

TOWN OF DALLAS

Financial Statements, Supplemental Schedules,
Independent Auditors' Report and Compliance Report
For the Year Ended June 30, 2021

Lowdermilk Church & Co., L.L.P.
Certified Public Accountants

TOWN OF DALLAS, NORTH CAROLINA

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TOWN OF DALLAS, NORTH CAROLINA

**List of Principal Officials
June 30, 2021**

Mayor & Board of Aldermen

Mayor	Rick Coleman
Mayor Pro-tem	Jerry Cearley
Aldermen	E. Hoyle Withers
	Darlene Morrow
	Allen Huggins
	Frank Milton

Town Administration

Town Manager	Maria Stroupe
Town Attorney	J. Thomas Hunn
Finance Director	Jonathan Newton
Town Clerk/HR	Sarah Hamrick
Police Chief	Robert Walls
Public Works Director	Bill Trudnak
Fire Chief	Earl Withers
Recreation Director	Brandon Whitener
Electric Director	J. Doug Huffman
Development Services Director	Nolan Groce

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FINANCIAL SECTION

- **Independent Auditors' Report**
 - **Management's Discussion and Analysis**
 - **Basic Financial Statements**
 - **Notes to the Financial Statements**
 - **Required Supplementary Information**
 - **Individual Fund Statements and Schedules**
 - **Other Supplementary Financial Data**
-

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Lowdermilk Church & Co., L.L.P.
Certified Public Accountants

121 N. Sterling Street
Morganton, North Carolina 28655
Phone: (828) 433-1226
Fax: (828) 433-1230

Independent Auditors' Report

To the Honorable Mayor and the
Members of the Board of Aldermen
Town of Dallas, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Dallas, North Carolina as of, and for, the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Town of Dallas, North Carolina's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Dallas, North Carolina, as of June 30, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund and the CDBG Grant Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Local Government Employees' Retirement System Schedules of the Proportionate Share of the Net Pension Liability (Asset) and Contributions and the Law Enforcement Officers' Special Separation Allowance Schedules of the Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll, on pages 5-13 and 60-63, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Dallas, North Carolina's basic financial statements. The combining and individual fund financial statements, the budgetary schedules and other schedules, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements, the budgetary schedules and other schedules are the responsibility of management and were derived from, and relate directly to, the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements, or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements, the budgetary schedules and other schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 29, 2021 on our consideration of the Town of Dallas, North Carolina's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance, and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Dallas, North Carolina's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Town of Dallas, North Carolina's internal control over financial reporting and compliance.

Low Smith Church & Co., L.L.P.

Morganton, North Carolina
December 29, 2021

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Management's Discussion and Analysis

As management of Town of Dallas, we offer the readers of Town of Dallas' financial statements this narrative overview and analysis of the financial activities of Town of Dallas for the fiscal year ended June 30, 2021. We encourage readers to read the information presented here in conjunction with the additional information that we have furnished in the Town's financial statements, which follow this narrative.

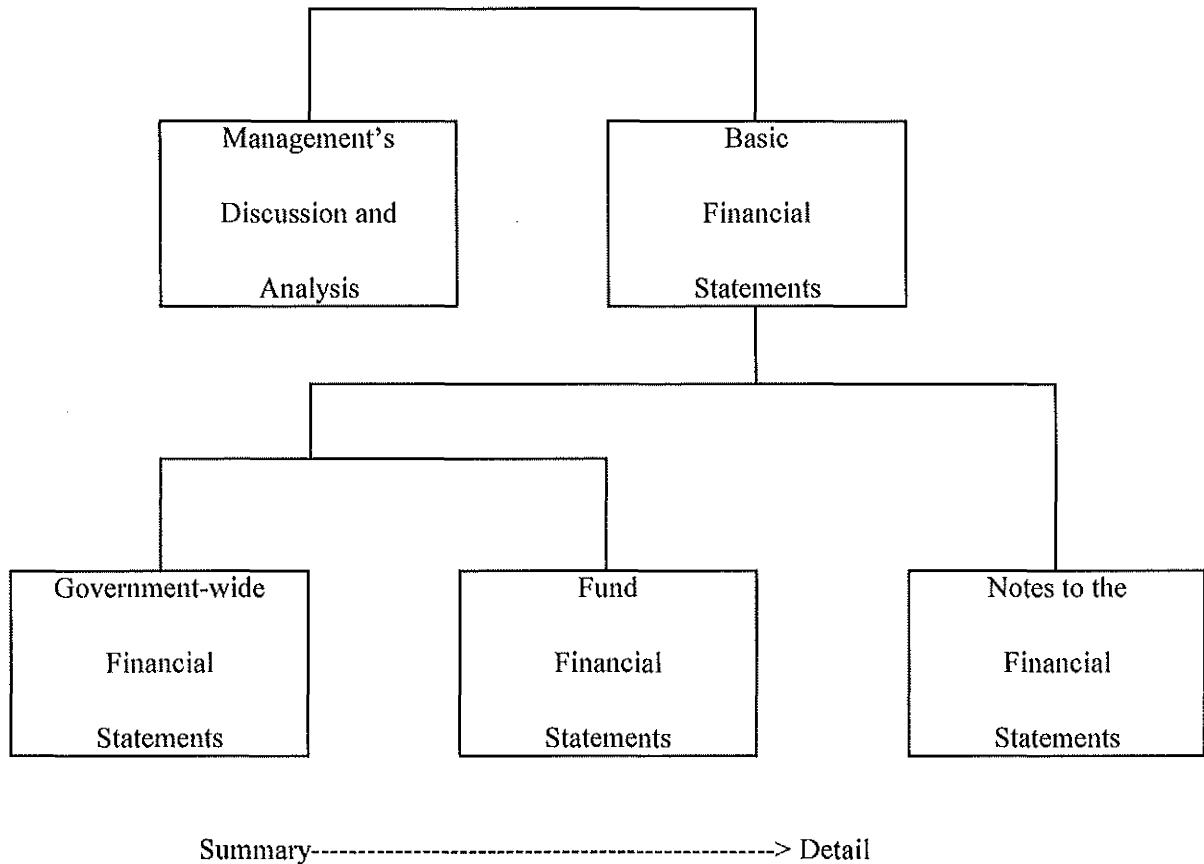
Financial Highlights

- The assets and deferred outflows of resources of Town of Dallas exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$27,697,024 (net position).
- The Town's total net position increased by \$1,510,455.
- As of the close of the current fiscal year, Town of Dallas' governmental funds reported combined ending fund balances of \$5,877,900, with a net increase of \$1,500,783 in fund balance. Approximately 5.86% of this total amount, or \$344,337, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$2,,643,407, or 78.57 percent, of total General Fund expenditures for the fiscal year.
- Town of Dallas' total debt increased by \$203,921 (3.25%) during the current fiscal year. The key factor in this increase was the issuance of capital leases and changes in pesnion liabilities.
- The Town's total capital assets (net of accumulated depreciation) decreased by \$526,996 (2.59%) during the current fiscal year. The key factor in this decrease is depreciation expense.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Town of Dallas' 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 Town of Dallas.

Required Components of Annual Financial Report
Figure 1



Basic Financial Statements

The first two statements, on pages 14 through 16, 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, on pages 17 through 26, are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; and 3) the proprietary fund statements.

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

Government-wide Financial Statements

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

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

The government-wide statements are divided into two categories: 1) governmental activities; and 2) business-type activities. 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 and electric services offered by Town of Dallas.

The government-wide financial statements are on pages 14 through 16 of this report.

Fund Financial Statements

The fund financial statements (see Figure 1) provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Town of Dallas, 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 Town of Dallas can be divided into two categories: governmental funds and proprietary funds.

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

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

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

Notes to the Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 27 of this report.

Other Information - In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning Town of Dallas' progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 60 of this report.

The individual fund statements and schedules are presented immediately following the required supplementary information on pensions. Individual fund statements and schedules can be found beginning on page 64 of this report.

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

Government-Wide Financial Analysis

Town of Dallas, Net Position						
	Governmental		Business-type		Total	
	Activities		Activities			
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Current and other assets	\$6,216,420	\$4,759,650	\$ 7,994,978	\$ 7,900,082	\$14,211,399	\$12,659,733
Capital assets	6,212,465	6,184,424	13,598,169	14,153,206	19,810,634	20,337,630
Deferred outflows of resources	<u>490,867</u>	<u>340,613</u>	<u>481,467</u>	<u>383,984</u>	<u>972,334</u>	<u>724,597</u>
Total assets and deferred outflows of resources	<u>12,919,752</u>	<u>11,284,687</u>	<u>22,074,614</u>	<u>22,437,272</u>	<u>34,994,367</u>	<u>33,721,960</u>
Long-term liabilities outstanding	2,871,411	2,684,320	3,601,629	3,584,801	6,473,041	6,269,122
Other liabilities	340,417	364,515	396,819	781,489	737,236	1,146,004
Deferred inflows of resources	<u>75,514</u>	<u>103,407</u>	<u>11,552</u>	<u>16,860</u>	<u>87,066</u>	<u>120,267</u>
Total liabilities and deferred inflows of resources	<u>3,287,343</u>	<u>3,152,243</u>	<u>4,010,000</u>	<u>4,383,150</u>	<u>7,297,343</u>	<u>7,535,393</u>
Net position:						
Net investment in capital assets	4,643,399	4,489,476	11,010,165	11,331,853	15,653,564	15,821,329
Restricted	344,025	379,173	-	-	344,025	379,173
Unrestricted	<u>4,644,986</u>	<u>3,263,797</u>	<u>7,054,449</u>	<u>6,722,270</u>	<u>11,699,435</u>	<u>9,986,067</u>
Total net position	<u>\$9,632,410</u>	<u>\$8,132,446</u>	<u>\$18,064,614</u>	<u>\$18,054,122</u>	<u>\$27,697,024</u>	<u>\$26,186,569</u>

As noted earlier, net position may serve, over time, as one useful indicator of a government's financial condition. The assets and deferred outflows of Town of Dallas exceeded liabilities and deferred inflows by \$27,697,024 as of June 30, 2021. The Town's net position increased by \$1,510,455 for the fiscal year ended June 30, 2021. However, a large portion of net position (56.5) reflects the Town's net investment in capital assets (e.g., land, buildings, machinery, and equipment). Town of Dallas uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Town of Dallas' net investment in 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 Town of Dallas' net position, \$344,025 represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$11,699,435 is unrestricted.

	Town of Dallas, Changes in Net Position					
	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program revenues:						
Charges for services	\$ 652,289	\$ 614,597	\$11,701,982	\$11,400,203	\$12,354,271	\$12,014,800
Operating grants and contributions	148,401	191,150	-	-	148,401	191,150
Capital grants and contributions	24,924	35,779	-	179,684	24,924	215,463
General revenues:						
Property taxes	1,425,848	1,378,646	-	-	1,425,848	1,378,646
Other taxes	889,261	837,279	-	-	889,261	837,279
Unrestricted investment earnings	6,774	91,080	154	10,482	6,927	101,561
Other	<u>32,293</u>	<u>35,985</u>	<u>133,557</u>	<u>98,349</u>	<u>165,850</u>	<u>134,334</u>
Total revenues	<u>3,179,790</u>	<u>3,184,516</u>	<u>11,835,693</u>	<u>11,688,718</u>	<u>15,015,482</u>	<u>14,873,233</u>
Expenses:						
General government	569,860	577,001	-	-	569,860	577,001
Public safety	1,939,949	1,892,697	-	-	1,939,949	1,892,697
Transportation	344,048	395,203	-	-	344,048	395,203
Economic and physical development	51,286	9,761	-	-	51,286	9,761
Environmental protection	441,933	436,470	-	-	441,933	436,470
Cultural and recreational	283,272	332,006	-	-	283,272	332,006
Interest on long-term debt	65,260	67,428	98,132	100,634	163,392	168,062
Water and sewer	-	-	2,679,320	2,883,072	2,679,320	2,883,072
Electric	-	-	<u>7,031,967</u>	<u>7,402,016</u>	<u>7,031,967</u>	<u>7,402,016</u>
Total expenses	<u>3,695,609</u>	<u>3,710,567</u>	<u>9,809,419</u>	<u>10,385,722</u>	<u>13,505,027</u>	<u>14,096,288</u>
Increase (decrease) in net position before transfers	(515,819)	(526,051)	2,026,274	1,302,996	1,510,455	776,945
Transfers	<u>2,015,782</u>	<u>1,135,733</u>	<u>(2,015,782)</u>	<u>(1,135,733)</u>	-	-
Increase (decrease) in net position	<u>\$1,499,964</u>	<u>\$ 609,682</u>	<u>\$ 10,492</u>	<u>\$ 167,263</u>	<u>\$ 1,510,455</u>	<u>\$ 776,945</u>
Net position, beginning	\$8,132,446	\$7,522,764	\$18,054,122	\$17,886,859	\$26,186,569	\$25,409,623
Increase (decrease) in net position	<u>1,499,964</u>	<u>609,682</u>	<u>10,492</u>	<u>167,263</u>	<u>1,510,455</u>	<u>776,945</u>
Net position, ending	<u>\$9,632,410</u>	<u>\$8,132,446</u>	<u>\$18,064,614</u>	<u>\$18,054,122</u>	<u>\$27,697,024</u>	<u>\$26,186,569</u>

Governmental Activities. Governmental activities increased the Town's net position by \$1,499,964. Key elements of this increase are as follows:

- Increase in charges for services and other taxes.
- Increase in property tax revenue.
- Expenses decreased slightly..
- Transfers increased by \$880,049.

Business-type Activities. Business-type activities increased Town of Dallas' net position by \$10,492. Key elements of this increase are as follows:

- Capital grants decrease of \$174,000.
- Charges for services increased.
- Expenses increased slightly.
- Transfers increased by \$880,049.

Financial Analysis of the Town’s Funds

As the Town completed the year, its governmental funds (as presented in the balance sheet) reported a combined fund balance of \$5,877,900, which is higher than last year’s total of \$4,377,117. Included in this change in fund balance is an increase in the General Fund balance of \$506,238. The primary reasons for the increase mirror the governmental activities analysis highlighted on page 10.

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

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

The General Fund is the chief operating fund of Town of Dallas. At the end of the current fiscal year, Town of Dallas’ fund balance available in the General Fund was \$3,429,141, while total fund balance reached \$3,677,298. The Governing Body of Town of Dallas has determined that the Town should maintain an available fund balance of no less than 30%, with a target of 50%, of General Fund expenditures in case of unforeseen needs or opportunities, in addition to meeting the cash flow needs of the Town. The Town currently has an available fund balance of 101.93 percent of General Fund expenditures, while total fund balance represents 109.30 percent of that same amount.

At June 30, 2021, the governmental funds of Town of Dallas reported a combined fund balance of \$5,877,900, with a net increase in fund balance of \$1,500,783. Included in this change in fund balance are the following increases (decreases):

General Fund:	
General Fund	\$ 506,238
Other funds:	
CDBG Grant Fund	4,963
Non-Major Funds	989,582
	\$ 1,500,783

Budgetary Highlights

The Town adopted a series of budget amendments during the course of the fiscal year, as approved by the Board of Aldermen; applying to both the General Fund, as well as the Proprietary, or “Enterprise” Funds.

