

TOWN OF DALLAS

Financial Statements, Supplemental Schedules,
Independent Auditors' Report and Compliance Report
For the Year Ended June 30, 2016

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, 2016**

Mayor & Board of Aldermen

Mayor	Rick Coleman
Mayor Pro-tem	E. Hoyle Withers
Aldermen	Jerry Cearley
	Stacey Malcher Thomas
	Darlene Morrow
	Allen Huggins

Town Administration

Interim Town Manager	Barry Webb
Town Attorney	J. Thomas Hunn
Administrative Services Director	Maria Stroupe
Police Chief	Allen Scott
Public Works Director	Bill Trudnak
Fire Chief	Steve Lambert
Recreation Director	Anne Martin
Electric Director	J. Doug Huffman
Development Services Director	Martine Vaca

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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 Members
Of the Board of Aldermen and the Citizens
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 Town of Dallas, North Carolina as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise 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 accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Dallas, North Carolina, as of June 30, 2016, 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 and Law Enforcement Officers' Separation Allowance and Other Postemployment Benefits Schedule of Funding Progress and Schedule of Employer Contributions and Local Government Employees' Retirement System Schedules of the Proportionate Share of the Net Pension Liability (Asset) and Contributions on pages 5-13, and 56-59 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 Town of Dallas, North Carolina's basic financial statements. The combining and individual fund financial statements, budgetary schedules and other schedules, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 15, 2016 on our consideration of 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Town of Dallas, North Carolina's internal control over financial reporting and compliance.

Lowmick Champ & Co., L.L.P.

Morganton, North Carolina
December 15, 2016

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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, 2016. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

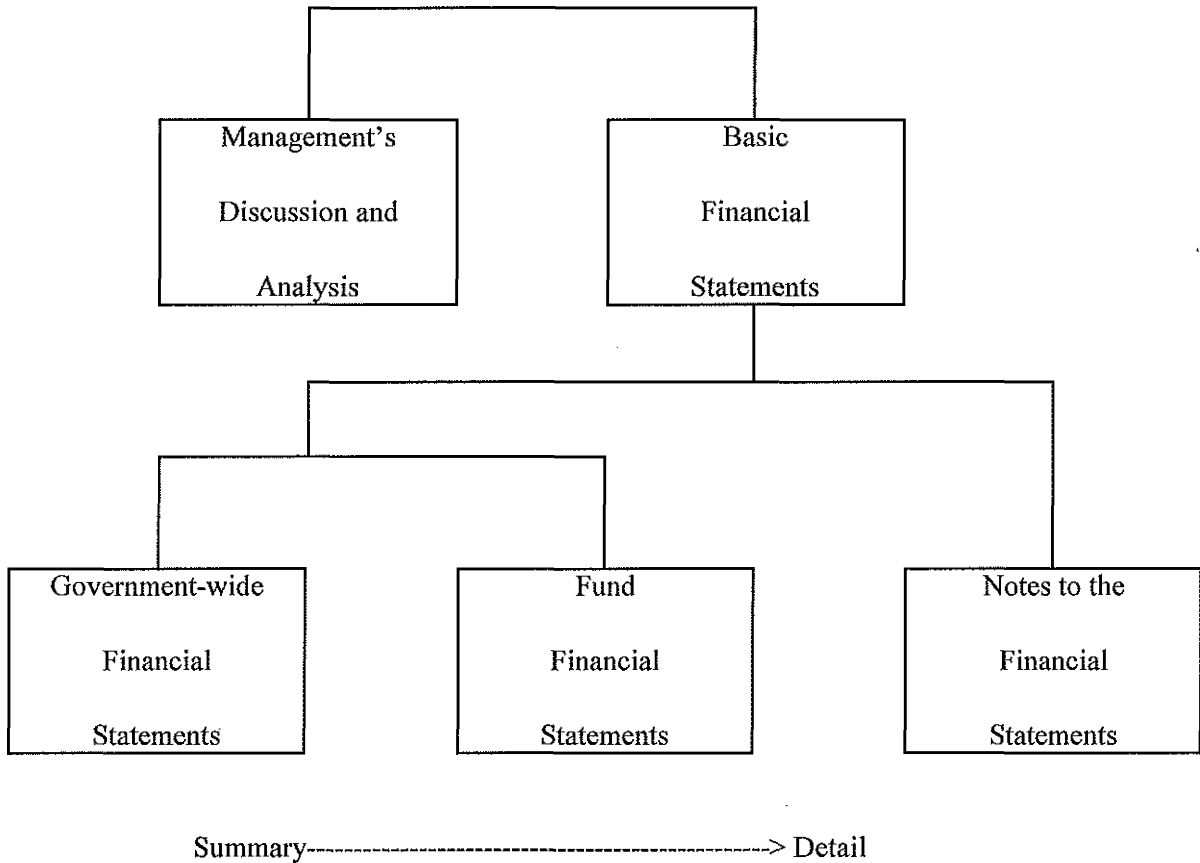
Financial Highlights

- The assets and deferred outflows of resources of Town of Dallas exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$22,586,041 (net position).
- The Town's total net position increased by \$1,106,004.
- As of the close of the current fiscal year, Town of Dallas' governmental funds reported combined ending fund balances of \$2,728,601, with a net increase of \$323,527 in fund balance. Approximately .14% of this total amount, or \$3,899, is nonspendable.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1,422,244 or 43.85 percent of total general fund expenditures for the fiscal year.
- Town of Dallas' total debt decreased by \$223,716 (4.3%) during the current fiscal year.
- The Town's total capital assets increased by \$576,181 (3.0%) during the current fiscal year. The key factor in this increase is the purchase and construction of new assets.

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 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 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 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 56 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 60 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

The Town of Dallas, Net Position						
Figure 2						
	Governmental		Business-type		Total	
	Activities		Activities			
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Current and other assets	\$3,174,610	\$2,944,954	\$ 5,952,695	\$ 6,251,189	\$ 9,127,305	\$ 9,196,143
Capital assets	5,522,467	4,990,470	14,505,900	14,461,714	20,028,367	19,452,184
Deferred outflows of resources	<u>81,886</u>	<u>75,282</u>	<u>89,817</u>	<u>88,123</u>	<u>171,703</u>	<u>163,405</u>
Total assets and deferred outflows of resources	<u>8,778,963</u>	<u>8,010,706</u>	<u>20,548,412</u>	<u>20,801,025</u>	<u>29,327,375</u>	<u>28,811,732</u>
Long-term liabilities outstanding	1,895,060	1,889,944	3,287,138	3,337,058	5,182,198	5,227,002
Other liabilities	521,503	561,076	937,404	1,031,648	1,458,907	1,592,724
Deferred inflows of resources	<u>47,799</u>	<u>268,090</u>	<u>52,429</u>	<u>300,457</u>	<u>100,228</u>	<u>568,547</u>
Total liabilities and deferred inflows of resources	<u>2,464,362</u>	<u>2,719,111</u>	<u>4,276,971</u>	<u>4,669,164</u>	<u>6,741,333</u>	<u>7,388,275</u>
Net position:						
Net investment in capital assets	3,794,837	3,174,470	11,298,027	11,118,496	15,092,864	14,292,966
Restricted	372,519	368,250	-	-	372,519	368,250
Unrestricted	<u>2,147,245</u>	<u>1,748,874</u>	<u>4,973,413</u>	<u>5,013,365</u>	<u>7,120,658</u>	<u>6,762,239</u>
Total net position	<u>\$6,314,601</u>	<u>\$5,291,595</u>	<u>\$16,271,440</u>	<u>\$16,131,861</u>	<u>\$22,586,041</u>	<u>\$21,423,456</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 \$22,586,041 as of June 30, 2016. The Town's net position increased by \$1,106,004 for the fiscal year ended June 30, 2016. However, a large portion of net position (66.82%) 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, \$372,519, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$7,120,658 is unrestricted.

Town of Dallas, Changes in Net Position						
	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program revenues:						
Charges for services	\$ 425,479	\$ 450,289	\$ 11,264,613	\$ 11,112,240	\$ 11,690,092	\$ 11,562,529
Operating grants and contributions	132,370	131,943	-	-	132,370	131,943
Capital grants and contributions	163,469	516,463	-	632,537	163,469	1,149,000
General revenues:						
Property taxes	1,136,938	1,132,193	-	-	1,136,938	1,132,193
Other taxes	787,036	809,394	-	-	787,036	809,394
Unrestricted investment earnings	21,920	3,586	323	53	22,243	3,639
Other	15,958	29,698	17,186	74,477	33,144	104,175
Total revenues	<u>2,683,170</u>	<u>3,073,566</u>	<u>11,282,122</u>	<u>11,819,307</u>	<u>13,965,292</u>	<u>14,892,873</u>
Expenses:						
General government	471,287	430,948	-	-	471,287	430,948
Public safety	1,424,001	1,387,196	-	-	1,424,001	1,387,196
Transportation	413,847	618,187	-	-	413,847	618,187
Economic and physical development	14,891	-	-	-	14,891	-
Environmental protection	514,024	382,464	-	-	514,024	382,464
Cultural and recreational	254,524	232,513	-	-	254,524	232,513
Interest on long-term debt	74,409	77,594	-	-	74,409	77,594
Water and sewer	-	-	2,825,309	2,413,597	2,825,309	2,413,597
Electric	-	-	6,866,996	6,735,545	6,866,996	6,735,545
Total expenses	<u>3,166,983</u>	<u>3,128,902</u>	<u>9,692,305</u>	<u>9,149,142</u>	<u>12,859,288</u>	<u>12,278,044</u>
Changes in net position before transfers	(483,813)	(55,336)	1,589,817	2,670,165	1,106,004	2,614,829
Transfers	<u>450,239</u>	<u>1,194,197</u>	<u>(1,450,239)</u>	<u>(1,194,197)</u>	-	-
Changes in net position	<u>\$ 966,425</u>	<u>\$ 1,138,861</u>	<u>\$ 139,579</u>	<u>\$ 1,475,968</u>	<u>\$ 1,106,004</u>	<u>\$ 2,614,829</u>
Net position, beginning, as previously reported	\$ 5,291,595	\$ 4,304,744	\$ 16,131,861	\$ 14,448,071	\$ 21,423,456	\$ 18,752,815
Restatement and prior period adjustment	<u>56,582</u>	<u>(152,010)</u>	-	<u>207,821</u>	<u>56,582</u>	<u>55,811</u>
Net position, beginning, as restated	5,348,177	4,152,734	16,131,861	14,655,892	21,480,038	18,808,626
Changes in net position	<u>966,425</u>	<u>1,138,861</u>	<u>139,579</u>	<u>1,475,968</u>	<u>1,106,004</u>	<u>2,614,829</u>
Net position, ending	<u>\$ 6,314,601</u>	<u>\$ 5,291,595</u>	<u>\$ 16,271,440</u>	<u>\$ 16,131,861</u>	<u>\$ 22,586,041</u>	<u>\$ 21,423,456</u>

Governmental Activities. Governmental activities increased the Town's net position by \$966,425. Key elements of this increase are as follows:

- Increase in property taxes of \$4,745.
- Expenses were increased by 38,081.
- Transfers increased by \$256,042.

Business-type Activities. Business-type activities increased Town of Dallas' net position by \$139,579. Key elements of this increase are as follows:

- Charges for services were up by \$152,373.
- Expenses were increased by \$543,163
- Transfers increased by \$256,042.

Financial Analysis of the Town’s Funds

As noted earlier, Town of Dallas uses fund accounting to ensure and 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 \$1,422,244, while total fund balance reached \$1,659,681. The Town currently has an available fund balance of 43.8 percent of General Fund expenditures while total fund balance represents 51.1 percent of that same amount.

At June 30, 2016, the governmental funds of Town of Dallas reported a combined fund balance of \$2,728,601, with a net increase in fund balance of \$323,527. Included in this change in fund balance are the following increases (decreases):

General Fund:	
General Fund	\$(122,829)
Other funds:	
CDBG Grant Fund	(33,849)
Non-Major Funds	<u>480,203</u>
	<u>\$ 323,527</u>

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 several amendments for various departments including one for both public safety departments for grant funding received, which also necessitated amendments for receipt of the funds and subsequent expenditures. There was an amendment for Codification of the Town’s Zoning Ordinance: as well as amendments for Law Enforcement Separation Allowance, replacement of the ice maker at the Fire Department, contribution from CDBG for Recreation Department purchases and turf maintenance at Jagger’s Park.

Proprietary Funds

The Electric Fund had two budget amendments, one for completion of Substation Construction and one for the Circuit Rebuild Project. The Storm Water Fund also had a budget amendment to offset grant revenue that wasn't received.

Project Funds

There were two amendment to establish the Town Center Parking Lot Project and the Trade Street Intersection Project. Amendments were also made to allow close-out of three project funds: Jagers Park Capital Project, Water and Sewer Capital Projects Fund-Phase I,II and III and Water and Sewer Capital Projects Fund-Phase IV.

Capital Asset and Debt Administration

Capital Assets. Town of Dallas' investment in capital assets for its governmental and business type activities as of June 30, 2016, totals \$20,028,367 (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:

- Major additions in the General Fund included a courthouse renovation (\$1,140,137), gym renovations (\$135,690), Jagers Park upgrades (\$203,976), approximately \$409,878 of new additions consisting mostly of construction in progress related to two capital projects and various other vehicles, equipment and infrastructure.
- The Electric Fund had approximately \$739,276 in current year additions for various equipment (\$244,084), substation and other additions (\$495,192).
- The Water and Sewer Fund had 17,695 of current year additions consisting mostly of construction in progress related to Water and Sewer Capital Project.

