

**TOWN OF DALLAS  
NORTH CAROLINA**

**BASIC FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2023**



# TOWN OF DALLAS, NORTH CAROLINA

## GOVERNANCE

### **Mayor and Board of Aldermen**

Rick Coleman, Mayor

Jerry Cearley, Mayor Pro Tem

E. Hoyle Withers

Darlene Morrow

Sam Martin

Frank Milton

### **Town Administration**

Maria Stroupe, Town Manager

J. Thomas Hunn, Town Attorney

Jonathan Newton, Finance Director

Sarah Ballard, Town Clerk/HR

Robert Walls, Police Chief

Bill Trudnak, Public Works Director

Earl Withers, Fire Chief

Nick Daniello, Recreation Director

Lanny Smith, Electric Director

Brian Finnegan, Development Services Director



# TOWN OF DALLAS, NORTH CAROLINA

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## **Financial Section**

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# MARTIN STARNES & ASSOCIATES, CPAs, P.A.

*"A Professional Association of Certified Public Accountants and Management Consultants"*

## **Independent Auditor's Report**

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

### **Report on the Audit of the Financial Statements**

#### ***Opinions***

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Dallas, North Carolina, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Dallas, North Carolina, as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows, thereof, and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town of Dallas and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***Responsibilities of Management for the Financial Statements***

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

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

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore, is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for a reasonable period of time.

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

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

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Law Enforcement Officers' Special Separation Allowance Schedules of Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Employee Payroll, the Local Governmental Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability (Asset) and Contributions, and the Other Postemployment Benefits' Schedule of Changes in Total OPEB Liability and Related Ratios, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required

supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Dallas' 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. 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 October 6, 2023 on our consideration of the Town of Dallas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Dallas' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Dallas' internal control over financial reporting and compliance.

*Martin Starnes & Associates, CPAs, P.A.*

Martin Starnes & Associates, CPAs, P.A.  
Hickory, North Carolina  
October 6, 2023

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## Management's Discussion and Analysis

As management of the Town of Dallas, we offer the readers of the Town of Dallas' financial statements this narrative overview and analysis of the financial activities of the Town of Dallas for the fiscal year ended June 30, 2023. We encourage readers to read the information presented here in conjunction with the additional information that we have furnished in the Town's financial statements, which follow this narrative.

