,204	72,406	28,900	20,980	29,363	27,349	27,120	28,799
Total governmental activities expenses	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	4,505,517
Business-type activities:										
Water and Sewer	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	2,872,567
Stormwater	-	-	-	-	-	-	-	-	126,807	124,571
Airport	-	-	-	-	-	-	-	-	361,481	456,497
Total business-type activities expenses	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	3,453,635
Total primary government expenses	\$ 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	\$ 7,959,152
Program Revenues										
Governmental activities										
Charges for services:										
Refuse collection	\$ 605,861	\$ 621,870	\$ 680,164	\$ 841,109	\$ 791,808	\$ 792,079	\$ 821,954	\$ 832,894	\$ 627,278	\$ 669,302
Culture and recreation	34,817	69,272	59,612	56,614	73,736	55,728	66,722	33,009	28,943	198,283
Other activities	432,868	348,018	396,896	1,285,317	387,249	420,747	877,387	1,214,178	143,596	149,850
Grants and contributions	992,103	667,556	1,116,213	296,949	221,995	430,187	622,604	1,254,900	-	1,330,439
Total governmental activities program revenues	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	2,347,874
Business-type activities:										
Charges for services:										
Water and Sewer	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	3,449,870
Stormwater	-	-	-	-	-	-	-	-	197,233	178,087
Airport	-	-	-	-	-	-	-	-	216,865	179,947
Capital grants and contributions	69,129	-	161,295	77,491	516,901	74,246	111,115	-	354,063	947,465
Total business-type activities program revenues	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	4,755,369
Total primary government program revenues	\$ 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	\$ 7,103,243
Net (Expense)/Revenue										
Governmental activities	\$ (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)	\$ (2,157,643)
Business-type activities	(231,576)	(211,863)	(146,899)	(396,781)	(473,060)	(210,340)	(204,811)	(390,584)	1,038,028	1,314,734
Total primary government net expense	\$ (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)	\$ (842,909)

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

Table 2

Last Ten Fiscal Years
 (unaudited)

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Property taxes	\$ 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	\$ 1,650,098
Sales taxes	708,421	762,931	788,324	851,678	951,426	964,228	1,085,089	1,106,286	1,247,246	1,299,016
Franchise taxes	431,932	335,449	321,940	467,658	352,265	339,274	329,240	456,614	406,709	416,162
Investment earnings	2,557	283	1,217	2,140	2,895	10,661	21,703	20,735	15,881	10,609
Miscellaneous	10	-	-	-	-	-	-	-	24,141	105,222
Transfers	-	-	-	-	-	-	-	200,645	156,163	209,610
Total governmental activities	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	3,690,717
Business-type activities:										
Investment earnings	15,304	6,115	4,976	4,654	1,663	12,908	19,813	19,257	16,370	9,841
Miscellaneous	-	-	20,555	-	2,571	156,826	-	33,675	-	-
Transfers	-	-	-	-	-	-	-	(200,645)	(156,163)	(209,610)
Total business-type activities	15,304	6,115	25,531	4,654	4,234	169,734	19,813	(147,713)	(139,793)	(199,769)
Total primary government	\$ 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	\$ 3,490,948
Changes in Net Assets:										
Governmental activities										
	\$ (3,224)	\$ 245,291	\$ 1,001,097	\$ 1,088,459	\$ 387,855	\$ 288,678	\$ (510,031)	\$ 272,941	\$ 406,127	\$ 527,790
Business-type activities										
	(216,272)	(205,748)	(121,368)	(392,127)	(468,826)	(40,606)	(184,998)	(538,297)	898,235	1,439,138
Prior period adjustments										
	-	-	(277,680)	-	-	-	(412,464)	-	-	-
Total primary gov't change in net position	\$ (219,496)	\$ 39,543	\$ 602,049	\$ 696,332	\$ (80,971)	\$ 248,072	\$ (1,107,493)	\$ (265,356)	\$ 1,304,362	\$ 1,966,928

TOWN OF WALLACE, NORTH CAROLINA
FUND BALANCES OF GOVERNMENTAL FUNDS

Table 3

Last Ten Fiscal Years
 (unaudited)