General Fund

There were six amendments in the General Fund in fiscal year 2020-21. In the Streets/Solid Waste Department, there was an amendment for road apron repairs to a town owned street, an amendment in the Recreation Department for a leased vehicle, an amendment in the Fire Department for a used fire engine. The additional two amendments were focused on the pandemic, one to appropriate the CARES Act money and the other to appropriate the ARPA funds. There was also an amendment in the Economic Development Fund for parking lot improvements at 109 West Wilkins Street.

Proprietary Funds

In the Water Fund, there were three budget amendments: (1) for the sewer interconnect project, (2) for a retainage fee for the HWY 279 project and (3) a sewer line extension.

In the Electric Fund, there were three budget amendments: (1) economic development transfer per Town policy, (2) appropriation to receive an audit refund from Duke Energy and (3) appropriation of Duke Energy True Up Revenue.

Capital Assets and Debt Administration

Capital Assets. Town of Dallas' investment in capital assets for its governmental and business type activities as of June 30, 2021, totals \$19,810,634 (net of accumulated depreciation). These assets include buildings, roads and bridges, land, machinery and equipment, park facilities, and vehicles.

Major capital asset transactions during the year include the following:

- A used fire apparatus for the Fire Department.
- A vehicle for the Recreation Department.
- Servers for Town Hall and the Police Department
- Several upgrades to equipment, land, and public parking. Additional upgrades to a substation generator and improvements to water infrastructure.
- Two K9 dogs for use in the Police Department.

Town of Dallas Capital Assets

Figure 4

	<u>Governmental</u>		<u>Business-type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>			
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Land	\$ 381,181	\$ 381,181	\$ 189,069	\$ 189,069	\$ 570,251	\$ 570,251
Right of way	-	-	41,647	41,647	41,647	41,647
Buildings and improvements	3,080,569	3,202,195	579,199	609,721	3,659,768	3,811,916
Distribution systems	103,940	107,921	10,867,665	11,218,090	10,971,606	11,326,011
Infrastructure	672,227	701,273	-	-	672,227	701,273
Other improvements	838,671	725,021	-	-	838,671	725,021
Sewer plant	-	-	329,002	369,878	329,002	369,878
Water plant	-	-	365,178	413,204	365,178	413,204
Vehicles and equipment	973,459	991,041	1,095,018	1,311,596	2,068,477	2,302,637
Construction in progress	<u>162,418</u>	<u>75,791</u>	<u>131,390</u>	<u>-</u>	<u>293,808</u>	<u>75,791</u>
Total	<u>\$6,212,465</u>	<u>\$6,184,424</u>	<u>\$13,598,169</u>	<u>\$14,153,206</u>	<u>\$19,810,634</u>	<u>\$20,337,630</u>

Additional information on the Town's capital assets can be found in Note III.A.5 of the Basic Financial Statements.

Long-Term Debt. As of June 30, 2021, the Town of Dallas had \$3,948,843 of direct placement installment purchase. The installment debt is backed by security interest in the property for which it was issued.

Town of Dallas Outstanding Debt

Figure 5

	<u>Governmental</u>		<u>Business-type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>			
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Direct placement installment purchases	\$1,383,676	\$1,491,985	\$2,565,167	\$2,792,331	\$3,948,843	\$4,284,316
Capitalized leases	185,391	202,963	22,837	29,022	208,228	231,985
Compensated absences	117,537	83,057	105,105	106,039	222,642	189,096
Pension related debt (LGERS)	688,088	538,463	908,520	657,408	1,596,608	1,195,871
Pension related debt (LEO)	496,720	367,852	-	-	496,720	367,852
Settlement payable	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$2,871,412</u>	<u>\$2,684,321</u>	<u>\$3,601,629</u>	<u>\$3,584,800</u>	<u>\$6,473,041</u>	<u>\$6,269,120</u>

Town of Dallas' Outstanding Debt

The Town of Dallas' total debt increased by \$203,921 (3.25%) during the past fiscal year, primarily due to an increase in compensated absences and pension liabilities.

Economic Factors and Next Year's Budgets and Rates

The following economic highlights are reflective of the fiscal year for Town of Dallas:

The Town's general fiscal condition, much like the State and National economies, has remained stable and is modestly improving, with the exception of the pandemic.

Utility tax revenues continue to see modest increases, mainly due to some increases in single family housing.

Although unemployment has trended downward, this area remains slightly higher than the State and national averages.

The Dallas economy is diversified and not tied to any one primary employer or type of economic activity, thus allowing for reasonable insulation from sudden or dramatic impacts to revenues.

Budget Highlights for the Fiscal Year Ending June 30, 2021

In order to maintain the integrity of the Town's core services, functions, and activities, Storm Water, Electric, Water/Sewer and Property Tax rates remained unchanged. This will be year (3) that the Town has passed along the coal ash recovery charge to its citizens and year (2) that the Town has passed along banking fees due to credit card transaction to its citizens. The Town of Dallas was very stable in its projections for FY 2021-22 and put a lot of capital projects on hold, waiting on revenues to pick back up.

The fiscal year 2022 budget funds the following ongoing and/or new initiatives or infrastructure upgrades:

General Fund:

- New payroll software.
- Comprehensive Land Use Plan.
- Three leased vehicles for the Police Department.
- Bunker gear for the Fire Department.
- Street sweeper for the Street Department.

Water and Sewer Fund:

- Phase two of the new Itron radio read water meters.
- Locator vehicle.
- AIA water assessment.
- Reconstruction of filter beds at the water plant.
- Sewer interconnect project.

Electric Fund:

- New Knuckleboom.
- Locator vehicle
- Generator startup improvements.

Storm Water Fund:

- Groves Street project.

Requests for Information

This report is designed to provide an overview of the Town's finances for those with an interest in this area. Questions concerning any of the Town's information found in this report, or requests for additional information, should be directed to the Director of Finance, Town of Dallas, 210 N. Holland Street, Dallas, N. C. 28034-1625. You can also call 704-922-3176, visit our website at www.dallasnc.net or send an email to jnewton@dallasnc.net for more information.

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BASIC FINANCIAL STATEMENTS

The Basic Financial Statements provide a condensed overview of the financial position and results of operations of the Town as a whole. They also serve as an introduction to the more detailed statements and schedules that follow.

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TOWN OF DALLAS

Statement of Net Position June 30, 2021

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 5,557,265	\$ 5,951,285	\$ 11,508,550
Taxes receivable, net	19,790	-	19,790
Accounts receivable, net	46,193	1,436,491	1,482,685
Due from other government agencies	243,555	-	243,555
Accrued interest receivable	23,123	-	23,123
Mortgage receivable	230,000	-	230,000
Inventories	312	327,553	327,865
Restricted cash	96,181	279,649	375,829
Total current assets	<u>6,216,420</u>	<u>7,994,978</u>	<u>14,211,398</u>
Noncurrent assets:			
Capital assets:			
Land and nondepreciable assets	543,599	362,107	905,706
Other capital assets, net of accumulated depreciation	5,668,867	13,236,062	18,904,929
Total capital assets	<u>6,212,465</u>	<u>13,598,169</u>	<u>19,810,634</u>
Total assets	<u>12,428,885</u>	<u>21,593,147</u>	<u>34,022,032</u>
Deferred Outflows of Resources			
Pension deferrals	<u>490,867</u>	<u>481,467</u>	<u>972,334</u>
Liabilities			
Accounts payable and accrued liabilities	63,420	110,750	174,170
Accrued interest payable	21,688	6,426	28,114
Customer deposits - restricted	-	279,643	279,643
Unearned revenues	255,310	-	255,310
Current portion of long-term liabilities	186,795	194,654	381,449
Total current liabilities	<u>527,212</u>	<u>591,473</u>	<u>1,118,685</u>
Long-term liabilities:			
Net pension liability	688,088	908,520	1,596,608
Total pension liability	496,720	-	496,720
Due in more than one year	1,499,808	2,498,455	3,998,263
Total liabilities	<u>3,211,829</u>	<u>3,998,448</u>	<u>7,210,276</u>
Deferred Inflows of Resources			
Pension deferrals	<u>75,514</u>	<u>11,552</u>	<u>87,066</u>
Total deferred inflows of resources	<u>75,514</u>	<u>11,552</u>	<u>87,066</u>
Net Position			
Net investment in capital assets	4,643,399	11,010,165	15,653,564
Restricted for:			
Stabilization by State Statute	247,845	-	247,845
Streets - Powell Bill	70,804	-	70,804
Public safety	25,376	-	25,376
Unrestricted	4,644,986	7,054,449	11,699,435
Total net position	<u>\$ 9,632,410</u>	<u>\$ 18,064,614</u>	<u>\$ 27,697,024</u>

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

TOWN OF DALLAS

**Statement of Activities
For the Year Ended June 30, 2021**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Primary Government</u>		
					<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Primary Government:							
Governmental activities:							
General government	\$ 569,860	\$ -	\$ -	\$ -	\$ (569,860)	\$ -	\$ (569,860)
Public safety	1,939,949	2,198	23,335	24,924	(1,889,492)	-	(1,889,492)
Transportation	344,048	-	125,066	-	(218,982)	-	(218,982)
Economic and physical development	51,286	23,931	-	-	(27,356)	-	(27,356)
Environmental protection	441,933	603,635	-	-	161,702	-	161,702
Cultural and recreational	283,272	22,525	-	-	(260,747)	-	(260,747)
Interest on long-term debt	65,260	-	-	-	(65,260)	-	(65,260)
Total governmental activities	3,695,608	652,289	148,401	24,924	(2,869,994)	-	(2,869,994)
Business-type activities:							
Water and sewer	2,773,596	2,954,426	-	-	-	180,830	180,830
Electric	7,035,823	8,747,556	-	-	-	1,711,733	1,711,733
Total business-type activities	9,809,419	11,701,982	-	-	-	1,892,563	1,892,563
Total primary government	\$ 13,505,027	\$12,354,271	\$ 148,401	\$ 24,924	(2,869,994)	1,892,563	(977,431)

cont.

TOWN OF DALLAS

**Statement of Activities
For the Year Ended June 30, 2021**

	<u>Net (Expense) Revenue and Changes in Net Position</u>		
	<u>Primary Government</u>		
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
General revenues:			
Ad valorem taxes	\$ 1,425,848	\$ -	\$ 1,425,848
Local option sales tax	561,863	-	561,863
Other taxes and licenses	327,398	-	327,398
Unrestricted investment earnings	6,774	154	6,928
Miscellaneous	19,581	95,793	115,373
Gain on sale of capital assets	12,712	37,764	50,476
Transfers	<u>2,015,782</u>	<u>(2,015,782)</u>	<u>-</u>
Total general revenues and transfers	<u>4,369,958</u>	<u>(1,882,071)</u>	<u>2,487,886</u>
 Changes in net position	 <u>\$ 1,499,964</u>	 <u>\$ 10,492</u>	 <u>\$ 1,510,455</u>
 Net position - beginning	 \$ 8,132,446	 \$ 18,054,122	 \$ 26,186,568
Changes in net position	<u>1,499,964</u>	<u>10,492</u>	<u>1,510,455</u>
Net position - ending	<u>\$ 9,632,410</u>	<u>\$ 18,064,614</u>	<u>\$ 27,697,024</u>

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

TOWN OF DALLAS

**Balance Sheet
Governmental Funds
June 30, 2021**

	<u>Major Funds</u>		<u>Total</u>	<u>Total</u>
	<u>General</u>	<u>CDBG Grant</u>	<u>Non-Major</u>	<u>Governmental</u>
<u>Assets</u>	<u>Fund</u>	<u>Fund</u>	<u>Funds</u>	<u>Funds</u>
Cash and cash equivalents	\$ 3,395,412	\$ 20,732	\$ 2,141,121	\$ 5,557,265
Taxes receivable, net	19,790	-	-	19,790
Accounts receivable, net	29,600	-	16,593	46,193
Due from government agencies	243,555	-	-	243,555
Accrued interest receivable	-	23,123	-	23,123
Inventories	312	-	-	312
Mortgage receivable	-	230,000	-	230,000
Restricted cash	96,181	-	-	96,181
Total assets	<u>\$ 3,784,850</u>	<u>\$ 273,855</u>	<u>\$ 2,157,715</u>	<u>\$ 6,216,420</u>
 <u>Liabilities</u>				
Accounts payable and accrued liabilities	<u>\$ 62,452</u>	<u>\$ -</u>	<u>\$ 968</u>	<u>\$ 63,420</u>
Total liabilities	<u>62,452</u>	<u>-</u>	<u>968</u>	<u>63,420</u>
 <u>Deferred Inflows of Resources</u>				
Property taxes receivable	19,790	-	-	19,790
Unearned mortgage revenue	-	230,000	-	230,000
Other fees receivable	25,310	-	-	25,310
Total deferred inflows of resources	<u>45,100</u>	<u>230,000</u>	<u>-</u>	<u>275,100</u>
 <u>Fund Balances</u>				
Nonspendable:				
Inventories	312	-	-	312
Restricted:				
Stabilization by State Statute	247,845	-	-	247,845
Streets - Powell Bill	70,804	-	-	70,804
Public safety	25,376	-	-	25,376
Committed: Public safety	202,449	-	-	202,449
Assigned:				
Storm Water	-	-	408,056	408,056
Capital Project	-	43,855	1,258,283	1,302,139
Top Tier Program	-	-	490,408	490,408
Subsequent year's expenditures	487,104	-	-	487,104
Unassigned	2,643,407	-	-	2,643,407
Total fund balances	<u>3,677,298</u>	<u>43,855</u>	<u>2,156,747</u>	<u>5,877,900</u>
 Total liabilities, deferred inflows of resources and fund balances	<u>\$ 3,784,850</u>	<u>\$ 273,855</u>	<u>\$ 2,157,715</u>	<u>\$ 6,216,420</u>

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

TOWN OF DALLAS

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

Total Fund Balances, Governmental Funds	\$ 5,877,900
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	
Gross capital assets at historical cost	\$10,346,485
Accumulated depreciation	<u>(4,134,020)</u> 6,212,465
Deferred outflows of resources related to pensions are not reported in the funds	490,867
Liabilities for earned revenues considered deferred inflows of resources in the fund statements	
Property taxes receivable	19,790
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the fund	
Accrued interest on long-term debt	(21,688)
Long-term debt	(1,569,067)
Compensated absences	(117,537)
Net pension liability	(688,088)
Total pension liability	(496,720)
Deferred inflows of resources related to pensions are not reported in the funds	<u>(75,514)</u>
Net position of governmental activities	<u>\$ 9,632,410</u>