### Financial Highlights

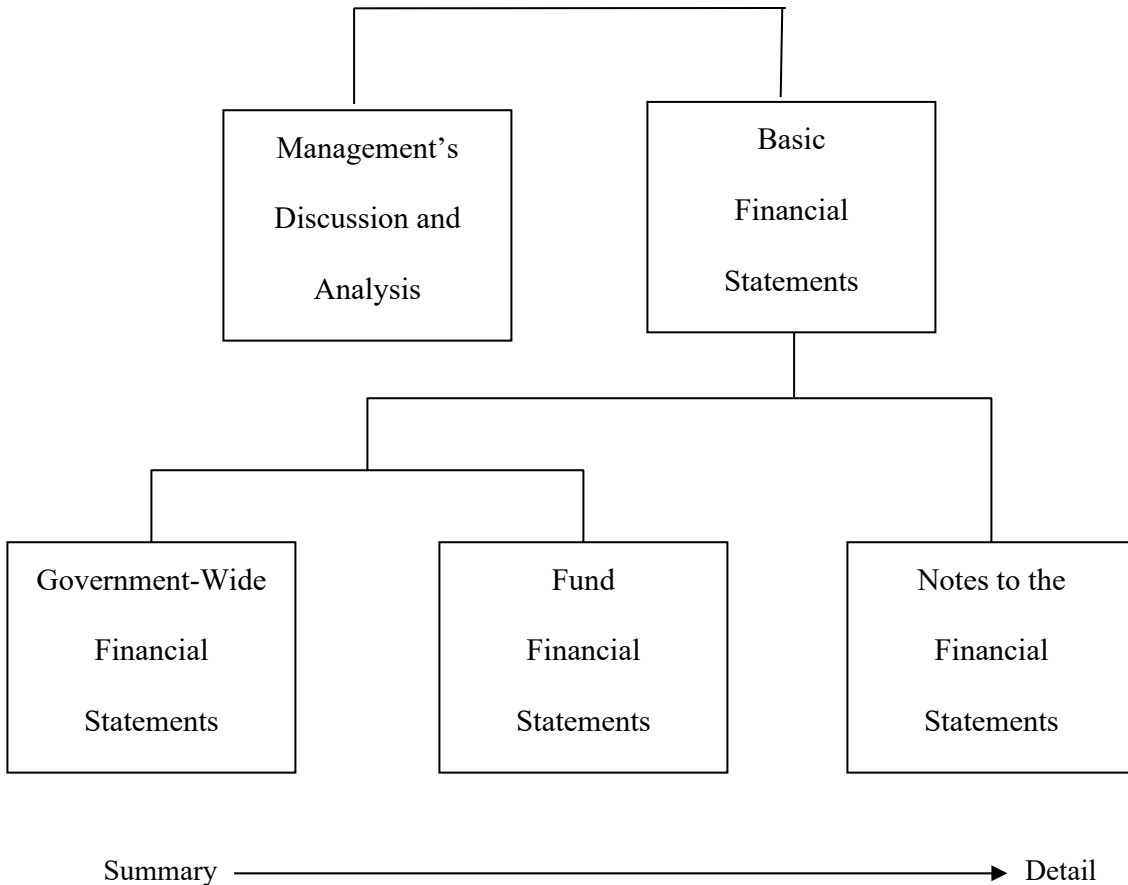
- The assets and deferred outflows of resources of the Town of Dallas exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$29,308,076 (*net position*).
- The government's total net position increased by \$87,336, primarily due to increases in the business-type activities net position and a reduction in overall debt within government activities.
- As of the close of the current fiscal year, the Town of Dallas' governmental funds reported combined ending fund balances of \$7,089,943 with a net increase of \$442,134 in fund balance. Approximately 57.95% of this total amount, or \$4,108,352, is restricted or assigned.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$2,981,279, or 65.62%, of total General Fund expenditures (\$4,542,983) for the fiscal year.
- The Town of Dallas' total debt increased by \$1,545,413 (27.78%) during the current fiscal year. The key factor in this increase was principal payments and changes in pension liability.
- The Town's total capital assets (net of accumulated depreciation) increased by \$455,969 (2.38%) during the current fiscal year. The key factor in this increase is sewer plant improvements.

### Overview of the Financial Statements

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

## Required Components of Annual Financial Report

Figure 1



### Basic Financial Statements

The first two statements (Exhibits A and B) in the basic financial statements are the **government-wide financial statements**. They provide both short and long-term information about the Town's financial status.

The next statements (Exhibit C through H) are the **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 four parts to the Fund Financial Statements: 1) the governmental fund statements, 2) the budgetary comparison statements, 3) the proprietary fund statements, and 4) the fiduciary fund statements. The Town of Dallas has no fiduciary funds, so this part of the Fund Financial Statements is omitted.

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 the Town of Dallas.

The government-wide financial statements are on Exhibits A and B 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 group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The 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 General Statutes or the Town's budget ordinance. All of the funds of the 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 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 part of the fund financial statements.

The Town of Dallas adopts an annual budget for the 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 the 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 in 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 of Aldermen 2) the final budget as amended by the Board of Aldermen 3) the actual resources, charges to appropriations, and ending balances in the General Fund, and 4) the differences or variance between the final budget and actual resources and charges.

**Proprietary Funds.** The 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. The Town uses an enterprise fund to account for its water, sewer, and electric activities. This fund is the same as the functions shown in the business-type activities in the Statement of Net Position and Statement of Activities.

**Notes to the Financial Statements.** The notes provide additional information that is essential to the full understanding of data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 29 of this report.

**Other Information.** In addition to the basic financial statements and accompanying notes, this report includes certain supplemental information detailing the information provided in the basic financial statements and is presented to allow the reader to gain an in-depth understanding of the financial information presented.