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
General fund										
Nonspendable	\$ 28,102	\$ 24,553	\$ 25,012	\$ 24,553	\$ 24,553	\$ 25,889	\$ 17,872	\$ 29,236	\$ -	\$ -
Restricted for Stabilization	380,752	649,844	717,091	667,405	685,565	685,045	650,566	809,012	802,408	1,145,719
Restricted	235,641	304,875	375,480	285,567	255,496	225,903	123,017	229,102	31,378	73,614
Committed	-	-	-	-	-	-	-	-	12,070	12,070
Assigned	-	-	-	-	-	-	-	-	-	70,816
Unassigned	669,744	305,369	267,593	1,014,812	1,394,290	1,659,147	1,771,089	2,168,120	1,632,269	1,679,627
Reserved	-	-	-	-	-	-	-	-	-	-
Unreserved	-	-	-	-	-	-	-	-	-	-
Total general fund	\$ 1,314,239	\$ 1,284,641	\$ 1,385,176	\$ 1,992,337	\$ 2,359,904	\$ 2,595,984	\$ 2,562,544	\$ 3,235,470	\$ 2,478,125	\$ 2,981,846
All Other Governmental Funds										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted for Stabilization	-	-	-	-	-	-	421	699	-	41,513
Restricted	-	-	3,050	3,050	6,400	12,114	(825,967)	(779,912)	2,659	2,659
Committed	1,560	-	-	-	-	-	-	-	253,162	40,175
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-	-	-
Unreserved, reported in:										
Special revenue funds	-	-	-	-	-	-	-	-	-	-
Permanent funds	-	-	-	-	-	-	-	-	-	-
Total all other government funds	\$ 1,560	\$ -	\$ 3,050	\$ 3,050	\$ 6,400	\$ 12,114	\$ (825,546)	\$ (779,213)	\$ 255,821	\$ 84,347

TOWN OF WALLACE, NORTH CAROLINA
GENERAL GOVERNMENTAL REVENUES
Last Ten Fiscal Years
(unaudited)

Table 3

<u>Fiscal Year</u>	<u>Property Taxes</u>	<u>Sales Tax</u>	<u>Intergovernmental</u>	<u>Permits and Licenses</u>	⁽¹⁾ <u>Sales and Services</u>	<u>Investment Earnings</u>	<u>Miscellaneous Revenue</u>	<u>Total</u>
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
2022	1,650,098	1,299,016	638,271	36,726	867,585	10,609	13,574	4,515,879

(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 5

<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>
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
2022	978,283	1,723,376	596,259	460,795	666,029	-	177,431	4,602,173