	Town of Dallas's Capital Assets					
	Governmental		Business-type		Total	
	Activities	Activities	Activities	Activities	Activities	Activities
	2016	2015	2016	2015	2016	2015
Land	\$ 217,973	\$ 217,973	\$ 189,069	\$ 189,069	\$ 407,042	\$ 407,042
Right of way	-	-	41,648	41,648	41,648	41,648
Buildings and improvements	3,562,447	2,242,413	525,878	374,959	4,088,325	2,617,372
Distribution systems	-	-	11,424,972	4,242,649	11,424,972	4,242,649
Infrastructure	156,882	164,211	-	-	156,882	164,211
Other improvements	305,294	95,531	-	-	305,294	95,531
Sewer plant	-	-	471,738	507,772	471,738	507,772
Water plant	-	-	589,773	636,443	589,773	636,443
Vehicles and equipment	820,781	950,558	1,130,672	1,134,186	1,951,453	2,084,744
Construction in progress	<u>459,090</u>	<u>1,319,783</u>	<u>132,150</u>	<u>7,334,988</u>	<u>591,240</u>	<u>8,654,771</u>
Total	<u>\$5,522,467</u>	<u>\$4,990,470</u>	<u>\$14,505,900</u>	<u>\$14,461,714</u>	<u>\$20,028,367</u>	<u>\$19,452,184</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, 2016, Town of Dallas had total outstanding debt of \$4,935,502.

Town of Dallas's Outstanding Debt

	Figure 5					
	Governmental Activities		Business-type Activities		Total	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Loans payable	<u>\$1,727,630</u>	<u>\$1,816,000</u>	<u>\$3,207,872</u>	<u>\$3,343,218</u>	<u>\$4,935,502</u>	<u>\$5,159,218</u>

Town of Dallas' total debt decreased by \$223,716 (4.3%) during the fiscal year, primarily due to principal payments.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue up to 8 percent of the total assessed value of taxable property located within the government's boundaries. The legal debt margin for Town of Dallas is \$18,338,825. The Town has no bonds authorized but un-issued at June 30, 2016.

Additional information regarding Town of Dallas' long-term debt can be found in note III.B.6 of this report.

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 modestly improving.

Utility and 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, 2017

In order to maintain the integrity of the Town's core services, functions and activities, the Town's property tax rate increased from \$0.38 to \$0.40; water and sewer rates were increased by 3%; and the storm water per unit rate increased from \$1.85 to \$2.85. Electric rates remained unchanged.

The fiscal year 2017 budget funds the following ongoing and/or new initiatives or infrastructure upgrades:

General Fund:

To complete landscape work at the Courthouse, offset by contribution.

One step increase in pay rate for Police Officers.

Purchase of three new Police patrol vehicles through lease-purchase agreement.

Purchase of breathing air system for Fire department, offset by requested grant funds.

Funds to conduct Street department's annual repaving program.

Authorization for new recreation assistant position in Recreation department.

Funds for new fencing at ballfields and playground for Recreation.

Water and Sewer Fund:

Funds for replacement of old galvanized water line.
Purchase of new dump truck through lease-purchase agreement.
Construction of shed for pumps and chemical storage at water plant, as well as upgrades to lab equipment.

Electric Fund:

Authorization for additional landscaper/tree trimmer position.
Purchase of new electric boom truck, tree bucket truck and utility truck through lease-purchase agreement.
Funds for planning and design work for reconducting Park Road substation.

Storm water Fund:

Funds for drainage improvement projects.

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 mstroupe@dallasnc.net for more information.

TOWN OF DALLAS

**Statement of Net Position
June 30, 2016**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<u>Assets</u>			
Current assets:			
Cash and cash equivalents	\$ 2,628,193	\$ 2,955,178	\$ 5,583,371
Taxes receivable, net	32,068	-	32,068
Accounts receivable, net	30,031	2,435,831	2,465,861
Due from other government agencies	233,325	-	233,325
Accrued interest receivable	16,881	-	16,881
Mortgage receivable	230,000	-	230,000
Inventories	3,899	290,468	294,367
Prepaid items	-	13,488	13,488
Restricted cash	213	257,731	257,943
Total current assets	3,174,610	5,952,695	9,127,305
Noncurrent assets:			
Capital assets:			
Land and nondepreciable assets	677,063	230,717	907,780
Other capital assets, net of accumulated depreciation	4,845,404	14,275,183	19,120,587
Total capital assets	5,522,467	14,505,900	20,028,367
Total assets	8,697,077	20,458,594	29,155,672
<u>Deferred Outflows of Resources</u>			
Pension deferrals	81,886	89,817	171,703
<u>Liabilities</u>			
Accounts payable and accrued liabilities	157,884	529,469	687,353
Accrued interest payable	15,576	-	15,576
Customer deposits - restricted	-	257,731	257,731
Unearned revenues	256,057	-	256,057
Current portion of long-term liabilities	91,987	150,204	242,191
Total current liabilities	521,503	937,404	1,458,907
Long-term liabilities:			
Net pension liability	90,236	98,976	189,212
Due in more than one year	1,804,824	3,188,162	4,992,986
Total liabilities	2,416,563	4,224,542	6,641,105
<u>Deferred Inflows of Resources</u>			
Pension deferrals	47,799	52,429	100,228
<u>Net Position</u>			
Net investment in capital assets	3,794,837	11,298,027	15,092,864
Restricted for:			
Stabilization by State Statute	233,325	-	233,325
Streets - Powell Bill	213	-	213
Public safety	138,981	-	138,981
Unrestricted	2,147,245	4,973,413	7,120,658
Total net position	\$ 6,314,601	\$ 16,271,440	\$ 22,586,041

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, 2016**

<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	\$ 471,287	\$ 1,029	\$ -	\$ 158,469	\$ (311,789)	\$ -	\$ (311,789)
Public safety	1,424,001	-	-	5,000	(1,419,001)	-	(1,419,001)
Transportation	413,847	-	132,370	-	(281,477)	-	(281,477)
Economic and physical development	14,891	-	-	-	(14,891)	-	(14,891)
Environmental protection	514,024	383,462	-	-	(130,562)	-	(130,562)
Cultural and recreational	254,524	40,988	-	-	(213,536)	-	(213,536)
Interest on long-term debt	74,409	-	-	-	(74,409)	-	(74,409)
Total governmental activities	<u>3,166,983</u>	<u>425,479</u>	<u>132,370</u>	<u>163,469</u>	<u>(2,445,665)</u>	<u>-</u>	<u>(2,445,665)</u>
Business-type activities:							
Water and sewer	2,825,309	2,519,827	-	-	-	(305,482)	(305,482)
Electric	6,866,996	8,744,786	-	-	-	1,877,790	1,877,790
Total business-type activities	<u>9,692,305</u>	<u>11,264,613</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,572,308</u>	<u>1,572,308</u>
Total primary government	<u>\$ 12,859,288</u>	<u>\$11,690,092</u>	<u>\$ 132,370</u>	<u>\$ 163,469</u>	<u>(2,445,665)</u>	<u>1,572,308</u>	<u>(873,357)</u>

cont.

TOWN OF DALLAS

**Statement of Activities
For the Year Ended June 30, 2016**

General revenues:

Ad valorem taxes

Local option sales tax

Franchise tax

Other taxes and licenses

Unrestricted investment earnings

Miscellaneous

Transfers

Total general revenues and transfers

Changes in net position

Net position - beginning, as previously reported

Prior period adjustment

Net position - beginning, as restated

Changes in net position

Net position - ending

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

Net (Expense) Revenue and Changes in Net Position
Primary Government

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ 1,136,938	\$ -	\$ 1,136,938
366,430	-	366,430
153,116	-	153,116
267,490	-	267,490
21,920	323	22,243
15,958	17,186	33,144
<u>1,450,239</u>	<u>(1,450,239)</u>	<u>-</u>
<u>3,412,091</u>	<u>(1,432,730)</u>	<u>1,979,361</u>
<u>\$ 966,425</u>	<u>\$ 139,579</u>	<u>\$ 1,106,004</u>
\$ 5,291,595	\$ 16,131,861	\$ 21,423,456
<u>56,582</u>	<u>-</u>	<u>56,582</u>
5,348,177	16,131,861	21,480,038
<u>966,425</u>	<u>139,579</u>	<u>1,106,004</u>
<u>\$ 6,314,601</u>	<u>\$ 16,271,440</u>	<u>\$ 22,586,041</u>

TOWN OF DALLAS

**Balance Sheet
Governmental Funds
June 30, 2016**

<u>Assets</u>	<u>Major Funds</u>		<u>Total Non-Major Funds</u>	<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>CDBG Grant Fund</u>		
Cash and cash equivalents	\$ 1,480,485	\$ 5,852	\$ 1,141,855	\$ 2,628,193
Taxes receivable, net	32,068	-	-	32,068
Accounts receivable, net	26,057	-	3,974	30,031
Due from government agencies	233,325	-	-	233,325
Accrued interest receivable	-	16,881	-	16,881
Inventories	3,899	-	-	3,899
Mortgage receivable	-	230,000	-	230,000
Restricted cash	213	-	-	213
Total assets	\$ 1,776,047	\$ 252,733	\$ 1,145,830	\$ 3,174,610
<u>Liabilities</u>				
Accounts payable and accrued liabilities	\$ 58,241	\$ -	\$ 99,643	\$ 157,884
Total liabilities	58,241	-	99,643	157,884
<u>Deferred Inflows of Resources</u>				
Property taxes receivable	32,068	-	-	32,068
Unearned mortgage revenue	-	230,000	-	230,000
Other fees receivable	26,057	-	-	26,057
Total deferred inflows of resources	58,125	230,000	-	288,125
<u>Fund Balances</u>				
Nonspendable:				
Inventories	3,899	-	-	3,899
Restricted:				
Stabilization by State Statute	233,325	-	-	233,325
Streets - Powell Bill	213	-	-	213
Public safety	-	-	138,981	138,981
Assigned:				
Storm Water	-	-	28,483	28,483
Capital Project	-	22,733	-	22,733
Top Tier Program	-	-	250,280	250,280
Trade Street Intersection Project	-	-	198,295	198,295
Town Center Parking Lot Project	-	-	430,148	430,148
Unassigned	1,422,244	-	-	1,422,244
Total fund balances	1,659,681	22,733	1,046,187	2,728,601
Total liabilities, deferred inflows of resources and fund balances	\$ 1,776,047	\$ 252,733	\$ 1,145,830	\$ 3,174,610

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, 2016**

Total Fund Balances, Governmental Fund	\$ 2,728,601
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	\$9,432,086
Accumulated depreciation	<u>(3,909,618)</u> 5,522,467
Deferred outflows of resources related to pensions are not reported in the funds	81,886
Liabilities for earned revenues considered deferred inflows of resources in the fund statements	
Property taxes receivable	32,068
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds	
Accrued interest on long-term debt	(15,576)
Long-term debt	(1,727,630)
Compensated absences	(105,800)
Law enforcement officers' separation allowance	(63,381)
Net pension liability	(90,236)
Deferred inflows of resources related to pensions are not reported in the funds	<u>(47,799)</u>
Net position of governmental activities	<u>\$ 6,314,601</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, 2016**

	Major Funds		Total Non-Major Funds	Total Governmental Funds
	General Fund	CDBG Grant Fund		
Revenues:				
Ad valorem taxes	\$ 1,135,600	\$ -	\$ -	\$ 1,135,600
Other taxes and licenses	25,109	-	-	25,109
Unrestricted intergovernmental revenues	762,399	-	-	762,399
Restricted intergovernmental revenues	138,574	-	-	138,574
Permits and fees	11,025	-	-	11,025
Sales and services	328,026	-	-	328,026
Investment earnings	12,601	8,659	472	21,732
Miscellaneous	172,807	-	-	172,807
Storm water fees	-	-	86,559	86,559
Total revenues	<u>2,586,142</u>	<u>8,659</u>	<u>87,030</u>	<u>2,681,831</u>
Expenditures:				
General government	549,857	-	-	549,857
Public safety	1,284,032	-	-	1,284,032
Transportation	389,164	-	-	389,164
Economic and physical development	-	-	424,769	424,769
Environmental protection	344,507	-	140,505	485,012
Cultural and recreational	513,124	-	(195)	512,929
Debt service:				
Principal retirement	88,370	-	-	88,370
Interest and other charges	74,409	-	-	74,409
Total expenditures	<u>3,243,464</u>	<u>-</u>	<u>565,079</u>	<u>3,808,543</u>
Revenues over (under) expenditures	<u>(657,322)</u>	<u>8,659</u>	<u>(478,049)</u>	<u>(1,126,712)</u>
Other Financing Sources (Uses):				
Transfers - in	831,540	-	1,049,354	1,880,894
Transfers - out	(297,046)	(42,508)	(91,101)	(430,655)
Total other financing sources (uses)	<u>534,494</u>	<u>(42,508)</u>	<u>958,253</u>	<u>1,450,239</u>
Net changes in fund balances	<u>\$ (122,829)</u>	<u>\$ (33,849)</u>	<u>\$ 480,203</u>	<u>\$ 323,527</u>
Fund balances, beginning, as previously reported	\$ 1,782,509	\$ -	\$ 565,984	\$ 2,348,493
Prior period adjustment	<u>-</u>	<u>56,582</u>	<u>-</u>	<u>56,582</u>
Fund balances, beginning, as restated	1,782,509	56,582	565,984	2,405,075
Net changes in fund balances	<u>(122,829)</u>	<u>(33,849)</u>	<u>480,203</u>	<u>323,527</u>
Fund balances, ending	<u>\$ 1,659,681</u>	<u>\$ 22,733</u>	<u>\$ 1,046,187</u>	<u>\$ 2,728,601</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, 2016**