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

TOWN OF DALLAS

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

	<u>Major Funds</u>		<u>Total Non-Major Funds</u>	<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>CDBG Grant Fund</u>		
Revenues:				
Ad valorem taxes	\$ 1,439,007	\$ -	\$ -	\$ 1,439,007
Other taxes and licenses	64,507	-	-	64,507
Unrestricted intergovernmental revenues	801,984	-	-	801,984
Restricted intergovernmental revenues	173,325	-	-	173,325
Permits and fees	20,807	-	-	20,807
Sales and services	417,864	-	-	417,864
Other operating revenues	-	-	212	212
Investment earnings	1,758	4,963	53	6,774
Miscellaneous	55,597	-	-	55,597
Storm water fees	-	-	210,911	210,911
Total revenues	<u>2,974,848</u>	<u>4,963</u>	<u>211,176</u>	<u>3,190,988</u>
Expenditures:				
General government	463,693	-	-	463,693
Public safety	1,811,220	-	-	1,811,220
Transportation	313,586	-	-	313,586
Economic and physical development	-	-	282,754	282,754
Environmental protection	324,538	-	58,889	383,426
Cultural and recreational	268,884	-	-	268,884
Debt service:				
Principal retirement	155,809	-	-	155,809
Interest and other charges	58,501	-	-	58,501
Total expenditures	<u>3,396,231</u>	<u>-</u>	<u>341,643</u>	<u>3,737,874</u>
Revenues over (under) expenditures	<u>(421,383)</u>	<u>4,963</u>	<u>(130,467)</u>	<u>(546,886)</u>
Other Financing Sources (Uses):				
Proceeds from capital financing	31,887	-	-	31,887
Transfers - in	895,733	-	1,120,049	2,015,782
Total other financing sources (uses)	<u>927,620</u>	<u>-</u>	<u>1,120,049</u>	<u>2,047,669</u>
Net changes in fund balances	<u>\$ 506,238</u>	<u>\$ 4,963</u>	<u>\$ 989,582</u>	<u>\$ 1,500,783</u>
Fund balances, beginning	\$ 3,171,060	\$ 38,892	\$ 1,167,164	\$ 4,377,117
Net changes in fund balances	506,238	4,963	989,582	1,500,783
Fund balances, ending	<u>\$ 3,677,298</u>	<u>\$ 43,855</u>	<u>\$ 2,156,747</u>	<u>\$ 5,877,900</u>

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

TOWN OF DALLAS

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

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

Net change in fund balances - total governmental funds \$ 1,500,783

Governmental funds report capital outlays as expenditures. However, in the
the Statement of Activities, the cost of those assets is allocated over their
estimated useful lives and reported as depreciation expense. This is the amount
by which capital outlays exceeded depreciation in the current period.

Capital outlay	464,602
Depreciation expense	(436,561)
Gain (loss) on sale of assets	12,712
Proceeds from sale of assets	(12,712)

Contributions to the pension plan in the current fiscal year are not
included on the Statement of Activities 128,606

Benefits payments paid and administrative expense for LEOSSA are not
included on the Statement of Activities 37,931

Revenues in the statement of activities that do not provide current
financial resources are not reported as revenues in the funds.
Change in deferred revenue for tax purposes (13,158)

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

New long-term debt issued	(31,887)
Principal payments on long-term debt	155,809
Change in accrued interest payable	(6,758)

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	(34,480)
Pension expense	(221,069)
Pension expense (LEO)	(43,853)

Change in net position of governmental activities \$ 1,499,964

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

TOWN OF DALLAS

Page 1 of 2

**General Fund and Annually Budgeted Major Special Revenue Fund
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2021**

	General Fund			Variance With Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
Ad valorem taxes	\$ 1,302,000	\$ 1,302,000	\$ 1,439,007	\$ 137,007
Other taxes and licenses	58,100	58,100	64,507	6,407
Unrestricted intergovernmental revenues	698,405	698,405	801,984	103,579
Restricted intergovernmental revenues	142,825	240,845	173,325	(67,520)
Permits and fees	11,000	11,000	20,807	9,807
Sales and services	413,500	413,500	417,864	4,364
Investment earnings	109,988	109,988	1,758	(108,230)
Miscellaneous	33,100	33,100	55,597	22,497
Total revenues	<u>2,768,918</u>	<u>2,866,938</u>	<u>2,974,848</u>	<u>107,910</u>
Expenditures:				
General government	590,747	603,198	463,693	139,505
Public safety	2,085,070	2,306,159	1,811,220	494,939
Transportation	461,824	464,824	313,586	151,238
Environmental protection	372,042	382,042	324,538	57,504
Cultural and recreational	343,738	372,738	268,884	103,854
Debt service:				
Principal retirement	182,214	174,894	155,809	19,085
Interest and other charges	59,858	59,858	58,501	1,357
Total expenditures	<u>4,095,493</u>	<u>4,363,713</u>	<u>3,396,231</u>	<u>967,482</u>
Revenues over (under) expenditures	<u>(1,326,575)</u>	<u>(1,496,775)</u>	<u>(421,383)</u>	<u>1,075,393</u>
Other Financing Sources (Uses):				
Proceeds from capital financing	-	40,000	31,887	(8,113)
Appropriated fund balance	430,842	561,042	-	(561,042)
Transfers in	895,733	895,733	895,733	-
Total other financing sources (uses)	<u>1,326,575</u>	<u>1,496,775</u>	<u>927,620</u>	<u>(569,155)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 506,238</u>	<u>\$ 506,237</u>
Fund balance, beginning			\$ 3,171,060	
Net change in fund balance			<u>506,238</u>	
Fund balance, ending			<u>\$ 3,677,298</u>	

cont.

TOWN OF DALLAS

Page 2 of 2, cont.

**General Fund and Annually Budgeted Major Special Revenue Fund
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2021**

	<u>CDBG Grant</u>			<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	
Revenues:				
Investment earnings	\$ 20,732	\$ 20,732	\$ 4,963	\$ (15,769)
Total revenues	<u>20,732</u>	<u>20,732</u>	<u>4,963</u>	<u>(15,769)</u>
Expenditures:	<u>20,732</u>	<u>20,732</u>	<u>-</u>	<u>20,732</u>
Revenues over (under) expenditures	-	-	4,963	4,963
Other Financing Sources (Uses):				
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	4,963	<u>\$ 4,963</u>
Fund balance, beginning			<u>38,892</u>	
Fund balance, ending			<u>\$ 43,855</u>	

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

TOWN OF DALLAS

**Statement of Fund Net Position
Proprietary Funds
June 30, 2021**

	Business-type Activities Enterprise Funds		
	Water and Sewer Fund	Electric Fund	Total
<u>Assets</u>			
Current assets:			
Cash and cash equivalents	\$ 2,103,133	\$ 3,848,152	\$ 5,951,285
Accounts receivable (net)	385,862	1,050,629	1,436,491
Inventories	106,093	221,459	327,553
Restricted cash and cash equivalents	75,241	204,408	279,649
Total current assets	<u>2,670,329</u>	<u>5,324,648</u>	<u>7,994,978</u>
Noncurrent assets:			
Land and other non-depreciable assets	290,299	71,808	362,107
Capital assets, net of accumulated depreciation	8,178,677	5,057,385	13,236,062
Total noncurrent assets	<u>8,468,975</u>	<u>5,129,194</u>	<u>13,598,169</u>
Total assets	<u>11,139,305</u>	<u>10,453,842</u>	<u>21,593,147</u>
<u>Deferred Outflows of Resources</u>			
Pension deferrals	<u>230,937</u>	<u>250,530</u>	<u>481,467</u>
<u>Liabilities</u>			
Current liabilities:			
Accounts payable and accrued liabilities	57,602	53,148	110,750
Customer deposits - restricted	75,241	204,402	279,643
Long term debt payable- current	173,588	21,067	194,654
Accrued interest payable	4,651	1,775	6,426
Total current liabilities	<u>311,081</u>	<u>280,392</u>	<u>591,473</u>
Noncurrent liabilities:			
Long term debt payable	2,303,926	89,423	2,393,350
Accrued compensated absences	57,087	48,018	105,105
Net pension liability	435,774	472,746	908,520
Total noncurrent liabilities	<u>2,796,787</u>	<u>610,187</u>	<u>3,406,975</u>
Total liabilities	<u>3,107,869</u>	<u>890,579</u>	<u>3,998,448</u>
<u>Deferred Inflows of Resources</u>			
Pension deferrals	<u>5,541</u>	<u>6,011</u>	<u>11,552</u>
<u>Net Position</u>			
Net investment in capital assets	5,991,462	5,018,703	11,010,165
Unrestricted	<u>2,265,371</u>	<u>4,789,079</u>	<u>7,054,449</u>
Total net position	<u>\$ 8,256,832</u>	<u>\$ 9,807,782</u>	<u>\$ 18,064,614</u>

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

TOWN OF DALLAS

**Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2021**

	Business-type Activities Enterprise Funds		
	Water and Sewer Fund	Electric Fund	Total
Operating Revenues:			
Electricity sales	\$ -	\$ 8,300,718	\$ 8,300,718
Water sales	1,835,235	-	1,835,235
Sewer charges	952,364	-	952,364
Water and sewer taps	26,805	-	26,805
Other operating revenues	140,022	342,178	482,200
Total operating revenues	<u>2,954,426</u>	<u>8,642,895</u>	<u>11,597,322</u>
Operating Expenses:			
Electrical operations	-	1,990,710	1,990,710
Electrical power purchases	-	4,525,195	4,525,195
Water and sewer operations	1,440,304	-	1,440,304
Watertreatment and distribution	449,407	-	449,407
Waste collection and treatment	386,862	-	386,862
Depreciation	402,748	401,062	803,810
Total operating expenses	<u>2,679,320</u>	<u>6,916,966</u>	<u>9,596,287</u>
Operating income (loss)	<u>275,106</u>	<u>1,725,929</u>	<u>2,001,035</u>
Nonoperating Revenues (Expenses):			
Investment earnings	-	154	154
Rental income	95,793	-	95,793
Gain (loss) on disposal of capital assets	1,909	35,855	37,764
Coal ash recovery revenue	-	104,660	104,660
Coal ash recovery charge	-	(115,000)	(115,000)
Interest on long-term debt	(94,276)	(3,856)	(98,132)
Total nonoperating revenues (expenses)	<u>3,426</u>	<u>21,814</u>	<u>25,239</u>
Income (loss) before transfers and capital contributions	278,532	1,747,743	2,026,274
Transfers (to) from other funds:			
General Fund-payment in lieu of taxes	-	(895,733)	(895,733)
Capital Reserve Fund	-	(996,437)	(996,437)
T.O.P. T.I.E.R. Program	-	(123,612)	(123,612)
Changes in net position	278,532	(268,040)	10,492
Total net position -beginning	<u>7,978,301</u>	<u>10,075,822</u>	<u>18,054,122</u>
Total net position - ending	<u>\$ 8,256,832</u>	<u>\$ 9,807,782</u>	<u>\$ 18,064,614</u>

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

TOWN OF DALLAS

Page 1 of 2

**Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2021**

	Business-type Activities		
	Enterprise Funds		
	Water and Sewer Fund	Electric Fund	Total
Cash Flows From Operating Activities:			
Cash received from customers	\$3,094,772	\$8,651,735	\$ 11,746,507
Customer deposits received	1,314	498	1,812
Cash paid for goods and services	(1,254,212)	(5,745,280)	(6,999,492)
Cash paid to or on behalf of employees for services	(992,162)	(1,078,674)	(2,070,836)
Net cash provided (used) by operating activities	<u>849,712</u>	<u>1,828,279</u>	<u>2,677,991</u>
Cash Flows From Non-Capital Financing Activities:			
Transfers - in (out)	-	(2,015,782)	(2,015,782)
Net cash provided (used) by non-capital financing activities	<u>-</u>	<u>(2,015,782)</u>	<u>(2,015,782)</u>
Cash Flows From Capital and Related Financing Activities:			
Acquisition and construction of capital assets	(205,786)	(42,987)	(248,773)
Proceeds from sale of capital assets	1,909	35,855	37,764
Payment of coal ash -net of receipts	-	(10,340)	(10,340)
Principal paid on long-term debt	(167,633)	(65,716)	(233,349)
Interest paid on long-term debt	(94,582)	(3,575)	(98,157)
Net cash provided (used) by capital and related financing activities	<u>(466,092)</u>	<u>(86,763)</u>	<u>(552,855)</u>
Cash Flows From Investing Activities:			
Lease income	95,793	-	95,793
Investment earnings	-	154	154
Net cash provided (used) by investing activities	<u>95,793</u>	<u>154</u>	<u>95,947</u>
Net increase (decrease) in cash and cash equivalents	479,413	(274,112)	205,301
Cash and cash equivalents at beginning of year	<u>1,698,961</u>	<u>4,326,672</u>	<u>6,025,633</u>
Cash and cash equivalents at end of year	<u>\$2,178,374</u>	<u>\$4,052,560</u>	<u>\$ 6,230,934</u>

TOWN OF DALLAS

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**Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2021**

	Business-type Activities		
	Enterprise Funds		
	Water and Sewer Fund	Electric Fund	Total
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	\$ 275,106	\$ 1,725,929	\$ 2,001,035
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	402,748	401,062	803,810
Change in assets, deferred outflows of resources and liabilities:			
(Increase) decrease in accounts receivable	140,348	8,840	149,188
(Increase) decrease in inventory	(17,421)	(21,360)	(38,781)
(Increase) decrease in deferred outflows of resources - pensions	(40,446)	(57,037)	(97,483)
(Increase) decrease in net pension liability	109,640	141,472	251,112
Increase (decrease) in deferred inflows of resources - pensions	(2,823)	(2,485)	(5,308)
Increase (decrease) in accounts payable and accrued liabilities	(17,475)	(368,985)	(386,460)
Increase (decrease) in accrued vacation pay	(1,279)	345	(934)
Increase (decrease) in customer deposits	1,314	498	1,812
	<u>849,712</u>	<u>\$ 1,828,279</u>	<u>\$ 2,677,991</u>
Net cash provided (used) by operating activities	<u>\$ 849,712</u>	<u>\$ 1,828,279</u>	<u>\$ 2,677,991</u>

Supplemental Schedule of Non Cash Financing Activities:*The notes to the financial statements are an integral part of this statement.*

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NOTES TO THE FINANCIAL STATEMENTS

These notes are intended to communicate information necessary for a fair presentation of financial position and results of operations that are not readily apparent from, or cannot be included in, the financial statements themselves. The notes supplement the financial statements, are an integral part thereof, and are intended to be read in conjunction with the financial statements.

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TOWN OF DALLAS, NORTH CAROLINA

Notes to the Financial Statements June 30, 2021

I. Summary of Significant Accounting Policies

The accounting policies of the Town of Dallas conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

The Town of Dallas is a municipal corporation that is governed by an elected mayor and a five-member Board of Aldermen.

B. Basis of Presentation - Fund Accounting

Government-wide Statements. The statement of net position and the statement of activities display information about the primary government. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the 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 specific 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 Town has no fiduciary funds to report. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. 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.

TOWN OF DALLAS, NORTH CAROLINA

Notes to the Financial Statements June 30, 2021

The Town reports the following major governmental funds:

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

Special Revenue Funds. The Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments or major capital projects) that are legally restricted to expenditures for specified purposes. The Town has one Special Revenue Fund: the CDBG Grant Fund. The CDBG Grant Fund is used to account for a mortgage receivable loaned through a federal grant program.