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

TOWN OF WALLACE, NORTH CAROLINA

Table 6

Assessed Value and Estimated Actual Value of Taxable Property

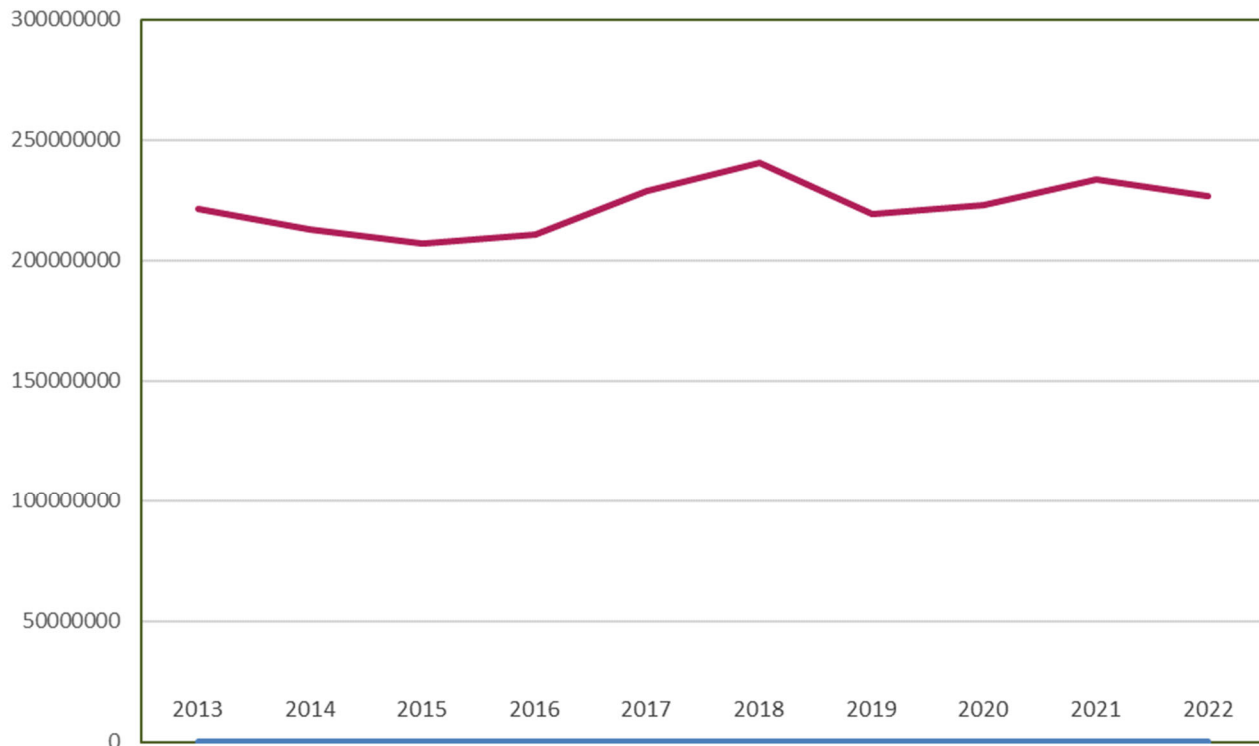
Last Ten Fiscal Years
(unaudited)

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
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%
2022	226,980,231	28,005,645	254,985,876	0.62	254,985,876	100.00%

(1) Per \$100 Value

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

Assessed Values



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

Table 7

Last Ten Fiscal Years
 (unaudited)

Fiscal Year Ending	Town Direct Rates			
	Basic Rate	Total Direct	Fire District	Duplin County
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
2022	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 8

Last Ten Fiscal Years
(unaudited)

Taxpayer	Year Ended June 30 2022			Year Ended June 30 2013		
	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	5.06%	\$ 12,512,600	1	5.35%
GRAHAM LIMITED PARTNERSHIP	4,352,500	2	1.71%	4,345,700	2	1.86%
S&F PROPERTIES	3,177,292	3	1.25%	2,777,690	6	1.19%
CROWN COURT, LLC	3,145,220	4	1.23%			
SMV WALLACE, LLC	2,882,320	5	1.13%	2,868,420	7	1.23%
MADISON GROVE APARTMENTS, LLC	2,202,470	6	0.86%			
WALLACE PROPCO, LLC	2,163,052	7	0.85%			
FIRST BANK	2,159,900	8	0.85%			
EAST COAST REALTY INVESTMENT	2,037,850	9	0.80%			
ENCORE RECYCLING	1,934,717	10	0.76%			
DUKE ENERGY PROGRESS				4,123,692	4	1.76%
PIEDMONT NATURAL GAS				4,378,614	3	1.87%
IRONSIDE INVESTMENT				3,601,388	5	1.54%
WALMART STORES EAST, LP				2,510,113	7	1.07%
VINCENT PROPERTIES INC				2,265,852	8	0.97%
CAROLINA TELEPHONE & TELEGRAPH				2,131,039	10	0.91%
Totals	\$ 36,969,521		14.50%	\$ 41,515,107		17.75%

Source: Finance Dept and Duplin County Tax Office

TOWN OF WALLACE, NORTH CAROLINA
PROPERTY TAX LEVIES AND COLLECTIONS

Table 9

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
2013	\$ 1,403,164	\$ 1,402,561	99.96%	1,402,599	99.96%
2014	1,309,537	1,305,704	99.71%	1,305,755	99.71%
2015	1,309,146	1,305,419	99.72%	1,305,646	99.73%
2016	1,338,781	1,333,775	99.63%	1,336,030	99.79%
2017	1,455,108	1,443,018	99.17%	1,447,343	99.47%
2018	1,490,869	1,477,594	99.11%	1,484,594	99.58%
2019	1,474,198	1,453,438	98.59%	1,467,334	99.53%
2020	1,505,906	1,448,972	96.22%	1,485,537	98.65%
2021	1,621,609	1,527,992	94.23%	1,582,826	97.61%
2022	1,580,912	1,525,934	96.52%	1,525,934	96.52%