**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.

## Town of Dallas' Net Position

Figure 2

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
<b>Assets and Deferred</b>						
<b>Outflows of Resources:</b>						
Current and other assets	\$ 8,322,446	\$ 7,766,443	\$ 9,566,455	\$ 9,564,318	\$ 17,888,901	\$ 17,330,761
Capital assets	6,033,845	5,972,313	13,546,901	13,152,464	19,580,746	19,124,777
Deferred outflows of resources	941,727	671,802	926,356	560,234	1,868,083	1,232,036
Total assets and deferred outflows of resources	<u>15,298,018</u>	<u>14,410,558</u>	<u>24,039,712</u>	<u>23,277,016</u>	<u>39,337,730</u>	<u>37,687,574</u>
<b>Liabilities and Deferred</b>						
<b>Inflows of Resources:</b>						
Long-term liabilities	2,907,345	2,491,113	3,606,190	3,071,263	6,513,535	5,562,376
Other liabilities	1,521,694	1,198,261	1,761,817	844,551	3,283,511	2,042,812
Deferred inflows of resources	175,303	545,338	57,305	529,712	232,608	1,075,050
Total liabilities and deferred inflows of resources	<u>4,604,342</u>	<u>4,234,712</u>	<u>5,425,312</u>	<u>4,445,526</u>	<u>10,029,654</u>	<u>8,680,238</u>
<b>Net Assets:</b>						
Net investment in capital assets	4,708,441	4,725,011	11,345,774	10,775,607	16,054,215	15,500,618
Restricted	889,800	503,158	-	-	889,800	503,158
Unrestricted	5,095,435	4,947,677	7,268,626	8,055,883	12,364,061	13,003,560
Total net position	<u>\$ 10,693,676</u>	<u>\$ 10,175,846</u>	<u>\$ 18,614,400</u>	<u>\$ 18,831,490</u>	<u>\$ 29,308,076</u>	<u>\$ 29,007,336</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 resources of the Town exceeded liabilities and deferred inflows by \$29,308,076 as of June 30, 2023. The Town's net position increased by \$87,336 for the fiscal year ended June 30, 2023. However, the largest portion, \$16,054,215, or (54.78%), reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town 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 the Town's net position, \$889,800, or 3.04%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$12,364,061 is unrestricted.

Several particular aspects of the Town's financial operations positively influenced the total unrestricted government net position:

- Drafted and enforced updated policies on financial and asset management.
- Overall prior maintenance on fixed assets.
- Increased emphasis on competitive bidding to reduce contract costs.
- Reduction of outstanding debt

## Town of Dallas' Changes in Net Position

**Figure 3**

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 734,729	\$ 712,691	\$ 11,302,381	\$ 11,646,879	\$ 12,037,110	\$ 12,359,570
Operating grants and contributions	778,180	169,778	-	-	778,180	169,778
Capital grants and contributions	54,408	91,140	64,950	371,250	119,358	462,390
General revenues:						
Property taxes	1,550,482	1,516,706	-	-	1,550,482	1,516,706
Other taxes	1,037,238	987,892	-	-	1,037,238	987,892
Unrestricted investment earnings	401,749	20,119	28,853	1,298	430,602	21,417
Other	371,867	115,978	194,560	27,600	566,427	143,578
Total revenues	4,928,653	3,614,304	11,590,744	12,047,027	16,519,397	15,661,331
<b>Expenses:</b>						
General government	785,923	757,379	-	-	785,923	757,379
Public safety	2,492,285	2,226,570	-	-	2,492,285	2,226,570
Transportation	361,662	417,252	-	-	361,662	417,252
Economic and physical development	59,056	121,139	-	-	59,056	121,139
Environmental protection	680,344	476,524	-	-	680,344	476,524
Cultural and recreational	366,228	390,294	-	-	366,228	390,294
Interest on long-term debt	31,363	57,601	-	90,613	31,363	148,214
Water and sewer	-	-	3,321,707	3,032,263	3,321,707	3,032,263
Electric	-	-	8,333,493	6,573,322	8,333,493	6,573,322
Total expenses	4,776,861	4,446,759	11,655,200	9,696,198	16,432,061	14,142,957
Change in net position before transfers	151,792	(832,455)	(64,456)	2,350,829	87,336	1,518,374
Transfers	149,733	1,427,275	(149,733)	(1,427,275)	-	-
Change in net position	301,525	594,820	(214,189)	923,554	87,336	1,518,374
<b>Net Position:</b>						
Beginning of year, July 1	10,175,846	9,632,410	18,831,490	18,064,614	29,007,336	27,697,024
Prior period adjustment	216,305	(51,384)	(2,901)	(156,678)	213,404	(208,062)
Beginning of year, July 1, as restated	10,392,151	9,581,026	18,828,589	17,907,936	29,220,740	27,488,962
End of year, June 30	\$ 10,693,676	\$ 10,175,846	\$ 18,614,400	\$ 18,831,490	\$ 29,308,076	\$ 29,007,336