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

Net change in fund balances - total governmental funds	\$ 323,527
<p>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.</p>	
Capital outlay	787,771
Depreciation expense	(255,774)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	81,886
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	1,338
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of 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.</p>	
Principal payments on long-term debt	88,370
Change in accrued interest payable	909
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>	
Compensated absences	(1,949)
Pension expense	(54,737)
Net pension obligation (LEO)	<u>(4,917)</u>
Change in net position of governmental activities	<u>\$ 966,425</u>

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, 2016**

	General Fund			Variance With Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
Ad valorem taxes	\$ 1,066,550	\$ 1,066,550	\$ 1,135,600	\$ 69,050
Other taxes and licenses	42,218	42,218	25,109	(17,109)
Unrestricted intergovernmental revenues	743,217	743,217	762,399	19,182
Restricted intergovernmental revenues	144,861	150,111	138,574	(11,537)
Permits and fees	4,980	4,980	11,025	6,045
Sales and services	409,536	417,717	328,026	(89,691)
Investment earnings	3,750	3,750	12,601	8,851
Miscellaneous	1,042,625	253,675	172,807	(80,868)
Total revenues	<u>3,457,737</u>	<u>2,682,218</u>	<u>2,586,142</u>	<u>(96,076)</u>
Expenditures:				
General government	900,440	656,767	549,857	106,910
Public safety	1,541,013	1,380,572	1,284,032	96,540
Transportation	463,818	446,318	389,164	57,154
Environmental protection	366,921	369,750	344,507	25,243
Cultural and recreational	471,282	529,521	513,124	16,397
Debt service:				
Principal retirement	-	88,370	88,370	-
Interest and other charges	-	74,409	74,409	-
Total expenditures	<u>3,743,474</u>	<u>3,545,707</u>	<u>3,243,464</u>	<u>302,243</u>
Revenues over (under) expenditures	<u>(285,737)</u>	<u>(863,489)</u>	<u>(657,322)</u>	<u>206,167</u>
Other Financing Sources (Uses):				
Appropriated fund balance	260,037	303,296	-	(303,296)
Transfers in	25,700	857,240	831,540	(25,700)
Transfer out	-	(297,047)	(297,046)	1
Total other financing sources (uses)	<u>285,737</u>	<u>863,489</u>	<u>534,494</u>	<u>(328,995)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	(122,829)	<u>\$ (122,829)</u>
Fund balance, beginning			1,782,509	
Fund balance, ending			<u>\$ 1,659,681</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, 2016**

	<u>CDBG Grant</u>			Variance With Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	
Revenues:	\$ -	\$ -	\$ -	\$ -
Expenditures:	-	-	-	-
Revenues over (under) expenditures	-	-	-	-
Other Financing Sources (Uses):				
Transfers out	-	-	(42,508)	(42,508)
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	(42,508)	<u>\$ (42,508)</u>
Fund balance, beginning			-	
Fund balance, ending			<u>\$ (42,508)</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, 2016**

	Business-type Activities Enterprise Funds		
	Water and Sewer Fund	Electric Fund	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 712,561	\$ 2,242,616	\$ 2,955,178
Accounts receivable (net)	339,014	2,096,817	2,435,831
Prepaid expenses	-	13,488	13,488
Inventories	<u>92,514</u>	<u>197,954</u>	<u>290,468</u>
Total current assets	<u>1,144,089</u>	<u>4,550,875</u>	<u>5,694,964</u>
Noncurrent assets:			
Restricted cash and cash equivalents	70,220	187,511	257,731
Land and other non-depreciable assets	158,909	71,808	230,717
Capital assets, net of accumulated depreciation	<u>9,370,845</u>	<u>4,904,337</u>	<u>14,275,183</u>
Total noncurrent assets	<u>9,599,974</u>	<u>5,163,656</u>	<u>14,763,630</u>
Total assets	<u>10,744,063</u>	<u>9,714,531</u>	<u>20,458,594</u>
Deferred Outflows of Resources			
Pension deferrals	<u>43,918</u>	<u>45,899</u>	<u>89,817</u>
Liabilities			
Current liabilities:			
Accounts payable and accrued liabilities	63,321	466,148	529,469
Customer deposits - restricted	70,220	187,511	257,731
Settlement agreement - current	10,000	-	10,000
Loans payable - current	<u>140,204</u>	<u>-</u>	<u>140,204</u>
Total current liabilities	<u>283,745</u>	<u>653,658</u>	<u>937,404</u>
Noncurrent liabilities:			
Settlement agreement	20,000	-	20,000
Loans payable	3,067,668	-	3,067,668
Accrued compensated absences	48,867	51,627	100,494
Net pension liability	<u>48,396</u>	<u>50,580</u>	<u>98,976</u>
Total noncurrent liabilities	<u>3,184,931</u>	<u>102,207</u>	<u>3,287,138</u>
Total liabilities	<u>3,468,676</u>	<u>755,866</u>	<u>4,224,542</u>
Deferred Inflows of Resources			
Pension deferrals	<u>25,636</u>	<u>26,793</u>	<u>52,429</u>
Net Position			
Net investment in capital assets	6,321,882	4,976,145	11,298,027
Unrestricted	<u>971,787</u>	<u>4,001,626</u>	<u>4,973,413</u>
Total net position	<u>\$ 7,293,669</u>	<u>\$ 8,977,771</u>	<u>\$ 16,271,440</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, 2016**

	Business-type Activities Enterprise Funds		
	Water and Sewer Fund	Electric Fund	Total
Operating Revenues:			
Electricity sales	\$ -	\$ 8,642,012	\$ 8,642,012
Water sales	1,527,031	-	1,527,031
Sewer charges	854,963	-	854,963
Water and sewer taps	61,300	-	61,300
Other operating revenues	76,533	102,774	179,307
Total operating revenues	<u>2,519,827</u>	<u>8,744,786</u>	<u>11,264,613</u>
Operating Expenses:			
Electrical operations	-	1,782,269	1,782,269
Electrical power purchases	-	4,744,002	4,744,002
Water and sewer operations	1,419,931	-	1,419,931
Wastewater treatment and distribution	573,814	-	573,814
Waste collection and treatment	339,737	-	339,737
Depreciation	372,062	340,725	712,786
Total operating expenses	<u>2,705,544</u>	<u>6,866,996</u>	<u>9,572,540</u>
Operating income (loss)	<u>(185,716)</u>	<u>1,877,790</u>	<u>1,692,073</u>
Nonoperating Revenues (Expenses):			
Investment earnings	-	323	323
Rental income	17,186	-	17,186
Interest on long-term debt	(119,765)	-	(119,765)
Total nonoperating revenues (expenses)	<u>(102,579)</u>	<u>323</u>	<u>(102,256)</u>
Income (loss) before transfers and capital contributions	(288,295)	1,878,113	1,589,818
Transfers (to) from other funds:			
General Fund-payment in lieu of taxes	-	(780,519)	(780,519)
Capital Project Fund	91,101	-	91,101
Water and Sewer Capital Project Fund - Phase IV	-	(140,812)	(140,812)
Electric Fund	140,812	-	140,812
Town Center Parking Lot Project	-	(198,500)	(198,500)
Trade Street Intersection Project	-	(562,321)	(562,321)
Changes in net position	(56,382)	195,961	139,579
Total net position - previously reported	<u>7,350,051</u>	<u>8,781,810</u>	<u>16,131,861</u>
Total net position - ending	<u>\$ 7,293,669</u>	<u>\$ 8,977,771</u>	<u>\$ 16,271,440</u>

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

TOWN OF DALLAS

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**Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2016**

	Business-type Activities		
	Enterprise Funds		
	Water and Sewer Fund	Electric Fund	Total
Cash Flows From Operating Activities:			
Cash received from customers	\$2,504,263	\$8,723,977	\$ 11,228,240
Customer deposits received	7,409	29,098	36,507
Cash paid for goods and services	(1,454,481)	(5,533,474)	(6,987,955)
Cash paid to or on behalf of employees for services	<u>(857,556)</u>	<u>(893,307)</u>	<u>(1,750,863)</u>
Net cash provided (used) by operating activities	<u>199,635</u>	<u>2,326,294</u>	<u>2,525,929</u>
Cash Flows From Non-Capital Financing Activities:			
Transfers - in (out)	<u>231,913</u>	<u>(1,682,152)</u>	<u>(1,450,239)</u>
Net cash provided (used) by non-capital financing activities	<u>231,913</u>	<u>(1,682,152)</u>	<u>(1,450,239)</u>
Cash Flows From Capital and Related Financing Activities:			
Acquisition and construction of capital assets	(17,695)	(739,276)	(756,971)
Payment on settlement agreement	(10,000)	-	(10,000)
Principal paid on long-term debt	(135,346)	-	(135,346)
Interest paid on long-term debt	<u>(120,021)</u>	<u>-</u>	<u>(120,021)</u>
Net cash provided (used) by capital and related financing activities	<u>(283,062)</u>	<u>(739,276)</u>	<u>(1,022,338)</u>
Cash Flows From Investing Activities:			
Lease income	17,186	-	17,186
Investment earnings	<u>-</u>	<u>323</u>	<u>323</u>
Net cash provided (used) by investing activities	<u>17,186</u>	<u>323</u>	<u>17,509</u>
Net increase (decrease) in cash and cash equivalents	165,672	(94,811)	70,861
Cash and cash equivalents at beginning of year	<u>617,109</u>	<u>2,524,938</u>	<u>3,142,047</u>
Cash and cash equivalents at end of year	<u>\$ 782,781</u>	<u>\$2,430,127</u>	<u>\$ 3,212,907</u>

cont.

TOWN OF DALLAS

Page 2 of 2, cont.

**Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2016**

	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)	\$ (185,716)	\$1,877,790	\$ 1,692,074
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	372,062	340,725	712,787
Change in assets, deferred outflows of resources and liabilities:			
(Increase) decrease in accounts receivable	(15,564)	(20,809)	(36,373)
(Increase) decrease in inventory	99,533	169,974	269,507
(Increase) decrease in prepaid expense	-	13,488	13,488
(Increase) decrease in net pension asset	61,490	61,241	122,731
(Increase) decrease in deferred outflows of resources - pensions	(2,008)	314	(1,694)
(Increase) decrease in net pension liability	48,396	26,793	75,189
Increase (decrease) in deferred inflows of resources - pensions	(124,897)	(99,344)	(224,241)
Increase (decrease) in accounts payable and accrued liabilities	(61,098)	(74,255)	(135,353)
Increase (decrease) in accrued vacation pay	28	1,279	1,307
Increase (decrease) in customer deposits	7,409	29,098	36,507
Net cash provided (used) by operating activities	<u>\$ 199,635</u>	<u>\$2,326,294</u>	<u>\$ 2,525,929</u>

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

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TOWN OF DALLAS, NORTH CAROLINA

Notes to the Financial Statements June 30, 2016

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 particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements. The fund financial statements provide information about the Town's funds. Separate statements for each fund category - governmental and proprietary - are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor 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, 2016

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:

Law Enforcement Separation Allowance. This fund is used to account for the Town's contribution to this pension plan.

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

Town Center Parking Lot. This fund is used to account for the construction of a new parking lot.

Trade Street Intersection Project. This fund is used to account for the construction work at Trade Street Intersection.

Jaggers Park Capital Project Fund. This fund is used to account for the construction at Jaggers Park.

"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, 2016

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

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

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

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

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

TOWN OF DALLAS, NORTH CAROLINA

Notes to the Financial Statements June 30, 2016

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, Special Revenue, CDBG Grant Fund, LESA Fund, Storm Water Fund, Capital Reserve 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 Town Center Parking Lot, Trade Street Intersection Project, Jagger Park Capital Project and the Enterprise Capital Projects Funds. 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.

TOWN OF DALLAS, NORTH CAROLINA

**Notes to the Financial Statements
June 30, 2016**

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. Non-participating, interest earning contracts are accounted for at cost. The NCCMT-Cash Portfolio, a SEC-registered (2a-7) external investment pool, is measured at amortized cost, which is the NCCMT's share price. The NCCMT-Term Portfolio's securities are valued at fair value.

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.

Governmental activities	
General Fund	
Streets	\$ <u>213</u>
Business-type activities	
Water and sewer fund	
Customer deposits	70,220
Electric fund	
Customer deposits	<u>187,511</u>
Total business-type activities	<u>257,731</u>
Total restricted cash	<u>\$257,944</u>

TOWN OF DALLAS, NORTH CAROLINA

Notes to the Financial Statements June 30, 2016

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, 2015. 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 government-wide and fund financial statements and expensed as the items are used.

7. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are as follows: land, \$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, 2016

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 2016 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 deferrals of pension expense that results from the implementation of GASB Statement 68.

9. Long-Term Obligations

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

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

TOWN OF DALLAS, NORTH CAROLINA

Notes to the Financial Statements June 30, 2016

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 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:

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

Inventories - portion of fund 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.