The Town reports the following non-major governmental funds:

Storm Water Fund. This fund is used to account for fees collected, and monies spent, in connection with the Town's storm water run-off.

Capital Project Fund. This fund is used to account for funds that are committed for use for capital outlay.

"T.O.P. T.I.E.R." (Targeted Options Providing Tangible Investment in Economic Revitalization) Fund. This fund is an economic development program funded and maintained by the Town to offer limited, but targeted, public economic assistance in support of private sector investment in assets needed to spur job creation, business sector growth, and overall economic vitality.

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.

Electric Fund. This fund is used to account for the Town's electric operations.

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.

TOWN OF DALLAS, NORTH CAROLINA

Notes to the Financial Statements June 30, 2021

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 are 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 enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

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

TOWN OF DALLAS, NORTH CAROLINA

Notes to the Financial Statements June 30, 2021

Sales taxes and certain intergovernmental revenues, such as beer and wine 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 Town of Dallas, because the tax is levied by Gaston County and then remitted to, and distributed by, the State. Most intergovernmental revenues and sales and services are not susceptible to accrual because, generally, they are not measurable until received in cash. All taxes, including those dedicated for specific purposes, are reported as general revenues rather than program revenues. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

D. Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund, CDBG Grant Fund, Storm Water Fund, Capital Project Fund, "T.O.P. T.I.E.R." Program Fund, and Enterprise Funds. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for Capital Projects. The enterprise fund projects are consolidated with their respective operating fund for reporting purposes. All budgets are prepared using the modified accrual basis of accounting. Budget ordinances allow for the transfer of funds within the department, as long as expenditures do not exceed the appropriations at the departmental level for all annually budgeted funds, and at the project level for the multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund or that change departmental appropriations by more than \$2,500. All amendments must be approved by the governing board, and the Board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

1. Deposits and Investments

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

State law [G.S. 159-30(c)] authorizes the Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' 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) money market mutual fund, is measured at fair value. Because the NCCMT Government Portfolios has a weighted average maturity of less than 90 days, it is presented as an investment with a maturity of less than 6 months.

TOWN OF DALLAS, NORTH CAROLINA

**Notes to the Financial Statements
June 30, 2021**

2. Cash and Cash Equivalents

The Town pools money from several funds to facilitate disbursement and investment and to maximize investment income and considers all cash and investments to be cash and cash equivalents.

3. Restricted Assets

Customer deposits held by the Town before any services are supplied are restricted to the service for which the deposit was collected. Powell Bill Funds are also classified as restricted cash because they can be expended only for the purposes outlined in G.S. 136-41.1 through 136-41.4. Federal Asset Seizure Funds are also classified as restricted cash, because they can only be expended for the purposes of the expenses associated with forfeited operations or used to finance general investigative expenses.

Governmental activities	
General Fund	
Streets	\$ 70,804
Public safety	<u>25,376</u>
	<u>96,181</u>
Business-type activities	
Water and Sewer Fund	
Customer deposits	75,241
Electric Fund	
Customer deposits	<u>204,408</u>
Total business-type activities	<u>279,649</u>
Total restricted cash	<u>\$375,829</u>

TOWN OF DALLAS, NORTH CAROLINA

Notes to the Financial Statements June 30, 2021

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1, 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, 2020. As allowed by State law, the Town has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the Town's General Fund, ad valorem tax revenues are reported net of such discounts.

5. Allowances for Doubtful Accounts

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

6. Inventories and Prepaid Items

The inventory of the Town is valued at cost (first-in, first-out), which approximates market. The Town's General Fund inventory consists of expendable supplies that are recorded as expenditures as used rather than when purchased. The inventories of the Town's enterprise funds consist of materials and supplies held for subsequent use. The cost of these inventories is expensed when consumed rather than when purchased.

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

7. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are as follows: land, \$5,000; buildings, improvements, substations, lines, and other plant and distribution systems, \$5,000; infrastructure, \$20,000; furniture and equipment, \$5,000; and vehicles, \$5,000. Donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. General infrastructure assets acquired prior to July 1, 2003 consist of the road network and water and sewer system assets that were acquired, or that received substantial improvements subsequent to July 1, 1980, and are reported at estimated historical cost using deflated replacement cost. The cost of normal maintenance and repairs that do not add to the value of the asset, or materially extend assets' lives, are not capitalized.

TOWN OF DALLAS, NORTH CAROLINA

**Notes to the Financial Statements
June 30, 2021**

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	30
Buildings	30-40
Improvements	25
Vehicles	3-10
Furniture and equipment	7-10
Distribution systems:	
Water and Sewer	40
Electric	30

8. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, Deferred Outflows of Resources, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditures until then. The Town has one item that meets this criterion, contributions made to the pension plan in the 2021 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, Deferred Inflows of Resources, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has several items that meet the criterion for this category - property taxes receivable, unearned mortgage revenue, other fees receivable and pension deferrals.

9. Long-Term Obligations

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

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

TOWN OF DALLAS, NORTH CAROLINA

Notes to the Financial Statements June 30, 2021

10. Compensated Absences

The vacation policy of the Town provides for the accumulation of up to twenty days earned vacation leave with such leave being fully vested when earned. 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 considered to be immaterial, therefore, no current liability has been reflected in the government-wide financial statements.

The Town's sick leave policy provides for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the Town does not have any obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

11. Net Position/Fund Balances

Net Position

Net position in the government-wide and proprietary fund financial statements is classified as invested 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:

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

Restricted Fund Balance - This classification includes amounts that are restricted to specific purposes externally imposed by creditors or imposed by law.

TOWN OF DALLAS, NORTH CAROLINA

Notes to the Financial Statements June 30, 2021

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

Restricted for Public Safety - the portion of fund balance used to account for narcotic enforcement.

Committed Fund Balance - the portion of fund balance that can only be used for specific purposes imposed by a majority vote by quorum of Town of Dallas' governing body (highest level of decision-making authority). The governing body can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Committed For Public Safety - the portion of fund balance used to account for future obligations of the Law Enforcement Officers' Special Separation Allowance.

Assigned Fund Balance - the portion of fund balance that Town of Dallas intends to use for specific purposes but does not meet the criteria to be classified as committed. The Board of Aldermen has the authority to assign fund balance. The Board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget.

Subsequent Year's Expenditures - the portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The governing body approves the appropriation.

Assigned for Storm Water - the portion of fund balance that has been budgeted by the Board for maintenance of storm water.

TOWN OF DALLAS, NORTH CAROLINA

Notes to the Financial Statements June 30, 2021

Assigned for Capital Project - the portion of fund balance that has been budgeted by the Board for eligible CDBG expenditures and capital outlay.

Assigned for TOP TIER - the portion of fund balance that has been budgeted by the Board for economic development.

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

Town of Dallas does not have a formal revenue spending policy that provides guidance for programs with multiple revenue sources. However, the Finance Officer will use resources in the following hierarchy: bond proceeds, federal funds, State funds, local, non-Town funds, Town funds. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in order by committed fund balance, assigned fund balance and, lastly, unassigned fund balance. The Finance Officer has the authority to deviate from this policy if it is in the best interest of the Town.

The Town of Dallas has also adopted a minimum fund balance policy for the General Fund which instructs management to conduct the business of the Town in such a manner that the available fund balance is at least equal to, or greater than, 30% of budgeted expenditures. Any portion of the General Fund balance in excess of 70% of budgeted expenditures may be appropriated for one-time capital expenditures or transfer the excess to a Capital Reserve Fund.

12. Defined Benefit Cost-Sharing Plans

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

F. Other

Management Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

TOWN OF DALLAS, NORTH CAROLINA

Notes to the Financial Statements June 30, 2021

II. Stewardship Compliance Accountability

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

1. Noncompliance with North Carolina General Statutes

Excess Expenditures Over Appropriations

G.S. 159-28(a) states that all moneys received and expended by a local government or public authority should be included in the budget ordinance. Funds were spent that exceeded the authorized appropriations as follows:

Electric Fund - Transfers were overspent by \$377,437.
Coal ash recovery charge was overspent by \$10,000.

These over expenditures were due to the additional transfers to the Capital Project Fund and additional coal ash recovery charges that were not included in the budget. The Board will review the budget, and budget amendments will be adopted prior to making expenditures that exceeded budgeted amounts.

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 agents in the Town's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, these deposits are considered to be held by the Town's agent in their name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town under the Pooling Method, the potential exists for undercollateralization. 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.

TOWN OF DALLAS, NORTH CAROLINA

**Notes to the Financial Statements
June 30, 2021**

At June 30, 2021, the Town's deposits had a carrying amount of \$3,125,128 and a bank balance of \$2,968,411. Of the bank balance, \$250,000 was covered by federal depository insurance, and the remainder was covered by collateral held under the Pooling Method. At June 30, 2021, the Town's petty cash fund totaled \$1,154.

2. Investments

At June 30, 2021, the Town's investment balances were as follows:

<u>Investment by Type</u>	<u>Valuation Measurement Method</u>	<u>Book Value At 6/30/21</u>	<u>Maturity</u>	<u>Rating</u>
N. C. Capital Management Trust Government Portfolio	Fair Value Level 1	<u>\$8,758,098</u>	N/A	AAAm

All investments are measured using the market approach: using prices and other relevant information generated by market transactions involving identical or comparable assets or a group of assets.

Level of fair value hierarchy: Level 1 debt securities are valued using directly observable, quoted prices (unadjusted) in active markets for identical assets.

Interest Rate Risk. The Town has no formal investment policy regarding interest rate risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the Town's internal investment policy limits the Town's investment portfolio to maturities of less than 12 months.

Credit Risk. The Town has no formal policy regarding interest rate risk, but has internal management procedures that limit the Town's investments to the provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. The Town's investments in the N. C. Capital Management Trust Government Portfolio carried a credit rating of AAAM by Standard and Poor's as of June 30, 2021.

TOWN OF DALLAS, NORTH CAROLINA

**Notes to the Financial Statements
June 30, 2021**

3. Receivables - Allowance for Doubtful Accounts

The amounts presented in the Balance Sheet and the Statement of Net Position are net of the following allowances for doubtful accounts:

General Fund:	
Taxes receivable	\$13,318
Accounts receivable	362
Storm Water Fund-accounts receivable	168
	<u>13,848</u>
Enterprise Funds:	
Electric Fund-accounts receivable	64,164
Water and Sewer Fund-accounts receivable	11,232
	<u>75,396</u>
Total	<u>\$89,244</u>

4. Mortgage Receivable

Pursuant to an agreement dated August 26, 2002 between the Town of Dallas and the North Carolina Department of Commerce, Division of Community Assistance, the Town received a Community Development Block Grant in the amount of \$250,000. The purpose of this grant was the renovation/refurbishing of the Dallas High School building into apartments, including street, water and sewer improvements, as well as historic preservation. The project was actually done by a private business, which now owns the building. Under the agreement, that business is to repay a mortgage held by the Town in the original amount of \$230,000, with interest accruing at 2% annually. The modified loan repayment agreement requires annual payments of \$3,720, and the remaining unpaid principal and interest is due in full on December 10, 2024. The mortgage is presented in the CDBG Grant Fund balance sheet as deferred revenue, since the funds can only be used by the Town for future approved projects qualifying under the CDBG program.

TOWN OF DALLAS, NORTH CAROLINA

**Notes to the Financial Statements
June 30, 2021**

5. Capital Assets

Primary Government

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

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balances</u>
Governmental Activities:					
Capital assets not being depreciated:					
Land	\$ 381,182	\$ -	\$ -	\$ -	\$ 381,182
Construction in progress	<u>75,791</u>	<u>86,626</u>	<u>-</u>	<u>-</u>	<u>162,418</u>
Total capital assets not being depreciated	<u>456,973</u>	<u>\$ 86,626</u>	<u>\$ -</u>	<u>\$ -</u>	<u>543,599</u>
Capital assets being depreciated:					
Buildings	4,576,900	\$ -	\$ -	\$ -	4,576,900
Distribution	115,707	-	-	-	115,707
Other improvements	1,027,593	157,292	-	-	1,184,884
Vehicles and equipment	2,866,367	220,684	33,047	-	3,054,004
Infrastructure	<u>871,392</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>871,392</u>
Total capital assets being depreciated	<u>9,457,958</u>	<u>\$ 377,976</u>	<u>\$ 33,047</u>	<u>\$ -</u>	<u>9,802,887</u>
Less accumulated depreciation for:					
Buildings	1,374,705	\$ 121,626	\$ -	\$ -	1,496,331
Distribution	7,785	3,981	-	-	11,766
Other improvements	302,571	43,643	-	-	346,214
Vehicles and equipment	1,875,326	238,266	33,047	-	2,080,544
Infrastructure	<u>170,118</u>	<u>29,046</u>	<u>-</u>	<u>-</u>	<u>199,165</u>
Total accumulated depreciation	<u>3,730,506</u>	<u>\$ 436,561</u>	<u>\$ 33,047</u>	<u>\$ -</u>	<u>4,134,020</u>
Total capital assets being depreciated, net	<u>5,727,452</u>				<u>5,668,867</u>
Governmental activity capital assets, net	<u>\$6,184,424</u>				<u>\$6,212,465</u>

TOWN OF DALLAS, NORTH CAROLINA

**Notes to the Financial Statements
June 30, 2021**

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

General government	\$ 104,346
Public safety	212,818
Public works	21,304
Environmental protection	61,095
Cultural and recreational	<u>36,999</u>
Total depreciation expense	<u>\$436,561</u>

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balances</u>
Business-type Activities:					
Electric Fund:					
Capital assets, not being depreciated:					
Land	\$ 71,808	\$ -	\$ -	\$ -	\$ 71,808
Construction in progress	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total capital assets not being depreciated	<u>71,808</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>71,808</u>
Capital assets being depreciated:					
Buildings	644,951	\$ -	\$ -	-	644,951
Distribution system	7,537,418	42,987	-	-	7,580,405
Equipment	<u>2,849,252</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,849,252</u>
Total capital assets being depreciated	<u>11,031,621</u>	<u>\$ 42,987</u>	<u>\$ -</u>	<u>\$ -</u>	<u>11,074,608</u>
Less accumulated depreciation for:					
Buildings	205,703	\$ 22,095	\$ -	-	227,798
Distribution system	3,629,572	195,891	-	-	3,825,463
Equipment	<u>1,780,885</u>	<u>183,076</u>	<u>-</u>	<u>-</u>	<u>1,963,961</u>
Total accumulated depreciation	<u>5,616,160</u>	<u>\$ 401,062</u>	<u>\$ -</u>	<u>\$ -</u>	<u>6,017,222</u>
Total capital assets being depreciated, net	<u>5,415,461</u>				<u>5,057,385</u>
Electric Fund capital assets, net	<u>5,487,269</u>				<u>5,129,194</u>
Water and Sewer Fund:					
Capital assets not being depreciated:					
Land	117,261	\$ -	\$ -	-	117,261
Construction in progress	-	131,390	-	-	131,390
Right of way	<u>41,648</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>41,648</u>
Total capital assets not being depreciated	<u>158,909</u>	<u>\$ 131,390</u>	<u>\$ -</u>	<u>\$ -</u>	<u>290,299</u>
Capital assets being depreciated:					
Buildings	300,869	\$ -	\$ -	\$ -	300,869
Distribution system	11,534,164	62,386	-	-	11,596,550
Equipment	1,094,381	12,010	-	-	1,106,391
Sewer plant	1,522,712	-	-	-	1,522,712
Water plant	<u>2,018,061</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,018,061</u>
Total capital assets being depreciated	<u>16,470,186</u>	<u>\$ 74,396</u>	<u>\$ -</u>	<u>\$ -</u>	<u>16,544,583</u>

TOWN OF DALLAS, NORTH CAROLINA

**Notes to the Financial Statements
June 30, 2021**

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balances</u>
Business-type Activities, continued:					
Less accumulated depreciation for:					
Buildings	\$ 130,395	\$ 8,427	\$ -	\$ -	\$ 138,822
Distribution system	4,223,919	259,906	-	-	4,483,825
Equipment	851,154	45,512	-	-	896,667
Sewer plant	1,152,835	40,877	-	-	1,193,711
Water plant	<u>1,604,856</u>	<u>48,026</u>	<u>-</u>	<u>-</u>	<u>1,652,881</u>
Total accumulated depreciation	<u>7,963,159</u>	<u>\$ 402,748</u>	<u>\$ -</u>	<u>\$ -</u>	<u>8,365,907</u>
Total capital assets being depreciated, net	<u>8,507,028</u>				<u>8,178,677</u>
Water and Sewer Fund capital assets, net	<u>8,665,937</u>				<u>8,468,975</u>
Business-type activities capital assets, net	<u>\$14,153,206</u>				<u>\$13,598,169</u>

B. Liabilities

1. Pension Plan and Postemployment Obligations

a. Local Governmental Employees' Retirement System

Plan Description - The Town of Dallas 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, and one appointed by the State House of Representatives and the State Treasurer and the 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.