**Governmental Activities.** Governmental activities increased the Town's net position by \$301,525, accounting for 345% of the increase. Key elements of this increase are as follows:

- increased operating grants and contributions due to ARPA funds
- increased local option sales taxes and investment earnings
- increased expenses by only 7% over the prior year

**Business-Type Activities.** Business-type activities decreased the Town’s net position by \$214,189, accounting for (245%) of the total decrease in the government’s net position. Key elements of this decrease are as follows:

- increases in salary and benefits costs
- coal ash recovery costs passed to the Town from Duke Energy

**Financial Analysis of the Town’s Funds**

As the Town completed the year, its governmental funds (as presented in the balance sheet) reported a combined fund balance of \$7,089,943 which is higher than last year's total of \$6,416,492. Included in this change in fund balance is an increase in the General Fund balance of \$168,639, The primary reasons for the increase mirror the governmental activities analysis are highlighted below.

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

**Governmental Funds.** The focus of the Town’s governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Town’s financing requirements. Specifically, unreserved fund balance can be a useful measure of a government’s net resources available for spending at the end of the fiscal year.

The General Fund is the chief operating fund of the Town of Dallas. At the end of the current fiscal year, the Town of Dallas’ fund balance available in the General Fund was \$3,655,023, while total fund balance reached \$4,045,637. The Governing Body of the Town of Dallas has determined that the Town should maintain an available fund balance of no less than 30%, with a target of 50%, of General Fund expenditures in case of unforeseen needs or opportunities, in addition to meeting the cash flow needs of the Town. The Town currently has an available fund balance of 80.45 percent of General Fund expenditures, while total fund balance represents 89.05 percent of that same amount.

The American Rescue Plan fund accounts for the Coronavirus State and Local Fiscal Recovery Funds and their future expenditures based on the rules and regulations of the U.S. Department of Treasury. There was no change in fund balance as \$586,000 of revenue was recognized and transferred to the Water and Sewer Fund to cover salaries and benefits.

The Capital Project Fund is used to account for capital projects for the Town’s governmental activities. During the year, fund balance increased by \$179,318 to \$1,833,974 due to transfers from the General Fund for future projects and investment earnings. There were no capital project fund expenditures during the fiscal year.

At June 30, 2023, the governmental funds of the Town reported a combined fund balance of \$7,089,943, with a net increase in fund balance of \$442,134. Included in this change in fund balance are increases in fund balance in the General Fund and the Capital Project Fund.

General Fund:	
General Fund	\$ 167,322
Other Funds:	
Capital Project Fund	179,318
Nonmajor Funds	95,494
Total	\$ 442,134

## **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 numerous budget amendments completed in the General Fund in Fiscal Year 2023 due to many scenarios. The Police Department had numerous budget amendments to accept and appropriate insurance claims due to vehicle damage, an amendment to accept funds from Gaston County for the Town’s School Resource Officer and to accept funds from a NCLM Risk Management Grant. The Fire Department also received grants from NC Forest Grant and a NC Fire Marshall Grant, in which funds were accepted and appropriated.