Restricted for Stabilization by State Statute - portion of fund balance that is restricted by State Statute [G.S. 159-8(a)].

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

TOWN OF DALLAS, NORTH CAROLINA

Notes to the Financial Statements June 30, 2016

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

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

Assigned Fund Balance - 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 - 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-portion of fund balance that has been budgeted by the Board for maintenance of storm water

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

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

Assigned for Trade Street Intersection-portion of fund balance that has been budgeted for construction on Trade Street

Assigned for Town Center Parking Lot-portion of fund balance that has been budgeted for construction of a parking lot

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.

TOWN OF DALLAS, NORTH CAROLINA

Notes to the Financial Statements June 30, 2016

12. Pensions

For purposes of measuring the net pension asset, 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.

II. Stewardship Compliance Accountability

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

1. Noncompliance with North Carolina General Statutes

Lack of a Balanced Budget Ordinance

G.S. 159-8 states that: "Each local government and public authority shall operate under an annual balanced budget ordinance....and no local government or public authority may expend any moneys, regardless of source, except in accordance with a budget ordinance...." A budget was not adopted for the CDBG Grant Fund and the LESA Fund and moneys were expended from these funds.

2. Prior Period Adjustment

Deferred revenue had been overstated in prior years in the CDBG Grant Fund. A prior period adjustment of \$56,582 was made to the beginning fund balance.

TOWN OF DALLAS, NORTH CAROLINA

Notes to the Financial Statements June 30, 2016

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.

At June 30, 2016, the Town's deposits had a carrying amount of \$1,588,929 and a bank balance of \$1,745,865. 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, 2016, the Town's petty cash fund totaled \$1,820.

TOWN OF DALLAS, NORTH CAROLINA

**Notes to the Financial Statements
June 30, 2016**

2. Investments

<u>Investment Type</u>	<u>Valuation Measurement Method</u>	<u>Book Value At 6/30/16</u>	<u>Maturity</u>	<u>Rating</u>
NC Capital Management Trust				
Cash Portfolio	Amortized Cost	\$1,824,994	N/A	AAAm
Term Portfolio	Fair Value Level 1	<u>2,425,572</u>	0.12 years	Unrated
Total		<u>\$4,250,566</u>		

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 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 Cash Portfolio carried a credit rating of AAAm by Standard and Poor's as of June 30, 2016. The Town's investment in the N.C. Capital Management Trust Term Portfolio is unrated. The Term Portfolio is authorized to invest in obligations of the U.S. government and agencies, and in high grade money market instruments as permitted under North Carolina General Statutes 159-30 as amended.

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	\$ 28,777
Accounts receivable	338
Storm Water Fund-accounts receivable	<u>40</u>
	<u>29,155</u>
Enterprise Funds:	
Electric Fund-accounts receivable	71,219
Water and Sewer Fund-accounts receivable	<u>11,893</u>
	<u>83,112</u>
Total	<u>\$112,267</u>

TOWN OF DALLAS, NORTH CAROLINA

**Notes to the Financial Statements
June 30, 2016**

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.

5. Capital Assets

Primary Government

Capital asset activity for the primary government for the year ended June 30, 2016, was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 217,973	\$ -	\$ -	\$ 217,973
Construction in progress	<u>1,319,783</u>	<u>409,878</u>	<u>1,270,571</u>	<u>459,090</u>
Total capital assets not being depreciated	<u>1,537,756</u>	<u>\$ 409,878</u>	<u>\$ 1,270,571</u>	<u>677,063</u>
Capital assets being depreciated:				
Building	3,066,480	\$ 1,402,714	\$ -	4,469,194
Other improvements	251,926	214,820	-	466,746
Vehicles and equipment	3,568,287	30,930	-	3,599,217
Infrastructure	<u>219,865</u>	<u>-</u>	<u>-</u>	<u>219,865</u>
Total capital assets being depreciated	<u>7,106,558</u>	<u>\$ 1,648,464</u>	<u>\$ -</u>	<u>8,755,022</u>
Less accumulated depreciated for:				
Buildings	824,067	\$ 82,680	\$ -	906,747
Other improvements	156,395	5,057	-	161,452
Vehicles and equipment	2,617,729	160,707	-	2,778,436
Infrastructure	<u>55,654</u>	<u>7,329</u>	<u>-</u>	<u>62,983</u>
Total accumulated depreciation	<u>3,653,845</u>	<u>\$ 255,774</u>	<u>\$ -</u>	<u>3,909,619</u>
Total capital assets being depreciated, net	<u>3,452,714</u>			<u>4,845,403</u>
Governmental activity capital assets, net	<u>\$ 4,990,470</u>			<u>\$ 5,522,467</u>

TOWN OF DALLAS, NORTH CAROLINA

Notes to the Financial Statements

June 30, 2016

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

General government	\$ 22,708
Public safety	160,391
Public works	26,900
Environmental protection	29,754
Cultural and recreational	<u>16,021</u>
Total depreciation expense	<u>\$255,774</u>

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Business-type Activities:				
Electric Fund:				
Capital assets, not being depreciated:				
Land	\$ 71,808	\$ -	\$ -	\$ 71,808
Construction in progress	<u>1,692,842</u>	<u>132,149</u>	<u>1,692,842</u>	<u>132,150</u>
Total capital assets not being depreciated	<u>1,764,650</u>	<u>\$ 132,149</u>	<u>\$1,692,842</u>	<u>203,958</u>
Capital assets being depreciated:				
Buildings	305,046	\$ 169,992	\$ 2,530	472,508
Distribution system	4,494,880	1,885,892	-	6,380,772
Equipment	<u>2,082,789</u>	<u>244,084</u>	<u>250</u>	<u>2,326,623</u>
Total capital assets being depreciated	<u>6,882,715</u>	<u>\$ 2,299,968</u>	<u>\$ 2,780</u>	<u>9,179,903</u>
Less accumulated depreciation for:				
Buildings	131,461	\$ 10,117	\$ 2,530	139,048
Distribution system	2,774,604	122,945	-	2,897,549
Equipment	<u>1,163,706</u>	<u>207,662</u>	<u>250</u>	<u>1,371,119</u>
Total accumulated depreciation	<u>4,069,771</u>	<u>\$ 340,724</u>	<u>\$ 2,780</u>	<u>4,407,716</u>
Total capital assets being depreciated, net	<u>2,812,944</u>			<u>4,772,187</u>
Electric Fund capital assets, net	<u>4,577,594</u>			<u>4,976,145</u>
Water and Sewer Fund:				
Capital assets not being depreciated:				
Land	117,261	\$ -	\$ -	117,261
Construction in progress	5,642,144	-	5,642,144	-
Right of way	<u>41,648</u>	<u>-</u>	<u>-</u>	<u>41,648</u>
Total capital assets not being depreciated	<u>5,801,053</u>	<u>\$ -</u>	<u>\$5,642,144</u>	<u>158,909</u>
Capital assets being depreciated:				
Buildings	289,320	\$ -	\$ -	289,320
Distribution system	5,491,980	5,652,926	-	11,144,906
Equipment	1,113,478	6,914	-	1,120,392
Sewer plant	1,558,767	-	-	1,558,767
Water plant	<u>2,079,335</u>	<u>-</u>	<u>-</u>	<u>2,079,335</u>
Total capital assets being depreciated	<u>10,532,880</u>	<u>\$ 5,659,840</u>	<u>\$ -</u>	<u>16,192,720</u>

TOWN OF DALLAS, NORTH CAROLINA

**Notes to the Financial Statements
June 30, 2016**

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Business-type Activities:				
Less accumulated depreciation for:				
Buildings	\$ 87,946	\$ 8,957	\$ -	\$ 96,903
Distribution system	2,969,607	233,550	-	3,203,157
Equipment	898,375	46,849	-	945,224
Sewer plant	1,050,995	36,034	-	1,087,029
Water plant	<u>1,442,891</u>	<u>46,671</u>	-	<u>1,489,562</u>
Total accumulated depreciation	<u>6,449,814</u>	<u>\$ 372,061</u>	<u>\$ -</u>	<u>6,821,875</u>
Total capital assets being depreciated, net	<u>4,083,066</u>			<u>9,370,845</u>
Water and Sewer Fund capital assets, net	<u>9,884,120</u>			<u>9,529,754</u>
Business-type activities capital assets, net	<u>\$14,461,715</u>			<u>\$14,505,900</u>

The Town has active construction projects as of June 30, 2016. At year-end, the Town's commitments with contractors are as follows:

	<u>Spent-to-date</u>	<u>Remaining Commitment</u>
Line Circuit Rebuild	\$ 132,149	\$ 365,992
Town Center Parking	28,352	430,148
Trade Street Intersection	381,526	198,295

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, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at www.osc.nc.gov.

TOWN OF DALLAS, NORTH CAROLINA

Notes to the Financial Statements June 30, 2016

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's contractually required contribution rate for the year ended June 30, 2016, was 7.55% of compensation for law enforcement officers and 7.07% 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 \$171,703 for the year ended June 30, 2016.

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, 2016**

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

At June 30, 2016, the Town reported an liability of \$189,212 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014. The total pension liability was then rolled forward to the measurement date of June 30, 2015 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, 2015, the Town's proportion was 0.04216%, which was an increase of 0.00278% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the Town recognized pension expense of \$104,306. At June 30, 2016, 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	\$ -	\$ 44,476
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	53,868
Changes in proportion and differences between Town contributions and proportionate share of contributions	12,236	1,885
Town contributions subsequent to the measurement date	<u>159,467</u>	<u>-</u>
Total	<u>\$171,703</u>	<u>\$100,228</u>

\$159,467 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2017. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2017	\$(60,193)
2018	(60,193)
2019	(60,119)
2020	92,512
2021	-
Thereafter	-

TOWN OF DALLAS, NORTH CAROLINA

Notes to the Financial Statements

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Actuarial Assumptions - The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	4.25 to 8.55 percent, including inflation and productivity factor
Investment rate of return	7.25 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, 2014 valuation were based on the results of an actuarial experience study for the period January 1, 2005 through December 31, 2009.

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, 2014 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%	2.2%
Global Equity	42.0%	5.8%
Real Estate	8.0%	5.2%
Alternatives	8.0%	9.8%
Credit	7.0%	6.8%
Inflation Protection	6.0%	3.4%
Total	<u>100%</u>	

TOWN OF DALLAS, NORTH CAROLINA

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The information above is based on 30 year expectations developed with the consulting actuary for the 2014 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 7.25%. 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 7.25 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 (6.25 percent) or one percentage point higher (8.25 percent) than the current rate:

	1% Increase (6.25%)	Discount Decrease (7.25%)	1% Rate (8.25%)
Town's proportionate share of the net pension liability (asset)	<u>\$1,319,402</u>	<u>\$189,212</u>	<u>\$(762,948)</u>

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

TOWN OF DALLAS, NORTH CAROLINA

**Notes to the Financial Statements
June 30, 2016**

b. Law Enforcement Officers' Special Separation Allowance

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. 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.

All full-time law enforcement officers of the Town are covered by the Separation Allowance. At December 31, 2015, the Separation Allowance's membership consisted of:

Retirees receiving benefits	1
Terminated plan members entitled to but not receiving benefits	-
Active plan members	<u>14</u>
Total	<u>15</u>

A separate report was not issued for the plan.

Summary of Significant Accounting Policies

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

The Separation Allowance has no assets accumulated in a trust that meet the following criteria which we outlined in GASB Statements 67 and 68:

- contributions to the pension plan and earnings on those contributions are irrevocable
- pension plan assets are dedicated to providing benefits to plan members
- pension plan assets are legally protected from the creditors or employers, nonemployer contributing entities, the plan administrator, and plan members.

Method Used to Value Investments - Funds are being set aside to pay future benefits and administration costs. These funds are valued at cost. Current expenditures are paid as they come due.

TOWN OF DALLAS, NORTH CAROLINA

Notes to the Financial Statements
June 30, 2016

Contributions

The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the benefit payments on a pay as you go basis through appropriations made in the General Fund operating budget. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. There were no contributions made by employees.

The annual required contribution for the current year was determined as part of the December 31, 2015 actuarial valuation using the projected unit credit actuarial cost method. The amortization method used was the level percent of pay closed. The plan has a remaining amortization period of 16 years. The actuarial assumptions included (a) 5.00% investment rate of return (net of administrative expenses) and (b) projected salary increases ranging from 4.25%-7.85% per year. Both (a) and (b) included an inflation component of 3.00%. The assumptions did not include post-retirement benefit increases.

Annual Pension Cost and Net Pension Obligation - The Town's annual pension cost and net pension obligation to the Separation Allowance for the current year were as follows:

Annual required contribution	\$ 28,957
Interest on net pension obligation	2,923
Adjustment to annual required contribution	<u>(5,138)</u>
Annual pension cost	26,742
Contributions made	<u>21,825</u>
Increase (decrease) in net pension obligation	4,917
Net pension obligation, beginning of year	<u>58,464</u>
Net pension obligation, end of year	<u>\$ 63,381</u>

3 Year Trend Information

For Year Ended June 30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2014	\$16,975	64.80%	\$55,176
2015	\$15,475	71.08%	\$58,464
2016	\$26,742	81.61%	\$63,381

The Town has set aside amounts in a separate fund, which has a balance of \$138,981 at June 30, 2016, but this fund is not legally restricted to this purpose.