TOWN OF DALLAS, NORTH CAROLINA

Notes to the Financial Statements June 30, 2021

Benefits Provided - LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the 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 Dallas 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 Dallas' contractually required contribution rate for the year ended June 30, 2021, was 10.84% of compensation for law enforcement officers, and 10.15% for general employees, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Dallas were \$298,412 for the year ended June 30, 2021.

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

TOWN OF DALLAS, NORTH CAROLINA

**Notes to the Financial Statements
June 30, 2021**

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

At June 30, 2021, the Town reported an liability of \$1,596,607 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019. The total pension liability was then rolled forward to the measurement date of June 30, 2020 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2020 (measurement date), the Town's proportion was 0.04468%, which was an increase of 0.00089% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the Town recognized pension expense of \$541,155. At June 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$201,623	\$ -
Changes of assumptions	118,819	-
Net difference between projected and actual earnings on pension plan investments	224,679	-
Changes in proportion, and differences between, Town contributions and proportionate share of contributions	2,584	20,301
Town contributions subsequent to the measurement date	<u>298,412</u>	<u>-</u>
Total	<u>\$846,117</u>	<u>\$20,301</u>

\$298,412, 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, 2021. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30:	
2022	\$146,616
2023	198,865
2024	115,431
2025	66,494
2026	-
Thereafter	-

TOWN OF DALLAS, NORTH CAROLINA

Notes to the Financial Statements June 30, 2021

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

Inflation	3.0 percent
Salary increases	3.50 to 8.10 percent, including inflation and productivity factor
Investment rate of return	7.00 percent, net of pension plan investment expense, including inflation

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

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

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2020 are summarized in the following table:

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

TOWN OF DALLAS, NORTH CAROLINA

**Notes to the Financial Statements
June 30, 2021**

The information above is based on 30 year expectations developed with the consulting actuary for the 2018 asset, liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

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

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

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Town's proportionate share of the net pension liability (asset)	<u>\$3,239,341</u>	<u>\$1,596,607</u>	<u>\$231,379</u>

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 administers a public employee retirement system (the "Separation Allowance"), a single-employer defined benefit pension plan that provides retirement benefits to the Town's qualified sworn law enforcement officers under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to .85% of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

TOWN OF DALLAS, NORTH CAROLINA

**Notes to the Financial Statements
June 30, 2021**

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

Retirees receiving benefits	2
Terminated plan members entitled to, but not receiving, benefits	-
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 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 meet the following criteria which are outlined in GASB Statements 73.

3. Actuarial Assumptions

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

Inflation	2.5 percent
Salary increases	3.25 to 7.75 percent, including inflation and productivity factor
Discount Rate	1.93 percent

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

Mortality assumption: All mortality rates use Pub-2010 amount-weighted tables.

Mortality projection: All mortality rates are projected from 2010 using generational improvement with Scale MP-2019.

4. Contributions

The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The Town's obligation to contribute to this plan is established, and may be amended by, the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The Town paid \$37,735 as benefits came due for the reporting period.

TOWN OF DALLAS, NORTH CAROLINA

**Notes to the Financial Statements
June 30, 2021**

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

At June 30, 2021, the Town reported a total pension liability of \$496,720. The total pension liability was measured as of December 31, 2020 based on a December 31, 2019 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2020 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2021, the Town recognized pension expense of \$5,922.

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 24,132	\$58,582
Changes of assumptions	102,085	8,183
Town benefit payments and plan administrative expense made subsequent to the measurement date	<u>-</u>	<u>-</u>
Total	<u>\$126,217</u>	<u>\$66,765</u>

\$-0- paid as benefits came due subsequent to the measurement date have been reported as deferred outflows of resources. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in the pension expense as follows:

Year ending June 30:

2022	\$ 8,388
2023	7,612
2024	4,841
2025	20,107
2026	18,504
Thereafter	-

\$-0- paid as benefits came due and \$-0- of administrative expenses subsequent to the measurement date are reported as deferred outflows of resources.

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 1.93 percent, as well as what the Town's total pension liability would be if it were calculated using a discount rate that is one percentage point lower (0.93 percent), or one percentage point higher (2.93 percent) than the current rate:

	1% Decrease <u>(0.93%)</u>	Discount Rate <u>(1.93%)</u>	1% Increase <u>(2.93%)</u>
Total pension liability	\$542,753	\$496,720	\$455,082

TOWN OF DALLAS, NORTH CAROLINA

**Notes to the Financial Statements
June 30, 2021**

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

Beginning balance	\$367,852
Service cost	23,892
Interest on the total pension liability	11,377
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	23,503
Changes of assumptions or other inputs	107,831
Benefit payments	(37,735)
Other changes	-
Ending balance of the total pension liability	<u>\$496,720</u>

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

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

TOWN OF DALLAS, NORTH CAROLINA

**Notes to the Financial Statements
June 30, 2021**

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

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

	<u>LGERS</u>	<u>LEOSSA</u>	<u>Total</u>
Pension expense	\$ 541,155	\$ 5,922	\$ 547,077
Pension liability	1,596,607	496,720	2,093,327
Proportionate share of the net pension liability	0.04468%	n/a	
Deferred outflows of resources			
Differences between expected and actual experience	201,623	24,132	225,755
Changes of assumptions	118,819	102,085	220,904
Net difference between projected and actual earnings on plan investments	224,679	-	224,679
Changes in proportion, and differences between, contributions and proportionate share of contributions	2,584	-	2,584
Benefit payments and administrative costs paid subsequent to the measurement date	298,412	-	298,412
Deferred inflows of resources			
Differences between expected and actual experience	-	58,582	58,582
Changes of assumptions	-	8,183	8,183
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion, and differences between, contributions and proportionate share of contributions	20,301	-	20,301

c. Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description - The Town contributes to the Supplemental Retirement Income Plan (the Plan), a defined contribution pension plan administered by the Department of the 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 Annual 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. The law enforcement officers may make voluntary contributions to the plan.

TOWN OF DALLAS, NORTH CAROLINA

**Notes to the Financial Statements
June 30, 2021**

The Town made contributions of \$30,856 for the reporting year. No amounts were forfeited.

d. Supplemental Retirement Income Plan for Employees Other than Law Enforcement Officers

Plan Description - All full-time employees of the Town can elect to participate in the Supplemental Retirement Income Plan, a defined contribution plan.

Funding Policy - The Town voluntarily contributes, each month, an amount equal to four percent of each employee's salary, and all amounts contributed are vested immediately. Also, the employees may make voluntary contributions to the plan.

The Town made contributions of \$94,265 for the reporting year. No amounts were forfeited.

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

2. Deferred Outflows and Inflows of Resources

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

	<u>Amount</u>
Contributions to pension plan in the current fiscal year	\$298,412
Differences between expected and actual experience	225,755
Changes of assumptions	220,904
Net difference between projected and actual	224,679
Changes in proportion, and differences between, employer contributions and proportionate share of contributions	-
Charge on refunding	<u>2,584</u>
Total	<u>\$972,334</u>

TOWN OF DALLAS, NORTH CAROLINA

Notes to the Financial Statements June 30, 2021

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

	<u>Statement of Net Position</u>	<u>General Fund Balance Sheet</u>
Taxes receivable, less penalties (General Fund)	\$ -	\$ 19,790
Prepaid taxes	-	-
Mortgage receivable (CDGB Grant Fund)	-	230,000
Other fees receivable	-	25,310
Changes in assumptions	58,582	-
Differences between expected and actual experience	8,183	-
Changes in proportion, and differences between, employer contributions and proportionate share of contributions	<u>20,301</u>	<u>-</u>
Total	<u>\$ 87,066</u>	<u>\$275,100</u>

3. Commitments

In 2008, the Town entered into a (20) twenty-year agreement with Duke Energy for the purchase of wholesale electric power, which the Town then distributes to individual residential, commercial, and industrial retail accounts. Rates charged to the Town under the terms of the agreement are tentatively set each year in advance, based on market forces, expected demand, and on Duke's overall expenses incurred in generating such power. The Town can positively impact the overall cost by the contractually-detailed generating of power at "peak" times during the year. At the conclusion of each contract year, the purchase power costs are "true-up" to reflect actual costs, as well as the Town's efficiency in "peak-shaving generation". In recent years, Dallas has received substantive, year-end, "true-up" payments to balance against the expenses otherwise incurred. While historically, the rates charged by Duke have trended upward year-over-year in a manner slightly exceeding the rate of inflation, this year's likely increase has moderated due to the continued low costs of natural gas; and such trend could continue for several more years.

In August 2019, the Town received cost estimates for Duke Coal Ash Recovery. The Town of Dallas is a wholesale customer of Duke Energy. Due to a major Duke Energy coal ash spill, the Town is required to make annual coal ash payments to Duke Energy for coal ash recovery costs. The estimated cost to the Town of Dallas is \$1,491,353. To recover the costs, amounts will be added to the monthly regular Duke Energy bill. The amount recovered was \$104,660 for the year ended June 30, 2021. The coal ash recovery charge was \$115,000 for the year ended June 30, 2021.

TOWN OF DALLAS, NORTH CAROLINA

Notes to the Financial Statements June 30, 2021

4. Risk Management

The Town is exposed to various liabilities and risks of loss related to torts; theft of, damage to, and/or destruction of assets; as well as for errors and omissions; injuries to employees or citizens; and resulting from natural disasters. To protect against such threat of loss, the Town participates in a self-funded, risk-financing pool administered by the North Carolina League of Municipalities (NCLM), as well as purchasing umbrella coverage for general liability and auto and property insurance from a regional, private brokerage firm. The NCLM Pool provides the Town with workers' compensation coverage up to statutory limits, and then the pool is reinsured through commercial carriers for single occurrence claims in excess of \$300,000 to the maximum allowed by State law. The Town has experienced no significant reductions in insurance coverage in the prior year, and settled claims have not exceeded coverage in any of the past three fiscal years.

The Town does not carry flood insurance, because there are no known Town-owned or controlled assets existing within an identified flood plain as determined by State or Federal designation.

In accordance with G.S.159-29, the Town's employees who are authorized to have custody of \$100 or more in Town funds, or access to Town inventories, as well as the Town's designated Finance Officer, are each required to be performance-bonded through a commercial surety bond. The Finance Officer is individually bonded for \$50,000, while employees with custody of funds, or access to inventories, are covered under a blanket policy against crime, fraud, or theft.

TOWN OF DALLAS, NORTH CAROLINA

Notes to the Financial Statements
June 30, 2021

5. Long-Term Obligations

a. Capital Leases

The Town has entered into an agreement to lease vehicles. The lease agreement qualifies as capital leases for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the date of their inception.

The agreement was executed on September 10, 2018 to lease vehicles and requires 60 monthly payments of varying amounts.

The following is an analysis of the assets recorded under capital leases at June 30, 2021:

<u>Classes of Property</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Vehicles and motorized equipment	\$331,942	\$94,453	\$237,488
Total	<u>\$331,942</u>	<u>\$94,453</u>	<u>\$237,488</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2021 were as follows:

Year Ending June 30:

2022	\$ 62,341
2023	62,341
2024	62,341
2025	32,101
2026	<u>526</u>
Total minimum lease payments	219,651
Less: amount representing interest	<u>11,424</u>
Present value of the minimum lease	<u>\$208,227</u>

TOWN OF DALLAS, NORTH CAROLINA

**Notes to the Financial Statements
June 30, 2021**

b. Installment purchases consist of the following at June 30, 2021:

Serviced by the General Fund:

\$1,500,000 loan for a fire station, with principal and interest payments of \$51,141, due semi-annually in April and October, at an annual interest rate of 4.33%, through 2033, secured by the fire station building. \$ 964,579

\$349,944 loan for a fire truck, with principal and interest payments of \$31,325, due annually in July, at an annual interest rate of 3.914%, through 2028, secured by fire truck. 211,365

\$235,000 loan for a solid waste truck, with principal and interest payments of \$27,171, due annually in September, at an annual interest rate of 2.73%, through 2023, secured by a solid waste truck. 77,257

\$146,597 loan for a sanitation truck, with principal and interest payments of \$26,517 due annually in October, at an annual interest rate of 2.39% through 2025, secured by a sanitation truck. 124,595

\$9,800 loan for tasers, with principal of \$1,960, due annually in June with 0% interest through 2024, secured by tasers. 5,880

Total serviced by the General Fund 1,383,676

Serviced by the Water and Sewer Fund:

\$3,600,000 loan for water and sewer capital projects, with principal and interest payments of \$225,367, due annually in June, at an annual interest rate of 3.59% through 2033, secured by water lines and other personal property financed with the proceeds. 2,454,677

Serviced by the Electric Fund:

\$132,265 loan for a sanitation truck, with principal and interest payments of \$23,924, due annually in October, at an annual interest rate of 2.39%, through 2025, secured by a sanitation truck. 110,490

Total installment purchases \$3,948,843

TOWN OF DALLAS, NORTH CAROLINA

Notes to the Financial Statements
June 30, 2021

Annual debt service requirements to maturity for long-term obligations are as follows:

	<u>Direct Placement Installment Purchase</u>	
	<u>Principal</u>	<u>Interest</u>
Governmental activities:		
2022	\$ 136,373	\$ 55,075
2023	141,311	50,142
2024	146,344	45,114
2025	122,634	39,698
2026	127,428	35,513
2027-2031	512,005	103,385
2032-2036	<u>197,581</u>	<u>10,985</u>
Total governmental activities	<u>1,383,676</u>	<u>339,911</u>
Business-type activities:		
2022	188,311	90,764
2023	194,818	84,256
2024	201,553	77,521
2025	208,524	70,549
2026	215,739	63,335
2027-2031	1,071,731	213,066
2032-2036	484,491	51,884
2037-2041	<u>-</u>	<u>-</u>
Total business-type activities	<u>2,565,167</u>	<u>651,374</u>
Total	<u>\$ 3,948,843</u>	<u>\$ 991,286</u>

At June 30, 2021, the Town's legal debt margin is \$28,383,762.