TOWN OF WALLACE, NORTH CAROLINA
 Legal Debt Margin Information

Table 10

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%
2022	20,398,870	5,859,309	14,539,561	28.72%

Legal Debt Margin Calculation for Fiscal Year Ending 2022

Assessed value	\$ 254,985,876
Debt limit (8% of assessed value)	20,398,870
Debt applicable to limit:	5,859,309
Legal debt margin	<u>\$ 14,539,561</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.

TOWN OF WALLACE, NORTH CAROLINA
 Demographic and Economic Statistics

Table 11

Last Ten Fiscal Years
 (unaudited)

<u>Year</u>	<u>1 Population</u>	<u>2 Personal Income (thousands of dollars)</u>	<u>2 County Public School Enrollment</u>	<u>3 County Unemployment Rate</u>
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	3,883	(4)	(4)	4.3%
2022	3,883	22,280	9,693	4.1%

- 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 12

Full-time Equivalent City Government Employees by Function/ Program

Last Ten Fiscal Years
(unaudited)

Function/Program	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
General government										
Administration	2	2	2	2	2	2	2	2	2	2
Finance	1	1	1	2	2	3	2	4	4	4
Tax Collector	1	1	1	1	1	1	1	1	-	-
Buildings	-	-	-	-	1	-	2	2	2	2
Public Safety										
Sworn Officers	9	11	16	16	12	13	16	15	14	14
Civilians	3	4	4	4	4	4	4	4	4	4
Planning & Zoning	1	1	1	1	-	1	1	1	2	2
Streets	5	5	6	6	7	7	6	6	7	7
Cultural and Recreation	3	3	3	3	2	3	3	3	4	4
Library	2	3	3	3	3	3	2	3	3	3
Water & Sewer										
Administration	2	2	2	2	2	2	2	2	2	2
Water	2	3	3	4	4	4	4	5	5	5
Collections	1	1	1	1	1	1	1	1	1	1
Wastewater Treatment Plant	4	5	6	6	5	6	5	4	6	6
Airport	1	1	1	1	1	1	1	1	1	1
Total	37	43	50	52	47	51	52	54	57	57

Source: Town Finance Department as of 6/30/22

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

Table 13

Last Ten Fiscal Years
 (unaudited)

Function/Program	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
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	22.99	22.99	22.99
Traffic signals	7	7	7	7	7	7	7	7	7	7
Parks and recreation										
Acreage	226	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	61	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	44	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 14

Last Ten Fiscal Years
 (unaudited)

Function/Program	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
General Government										
Zoning Compliance Issued	NA	NA	NA	NA	NA	NA	51	62	73	70
Police										
Citations	416	514	1,488	45	231	305	832	728	656	336 ¹
Physical Arrests	83	67	98	487	41	61	166	81	169	106 ¹
Fire stations										
Emergency Responses	273	294	301	286	284	374	305	265	303	137 ¹
Other public works										
Streets Resurfaced (linear ft.)	NA	NA	2,094	787	876	1,275	2,700	2,638	2,068	1,327
Parks and recreation										
Program Participants	NA	455	526	592	542	552	564	328	541	636
Library										
Total Visitors	34,451	34,079	30,712	29,040	34,054	24,520	24,123	24,961	6,988	10,345
New Library Patrons	NA	NA	NA	NA	NA	NA	NA	NA	555	211
Book Checkouts	47,139	50,858	40,712	39,040	39,054	44,348	42,132	41,584	28,446	28,085
Internet Patrons	13,443	13,084	12,902	12,641	11,355	10,827	7,158	6,829	1,728	1,881
Billing and Collections										
New Account Connections	239	188	220	256	203	221	259	237	223	262
Water/Sewer Operations										
Customers	1,884	1,894	1,901	1,985	1,926	1,959	1,946	1,967	1,990	2,007
Water Consumption	NA	NA	122,693,532	167,746,805	167,951,786	157,653,368	165,421,636	160,401,641	180,672,903	162,384,882
Wastewater Treatment Plant										
Gallons Treated - millions	NA	NA	516.14	456.08	432.05	524.02	593.37	544.04	587.78	452.48
Airport										
Gallons Fuel Sold annually	NA	NA	NA	NA	NA	32,378	23,869	20,851	26,430	30,633