TOWN OF DALLAS, NORTH CAROLINA

**Notes to the Financial Statements
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Funded Status and Funding Progress

As of December 31, 2015, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and the unfunded actuarial accrued liability (UAAL) was \$412,459. The covered payroll (annual payroll of active employees covered by the plan) was \$666,556, and the ratio of the UAAL to the covered payroll was 61.88%.

The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

c. Supplemental Retirement Income Plan for Law Enforcement Officers

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

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

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.

TOWN OF DALLAS, NORTH CAROLINA

Notes to the Financial Statements June 30, 2016

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 (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.

TOWN OF DALLAS, NORTH CAROLINA

**Notes to the Financial Statements
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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>Source</u>	<u>Amount</u>
Contributions to pension plan in current fiscal year	\$159,467
Changes in proportion and differences between employer contributions and proportionate share of contributions	<u>12,236</u>
Total	<u>\$171,703</u>

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

Mortgage receivable (CDGB Grant Fund)	\$230,000
Tipping Fee receivable (General Fund)	26,057
Taxes Receivable(General Fund)	32,068
Differences between expected and actual experience	44,476
Net difference between projected and actual earnings on pension plan investments	53,868
Changes in proportion and differences between employer contributions and proportionate share of contributions	<u>1,885</u>
Total	<u>\$388,354</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 continued low costs of natural gas; and such trend could continue for several more years.

4. Risk Management

The Town is exposed to various liability 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

TOWN OF DALLAS, NORTH CAROLINA

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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.

5. Claims, Judgments and Contingent Liabilities

In May 2010, the Town entered into a settlement agreement with the Division of Water Quality of the North Carolina Department of Environment and Natural Resources (NCDENR) for violations related to the operation of the Town's Wastewater Treatment Plant. The Town was assessed a civil penalty and a settlement agreement was reached in the amount of \$101,289 for civil penalties and investigative costs. The agreement calls for one payment of \$11,289 and nine annual payments of \$10,000, beginning on June 15, 2010, to satisfy this penalty. The unpaid balance remaining of this settlement will be forgiven by NCDENR if, prior to January 15, 2019, the Town irrevocably conveys ownership and operation of its waste water treatment plant to an unrelated third party, or submits a request to terminate its permit to operate that plant. The balance owed at June 30, 2016 was \$30,000.

6. Long-Term Obligations

Loans payable consist of the following at June 30, 2016:

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.	\$1,239,816
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\$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.	294,892
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\$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.	<u>192,922</u>
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Total serviced by the General Fund	1,727,630
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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.	<u>3,207,872</u>
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Total loans payable	<u>\$4,935,502</u>
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TOWN OF DALLAS, NORTH CAROLINA

**Notes to the Financial Statements
June 30, 2016**

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

	<u>Loans Payable</u>	
	<u>Principal</u>	<u>Interest</u>
Governmental activities:		
2017	\$ 91,987	\$ 70,792
2018	95,598	67,180
2019	99,356	63,422
2020	103,140	59,639
2021	107,330	55,449
2022-2026	548,523	211,029
2027-2031	484,114	99,950
2032-2036	<u>197,581</u>	<u>10,985</u>
Total governmental activities	<u>1,727,630</u>	<u>638,446</u>
Business-type activities:		
2017	140,204	115,163
2018	145,238	110,129
2019	150,452	104,915
2020	155,853	99,514
2021	161,448	93,919
2022-2026	898,456	378,380
2027-2031	1,071,731	205,104
2032-2036	<u>484,491</u>	<u>26,243</u>
Total business-type activities	<u>3,207,872</u>	<u>1,133,367</u>
Total	<u>\$4,935,502</u>	<u>\$1,771,813</u>

At June 30, 2016, the Town's legal debt margin is \$18,338,825.

TOWN OF DALLAS, NORTH CAROLINA

**Notes to the Financial Statements
June 30, 2016**

Changes in Long-Term Liabilities

	<u>Balance</u> <u>July 1, 2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2016</u>	<u>Current</u> <u>Portion of</u> <u>Balance</u>
Governmental activities:					
Compensated absences	\$ 103,850	\$ 1,950	\$ -	\$ 105,800	\$ -
Net pension obligation (LEO)	58,464	4,917	-	63,381	-
Net pension liability (LGERS)	-	90,236	-	90,236	-
Loans payable	<u>1,816,000</u>	<u>-</u>	<u>88,370</u>	<u>1,727,630</u>	<u>91,987</u>
Total governmental activities	<u>\$1,978,314</u>	<u>\$ 97,103</u>	<u>\$ 88,370</u>	<u>\$1,987,047</u>	<u>\$ 91,987</u>
Business-type activities:					
Water and Sewer Fund					
Compensated absences	\$ 48,838	\$ 29	\$ -	\$ 48,867	\$ -
Settlement payable	40,000	-	10,000	30,000	10,000
Net pension liability (LGERS)	-	48,396	-	48,396	-
Loans payable	<u>3,343,218</u>	<u>-</u>	<u>135,346</u>	<u>3,207,872</u>	<u>140,204</u>
Water and Sewer Fund long-term liabilities	<u>3,432,056</u>	<u>48,425</u>	<u>145,346</u>	<u>3,335,135</u>	<u>150,204</u>
Electric Fund					
Compensated absences	50,348	1,279	-	51,627	-
Net pension liability (LGERS)	<u>-</u>	<u>50,580</u>	<u>-</u>	<u>50,580</u>	<u>-</u>
Electric Fund long-term liabilities	<u>50,348</u>	<u>51,859</u>	<u>-</u>	<u>102,207</u>	<u>-</u>
Total business-type activities	<u>\$3,482,404</u>	<u>\$100,284</u>	<u>\$145,346</u>	<u>\$3,437,342</u>	<u>\$150,204</u>

TOWN OF DALLAS, NORTH CAROLINA

**Notes to the Financial Statements
June 30, 2016**

C. Interfund Balances and Activity

From the General Fund to LESA Fund - to fund LESA	\$ 11,000
From the General Fund to Jagers Park Capital Project - park construction	8,546
From the General Fund to the Trade Street Intersection Project - capital outlay	17,500
From the General Fund to the Town Center Parking Lot - capital outlay	260,000
From the CDBG Grant Fund to the General Fund - economic development	42,508
From the Capital Reserve Capital Project Fund to the Water and Sewer - capital outlay	91,101
From the Law Enforcement Separation Allowance Fund to the General Fund - retirement benefits	8,513
From the Water and Sewer Fund to the Water and Sewer Capital Projects - capital outlay	539,708
From the Electric Fund to the Water and Sewer Capital Projects - capital outlay	140,812
From the Electric Fund to the Town Center Parking Lot - capital outlay	198,500
From the Electric Fund to the Trade Street Intersection Project - capital outlay	562,321
From the Electric Fund to the General Fund - payment in lieu of taxes	<u>780,519</u>
	<u>\$2,661,028</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	\$ 5,522,467	\$ 14,505,899
Less: long-term debt	<u>(1,727,630)</u>	<u>(3,207,872)</u>
	<u>\$ 3,794,837</u>	<u>\$ 11,298,027</u>

E. Fund Balance

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

Total fund balance-General Fund	\$1,659,681
Less:	
Inventories	3,899
Stabilization by State Statute	233,325
Streets-Powell Bill	213
Appropriated Fund Balance in 2016 Budget	-
Remaining Fund Balance	1,422,244

TOWN OF DALLAS, NORTH CAROLINA

Notes to the Financial Statements June 30, 2016

F. Prior Period Adjustment

During the fiscal year ended June 30, 2016, an adjustment was made to the beginning fund balance in the CDBG Grant Fund due to deferred revenue being overstated by \$56,582.

III. Jointly Governed Organizations

The Town, in conjunction with nine counties and seventy-four other municipalities established the Centralina Council of Governments (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 \$1,125 to the Council during the fiscal year ended June 30, 2016.

IV. Related Organization

The Dallas Historic Courthouse Foundation, a 501(c)(3) organization was organized to solicit, provide and manage resources and support for the preservation, protection, renovation, improvement, upkeep, maintenance and operations of the Historic Dallas Courthouse and surrounding public square, which is owned by Town of Dallas. Town of Dallas made no contributions to the Foundation during the current fiscal year.

V. Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

The Town has received proceeds from several Federal and State grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant monies.

VI. Significant Effects of Subsequent Events

Management has evaluated subsequent events through December 15, 2016, 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, no circumstances occurred that require recognition or disclosure in these financial statements.

Subsequent to year end, the Town issued debt of \$99,255 for the purchase of three public safety vehicles and \$212,033 for the purchase of a bucket truck.

VII. Change in Accounting Principles/Restatement

The Town implemented Governmental Accounting Standards Board (GASB) statement no. 72, *Fair Value Measurement and Application*, in the fiscal year ending June 30, 2016. The implementation of the statement requires the Town to value donated capital assets acquired after June 15, 2015 at acquisition value and investments to be measured at fair value. There was no effect on beginning net position.

TOWN OF DALLAS

**Law Enforcement Officers' Special Separation Allowance
Required Supplementary Information
Schedule of Funding Progress**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued		Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b - a)/c)
		Liability (AAL) -Projected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)			
12-31-06	-0-	\$ 85,175	\$ 85,175	0%	\$ 460,303	18.50%
12-31-07	\$ 57,330	\$ 107,222	\$ 49,892	53.47%	\$ 418,321	11.93%
12-31-08	\$ 59,019	\$ 118,168	\$ 59,149	49.95%	\$ 505,674	11.70%
12-31-11	\$ 92,079	\$ 170,025	\$ 77,946	54.16%	\$ 473,826	16.45%
12-31-12	\$ 103,140	\$ 189,399	\$ 86,259	54.46%	\$ 540,178	15.97%
12-31-13	(1)					
12-31-14	\$ 125,179	\$ 277,689	\$ 152,510	45.08%	\$ 639,862	23.83%
12-31-15	\$ -	\$ 412,459	\$ 412,459	0%	\$ 666,556	61.88%

(1) - Data Unavailable - The Town has a study completed every two years.

TOWN OF DALLAS

**Law Enforcement Officers' Special Separation Allowance
Required Supplementary Information
Schedule of Employer Contributions**

<u>Year Ended June 30</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2006	\$ 4,230	100.00%
2007	\$ 4,230	100.00%
2008	\$ 10,538	76.60%
2012	\$ 15,411	119.40%
2013	\$ 15,411	71.40%
2014	\$ 17,337	63.45%
2015	\$ 17,337	63.45%
2016	\$ 28,957	75.37%

Notes to Required Schedules:

The information presented in the required supplementary schedules was determined as part of the actuarial valuation.

Valuation date	12/31/15
Actuarial cost method	Entry Age Normal
Amortization method	Level dollar closed
Remaining amortization period	15 years
Asset valuation method	Market Value
Actuarial assumptions:	
Investment rate of return*	3.57%
Projected salary increases	3.50% - 7.35%
*Includes inflation at	3.00%
Cost of living adjustments	N/A

TOWN OF DALLAS

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Town of Dallas' proportion of the net pension liability (asset) (%)	0.04216%	0.03938%	0.04030%
Town of Dallas' proportion of the net pension liability (asset) (\$)	\$ 189,212	\$ (232,242)	\$ 485,770
Town of Dallas' covered payroll	\$ 1,716,527	\$ 1,724,960	\$ 1,542,147
Town of Dallas' proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	11.02%	(13.46)%	31.50%
Plan fiduciary net position as a percentage of the total pension liability**	98.09%	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 Three Fiscal Years
Local Government Employees' Retirement System**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contributions	\$ 159,467	\$ 163,404	\$ 163,396
Contributions in relation to the contractually required contributions	<u>159,467</u>	<u>163,404</u>	<u>163,396</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town of Dallas' covered-employee payroll	\$ 2,435,404	\$ 1,716,527	\$ 1,724,960
Contributions as a percentage of covered employee payroll	6.55%	9.52%	9.47%

TOWN OF DALLAS

Page 1 of 6

**General Fund
Schedule of Revenues, Expenditures and Changes
In Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2016**

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2015)

	<u>2016</u>		Variance Positive (Negative)	2015 Actual
	<u>Budget</u>	<u>Actual</u>		
Revenues:				
Ad valorem taxes:				
Current year	\$1,006,740	\$1,051,027	\$ 44,287	\$1,041,668
Prior years	34,300	55,977	21,677	69,386
State board assessed	20,200	22,502	2,302	20,050
Interest and penalties	5,310	6,095	785	7,798
Total	<u>1,066,550</u>	<u>1,135,600</u>	<u>69,050</u>	<u>1,138,903</u>
Other taxes and licenses:				
Privilege licenses	5,400	3,100	(2,300)	1,796
Motor vehicle licenses	15,980	1,391	(14,589)	1,568
Alcohol beverage tax	20,838	20,618	(220)	22,259
Total	<u>42,218</u>	<u>25,109</u>	<u>(17,109)</u>	<u>25,623</u>
Unrestricted intergovernmental revenues:				
Local option sales tax	357,882	366,430	8,548	345,095
Hold harmless distribution	151,255	152,301	1,046	178,982
Utility franchise tax	124,323	153,116	28,793	146,578
Excise tax on ripiped natural gas	25,095	14,372	(10,723)	13,289
Sales tax on telecommunications	64,430	56,256	(8,174)	67,067
Sales tax on video programming	17,215	16,948	(267)	22,572
Solid waste disposal tax	3,017	2,977	(40)	2,966
Total	<u>743,217</u>	<u>762,399</u>	<u>19,182</u>	<u>776,549</u>
Restricted intergovernmental revenues:				
Powell Bill street aid allocation	134,581	132,370	(2,211)	131,943
Powell Bill investment earnings	20	188	168	33
Drug forfeiture revenue	250	1,016	766	-
Grant revenue	5,000	5,000	-	2,475
Federal and state grants	10,260	-	(10,260)	102,600
Total	<u>150,111</u>	<u>138,574</u>	<u>(11,537)</u>	<u>237,052</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, 2016**

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2015)

	<u>2016</u>		Variance Positive (Negative)	2015 Actual
	<u>Budget</u>	<u>Actual</u>		
Revenues (continued):				
Permits and fees:				
Zoning fees	\$ 4,980	\$ 11,025	\$ 6,045	\$ 9,082
Sales and services:				
Arrest fees	975	1,160	185	1,077
Refuse collection fees	338,231	283,502	(54,729)	283,676
Recreation fees and concessions	71,530	40,988	(30,542)	60,784
Other	6,981	2,376	(4,606)	1,558
Total	<u>417,717</u>	<u>328,026</u>	<u>(89,691)</u>	<u>347,096</u>
Investment earnings	<u>3,750</u>	<u>12,601</u>	<u>8,851</u>	<u>3,549</u>
Miscellaneous:				
Sale of property	12,500	970	(11,530)	15,690
Returned check revenue	2,050	1,032	(1,018)	4,365
Customer billed charges	5,550	1,029	(4,521)	5,143
ABC wholesale distribution	7,025	1,907	(5,118)	7,222
Contribution from Courthouse Foundation	222,750	158,469	(64,281)	347,530
Other	3,800	9,400	5,600	8,566
Total	<u>253,675</u>	<u>172,807</u>	<u>(80,868)</u>	<u>388,517</u>
Total revenues	<u>2,682,218</u>	<u>2,586,142</u>	<u>(96,076)</u>	<u>2,926,369</u> cont.