TOWN OF DALLAS, NORTH CAROLINA

**Notes to the Financial Statements
June 30, 2021**

Changes in Long-Term Liabilities

	<u>Balance June 30, 2020</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2021</u>	<u>Current Portion of Balance</u>
Governmental activities:					
Compensated absences	\$ 83,057	\$ 34,480	\$ -	\$ 117,537	\$ -
Net pension liability (LEO)	367,852	166,603	37,735	496,720	-
Net pension liability (LGERS)	538,463	149,625	-	688,088	-
Direct placement installment purchase	1,491,985	-	108,310	1,383,676	136,373
Capitalized leases	<u>202,963</u>	<u>31,887</u>	<u>49,459</u>	<u>185,391</u>	<u>50,422</u>
Total governmental activities	<u>\$ 2,684,321</u>	<u>\$382,595</u>	<u>\$195,504</u>	<u>\$ 2,871,412</u>	<u>\$186,795</u>
Business-type activities:					
Water and Sewer Fund					
Compensated absences	\$ 58,366	\$ -	\$ 1,279	\$ 57,087	\$ -
Net pension liability (LGERS)	326,134	109,640	-	435,774	-
Direct placement installment purchase	2,616,125	-	161,448	2,454,677	167,244
Capitalized leases	<u>29,022</u>	<u>-</u>	<u>6,185</u>	<u>22,837</u>	<u>6,344</u>
Water and Sewer Fund long-term liabilities	<u>3,029,647</u>	<u>109,640</u>	<u>168,912</u>	<u>2,970,375</u>	<u>173,588</u>
Electric Fund					
Compensated absences	47,673	345	-	48,018	-
Net pension liability (LGERS)	331,274	141,471	-	472,745	-
Direct placement installment purchase	<u>176,206</u>	<u>-</u>	<u>65,716</u>	<u>110,490</u>	<u>21,067</u>
Electric Fund Long-term liabilities	<u>555,153</u>	<u>141,816</u>	<u>65,716</u>	<u>631,253</u>	<u>21,067</u>
Business activity long-term liabilities	<u>\$ 3,584,800</u>	<u>\$251,456</u>	<u>\$234,628</u>	<u>\$ 3,601,628</u>	<u>\$194,655</u>

TOWN OF DALLAS, NORTH CAROLINA

**Notes to the Financial Statements
June 30, 2021**

C. Interfund Balances and Activity

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

From the Electric Fund to T.O.P. T.I.E.R. - to fund economic development	\$ 123,612
From the Electric Fund to the Capital Project Fund - to fund capital projects	996,437
From the Electric Fund to the General Fund - payment in lieu of taxes	895,733
From the Storm Water Fund to the Capital Project Fund - to fund capital projects	<u>33,142</u>
	<u>\$2,048,924</u>

Transfers are used to: (1) move unrestricted revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grant programs, (2) move funds from the fund with collection authorization to other funds to stabilize rates.

D. Net Investment in Capital Assets

	<u>Governmental</u>	<u>Business-type</u>
Capital assets	\$6,212,465	\$13,598,169
Less: long-term debt	<u>(1,569,067)</u>	<u>(2,588,004)</u>
	<u>\$4,643,399</u>	<u>\$11,010,165</u>

E. Fund Balance

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

Total fund balance - General Fund	\$3,677,298
Less:	
Inventories	312
Stabilization by State Statute	247,845
Streets-Powell Bill	70,804
Public Safety	227,826
Appropriated Fund Balance in 2021 Budget	487,104
Remaining Fund Balance	2,643,407

IV. Jointly Governed Organizations

The Town, in conjunction with nine counties and seventy-four other municipalities, established the Centralina Council of Governments (the Council). The participating governments established the Council to coordinate various funding received from federal and State agencies. Each participating government appoints one member to the Council's governing board. The Town paid membership fees of \$1,159 to the Council during the fiscal year ended June 30, 2021.

TOWN OF DALLAS, NORTH CAROLINA

Notes to the Financial Statements June 30, 2021

V. Related Party Transactions

The Public Works Director works part-time for one of the Town's vendors. The vendor provides plumbing and electrical services for the Town. The Town paid \$12,377 in services during the fiscal year ended June 30, 2021. As of June 30, 2021, there were no outstanding amounts due to the vendor.

VI. 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.

VII. Significant Effects of Subsequent Events

Management has evaluated subsequent events through December 29, 2021, the date on which the financial statements were available to be issued. During the period from the end of the year, and through this date, the following event occurred that requires recognition or disclosure in these financial statements.

COVID-19 Pandemic

The spread of the Coronavirus Disease (COVID-19) has been deemed a worldwide pandemic. The COVID-19 pandemic has had significant effects on global economic markets, supply chains, businesses and communities. As a result, domestic and international equity markets have experienced significant fluctuations.

The Town of Dallas has begun to see revenues coming back to normal after the COVID- 19 pandemic. Dallas has been very cautious of its expenditures for the last two fiscal years to make sure we are still efficient in daily task without having to spend extra funds. This has helped us to monitor weekly the effects the pandemic has had on the country. The Town of Dallas has been approved from the Coronavirus Local Fiscal Recovery Funds for funding from the ARP (American Rescue Plan) Act in the amount of \$1,528,792. The Town received the first distribution in the amount of \$764,396 in July 2021. These funds provide a singular opportunity to address community recovery needs and to make significant investments for the future.

REQUIRED SUPPLEMENTARY INFORMATION

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

- **Schedule of the Proportionate Share of Net Pension Liability (Asset) for Local Government Employees' Retirement System**
 - **Schedule of Contributions - Local Government Employees' Retirement System**
 - **Schedule of Changes in Total Pension Liability - Law Enforcement Officers' Special Separation Allowance**
 - **Schedule of Total Pension Liability as a Percentage of Covered Payroll - Law Enforcement Officers' Special Separation Allowance**
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TOWN OF DALLAS

**Town of Dallas' Proportionate Share of Net Pension Liability (Asset)
Required Supplementary Information
Last Eight Fiscal Years*
Local Government Employees' Retirement System**

	<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 of Dallas' proportion of the net pension liability (asset) (%)	0.04468%	0.04379%	0.04507%	0.04380%	0.04282%	0.04216%	0.03938%	0.04030%
Town of Dallas' proportion of the net pension liability (asset) (\$)	\$1,596,607	\$1,195,871	\$1,069,215	\$ 669,143	\$ 908,784	\$ 189,212	\$(232,242)	\$ 485,770
Town of Dallas' covered payroll	\$2,937,722	\$2,787,616	\$2,726,848	\$,571,122	\$,435,404	\$,716,527	\$,724,960	\$,542,147
Town of Dallas' proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	54.35%	42.90%	39.21%	26.03%	37.32%	11.02%	(13.46)%	31.50%
Plan fiduciary net position as a percentage of the total pension liability**	88.61%	91.63%	94.18%	91.47%	98.09%	99.07%	102.64%	94.35%

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

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

TOWN OF DALLAS

**Town of Dallas' Contributions
Required Supplementary Information
Last Eight Fiscal Years
Local Government Employees' Retirement System**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contributions	\$ 298,412	\$ 269,655	\$ 217,988	\$ 205,057	\$ 187,034	\$ 159,467	\$ 163,404	\$ 163,396
Contributions in relation to the contractually required contributions	<u>298,412</u>	<u>269,655</u>	<u>217,988</u>	<u>205,057</u>	<u>187,034</u>	<u>159,467</u>	<u>163,404</u>	<u>163,396</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town of Dallas' covered-employee payroll	\$2,891,209	\$2,937,722	\$2,787,616	\$2,726,848	\$2,571,122	\$2,435,404	\$1,716,527	\$1,724,960
Contributions as a percentage of covered employee payroll	10.32%	9.18%	7.82%	7.52%	7.27%	6.55%	9.52%	9.47%

TOWN OF DALLAS, NORTH CAROLINA

**Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance
Last Five Fiscal Years**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Beginning balance	\$367,852	\$390,041	\$466,520	\$418,375	\$412,459
Service cost	23,892	14,630	19,987	16,223	19,207
Interest on the total pension liability	11,377	13,769	14,370	15,695	14,397
Changes of benefit terms	-	-	-	-	-
Differences between expected and actual experience in the measurement of the total pension liability	23,503	(36,068)	(72,872)	15,851	-
Changes of assumptions or other inputs	107,831	9,019	(13,525)	23,915	(9,350)
Benefit payments	(37,735)	(23,539)	(23,539)	(23,539)	(18,338)
Other changes	-	-	-	-	-
Ending balance of the total pension liability	<u>\$496,720</u>	<u>\$367,852</u>	<u>\$390,941</u>	<u>\$466,520</u>	<u>\$418,375</u>

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

TOWN OF DALLAS, NORTH CAROLINA

**Schedule of Total Pension Liability as a Percentage of Covered Payroll
Law Enforcement Officers' Special Separation Allowance
Last Five Fiscal Years**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total pension liability	\$496,720	\$367,852	\$390,041	\$466,520	\$418,375
Covered payroll	737,438	581,161	674,988	623,345	666,556
Total pension liability as a percentage of covered payroll	67.36%	63.30%	57.78%	74.84%	62.77%

Notes to the schedules:

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

GOVERNMENTAL ACTIVITIES

GENERAL FUND

The General Fund is used to account for resources traditionally associated with government which are not required legally or by sound financial management to be accounted for in another fund.

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TOWN OF DALLAS

**General Fund
Schedule of Revenues, Expenditures and Changes
In Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2021**

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

	<u>2021</u>		<u>Variance</u>	
	<u>Budget</u>	<u>Actual</u>	<u>Positive</u>	<u>2020</u>
			<u>(Negative)</u>	<u>Actual</u>
Revenues:				
Ad valorem taxes:				
Current year	\$1,300,500	\$1,408,493	\$ 107,993	\$1,356,302
Prior years	500	23,288	22,788	10,217
Interest and penalties	1,000	7,226	6,226	4,406
Total	<u>1,302,000</u>	<u>1,439,007</u>	<u>137,007</u>	<u>1,370,925</u>
Other taxes and licenses:				
Privilege licenses	3,100	3,124	24	3,150
Motor vehicle licenses	33,000	40,730	7,730	39,630
Alcohol beverage tax	22,000	20,653	(1,347)	20,761
Total	<u>58,100</u>	<u>64,507</u>	<u>6,407</u>	<u>63,541</u>
Unrestricted intergovernmental revenues:				
Local option sales tax	429,669	561,863	132,194	476,981
Hold harmless distribution	43,216	8,875	(34,341)	52,849
Utility franchise tax	153,419	156,775	3,356	153,833
Excise tax on piped natural gas	9,904	17,976	8,072	13,819
Sales tax on telecommunications	43,688	37,801	(5,887)	38,209
Sales tax on video programming	15,089	15,038	(51)	15,000
Solid waste disposal tax	3,420	3,656	236	3,678
Total	<u>698,405</u>	<u>801,984</u>	<u>103,579</u>	<u>754,370</u>
Restricted intergovernmental revenues:				
Powell Bill street aid allocation	140,000	125,066	(14,934)	129,569
Powell Bill investment earnings	25	-	(25)	3
LESA investment earnings	2,800	-	(2,800)	-
Covid-19 grant funds	71,413	9,836	(61,577)	61,577
Drug forfeiture revenue	-	13,499	13,499	-
Grant revenue	26,607	24,924	(1,683)	-
Total	<u>240,845</u>	<u>173,325</u>	<u>(67,520)</u>	<u>191,150</u>

cont.

TOWN OF DALLAS

Page 2 of 6

**General Fund
Schedule of Revenues, Expenditures and Changes
In Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2021**

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

	2021		Variance	
	<u>Budget</u>	<u>Actual</u>	<u>Positive</u> <u>(Negative)</u>	<u>2020</u> <u>Actual</u>
Revenues (continued):				
Permits and fees:				
Zoning fees	\$ 11,000	\$ 20,807	\$ 9,807	\$ 13,924
Sales and services:				
Arrest fees	1,500	2,198	698	1,280
Refuse collection fees	341,050	392,567	51,517	342,264
Recreation fees and concessions	57,400	22,525	(34,875)	41,968
Other	13,550	574	(12,976)	9,787
Total	413,500	417,864	4,364	395,298
Investment earnings	109,988	1,758	(108,230)	84,195
Miscellaneous:				
Sale of property	1,000	12,712	11,712	22,993
Returned check revenue	1,450	(56)	(1,506)	1,230
Customer billed charges	1,450	3,851	2,401	821
ABC wholesale distribution	24,200	25,894	1,694	22,519
Contribution from Courthouse Foundation	-	-	-	35,779
Other	5,000	13,195	8,195	3,926
Total	33,100	55,597	22,497	87,268
Total revenues	2,866,938	2,974,848	107,910	2,960,671

cont.

General Fund
Schedule of Revenues, Expenditures and Changes
In Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2021
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2020)

	<u>2021</u>		Variance Positive (Negative)	2020 Actual
	<u>Budget</u>	<u>Actual</u>		
Expenditures:				
General government:				
Governing body:				
Salaries and employee benefits	\$ 64,849	\$ 61,837	\$ 3,012	\$ 63,701
Other operating expenditures	<u>12,100</u>	<u>5,998</u>	<u>6,102</u>	<u>5,615</u>
	<u>76,949</u>	<u>67,835</u>	<u>9,114</u>	<u>69,316</u>
Administrative:				
Salaries and employee benefits	83,912	75,626	8,286	75,298
Professional services	15,895	15,355	540	16,746
Maintenance and repairs	25,389	18,592	6,797	33,893
Other operating expenditures	122,987	104,703	18,284	108,010
Capital outlay	<u>8,150</u>	<u>8,150</u>	<u>-</u>	<u>41,949</u>
	<u>256,333</u>	<u>222,426</u>	<u>33,907</u>	<u>275,896</u>
Public buildings:				
Community development:				
Salaries and employee benefits	93,795	81,967	11,828	72,578
Other operating expenditures	111,220	33,582	77,638	53,807
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,882</u>
	<u>205,015</u>	<u>115,549</u>	<u>89,466</u>	<u>137,266</u>
Courthouse:				
Professional services	6,811	6,674	137	6,905
Maintenance and repairs	22,970	17,745	5,225	20,514
Other operating expenditures	35,120	33,463	1,657	16,711
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,925</u>
	<u>64,901</u>	<u>57,883</u>	<u>7,018</u>	<u>53,056</u>
Total general government	<u>603,198</u>	<u>463,693</u>	<u>139,505</u>	<u>535,534</u>

cont.