### **American Rescue Plan Fund**

There was one amendment in the American Rescue Plan Fund to increase the authorized transfers for the use of ARPA funds.

### **Proprietary Funds**

In the Water Fund there were five amendments: (1) To appropriate funds for the Dallas/Stanley pump station project, (2) Accept final grant reimbursement from the AIA Water Grant, (3) Accept funds from NCLM Safety Grant, (4) To appropriate funds for the final payment of the sewer interconnect and (5) To accept and appropriate funds from an insurance claim due to lightning damage.

In the Electric Fund, there were two budget amendments: (1) To appropriate funds to cover the normal Duke True Up refund, but in turn the Town owed Duke and (2) To accept and appropriate funds for our customer billed charges revenue line for a developer’s reimbursement per our Utility Extension Policy.

### **Other Funds**

Economic Development Fund – the Town completed 2 amendments in the Economic Development Fund both relating to Façade Grants.

SCIF Grant Fund – an amendment was approved to receive and appropriate funds from a SCIF Grant.

### **Capital Asset and Debt Administration**

**Capital Assets.** The Town’s investment in capital assets for its governmental and business-type activities as of June 30, 2023 totals \$19,580,746 (net of accumulated depreciation). These assets include buildings, roads and bridges, land, machinery and equipment, park facilities, vehicles, leased assets and IT subscriptions.

Major capital asset transactions during the year included the following additions:

- Police Department received three Ford Pursuit Interceptors for their fleet
- Public Works purchased a Brush Hawg for brush pick up
- Administration purchased a piece of land in the downtown district
- Stormwater storm drain project was completed
- New Generators at the Fire Station and Town Hall were completed
- Dallas Stanley Pump Station project is in process

**Town of Dallas' Capital Assets  
(net of depreciation)**

**Figure 4**

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Land	\$ 381,182	\$ 381,181	\$ 189,069	\$ 189,069	\$ 570,251	\$ 570,250
Right of way	-	-	41,648	41,647	41,648	41,647
Buildings and improvements	2,837,317	2,958,944	573,044	605,501	3,410,361	3,564,445
Distribution systems	95,979	99,959	10,079,790	10,435,269	10,175,769	10,535,228
Infrastructure	696,267	643,181	-	-	696,267	643,181
Other improvements	987,083	1,045,234	-	-	987,083	1,045,234
Sewer Plant	-	-	821,370	288,125	821,370	288,125
Water Plant	-	-	385,456	329,258	385,456	329,258
Vehicles and equipment	677,368	745,148	984,342	919,382	1,661,710	1,664,530
Construction in progress	134,706	98,666	448,999	344,213	583,705	442,879
Leased assets	220,158	-	7,050	-	227,208	-
Subscriptions	3,785	-	16,133	-	19,918	-
Total	\$ 6,033,845	\$ 5,972,313	\$ 13,546,901	\$ 13,152,464	\$ 19,580,746	\$ 19,124,777

Additional information on the Town's capital assets can be found in Note 2.A of the basic financial statements.

**Long-Term Debt.** As of June 30, 2023, the Town of Dallas had \$3,288,030 of direct placement installment purchase. The installment debt is backed by security interest in the property for which it was issued.

**Town of Dallas' Outstanding Debt**

**Figure 5**

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Direct placement and installment purchases	\$ 1,105,992	\$ 1,247,303	\$ 2,182,038	\$ 2,376,858	\$ 3,288,030	\$ 3,624,161
Lease liabilities	216,594	134,969	7,077	16,493	223,671	151,462
Subscription liabilities	2,818	-	12,012	-	14,830	-
Compensated absences	161,278	137,645	135,760	108,081	297,038	245,726
Total OPEB liability	75,818	69,923	230,891	213,210	306,709	283,133
Pension related debt (LGERS)	1,185,426	327,669	1,323,881	356,622	2,509,307	684,291
Pension related debt (LEO)	468,205	573,604	-	-	468,205	573,604
Total	\$ 3,216,131	\$ 2,491,113	\$ 3,891,659	\$ 3,071,264	\$ 7,107,790	\$ 5,562,377

**Town of Dallas' Outstanding Debt**

The Town of Dallas' total debt increased by \$1,545,413 (27.78%) during the past fiscal year, primarily due to a increase in pension liabilities (LGERS) and principal payments.