Sources: Town departments

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



SINGLE AUDIT AND COMPLIANCE SECTION



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**Report on Internal Control Over Financial Reporting And On Compliance
And Other Matters Based On An Audit Of Financial Statements
Performed In Accordance With *Government Auditing Standards***

Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Town of Wallace, North Carolina, as of and for the year ended June 30, 2022, and the related notes to the financial statement, which collectively comprises Town of Wallace's basic financial statements, and have issued our report thereon dated December 30, 2022. The financial statements of Town of Wallace ABC Board were not audited in accordance with *Government Auditing Standards*.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Wallace's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 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 limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control

over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2022-001 that we consider to be significant deficiencies.

Report on Compliance and Other Matters

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

Town of Wallace's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Town of Wallace's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Thompson, Price, Scott, Adams & Co., PA
Wilmington, North Carolina
December 30, 2022



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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 City Council
Wallace, North Carolina

Report on Compliance for Each Major Federal Program

Opinion on 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, 2022. 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.

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, 2022.

Basis for Opinion on Each Major Federal Program

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. Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Town of Wallace and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provides a reasonable basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Town of Wallace's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Town of Wallace federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Town of Wallace's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Town of Wallace's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Town of Wallace's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of Town of Wallace's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Town of Wallace's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 Auditor's Responsibilities for the Audit of Compliance section and above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies or material weaknesses in internal control over compliance. Given these limitations, during our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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
December 30, 2022



Thompson, Price, Scott, Adams & Co., P.A.
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Wilmington, North Carolina 28403
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Report on Compliance for Each Major State 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 City Council
Wallace, North Carolina

Report on Compliance for Each Major State Program

Opinion on Each Major State 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 State programs for the year ended June 30, 2022. The Town of Wallace's major State programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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 State programs for the year ended June 30, 2022.

Basis for Opinion on Each Major State Program

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. Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Town of Wallace and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provides a reasonable basis for our opinion on compliance for each major State program. Our audit does not provide a legal determination of the Town of Wallace's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Town of Wallace State programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Town of Wallace's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Town of Wallace's compliance with the requirements of each major State program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Town of Wallace's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of Town of Wallace's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Town of Wallace's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 State 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 State 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 State 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 Auditor's Responsibilities for the Audit of Compliance section and above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies or material weaknesses in internal control over compliance. Given these limitations, during our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

December 30, 2022

TOWN OF WALLACE, NORTH CAROLINA
Schedule of Findings and Questioned Costs

FOR THE YEAR ENDED JUNE 30, 2022

Section I Summary of Auditor's Results

Financial Statements

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

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant Deficiency(s) identified? yes no

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? yes no
- Significant Deficiency(s) identified yes none reported

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

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

Identification of major federal programs:

CFDA No(s).	Names of Federal Program
10.766	Community Facilities Loans and Grants

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

Auditee qualified as low-risk auditee? yes no

State Awards

Internal control over major state programs:

- Material weakness(es) identified? yes no
- Significant Deficiency(s) identified? yes none 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 State Single Audit Implementation Act? yes no

Identification of major state programs:

Program Name
Division of Water Quality Connect NC Bond

TOWN OF WALLACE, NORTH CAROLINA
Schedule of Findings and Questioned Costs

FOR THE YEAR ENDED JUNE 30, 2022

Section II Financial Statements Findings

Significant Deficiency

Finding: 2022 — 001 Noncompliance with Budget

Criteria: G.S. 159-28(a) states that no obligation may be incurred in a function accounted for in a fund included in the budget ordinance unless the budget ordinance includes an appropriation authorizing the obligation and an unencumbered balance remains in the appropriation sufficient to pay in the current fiscal year the sums obligated by the transaction for the current fiscal year.