TOWN OF DALLAS

Page 4 of 6

**General Fund
Schedule of Revenues, Expenditures and Changes
In Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2021
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2020)**

	<u>2021</u>		Variance Positive (Negative)	2020 Actual
	<u>Budget</u>	<u>Actual</u>		
Expenditures (continued):				
Police:				
Salaries and employee benefits	\$1,611,091	\$1,163,354	\$ 447,737	\$1,137,975
Maintenance and repairs	42,740	45,688	(2,948)	41,735
Other operating expenditures	139,742	132,168	7,574	146,219
Capital outlay	20,650	20,650	-	267,662
	<u>1,814,223</u>	<u>1,361,860</u>	<u>452,363</u>	<u>1,593,591</u>
Fire:				
Salaries and employee benefits	177,926	160,749	17,177	170,340
Maintenance and repairs	60,671	51,854	8,817	76,920
Other operating expenditures	93,339	76,760	16,579	82,437
Capital outlay	160,000	159,997	3	42,587
	<u>491,936</u>	<u>449,360</u>	<u>42,576</u>	<u>372,283</u>
Total public safety	<u>2,306,159</u>	<u>1,811,220</u>	<u>494,939</u>	<u>1,965,875</u>
Transportation:				
Street maintenance				
Salaries and employee benefits	207,794	154,424	53,370	164,820
Maintenance and repairs	31,925	11,831	20,094	5,428
Street lights	58,720	32,948	25,772	47,945
Contracted services	6,263	2,215	4,048	5,786
Other operating expenditures	27,445	10,801	16,644	31,869
Capital outlay	-	-	-	38,902
Powell Bill expenditures	132,677	101,366	31,311	110,788
	<u>464,824</u>	<u>313,586</u>	<u>151,238</u>	<u>405,537</u>
Environmental protection:				
Solid waste:				
Salaries and employee benefits	191,753	136,806	54,947	180,696
Maintenance and repairs	61,000	58,485	2,515	48,266
Other operating expenditures	30,064	27,566	2,498	18,759
Capital outlay	-	-	-	148,603
Tipping fees	99,225	101,680	(2,455)	81,756
	<u>382,042</u>	<u>324,538</u>	<u>57,504</u>	<u>478,080</u>

cont.

General Fund
Schedule of Revenues, Expenditures and Changes
In Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2021
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2019)

	<u>2021</u>		Variance Positive (Negative)	2020 Actual
	<u>Budget</u>	<u>Actual</u>		
Expenditures (continued):				
Cultural and recreational:				
Parks and recreation:				
Salaries and employee benefits	\$ 163,933	\$ 128,035	\$ 35,898	\$ 120,819
Maintenance and repairs	36,755	34,457	2,298	41,694
Operating expenditures	124,050	74,506	49,544	131,380
Capital outlay	48,000	31,887	16,113	6,833
	<u>372,738</u>	<u>268,884</u>	<u>103,854</u>	<u>300,726</u>
Debt service:				
Debt service - principal	174,894	155,809	19,085	126,883
Debt service - interest	59,858	58,501	1,357	65,145
	<u>234,752</u>	<u>214,310</u>	<u>20,442</u>	<u>192,028</u>
Total expenditures	<u>4,363,713</u>	<u>3,396,231</u>	<u>967,482</u>	<u>3,877,780</u>
Revenues over (under) expenditures	<u>(1,496,775)</u>	<u>(421,383)</u>	<u>1,075,393</u>	<u>(917,109)</u>
Other Financing Sources (Uses):				
Proceeds from capital financing	40,000	31,887	(8,113)	340,699
Appropriated fund balance	561,042	-	(561,042)	-
Transfers (to) from other funds:				
Electric Fund	895,733	895,733	-	895,733
Total other financing sources (uses)	<u>1,496,775</u>	<u>927,620</u>	<u>(569,155)</u>	<u>1,236,432</u>

cont.

General Fund
Schedule of Revenues, Expenditures and Changes
In Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2021
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2020)

	<u>2021</u>		Variance Positive (Negative)	2020 Actual
	<u>Budget</u>	<u>Actual</u>		
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 506,238</u>	<u>\$ 506,238</u>	<u>\$ 319,322</u>
Fund balances, beginning, as previously reported		\$3,171,060		\$2,688,287
Prior period adjustment		-		163,451
Fund balances, beginning, restated		3,171,060		2,851,738
Revenues and other financing sources over (under) expenditures and other financing uses		<u>506,238</u>		<u>319,322</u>
Fund balances, ending		<u>\$3,677,298</u>		<u>\$3,171,060</u>

GOVERNMENTAL ACTIVITIES NON-MAJOR GOVERNMENTAL FUNDS

Storm Water Fund. This fund is used to account for fees collected, and monies spent, in connection with the Town's storm water run-off.

Capital Project Fund. This fund is used to account for construction and capital outlay.

"T.O.P. T.I.E.R." (Targeted Options Providing Tangible Investment in Economic Revitalization Fund). This fund is an economic development program that is funded and maintained by the Town to offer limited, but targeted, public economic assistance in support of private sector investment in assets needed to spur job creation, business sector growth, and overall economic vitality.

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TOWN OF DALLAS

**Combining Balance Sheet
Non-Major Governmental Funds
For the Year Ended June 30, 2021**

	<u>Storm Water Fund</u>	<u>Capital Project Fund</u>	<u>T.O.P. T.I.E.R. Program</u>	<u>Total Nonmajor Governmental Funds</u>
Assets:				
Cash and cash equivalents	\$ 392,431	\$ 1,258,283	\$ 490,408	\$ 2,141,121
Accounts receivable, net	<u>16,593</u>	<u>-</u>	<u>-</u>	<u>16,593</u>
Total assets	<u>\$ 409,024</u>	<u>\$ 1,258,283</u>	<u>\$ 490,408</u>	<u>\$ 2,157,715</u>
Liabilities and Fund Balances:				
Accounts payable and accrued expenses	<u>\$ 968</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 968</u>
Total liabilities	<u>968</u>	<u>-</u>	<u>-</u>	<u>968</u>
Fund balances:				
Restricted:				
Assigned:				
Storm Water	408,056	-	-	408,056
Capital Project	-	1,258,283	-	1,258,283
Top Tier Program	<u>-</u>	<u>-</u>	<u>490,408</u>	<u>490,408</u>
Total fund balances	<u>408,056</u>	<u>1,258,283</u>	<u>490,408</u>	<u>2,156,747</u>
Total liabilities and fund balances	<u>\$ 409,024</u>	<u>\$ 1,258,283</u>	<u>\$ 490,408</u>	<u>\$ 2,157,715</u>

TOWN OF DALLAS

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
For the Year Ended June 30, 2021**

	Storm Water <u>Fund</u>	Capital Project <u>Fund</u>	T.O.P. T.I.E.R. <u>Program</u>	Total Nonmajor Governmental <u>Funds</u>
Revenues:				
Storm water fees	\$ 210,911	\$ -	\$ -	\$ 210,911
Miscellaneous	212	-	-	212
Investment earnings	-	53	-	53
Total revenues	<u>211,123</u>	<u>53</u>	<u>-</u>	<u>211,176</u>
Expenditures:				
Salaries and employee benefits	38,332	-	-	38,332
Supplies	6	-	-	6
Contracted services	4,666	-	22,337	27,003
Repairs and maintenance	597	-	-	597
Other operating expenditures	2,837	-	28,950	31,787
Capital outlay	<u>12,450</u>	<u>-</u>	<u>231,468</u>	<u>243,918</u>
Total expenditures	<u>58,889</u>	<u>-</u>	<u>282,754</u>	<u>341,643</u>
Revenues over (under) expenditures	152,235	53	(282,754)	(130,467)
Other Financing Sources (Uses):				
Operating transfers in (out):				
Electric Fund	-	996,437	123,612	1,120,049
Capital Project Fund	(33,142)	-	-	(33,142)
Storm Water Fund	<u>-</u>	<u>33,142</u>	<u>-</u>	<u>33,142</u>
Revenues and other financing sources over (under) expenditures and financing sources (uses)	<u>\$ 119,093</u>	<u>\$ 1,029,632</u>	<u>\$ (159,142)</u>	<u>\$ 989,582</u>
Fund balances, beginning	\$ 288,963	\$ 228,651	\$ 649,550	\$ 1,167,165
Revenues and other financing sources over (under) expenditures and financing sources (uses)	<u>119,093</u>	<u>1,029,632</u>	<u>(159,142)</u>	<u>989,582</u>
Fund balances, ending	<u>\$ 408,056</u>	<u>\$ 1,258,283</u>	<u>\$ 490,408</u>	<u>\$ 2,156,747</u>

TOWN OF DALLAS

Storm Water Fund

**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2021**

(With Comparative Actual Amounts for the Year Ended June 30, 2020)

	2021		Variance Positive (Negative)	2020 Actual
	<u>Budget</u>	<u>Actual</u>		
Revenues:				
Operating revenues:				
Storm water fees	\$ 200,379	\$ 210,911	\$ 10,532	\$ 209,242
Other operating revenues	-	212	212	-
Total revenues	<u>200,379</u>	<u>211,123</u>	<u>10,744</u>	<u>209,242</u>
Expenditures:				
Salaries and employee benefits	50,680	38,332	12,348	41,701
Supplies	1,500	6	1,494	1,705
Contracted services	18,689	4,666	14,023	2,865
Repairs and maintenance	39,616	597	39,019	2,064
Other operating expenditures	6,752	2,837	3,915	5,320
Capital outlay	50,000	12,450	37,550	-
Total operating expenditures	<u>167,237</u>	<u>58,889</u>	<u>108,348</u>	<u>53,654</u>
Revenues over (under) expenditures	<u>33,142</u>	<u>152,235</u>	<u>119,093</u>	<u>155,587</u>
Other Financing Sources (Uses):				
Appropriated fund balance	-	-	-	-
Operating transfers in (out):				
Capital Project Fund	<u>(33,142)</u>	<u>(33,142)</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(33,142)</u>	<u>(33,142)</u>	<u>-</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>119,093</u>	<u>\$ 119,093</u>	<u>155,587</u>
Fund balance, beginning		<u>288,963</u>		<u>133,376</u>
Fund balance, ending		<u>\$ 408,056</u>		<u>\$ 288,963</u>

TOWN OF DALLAS

Capital Project Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2021
(With Comparative Actual Amounts for the Year Ended June 30, 2021)

	<u>2021</u>		Variance Positive (Negative)	2020 Actual
	<u>Budget</u>	<u>Actual</u>		
Revenues:				
Investment earnings	\$ -	\$ 53	\$ 53	\$ 1,927
Total revenues	<u>-</u>	<u>53</u>	<u>53</u>	<u>1,927</u>
Expenditures:				
Capital outlay	<u>619,000</u>	<u>-</u>	<u>619,000</u>	<u>-</u>
Revenues over (under) expenditures	<u>(619,000)</u>	<u>53</u>	<u>619,053</u>	<u>1,927</u>
Other Financing Sources (Uses):				
Transfer from (to) Storm Water Fund	-	33,142	33,142	-
Transfer from (to) Electric Fund	<u>619,000</u>	<u>996,437</u>	<u>377,437</u>	<u>79,857</u>
Total other financing sources (uses)	<u>619,000</u>	<u>1,029,579</u>	<u>410,579</u>	<u>79,857</u>
Revenues and other financing sources (uses) over (under) expenditures and other financing uses	<u>\$ -</u>	1,029,632	<u>\$1,029,632</u>	<u>\$ 81,784</u>
Fund balance, July 1		<u>228,651</u>		
Fund balance, June 30		<u>\$ 1,258,283</u>		

TOWN OF DALLAS

"T.O.P. T.I.E.R." Program

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

For the Year Ended June 30, 2021

(With Comparative Actual Amounts for the Year Ended June 30, 2020)

	<u>2021</u>		Variance Positive (Negative)	2020 Actual
	<u>Budget</u>	<u>Actual</u>		
Revenues:				
Grant revenue	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Top Tier grants	28,950	28,950	-	-
Professional services	43,950	22,337	21,613	9,761
Capital outlay	538,244	231,468	306,776	192,189
Total expenditures	<u>611,144</u>	<u>282,754</u>	<u>328,390</u>	<u>201,950</u>
Revenues over (under) expenditures	(611,144)	(282,754)	328,390	(201,950)
Other Financing Sources (Uses):				
Appropriated fund balance	487,532	-	(487,532)	-
Transfer from Electric Fund	123,612	123,612	-	160,143
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	(159,142)	<u>\$(159,142)</u>	(41,807)
Fund balance, July 1		<u>649,550</u>		<u>691,357</u>
Fund balance, June 30		<u>\$ 490,408</u>		<u>\$ 649,550</u>

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BUSINESS - TYPE ACTIVITIES

ENTERPRISE FUNDS

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the government's governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the government's governing body has decided that periodic determination of net income is appropriate for accountability purposes.

***Water and Sewer Fund* - This fund is used to account for the activities associated with the production, distribution and transmission of potable water by the Town to its users and for the operation and maintenance of the Town's sewer and surface drainage systems.**

***Electric Fund* - This fund is used to account for the activities associated with the distribution and transmission of electricity by the Town to its users.**

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TOWN OF DALLAS

Page 1 of 3

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

	2021		Variance Positive (Negative)	2020 Actual
	<u>Budget</u>	<u>Actual</u>		
Revenues:				
Operating revenues:				
Water charges	\$ 1,807,389	\$ 1,835,235	\$ 27,846	\$ 1,849,059
Sewer charges	977,376	952,364	(25,012)	990,805
Water and sewer taps	23,500	26,805	3,305	39,575
Other	103,650	140,022	36,372	116,132
Total operating revenues	<u>2,911,915</u>	<u>2,954,426</u>	<u>42,511</u>	<u>2,995,570</u>
Nonoperating revenues:				
Rental income	63,629	95,793	32,164	82,800
Total nonoperating revenues	<u>63,629</u>	<u>95,793</u>	<u>32,164</u>	<u>82,800</u>
Total revenues	<u>2,975,544</u>	<u>3,050,219</u>	<u>74,675</u>	<u>3,078,370</u>
Expenditures:				
Operating expenditures:				
Water and sewer operations				
Salaries and employee benefits	816,332	738,495	77,837	771,175
Travel	5,800	2,123	3,677	3,695
Supplies	153,438	136,420	17,018	37,229
Insurance	90,650	78,761	11,889	76,074
Repairs and maintenance	186,748	153,156	33,592	182,307
Other operating expenditures	463,091	300,763	162,328	444,423
	<u>1,716,059</u>	<u>1,409,719</u>	<u>306,340</u>	<u>1,514,903</u>
Water treatment and distribution				
Salaries and employee benefits	294,610	226,106	68,504	268,384
Supplies	21,000	18,056	2,944	13,259
Chemicals	71,500	72,558	(1,058)	52,230
Other operating expenditures	199,197	119,413	79,784	168,416
	<u>586,307</u>	<u>436,133</u>	<u>150,174</u>	<u>502,289</u>
Waste collection and treatment				
Salaries and employee benefits	141,070	100,390	40,680	112,757
Chemicals	47,000	43,939	3,061	48,441
Supplies	4,000	2,686	1,314	3,449
Other operating expenditures	248,588	236,036	12,552	215,003
	<u>440,658</u>	<u>383,051</u>	<u>57,607</u>	<u>379,650</u>

cont.