Additional information regarding the Town's long-term debt can be found in Note 2.B of the basic financial statements.

## **Economic Factors and Next Year's Budgets and Rates**

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

The Town's general fiscal condition, much like the State and National economies, has remained stable and is modestly improving, with the exception of the COVID-19 from March to June of this fiscal year.

- Utility tax revenues continue to see modest increases, mainly due to some increases in single family housing.
- Although unemployment has trended downward, this area remains slightly higher than the State and national averages.
- The Dallas economy is diversified and not tied to any one primary employer or type of economic activity, thus allowing for reasonable insulation from sudden or dramatic impacts to revenues.

## **Budget Highlights for the Fiscal Year Ending June 30, 2024**

In order to maintain the integrity of the Town's core services, functions, and activities, Storm Water, Electric, Water/Sewer and Property Tax rates remained unchanged. This will be year (5) that the Town has passed along the coal ash recovery charge to its citizens and year (4) that the Town has passed along banking fees due to credit card transaction to its citizens. The Town of Dallas is slowly opening capital projects that have been placed on hold, while keeping a close watch on revenues.

The fiscal year 2024 budget funds the following ongoing and/or new initiatives or infrastructure upgrades:

### General Fund:

- UDO Ordinance Rewrite
- 2 laptops and 6 desktops for the Police Department.
- Three leased vehicles for the Police Department.
- New Awnings and Exterior Paint at Town Hall
- Bunker gear for the Fire Department,
- New Gym Floor at Dallas Franklin Gym
- Leaf Trailer for our Street Department

### Water and Sewer Fund:

- Dallas Stanley pump station.
- Reconstruct Filter Beds at the Water Plant.

### Electric Fund:

- Purchase of a new excavator
- Purchase of materials needed for new developments

### Storm Water Fund:

- Purchase of a small dump truck



## **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](http://www.dallasnc.net) or send an email to [jnewton@dallasnc.net](mailto:jnewton@dallasnc.net) for more information.

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## **Basic Financial Statements**

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

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**TOWN OF DALLAS, NORTH CAROLINA**

**STATEMENT OF NET POSITION**  
**JUNE 30, 2023**

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>Assets:</b>			
Current assets:			
Cash and cash equivalents	\$ 6,289,947	\$ 7,276,530	\$ 13,566,477
Taxes receivables, net	19,595	-	19,595
Accounts receivable, net	60,515	1,326,263	1,386,778
Due from other government agencies	346,838	-	346,838
Inventories	312	668,770	669,082
Restricted cash and cash equivalents	1,394,753	294,892	1,689,645
Total current assets	8,111,960	9,566,455	17,678,415
Non-current assets:			
Note receivable	210,486	-	210,486
Capital assets:			
Land and construction in progress	515,888	679,716	1,195,604
Other capital assets, net of depreciation	5,294,014	12,844,002	18,138,016
Right-to-use assets, net of amortization	223,943	23,183	247,126
Total capital assets	6,033,845	13,546,901	19,580,746
Total non-current assets	6,244,331	13,546,901	19,791,232
Total assets	14,356,291	23,113,356	37,469,647
<b>Deferred Outflows of Resources:</b>			
Pension deferrals	917,538	853,791	1,771,329
OPEB deferrals	24,189	72,565	96,754
Total deferred outflows of resources	941,727	926,356	1,868,083
<b>Liabilities:</b>			
Current liabilities:			
Accounts payable and accrued liabilities	90,116	1,181,456	1,271,572
Customer deposits - restricted	-	294,892	294,892
Advances from grantors	1,122,792	-	1,122,792
Current portion of long-term liabilities	308,786	285,469	594,255
Total current liabilities	1,521,694	1,761,817	3,283,511