TOWN OF DALLAS

Page 3 of 6

**General Fund
Schedule of Revenues, Expenditures and Changes
In Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2016**

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2015)

	<u>2016</u>		<u>Variance Positive (Negative)</u>	<u>2015 Actual</u>
	<u>Budget</u>	<u>Actual</u>		
Expenditures:				
General government:				
Administrative:				
Salaries and employee benefits	\$ 107,983	\$ 87,845	\$ 20,138	\$ 72,074
Professional services	23,985	21,927	2,058	20,081
Maintenance and repairs	300	367	(67)	300
Other operating expenditures	90,463	91,932	(1,469)	81,051
	<u>222,731</u>	<u>202,071</u>	<u>20,660</u>	<u>173,506</u>
Public buildings:				
Professional services	7,915	6,871	1,044	14,955
Maintenance and repairs	48,980	50,006	(1,026)	47,686
Other operating expenditures	35,618	37,930	(2,312)	32,813
Capital outlay	23,887	21,996	1,891	10,650
	<u>116,400</u>	<u>116,803</u>	<u>(403)</u>	<u>106,104</u>
Community development:				
Salaries and employee benefits	65,128	50,569	14,559	57,275
Other operating expenditures	70,125	70,385	(260)	57,884
Capital outlay	-	-	-	134,195
	<u>135,253</u>	<u>120,955</u>	<u>14,298</u>	<u>249,353</u>
Courthouse:				
Professional services	16,790	9,008	7,782	12,888
Other operating expenditures	13,143	24,061	(10,918)	9,105
Capital outlay	152,450	76,960	75,490	502,570
	<u>182,383</u>	<u>110,028</u>	<u>72,355</u>	<u>524,562</u>
Total general government	<u>656,767</u>	<u>549,857</u>	<u>106,910</u>	<u>1,053,526</u>
Public safety:				
Police:				
Salaries and employee benefits	1,012,690	963,774	48,916	952,878
Maintenance and repairs	28,700	24,320	4,380	23,143
Other operating expenditures	107,540	89,648	17,892	103,228
Capital outlay	-	6,440	(6,440)	41,543
	<u>1,148,930</u>	<u>1,084,182</u>	<u>64,748</u>	<u>1,120,792</u>

cont.

TOWN OF DALLAS

**General Fund
Schedule of Revenues, Expenditures and Changes
In Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2016**

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2015)

	<u>2016</u>		<u>Variance Positive (Negative)</u>	<u>2015 Actual</u>
	<u>Budget</u>	<u>Actual</u>		
Expenditures (continued):				
Fire:				
Salaries and employee benefits	\$ 105,890	\$ 101,137	\$ 4,753	\$ 95,514
Maintenance and repairs	41,428	33,647	7,781	35,874
Other operating expenditures	63,804	65,066	(1,262)	57,310
Capital outlay	20,520	-	20,520	119,681
	<u>231,642</u>	<u>199,851</u>	<u>31,791</u>	<u>308,378</u>
Total public safety	<u>1,380,572</u>	<u>1,284,032</u>	<u>96,540</u>	<u>1,429,170</u>
Transportation:				
Street maintenance				
Salaries and employee benefits	177,948	158,184	19,764	144,980
Maintenance and repairs	106,000	125,155	(19,155)	328,351
Street lights	75,070	74,043	1,027	77,527
Contracted services	8,900	8,715	185	12,081
Other operating expenditures	31,400	23,067	8,333	28,459
Capital outlay	47,000	-	47,000	49,212
	<u>446,318</u>	<u>389,164</u>	<u>57,154</u>	<u>640,611</u>
Environmental protection:				
Solid waste:				
Salaries and employee benefits	148,375	136,192	12,183	140,082
Maintenance and repairs	51,800	60,834	(9,034)	67,731
Other operating expenditures	59,795	51,752	8,043	49,758
Capital outlay	14,980	-	14,980	10,845
Tipping fees	94,800	95,728	(928)	63,564
	<u>369,750</u>	<u>344,507</u>	<u>25,243</u>	<u>331,979</u>

cont.

General Fund
Schedule of Revenues, Expenditures and Changes
In Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2016

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2015)

	2016		Variance Positive (Negative)	2015 Actual
	Budget	Actual		
Expenditures (continued):				
Cultural and recreational:				
Parks and recreation:				
Salaries and employee benefits	\$ 83,733	\$ 74,626	\$ 9,107	\$ 79,372
Maintenance and repairs	36,819	41,098	(4,279)	35,521
Operating expenditures	130,312	124,903	5,409	106,619
Capital outlay	278,657	272,497	6,160	-
	<u>529,521</u>	<u>513,124</u>	<u>16,397</u>	<u>221,511</u>
Debt service:				
Debt service - principal	88,370	88,370	-	85,185
Debt service - interest	74,409	74,409	-	77,594
	<u>162,779</u>	<u>162,779</u>	<u>-</u>	<u>162,779</u>
 Total expenditures	 <u>3,545,707</u>	 <u>3,243,464</u>	 <u>302,243</u>	 <u>3,839,576</u>
 Revenues over (under) expenditures	 <u>(863,489)</u>	 <u>(657,322)</u>	 <u>206,167</u>	 <u>(913,207)</u>
 Other Financing Sources (Uses):				
Appropriated fund balance	303,296	-	(303,296)	-
Transfers (to) from other funds:				
Police Station capital project	25,700	-	(25,700)	-
Capital Reserve Fund	42,508	42,508	-	-
LESA Fund	(2,487)	(2,487)	-	(11,000)
Jaggers Park capital project	(8,547)	(8,546)	1	(101,400)
Trade Street Intersection project	(17,500)	(17,500)	-	-
Town Center Parking Lot project	(260,000)	(260,000)	-	-
Streetscape	-	-	-	360,000
Storm Water	-	-	-	30,000
Electric Fund	780,519	780,519	-	542,226
	<u>863,489</u>	<u>534,494</u>	<u>(328,995)</u>	<u>819,826</u>
 Total other financing sources (uses)	 <u>863,489</u>	 <u>534,494</u>	 <u>(328,995)</u>	 <u>819,826</u>

cont.

General Fund
Schedule of Revenues, Expenditures and Changes
In Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2016
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2015)

	<u>2016</u>		Variance Positive (Negative)	2015 Actual
	<u>Budget</u>	<u>Actual</u>		
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	\$ (122,829)	<u>\$ (122,828)</u>	\$ (93,381)
Fund balances, beginning		<u>1,782,509</u>		<u>1,875,890</u>
Fund balances, ending		<u>\$1,659,681</u>		<u>\$1,782,509</u>

TOWN OF DALLAS

**Combining Balance Sheet
Non-Major Governmental Funds
For the Year Ended June 30, 2016**

	<u>LESA Fund</u>	<u>Storm Water Fund</u>	<u>Capital Project Fund</u>	<u>Town Center Parking Lot Project</u>	<u>Trade Street Intersection Project</u>	<u>Jaggers Park Capital Project</u>	<u>T.O.P. T.I.E.R. Program</u>	<u>Total Nonmajor Governmental Funds</u>
Assets:								
Cash and cash equivalents	\$138,981	\$ 24,834	\$ -	\$ 430,148	\$ 297,612	\$ -	\$ 250,280	\$ 1,141,855
Accounts receivable, net	-	3,974	-	-	-	-	-	3,974
Total assets	<u>\$138,981</u>	<u>\$ 28,809</u>	<u>\$ -</u>	<u>\$ 430,148</u>	<u>\$ 297,612</u>	<u>\$ -</u>	<u>\$ 250,280</u>	<u>\$ 1,145,830</u>
Liabilities and Fund Balances:								
Accounts payable and accrued expenses	\$ -	\$ 326	\$ -	\$ -	\$ 99,317	\$ -	\$ -	\$ 99,643
Total liabilities	-	326	-	-	99,317	-	-	99,643
Fund balances:								
Restricted:								
Public safety	138,981	-	-	-	-	-	-	138,981
Assigned:								
Storm Water	-	28,483	-	-	-	-	-	28,483
Top Tier Program	-	-	-	-	-	-	250,280	250,280
Trade Street Intersection Project	-	-	-	-	198,295	-	-	198,295
Town Center Parking Lot Project	-	-	-	430,148	-	-	-	430,148
Total fund balances	<u>138,981</u>	<u>28,483</u>	<u>-</u>	<u>430,148</u>	<u>198,295</u>	<u>-</u>	<u>250,280</u>	<u>1,046,187</u>
Total liabilities and fund balances	<u>\$138,981</u>	<u>\$ 28,809</u>	<u>\$ -</u>	<u>\$ 430,148</u>	<u>\$ 297,612</u>	<u>\$ -</u>	<u>\$ 250,280</u>	<u>\$ 1,145,830</u>

TOWN OF DALLAS

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
For the Year Ended June 30, 2016**

	LESA <u>Fund</u>	Storm Water <u>Fund</u>	Capital Project <u>Fund</u>	Town Center Parking Lot <u>Project</u>	Trade Street Intersection <u>Project</u>	Jaggers Park Capital <u>Project</u>	T.O.P. T.I.E.R. <u>Program</u>	Total Nonmajor Governmental <u>Funds</u>
Revenues:								
Storm water fees	\$ -	\$ 86,559	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 86,559
Investment earnings	299	-	173	-	-	-	-	472
Total revenues	<u>299</u>	<u>86,559</u>	<u>173</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>87,030</u>
Expenditures:								
Salaries and employee benefits	-	31,529	-	-	-	-	-	31,529
Professional services	-	-	-	28,352	14,138	-	-	42,490
Contracted services	-	8,841	-	-	367,388	-	-	376,229
Repairs and maintenance	-	2,697	-	-	-	-	-	2,697
Other operating expenditures	-	3,166	-	-	-	-	-	3,166
Capital outlay	-	94,272	-	-	-	(195)	14,891	108,968
Total expenditures	<u>-</u>	<u>140,505</u>	<u>-</u>	<u>28,352</u>	<u>381,526</u>	<u>(195)</u>	<u>14,891</u>	<u>565,079</u>
Revenues over (under) expenditures	299	(53,946)	173	(28,352)	(381,526)	195	(14,891)	(478,049)
Other Financing Sources (Uses):								
Operating transfers in (out):								
General Fund	2,487	-	-	260,000	17,500	8,546	-	288,533
Electric Fund	-	-	-	198,500	562,321	-	-	760,821
Water and Sewer Fund	-	-	(91,101)	-	-	-	-	(91,101)
Revenues and other financing sources over financing sources (uses)	<u>2,786</u>	<u>(53,946)</u>	<u>(90,929)</u>	<u>430,148</u>	<u>198,295</u>	<u>8,741</u>	<u>(14,891)</u>	<u>480,203</u>
Fund balances, beginning	<u>136,195</u>	<u>82,429</u>	<u>90,929</u>	<u>-</u>	<u>-</u>	<u>(8,741)</u>	<u>265,171</u>	<u>565,984</u>
Fund balances, ending	<u>\$138,981</u>	<u>\$ 28,483</u>	<u>\$ -</u>	<u>\$ 430,148</u>	<u>\$ 198,295</u>	<u>\$ -</u>	<u>\$ 250,280</u>	<u>\$ 1,046,187</u>

TOWN OF DALLAS

LESA Fund

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

For the Year Ended June 30, 2016

(With Comparative Actual Amounts for the Year Ended June 30, 2015)