TOWN OF DALLAS

Page 2 of 3

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

	2021		Variance	2020
	<u>Budget</u>	<u>Actual</u>	<u>(Negative)</u>	<u>Actual</u>
Total operating expenditures	\$ 2,743,024	\$ 2,228,903	\$ 514,121	\$ 2,396,841
Debt service:				
Principal retirement	169,100	167,633	1,467	191,570
Interest and fees	93,920	94,582	(662)	101,186
Total debt service	<u>263,020</u>	<u>262,215</u>	<u>805</u>	<u>292,756</u>
Capital outlay:				
Water and sewer operations	97,895	62,386	35,509	240,904
Water treatment and distribution	42,000	12,010	29,990	-
Water collection and treatment	<u>320,468</u>	<u>131,390</u>	<u>189,078</u>	<u>23,150</u>
Total capital outlay	<u>460,363</u>	<u>205,786</u>	<u>254,577</u>	<u>264,054</u>
Total expenditures	<u>3,466,407</u>	<u>2,696,904</u>	<u>769,503</u>	<u>2,953,652</u>
Revenues over (under) expenditures	<u>(490,863)</u>	<u>353,315</u>	<u>844,178</u>	<u>124,718</u>
Other Financing Sources (Uses):				
Appropriated fund balance	344,363	-	(344,363)	-
Gain (loss) on disposal of capital assets	4,000	1,909	(2,091)	(1,014)
Proceeds from borrowing	-	35,692	35,692	35,692
Grant revenue	<u>142,500</u>	-	<u>(142,500)</u>	<u>179,684</u>
Total other financing sources	<u>490,863</u>	<u>37,601</u>	<u>(453,262)</u>	<u>214,362</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	390,916	<u>\$ 390,916</u>	339,080
Reconciliation From Budgetary Basis (Modified Accrual) to Full Accrual:				
Increase (decrease) in inventory		17,422		(14,016)
(Increase) decrease in accrued vacation pay		1,279		537
(Increase) decrease in accrued interest		306		552
Payment of debt principal		167,633		191,570
Proceeds from borrowing		(35,692)		(35,692)
Transfer in from Electric Fund to Water and Sewer				

cont.

TOWN OF DALLAS

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Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)
Water and Sewer Fund
For the Year Ended June 30, 2021
(With Comparative Actual Amounts for the Year Ended June 30, 2020)

	<u>2021</u>		<u>Variance</u>	
	<u>Budget</u>	<u>Actual</u>	<u>Positive</u>	<u>2020</u>
			<u>(Negative)</u>	<u>Actual</u>
Increase (decrease) in deferred outflows of resources - pensions		\$ 40,446		\$ (25,250)
(Increase) decrease in net pension liability		(109,640)		(43,470)
(Increase) decrease in deferred inflows of resources - pensions		2,823		(3,367)
Capital outlay		205,786		264,054
Depreciation		<u>(402,748)</u>		<u>(400,666)</u>
Change in net position		<u>\$ 278,532</u>		<u>\$ 273,334</u>

TOWN OF DALLAS

Page 1 of 2

**Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)
Electric Fund
For the Year Ended June 30, 2021
(With Comparative Actual Amounts for the Year Ended June 30, 2020)**

	<u>2021</u>		Variance Positive (Negative)	2020 Actual
	<u>Budget</u>	<u>Actual</u>		
Revenues:				
Operating revenues:				
Electricity sales	\$8,916,446	\$8,300,718	\$ (615,728)	\$8,146,827
Other operating revenues	<u>353,501</u>	<u>342,178</u>	<u>(11,323)</u>	<u>128,058</u>
Total operating revenues	9,269,947	8,642,895	(627,052)	8,274,886
Nonoperating revenues:				
Investment earnings	<u>15,993</u>	<u>154</u>	<u>(15,839)</u>	<u>10,482</u>
Total revenues	<u>9,285,940</u>	<u>8,643,050</u>	<u>(642,890)</u>	<u>8,285,368</u>
Expenditures:				
Salaries and employee benefits	1,290,160	1,151,581	138,579	1,147,375
Electrical power purchases	5,591,939	4,525,195	1,066,744	4,968,542
Supplies	154,974	132,759	22,215	121,192
Contracted services	190,999	113,214	77,785	92,992
Insurance	117,114	100,652	16,462	95,738
Repairs and maintenance	380,795	279,701	101,094	154,569
Other operating expenditures	173,135	151,868	21,267	168,995
Debt service - principal	67,651	65,716	1,935	111,890
Debt service - interest	4,777	3,575	1,202	6,197
Capital outlay	<u>189,615</u>	<u>42,987</u>	<u>146,628</u>	<u>332,300</u>
Total operating expenditures	<u>8,161,159</u>	<u>6,567,247</u>	<u>1,593,912</u>	<u>7,199,790</u>
Revenues over (under) expenditures	<u>1,124,781</u>	<u>2,075,803</u>	<u>951,022</u>	<u>1,085,578</u>
Other Financing Sources (Uses):				
Appropriated fund balance	503,564	-	(503,564)	-
Gain (loss) on disposition of assets	10,000	35,855	25,855	16,563
Proceeds from borrowing	-	132,265	132,265	132,265
Coal ash recovery revenue	105,000	104,660	(340)	129,747
Coal ash recovery charge	(105,000)	(115,000)	(10,000)	(150,000)
Transfers from (to):				
Top Tier Program Fund	(123,612)	(123,612)	-	(160,143)
Capital Reserve Fund	(619,000)	(996,437)	(377,437)	(79,857)
General Fund-payment in lieu of taxes	<u>(895,733)</u>	<u>(895,733)</u>	<u>-</u>	<u>(895,733)</u>
Total other financing sources (uses)	<u>(1,124,781)</u>	<u>(1,858,002)</u>	<u>(733,221)</u>	<u>(1,007,158)</u>

TOWN OF DALLAS

Page 2 of 2, cont.

**Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)
Electric Fund
For the Year Ended June 30, 2021
(With Comparative Actual Amounts for the Year Ended June 30, 2020)**

	2021		Variance	
	<u>Budget</u>	<u>Actual</u>	<u>Positive (Negative)</u>	<u>2020 Actual</u>
Revenues and other sources over (under) expenditures and other uses	\$ <u>-</u>	\$ 217,801	\$ <u>217,801</u>	\$ 78,420
Reconciliation From Budgetary Basis				
(Modified Accrual) to Full Accrual:				
Increase (decrease) in inventory		21,360		(33,421)
(Increase) decrease in accrued vacation pay		(345)		3,377
(Increase) decrease in accrued interest		(281)		2,357
(Increase) decrease in net pension liability		(141,472)		(44,171)
Increase (decrease) in deferred outflows of resources-pension		57,037		(25,635)
(Increase) decrease in deferred inflows of resources-pensions		2,485		(3,421)
Capital outlay		42,987		332,300
Proceeds from borrowing		(132,265)		(132,265)
Payment of debt principal		65,716		111,890
Depreciation		<u>(401,062)</u>		<u>(395,502)</u>
Changes in net position		<u>\$ (268,040)</u>		<u>\$ (106,072)</u>

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OTHER SCHEDULES

This section contains additional information required on property taxes and transfers.

- **Schedule of Ad Valorem Taxes Receivable**
 - **Analysis of Current Tax Levy**
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TOWN OF DALLAS

**Schedule of Ad Valorem Taxes Receivable
June 30, 2021**

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2020</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2021</u>
2020 - 2021	\$ -	\$1,419,188	\$1,408,493	\$ 10,695
2019 - 2020	24,547	-	19,145	5,402
2018 - 2019	4,924	-	1,713	3,211
2017 - 2018	4,926	-	2,007	2,919
2016 - 2017	3,756	-	1,295	2,461
2015 - 2016	3,258	-	761	2,497
2014 - 2015	2,189	-	526	1,663
2013 - 2014	1,373	-	295	1,078
2012 - 2013	1,847	-	182	1,665
2011 - 2012	1,554	-	37	1,517
2010 - 2011	2,502	-	2,502	-
Total	<u>\$ 50,876</u>	<u>\$1,419,188</u>	<u>\$1,436,956</u>	33,108
Less allowance for uncollectibles				<u>(13,318)</u>
Balance				<u>\$ 19,790</u>
Reconciliation With Revenue:				
Taxes - Ad valorem - General Fund				\$ 1,439,007
Adjustments, releases and discounts				2,673
Taxes written off				2,502
Interest collected				<u>(7,226)</u>
Total collections and credits				<u>\$ 1,436,956</u>

TOWN OF DALLAS

**Analysis of Current Tax Levy
June 30, 2021**

	<u>Town Wide</u>			<u>Total Levy</u>	
	<u>Property Valuation</u>	<u>Rate</u>	<u>Total Levy</u>	<u>Property Excluding Registered Motor Vehicles</u>	<u>Registered Motor Vehicles</u>
Original levy:					
Property taxes at current year's rate	\$ 314,609,250	0.40	\$ 1,258,437	\$ 1,258,437	\$ -
Motor vehicles taxed at current year rate	<u>40,863,698</u>	0.40	<u>163,455</u>	<u>-</u>	<u>163,455</u>
Total	<u>355,472,948</u>		<u>1,421,892</u>	<u>1,258,437</u>	<u>163,455</u>
Discoveries - current and prior year taxes	165,880		664	664	-
Releases	<u>(841,808)</u>		<u>(3,367)</u>	<u>(3,367)</u>	<u>-</u>
Total	<u>(675,928)</u>		<u>(2,704)</u>	<u>(2,704)</u>	<u>-</u>
Total property valuation	<u>\$ 354,797,020</u>				
Net levy			1,419,188	1,255,733	163,455
Less uncollected taxes at June 30, 2021			<u>(10,695)</u>	<u>(10,695)</u>	<u>-</u>
Current year's taxes collected			<u>\$ 1,408,493</u>	<u>\$ 1,245,038</u>	<u>\$ 163,455</u>
Current levy collection percentage			<u>99.25%</u>	<u>99.15%</u>	<u>100.00%</u>

COMPLIANCE SECTION

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

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Lowdermilk Church & Co., L.L.P.
Certified Public Accountants

121 N. Sterling Street
Morganton, North Carolina 28655
Phone: (828) 433-1226
Fax: (828) 433-1230

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

To the Honorable Mayor and the
Members of the Board of Aldermen
Town of Dallas, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Dallas, North Carolina, as of, and for, the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Town of Dallas, North Carolina's basic financial statements and have issued our report thereon dated December 29, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Dallas, North Carolina'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 Dallas, North Carolina's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Dallas, North Carolina'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 a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be significant deficiencies. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be material weaknesses. See 2021-001 and 2021-002.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Dallas, North Carolina'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 of the financial statements. 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.

The Town of Dallas, North Carolina's Response to Findings

The Town of Dallas, North Carolina's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The Town of Dallas, North Carolina'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 results 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.

Lowfennick Church & Co., L.L.P.

Morganton, North Carolina
December 29, 2021

TOWN OF DALLAS, NORTH CAROLINA

**Schedule of Findings and Responses
For the Year Ended June 30, 2021**

Financial Statement Findings:

Material Weaknesses:

Finding: 2021-001

Significant Audit Adjustments

Criteria:

A system of controls should be in place to detect and prevent errors.

Condition:

Significant audit adjustments are proposed corrections to the basic financial statements that, in our judgement, may not have been detected except through our auditing procedures. The existence of such material adjustments indicates that the Town's system of controls did not detect and prevent such errors. We have provided management with a report of these adjustments.

Effect:

Errors could occur in financial reporting and not be detected in a timely manner.

Cause:

The Town's system of internal control is not working effectively.

Identification of repeat finding:

This is a repeat finding from the immediate previous audit, 2020-001.

Recommendation:

Management should examine existing controls to see if they can be strengthened, thus, reducing the number of adjustments at year end.

Views of responsible officials
and planned corrective action:

The Town agrees with this finding and will adhere to the corrective action plan on page 86 of this report.

TOWN OF DALLAS, NORTH CAROLINA

**Schedule of Findings and Responses
For the Year Ended June 30, 2021**

Noncompliance:

Finding: 2021-002

Excess Expenditures Over Appropriations

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 than appropriated in the annual budget ordinance as follows:

Electric Fund - Transfers were overspent by \$377,437.
Coal ash recovery was overspent by \$10,000.

Effect:

Moneys were spent that had not been obligated and appropriated.

Identification of repeat finding:

This is a repeat finding from the immediate previous audit, 2020-003.

Cause:

The Town transferred additional funds to the Capital Project Fund that had not been budgeted for in the budget ordinance and the coal ash recovery charge was more than originally budgeted, and budget amendments were not adopted.

Recommendation:

Before an obligation is to occur 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 action:**

The Town agrees with this finding and will adhere to the corrective action plan on page 86 of this report.



Mayor
Rick Coleman

Aldermen
Jerry Cearley
Allen Huggins
Darlene Morrow
Stacey Thomas
Hoyle Withers

Town Manager
Maria Stroupe

Town Clerk/HR
Da'Sha Leach

Finance
Jonathan Newton

Town Attorney
J. Thomas Hunn

Police
Robbie Walls

Electrical
J. Doug Huffman

Public Works
Bill Trudnak

Development Svc

Fire Chief
Earl Withers III

Recreation
Garrett Lowery

Town of Dallas
210 N. Holland St.
Dallas, NC 28034

Phone:
704-922-3176
Fax:
704-922-4701
Web Page:
www.dallasnc.net



**Corrective Action Plan
For the Year Ended June 30, 2021**

Section II. Financial Statement Findings

Finding 2021-001:

Name of contact person:	Jonathan Newton, Finance Director
Corrective action:	Management is aware that year-end audit adjustments are typically required. Management will examine existing controls to see if they can be strengthened, given available resources, thus, reducing the number of audit adjustments required at year-end. In the areas where the cost/benefit does not justify improving the control system, management will exercise due caution in performing their oversight function.
Proposed completion date:	The Town will implement this immediately.

Finding 2021-002:

Name of contact person:	Jonathan Newton, Finance Director
Corrective action:	Management will comply with G.S. 159-28(a), and budget amendments will be adopted prior to making expenditures that exceed budgeted amounts.
Proposed completion date:	The Town will implement this immediately.

TOWN OF DALLAS, NORTH CAROLINA

**Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2021**

Finding 2020-001:

Still applicable.

Finding 2020-002:

Corrected.

Finding 2020-003:

Still applicable.