Condition: The Town expended more for the Major Grant Fund than was appropriated for in the annual budget ordinance.

Effect: Monies were spent that had not been obligated and appropriated.

Identification of a repeat finding: This is not a repeat finding.

Cause: The Town exceeded budget expenditures in the Major Grant Fund while budget amendments were not adopted.

Recommendation: Before an obligation is to incur that will exceed the amount that was previously approved in the budget ordinance, an amendment to the budget should be adopted.

Views of responsible officials and planned corrective actions: The Town will continue to monitor the budgets monthly to ensure compliance.



Town of Wallace

316 EAST MURRAY STREET • WALLACE, NORTH CAROLINA 28466
TELEPHONE: 910-285-4136 • FAX 910-285-5135

Section II – Financial Statement Findings

Corrective Action Plan

Finding: 2022-001 Noncompliance with Budget

Name of Contact Person: Robert C Taylor, Jr., Finance Director

Corrective Action: When obligations arise that exceed the amount in the approved budget ordinance, amendments to the budget will be created. These amendments will be brought to the Board when they arise for transparency and to ensure compliance.

Proposed Completion Date: Immediately

TOWN OF WALLACE, NORTH CAROLINA

Schedule of Prior Year Findings

FOR THE YEAR ENDED JUNE 30, 2022

None.

TOWN OF WALLACE, NORTH CAROLINA
 Schedule of Expenditures of Federal and State Awards

FOR THE YEAR ENDED JUNE 30, 2022

<u>Grantor/Pass Through Grantor/Program Title</u>	<u>Federal ALN Number</u>	<u>State/Pass-through Grantor's Number</u>	<u>Federal (Direct and Pass Through) Expenditures</u>	<u>State Expenditures</u>	<u>Passed-Through to Subrecipients</u>
FEDERAL GRANTS					
Cash Programs					
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	57,900	-	-
US Department of Transportation Passed-through the N. C. Department of Transportation Airport Improvement Program	20.106	36237.56.14.3	34,000	-	-
Airport Improvement Program	20.106	36237.56.14.4	36,562	-	-
Airport Improvement Program	20.106	36237.56.14.5	682,032	-	-
US Department of Agriculture Community Facilities Loans and Grants	10.766		1,082,000	-	-
Emergency Watershed Protection Program	10.923		72,530	-	-
US Department of Treasury Coronavirus State and Local Fiscal Recovery Funds Premium Pay	21.027		123,137	-	-
Water and Sewer Infrastructure	21.027		112,500		
Replaced Lost Revenue	21.027		379,927		
Total Expenditures - Federal Programs			<u>2,580,588</u>	<u>-</u>	<u>-</u>
STATE GRANTS					
Cash Programs					
NC Department of Environmental Quality Division of Water Quality Connect NC Bond		H-SRP-18-0173	-	369,989	-
NC Parks and Recreation Trust Fund Boney Mill Pond Park		2002-952	-	41,513	-
NC Department of Public Safety NC Governor's Crime Commission Grant			-	20,875	-
NC Department of Transportation Rail Corridor Mowing and Cleanup Powell Bill		DOT-4	-	3,325	-
Airport Improvement Program		DOT-8	-	96,667	-
Total Assistance - State Programs			<u>-</u>	<u>652,226</u>	<u>-</u>
Total Federal and State Assistance			<u>\$ 2,580,588</u>	<u>\$ 652,226</u>	<u>\$ -</u>

TOWN OF WALLACE, NORTH CAROLINA

Schedule of Expenditures of Federal and State Awards

FOR THE YEAR ENDED JUNE 30, 2022

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal and State awards (SEFSA) includes the federal and State grant activity of the Town of Wallace under the programs of the federal government and the State of North Carolina for the year ended June 30, 2022. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of the Town, 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 SEFSA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3: Indirect Cost Rate

The Town 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, 2022, for North Carolina DEQ was \$530,301 and \$487,000 on USDA loan.