	<u>2016</u>		Variance Positive (Negative)	2015 Actual
	<u>Budget</u>	<u>Actual</u>		
Revenues:				
Investment earnings	\$ -	\$ 299	\$ 299	\$ 23
Total revenues	-	299	299	23
Expenditures:	-	-	-	-
Revenues over (under) expenditures	-	299	299	23
Other Financing Sources (Uses):				
Transfer from General Fund	-	2,487	2,487	11,000
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	2,786	<u>\$ 2,786</u>	11,023
Fund balance, July 1		<u>136,196</u>		<u>125,172</u>
Fund balance, June 30		<u>\$ 138,981</u>		<u>\$ 136,196</u>

TOWN OF DALLAS

Storm Water Fund
Schedule of Revenues and Expenditures - Budget and Actual
For the Year Ended June 30, 2016
(With Comparative Actual Amounts for the Year Ended June 30, 2015)

	<u>2016</u>		Variance Positive (Negative)	2015 Actual
	<u>Budget</u>	<u>Actual</u>		
Revenues:				
Operating revenues:				
Storm water fees	\$ 82,680	\$ 86,559	\$ 3,879	\$ 90,046
Grant revenue	<u>12,250</u>	<u>-</u>	<u>(12,250)</u>	<u>-</u>
Total revenues	<u>94,930</u>	<u>86,559</u>	<u>(8,371)</u>	<u>90,046</u>
Expenditures:				
Salaries and employee benefits	30,851	31,529	(678)	26,610
Supplies	3,600	-	3,600	881
Contracted services	24,750	8,841	15,909	6,545
Repairs and maintenance	1,200	2,697	(1,497)	1,941
Other operating expenditures	3,475	3,166	309	2,994
Capital outlay	<u>101,500</u>	<u>94,272</u>	<u>7,228</u>	<u>43,067</u>
Total operating expenditures	<u>165,376</u>	<u>140,505</u>	<u>24,871</u>	<u>82,039</u>
Revenues over (under) expenditures	<u>(70,446)</u>	<u>(53,946)</u>	<u>16,500</u>	<u>8,008</u>
Other Financing Sources (Uses):				
Appropriated fund balance	70,446	-	(70,446)	-
Operating transfers in (out):				
General Fund	<u>-</u>	<u>-</u>	<u>-</u>	<u>(30,000)</u>
Total other financing sources (uses)	<u>70,446</u>	<u>-</u>	<u>(70,446)</u>	<u>(30,000)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>(53,946)</u>	<u>\$ (53,946)</u>	<u>(21,992)</u>
Fund balance, beginning		<u>82,429</u>		<u>104,421</u>
Fund balance, ending		<u>\$ 28,483</u>		<u>\$ 82,429</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, 2016
(With Comparative Actual Amounts for the Year Ended June 30, 2015)

	<u>2016</u>		Variance Positive (Negative)	2015 Actual
	<u>Budget</u>	<u>Actual</u>		
Revenues:				
Investment earnings	\$ 6,400	\$ 172	\$ (6,228)	\$ 14
Total revenues	6,400	172	(6,228)	14
Expenditures:	-	-	-	-
Revenues over (under) expenditures	6,400	172	(6,228)	14
Other Financing Sources (Uses):				
Appropriated fund balance	492,369	-	(492,369)	-
Operating transfers in (out):				
General Fund	21,010	-	(21,010)	-
Water and Sewer Fund	45,817	(91,101)	(136,918)	-
Electric Fund	(27,000)	-	27,000	-
Capital Reserve	(359,125)	-	359,125	-
Capital project - Water and Sewer	(137,451)	-	137,451	-
Capital project - Fire	(42,020)	-	42,020	-
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	(90,930)	<u>\$ (90,930)</u>	14
Fund balance, July 1		<u>90,930</u>		<u>90,915</u>
Fund balance, June 30		<u>\$ -</u>		<u>\$ 90,930</u>

Fund closed at June 30, 2016.

TOWN OF DALLAS

Town Center Parking Lot Project
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2016
(With Comparative Actual Amounts for the Year Ended June 30, 2015)

	2016		Variance Positive (Negative)	2015 Actual
	Budget	Actual		
Revenues:	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Supplies	110,500	-	(110,500)	-
Contract services	284,300	-	(284,300)	-
Professional services	63,700	28,352	(35,348)	-
Total expenditures	458,500	28,352	(430,148)	-
Revenues over (under) expenditures	(458,500)	(28,352)	430,148	-
Other Financing Sources (Uses):				
Operating transfers in (out):				
General Fund	260,000	260,000	-	-
Electric Fund	198,500	198,500	-	-
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	430,148	\$ 430,148	-
Fund balance, July 1		-		-
Fund balance, June 30		\$ 430,148		\$ -

TOWN OF DALLAS

Trade Street Intersection Project
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2016
(With Comparative Actual Amounts for the Year Ended June 30, 2015)

	<u>2016</u>		Variance Positive (Negative)	2015 Actual
	<u>Budget</u>	<u>Actual</u>		
Revenues:	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Contracted services	553,071	367,388	(185,683)	-
Professional services	<u>26,750</u>	<u>14,138</u>	<u>(12,612)</u>	<u>-</u>
Total expenditures	<u>579,821</u>	<u>381,526</u>	<u>(198,295)</u>	<u>-</u>
Revenues over (under) expenditures	(579,821)	(381,526)	198,295	-
Other Financing Sources (Uses):				
Operating transfers in (out):				
General Fund	17,500	17,500	-	-
Electric Fund	<u>562,321</u>	<u>562,321</u>	<u>-</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	198,295	<u>\$ 198,295</u>	-
Fund balance, July 1		<u>-</u>		<u>-</u>
Fund balance, June 30		<u>\$ 198,295</u>		<u>\$ -</u>

TOWN OF DALLAS

**Jaggers Park Capital Project
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
From Inception and for Year Ended June 30, 2016**

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>
Revenues:				
N.C. State PARTF grant	\$ 63,858	\$ 63,858	\$ -	\$ 63,858
Expenditures:				
Professional services	20,600	16,596	-	16,596
Advertising	600	-	-	-
Departmental supplies	800	755	-	755
Equipment	3,200	-	-	-
Miscellaneous	1,283	-	-	-
Capital outlay	187,575	190,044	(195)	189,849
Total expenditures	214,058	207,394	(195)	207,200
Revenues over (under) expenditures	(150,200)	(143,536)	195	(143,342)
Other Financing Sources (Uses):				
Transfer from Electric Fund	128,400	-	-	-
Transfer from General Fund	21,800	134,796	8,546	143,342
Total other financing sources (uses)	150,200	134,796	8,546	143,342
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ (8,741)	8,741	\$ -
Fund balance, beginning			(8,741)	
Fund balance, ending			\$ -	

Project closed at June 30, 2016.

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, 2016
(With Comparative Actual Amounts for the Year Ended June 30, 2015)

	<u>2016</u>		Variance Positive (Negative)	2015 Actual
	<u>Budget</u>	<u>Actual</u>		
Revenues:	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Top Tier grants	270,171	5,000	(265,171)	-
Capital outlay	-	9,891	9,891	-
Contribution to Regional Development Agencies	-	-	-	5,000
Total expenditures	<u>270,171</u>	<u>14,891</u>	<u>(255,280)</u>	<u>5,000</u>
Revenues over (under) expenditures	(270,171)	(14,891)	255,280	(5,000)
Other Financing Sources (Uses):				
Transfer from Electric Fund	<u>270,171</u>	-	<u>(270,171)</u>	<u>270,171</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	(14,891)	<u>\$ (14,891)</u>	265,171
Fund balance, July 1		<u>265,171</u>		<u>-</u>
Fund balance, June 30		<u>\$ 250,280</u>		<u>\$ 265,171</u>

TOWN OF DALLAS

**Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)
Water and Sewer Fund
For the Year Ended June 30, 2016
(With Comparative Actual Amounts for the Year Ended June 30, 2015)**

	2016		Variance Positive (Negative)	2015 Actual
	<u>Budget</u>	<u>Actual</u>		
Revenues:				
Operating revenues:				
Water charges	\$ 1,450,950	\$ 1,527,031	\$ 76,081	\$ 1,479,113
Sewer charges	795,660	854,963	59,303	769,606
Water and sewer taps	18,800	61,300	42,500	15,846
Other	<u>77,700</u>	<u>76,533</u>	<u>(1,167)</u>	<u>80,566</u>
Total operating revenues	<u>2,343,110</u>	<u>2,519,827</u>	<u>176,717</u>	<u>2,345,131</u>
Nonoperating revenues:				
Rental income	73,727	17,186	(56,541)	71,983
Proceeds on disposal	<u>4,000</u>	<u>-</u>	<u>(4,000)</u>	<u>3,400</u>
Total nonoperating revenues	<u>77,727</u>	<u>17,186</u>	<u>(60,541)</u>	<u>75,383</u>
Total revenues	<u>2,420,837</u>	<u>2,537,013</u>	<u>116,176</u>	<u>2,420,514</u>
Expenditures:				
Operating expenditures:				
Water and sewer operations				
Salaries and employee benefits	613,851	622,267	(8,416)	596,798
Travel	5,600	7,674	(2,074)	6,330
Supplies	81,500	78,447	3,053	82,034
Insurance	44,800	55,492	(10,692)	49,322
Repairs and maintenance	243,200	240,632	2,568	283,621
Other operating expenditures	<u>312,094</u>	<u>323,047</u>	<u>(10,953)</u>	<u>187,017</u>
	<u>1,301,045</u>	<u>1,327,559</u>	<u>(26,514)</u>	<u>1,205,123</u>
Water treatment and distribution				
Salaries and employee benefits	220,911	219,017	1,894	226,196
Supplies	25,800	28,213	(2,413)	29,821
Chemicals	112,000	56,513	55,487	107,861
Other operating expenditures	<u>296,587</u>	<u>279,510</u>	<u>17,077</u>	<u>241,748</u>
	<u>655,298</u>	<u>583,253</u>	<u>72,045</u>	<u>605,626</u>
Waste collection and treatment				
Salaries and employee benefits	19,638	16,272	3,366	42,140
Chemicals	56,500	52,184	4,316	59,115
Supplies	4,000	4,542	(542)	8,358
Other operating expenditures	<u>328,897</u>	<u>277,130</u>	<u>51,767</u>	<u>307,697</u>
	<u>409,035</u>	<u>350,128</u>	<u>58,907</u>	<u>417,310</u>

cont.

TOWN OF DALLAS

**Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)
Water and Sewer Fund
For the Year Ended June 30, 2016
(With Comparative Actual Amounts for the Year Ended June 30, 2015)**

	2016		Variance Positive (Negative)	2015 Actual
	<u>Budget</u>	<u>Actual</u>		
Total operating expenditures	\$ 2,365,378	\$ 2,260,940	\$ 104,438	\$ 2,228,059
Debt service:				
Principal retirement	135,346	135,346	-	130,655
Interest and fees	120,021	119,765	256	124,464
Total debt service	255,367	255,111	256	255,119
Capital outlay:				
Water sewer operations	64,265	-	64,265	48,066
Water treatment and distribution	24,700	6,914	17,786	20,634
Water collection and treatment	12,500	-	12,500	5,613
Total capital outlay	101,465	6,914	94,551	74,313
Total expenditures	2,722,210	2,522,965	199,245	2,557,491
Revenues over (under) expenditures	(301,373)	14,048	315,421	(136,976)
Other Financing Sources (Uses):				
Appropriated fund balance	751,000	-	(751,000)	-
Transfer from Capital Project Fund	91,081	91,101	20	-
Transfer to Phases I, II & III water and sewer project	(347,289)	(347,289)	-	-
Transfer to Phase IV water and sewer project	(193,419)	(192,419)	1,000	-
Total other financing sources	301,373	(448,606)	(749,979)	-
Revenues and other sources over (under) expenditures and other uses	\$ -	(434,558)	\$ (434,558)	(136,976)
Reconciliation From Budgetary Basis (Modified Accrual) to Full Accrual:				
Increase (decrease) in inventory		(99,533)		23,704
(Increase) decrease in accrued vacation pay		(28)		(2,708)
Payment of debt principal		135,346		130,655
Fines and penalties		10,000		10,000
Transfers to capital project funds		539,708		-
Transfer in from Electric Fund to Water and Sewer Capital Projects Fund - Phase IV		140,812		-
				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, 2016
(With Comparative Actual Amounts for the Year Ended June 30, 2015)

	<u>2016</u>		Variance Positive (Negative)	2015 Actual
	<u>Budget</u>	<u>Actual</u>		
Increase (decrease) in net pension asset		\$ (61,490)		\$ 61,490
Increase (decrease) in deferred outflows of resources - pensions		2,008		41,910
(Increase) decrease in net pension liability		(48,396)		-
(Increase) decrease in deferred inflows of resources - pensions		124,897		(64,967)
Capital fund activity		-		632,564
Capitalized interest from capital project fund		-		124,464
Capital outlay		6,914		74,313
Depreciation		<u>(372,062)</u>		<u>(254,968)</u>
Change in net position		<u>\$ (56,382)</u>		<u>\$ 639,481</u>

TOWN OF DALLAS

Water and Sewer Capital Projects Fund - Phases I, II and III
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
From Inception and for Year Ended June 30, 2016

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>
Revenues:				
Investment earnings	\$ -	\$ 831	\$ -	\$ 831
Expenditures:				
Professional services	880,355	438,087	-	438,087
Bond issuance costs	8,000	5,089	-	5,089
Capital outlay:				
Water line construction	7,002,160	3,686,357	-	3,686,357
Private lateral reimbursement	80,000	3,600	8,682	12,281
Total expenditures	7,970,515	4,133,133	8,682	4,141,815
Revenues over (under) expenditures	(7,970,515)	(4,132,303)	(8,682)	(4,140,984)
Other Financing Sources (Uses):				
Transfer from Water and Sewer Fund	873,850	229,430	347,289	576,719
Transfer to General Fund - Town Hall Project	(35,735)	(35,735)	-	(35,735)
Proceeds from installment financing	7,132,400	3,600,000	-	3,600,000
Total other financing sources (uses)	7,970,515	3,793,695	347,289	4,140,984
Revenues and other financing sources (uses) over (under) expenditures and other financing uses	\$ -	\$ (338,607)	338,607	\$ -
Fund balance, July 1			(338,607)	
Fund balance, June 30			\$ -	
Project complete at June 30, 2016.				

TOWN OF DALLAS

**Water and Sewer Capital Projects Fund - Phase IV
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
From Inception and for Year Ended June 30, 2016**

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>
Revenues:				
Restricted intergovernmental:				
Community Development Block Grant	\$ 750,000	\$ 749,999	\$ -	\$ 749,999
Expenditures:				
Professional services	244,191	238,001	-	238,001
Capital outlay:				
Construction of water lines	934,661	934,504	-	934,504
Private lateral reimbursement	10,000	4,246	2,100	6,346
Total expenditures	<u>1,188,852</u>	<u>1,176,751</u>	<u>2,100</u>	<u>1,178,851</u>
Revenues over (under) expenditures	<u>(438,852)</u>	<u>(426,752)</u>	<u>(2,100)</u>	<u>(428,852)</u>
Other Financing Sources (Uses):				
Transfer from Water and Sewer Fund	298,040	95,621	192,419	288,040
Transfer from Electric Fund	140,812	-	140,812	140,812
Total other financing sources (uses)	<u>438,852</u>	<u>95,621</u>	<u>333,231</u>	<u>428,852</u>
Revenues and other financing sources (uses) over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ (331,131)</u>	331,131	<u>\$ -</u>
Fund balance, July 1			<u>(331,131)</u>	
Fund balance, June 30			<u>\$ -</u>	

Project closed at June 30, 2016.

TOWN OF DALLAS

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**Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)
Electric Fund
For the Year Ended June 30, 2016
(With Comparative Actual Amounts for the Year Ended June 30, 2015)**

	2016		Variance Positive (Negative)	2015 Actual
	<u>Budget</u>	<u>Actual</u>		
Revenues:				
Operating revenues:				
Electricity sales	\$8,088,725	\$8,642,012	\$ 553,287	\$8,619,449
Other operating revenues	<u>122,550</u>	<u>102,774</u>	<u>(19,776)</u>	<u>147,660</u>
Total operating revenues	8,211,275	8,744,786	533,511	8,767,109
Nonoperating revenues:				
Investment earnings	<u>16</u>	<u>323</u>	<u>307</u>	<u>27</u>
Total revenues	<u>8,211,291</u>	<u>8,745,109</u>	<u>533,818</u>	<u>8,767,136</u>
Expenditures:				
Salaries and employee benefits	932,320	893,306	39,014	878,019
Electrical power purchases	5,133,571	4,744,002	389,569	4,909,572
Supplies	165,900	145,188	20,712	128,608
Contracted services	80,600	106,020	(25,420)	94,916
Insurance	85,500	109,042	(23,542)	84,335
Repairs and maintenance	263,200	222,031	41,169	216,524
Other operating expenditures	116,050	146,423	(30,373)	113,552
Debt service - principal	-	-	-	71,228
Debt service - interest	4,350	-	4,350	906
Capital outlay	<u>753,036</u>	<u>739,276</u>	<u>13,760</u>	<u>1,812,798</u>
Total operating expenditures	<u>7,534,527</u>	<u>7,105,289</u>	<u>429,238</u>	<u>8,310,459</u>
Revenues over (under) expenditures	<u>676,764</u>	<u>1,639,820</u>	<u>963,056</u>	<u>456,677</u>
Other Financing Sources (Uses):				
Appropriated fund balance	1,005,388	-	(1,005,388)	-
Transfers from (to):				
Top Tier Program Fund	-	-	-	(270,171)
Jaggers Park Improvement Project	-	-	-	(21,800)
Town Center Parking Lot Project	(198,500)	(198,500)	-	-
Trade Street Intersection Project	(562,321)	(562,321)	-	-
Water and Sewer Capital Project	(140,812)	(140,812)	-	-
General Fund	-	-	-	(360,000)
General Fund-payment in lieu of taxes	<u>(780,519)</u>	<u>(780,519)</u>	<u>-</u>	<u>(542,226)</u>
Total other financing sources (uses)	<u>(676,764)</u>	<u>(1,682,152)</u>	<u>(1,005,388)</u>	<u>(1,194,197)</u>

cont.

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, 2016
(With Comparative Actual Amounts for the Year Ended June 30, 2015)**

	2016		Variance	2015
	<u>Budget</u>	<u>Actual</u>	<u>(Negative)</u>	<u>Actual</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	\$ (42,332)	<u>\$ (42,332)</u>	\$ (737,520)
Reconciliation From Budgetary Basis (Modified Accrual) to Full Accrual:				
Increase (decrease) in inventory		(169,975)		(36,964)
(Increase) decrease in accrued vacation pay		(1,280)		(9,886)
(Increase) decrease in net pension liability		(50,580)		-
Increase (decrease) in deferred outflows of reso		(314)		46,213
(Increase) decrease in deferred inflows of resou		123,131		(64,915)
Increase (decrease) in net pension asset		(61,241)		61,241
Capital outlay		739,276		1,812,798
Payment of debt principal		-		71,228
Depreciation		<u>(340,725)</u>		<u>(305,707)</u>
Changes in net position		<u>\$ 195,961</u>		<u>\$ 836,488</u>

TOWN OF DALLAS

**Schedule of Ad Valorem Taxes Receivable
June 30, 2016**

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2015</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2016</u>
2015 - 2016	\$ -	\$1,105,531	\$1,088,920	\$ 16,611
2014 - 2015	13,361	-	5,958	7,403
2013 - 2014	8,983	-	2,537	6,446
2012 - 2013	7,871	-	1,638	6,233
2011 - 2012	6,564	-	661	5,903
2010 - 2011	5,527	-	397	5,130
2009 - 2010	4,902	-	498	4,404
2008 - 2009	3,081	-	148	2,933
2007 - 2008	2,860	-	75	2,785
2006 - 2007	3,016	-	19	2,997
2005 - 2006	2,094	-	2,094	-
Total	<u>\$ 58,258</u>	<u>\$1,105,531</u>	<u>\$1,102,945</u>	60,845
Less allowance for uncollectibles				<u>(28,777)</u>
Balance				<u>\$ 32,068</u>
Reconciliation With Revenue:				
Taxes - Ad valorem - General Fund				\$ 1,135,600
Adjustments, releases and discounts				(28,654)
Taxes written off				2,094
Interest collected				<u>(6,095)</u>
Total collections and credits				<u>\$ 1,102,945</u>

TOWN OF DALLAS

**Analysis of Current Tax Levy
June 30, 2016**

	Town Wide		Total Levy		
			Property Excluding Registered Motor Vehicles	Registered Motor Vehicles	
	Property Valuation	Rate	Total Levy		
Original levy:					
Property taxes at current year's rate	\$ 258,084,500	0.38	\$ 980,721	\$ 980,721	\$ -
Motor vehicles taxed at current year rate	<u>33,210,905</u>	0.38	<u>126,201</u>	<u>-</u>	<u>126,201</u>
Total	<u>291,295,405</u>		<u>1,106,923</u>	<u>980,721</u>	<u>126,201</u>
Discoveries:					
Current year taxes	184,211		700	700	-
Adjustments	<u>(550,526)</u>		<u>(2,092)</u>	<u>(2,092)</u>	<u>81</u>
Total	<u>(366,315)</u>		<u>(1,392)</u>	<u>(1,392)</u>	<u>81</u>
Total property valuation	<u>\$ 290,929,090</u>				
Net levy			1,105,531	979,329	126,282
Less uncollected taxes at June 30, 2016			<u>(16,611)</u>	<u>(16,611)</u>	<u>-</u>
Current year's taxes collected			<u>\$ 1,088,920</u>	<u>\$ 962,718</u>	<u>\$ 126,282</u>
Current levy collection percentage			<u>98.50%</u>	<u>98.30%</u>	<u>100.00%</u>

**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 Members
of the Board of Aldermen and the Citizens
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 Town of Dallas, North Carolina, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Town of Dallas, North Carolina's basic financial statements and have issued our report thereon dated December 15, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Town of Dallas, North Carolina's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Town of Dallas, North Carolina's internal control. Accordingly, we do not express an opinion on the effectiveness of Town of Dallas, North Carolina's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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 were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses. See 2016-001, 2016-002, and 2016-003.

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. We consider the deficiencies described in the accompany schedule of findings and responses to be significant deficiencies. See 2016-004 and 2016-005.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings and responses as item 2016-002.

Town of Dallas, North Carolina's Response to Findings

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

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

Morganton, North Carolina
December 15, 2016

Schedule of Findings and Responses
For the Year Ended June 30, 2016

Financial Statement Findings:

Internal Control over Financial Reporting:

Material Weaknesses:

Findings: **2016-001 Prior Period Adjustment**

Condition: Deferred revenue had been overstated in prior years in the CDBG Grant Fund.

Effect: The beginning fund balance in the CDBG Grant Fund was understated by \$56,582.

Response: The finance officer and management will review the general ledger and make adjustments as necessary.

Findings: **2016-002 Lack of a Balanced Budget Ordinance**

Condition: The Town was not in compliance with G.S. 159-8 which states that: "Each local government and public authority shall operate under an annual balanced budget ordinance....and no local government or public authority may expend any moneys, regardless of source, except in accordance with a budget ordinance...." A budget was not adopted for the CDBG Grant Fund and the LESA Fund.

Effect: Moneys were expended from these funds.

Response: The Town will adopt budgets for the CDBG Grant Fund and the LESA Fund.

Findings: **2016-003 Significant Audit Adjustments**

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.

Response: The Town agrees with this finding. Management acknowledges inherent limitations in internal control system caused by limited resources and will modify their oversight function accordingly.

Significant Deficiencies:

Findings: **2016-004 Inadequate Segregation of Duties**

Condition: The size of the Town's accounting and administrative staff precludes certain internal controls that would be preferred if the office staff were large enough to provide optimum segregation of duties. The Mayor and the Board of Aldermen should engage in the on going review of the financial affairs of the Town to provide oversight.

Effect: Material misstatements could occur whether due to fraud or error and not be detected on a timely basis.

Response: Duties will be segregated as much as possible.

Schedule of Findings and Responses
For the Year Ended June 30, 2016

Findings: **2016-005 Preparation of the Financial Statements**

Condition: Lowdermilk Church & Co., L.L.P. (the independent auditors) prepared the draft financial statements for the Town. As with most smaller organizations, this becomes necessary due to the cost benefit of either out-sourcing or hiring personnel with the expertise to prepare financial statements in conformity with generally accepted accounting principles. The Town's accounting staff could benefit from additional training regarding bookkeeping and financial reporting.

Effect: The financial statements may not be prepared in accordance with generally accepted accounting principles (GAAP).

Response: The Town will provide staff with additional training for bookkeeping and financial reporting.

Compliance and Other Matters:

See 2016-002.

Section III. Federal Award Findings and Responses

None.

Section IV. State Award Findings and Responses

None.

Corrective Action Plan
For the Year Ended June 30, 2016

Section II. Financial Statement Findings

Finding 2016-001:

Name of contact person: Maria Stroupe, Administrative Services Director
Corrective action: Management is aware of the weakness and will review the general ledger and make adjustments as necessary.
Proposed completion date: The Town will implement this immediately.

Finding 2016-002:

Name of contact person: Maria Stroupe, Administrative Services Director
Corrective action: The Town will comply with G.S. 159-8 and adopt a balanced budget for the CDBG Grant Fund and the LESA Fund.
Proposed completion date: The Town will implement this immediately.

Finding 2016-003:

Name of contact person: Maria Stroupe, Administrative Services Director
Corrective action: Management is aware that year-end audit adjustments are typically required. Management will examine controls in place 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 2016-004:

Name of contact person: Maria Stroupe, Administrative Services Director
Corrective action: Duties will be segregated as much as possible.
Proposed completion date: The Town will implement this immediately.

Finding 2015-005:

Name of contact person: Maria Stroupe, Administrative Services Director
Corrective action: Management is aware of the weakness but will continue to rely on the external auditor to draft the year-end financial statements. The Town will exercise due care in reviewing the financial statements drafted by the external auditor as the Town is responsible for the accuracy of the audited financial statements.
Proposed completion date: The Town will implement this immediately.

**Corrective Action Plan
For the Year Ended June 30, 2016**

Section III. Federal Award Findings and Responses

None.

Section IV. State Award Findings and Responses

None.

TOWN OF DALLAS, NORTH CAROLINA

**Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2016**

Finding 2015-1:
Still applicable.

Finding 2015-2:
Still applicable.

Finding 2015-3:
Still applicable.

Finding 2015-4:
Corrected.

Finding 2015-5:
Corrected.