*The accompanying notes are an integral part of the financial statements.*

**TOWN OF DALLAS, NORTH CAROLINA**

**STATEMENT OF NET POSITION**  
**JUNE 30, 2023**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Long-term liabilities:			
Accrued compensated absences	161,278	67,960	229,238
Net pension liability - LGERS	1,185,426	1,323,881	2,509,307
Total pension liability - LEOSSA	468,205	-	468,205
OPEB liability	75,818	230,891	306,709
Due in more than one year	1,016,618	1,983,458	3,000,076
Total long-term liabilities	<u>2,907,345</u>	<u>3,606,190</u>	<u>6,513,535</u>
Total liabilities	<u>4,429,039</u>	<u>5,368,007</u>	<u>9,797,046</u>
<b>Deferred Inflows of Resources:</b>			
Pension deferrals	162,026	17,473	179,499
OPEB deferrals	13,277	39,832	53,109
Total deferred inflows of resources	<u>175,303</u>	<u>57,305</u>	<u>232,608</u>
<b>Net Position:</b>			
Net investment in capital assets	4,708,441	11,345,774	16,054,215
Restricted for:			
Stabilization by state statute	407,353	-	407,353
Economic development	282,916	-	282,916
Streets - Powell Bill	175,991	-	175,991
Public safety	23,540	-	23,540
Unrestricted	5,095,435	7,268,626	12,364,061
Total net position	<u>\$ 10,693,676</u>	<u>\$ 18,614,400</u>	<u>\$ 29,308,076</u>

*The accompanying notes are an integral part of the financial statements.*

TOWN OF DALLAS, NORTH CAROLINA

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2023

Function / Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government:</b>				
General government	\$ 785,923	\$ 667,220	\$ 586,000	\$ 19,408
Public safety	2,492,285	4,063	23,393	35,000
Transportation	361,662	-	168,787	-
Economic and physical development	59,056	-	-	-
Environmental protection	680,344	-	-	-
Cultural and recreational	366,228	63,446	-	-
Interest on long-term debt	31,363	-	-	-
Total governmental activities	<u>4,776,861</u>	<u>734,729</u>	<u>778,180</u>	<u>54,408</u>
<b>Business-Type Activities:</b>				
Water and sewer	3,321,707	3,402,118	-	64,950
Electric	8,333,493	7,900,263	-	-
Total business-type activities	<u>11,655,200</u>	<u>11,302,381</u>	<u>-</u>	<u>64,950</u>
Total primary government	<u>\$ 16,432,061</u>	<u>\$ 12,037,110</u>	<u>\$ 778,180</u>	<u>\$ 119,358</u>

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

**TOWN OF DALLAS, NORTH CAROLINA**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2023**

	<b>Net (Expense) Revenue and Changes in Net Position</b>		
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>Function / Programs</b>			
<b>Primary Government:</b>			
General government	\$ 486,705	\$ -	\$ 486,705
Public safety	(2,429,829)	-	(2,429,829)
Transportation	(192,875)	-	(192,875)
Economic and physical development	(59,056)	-	(59,056)
Environmental protection	(680,344)	-	(680,344)
Cultural and recreational	(302,782)	-	(302,782)
Interest on long-term debt	(31,363)	-	(31,363)
Total governmental activities	(3,209,544)	-	(3,209,544)
<b>Business-Type Activities:</b>			
Water and sewer	-	145,361	145,361
Electric	-	(433,230)	(433,230)
Total business-type activities	-	(287,869)	(287,869)
Total primary government	(3,209,544)	(287,869)	(3,497,413)
<b>General Revenues:</b>			
Taxes:			
Ad valorem taxes	1,550,482	-	1,550,482
Local option sales tax	728,537	-	728,537
Other taxes and licenses	308,701	-	308,701
Investment earnings	401,749	28,853	430,602
Gain on sale of asset	125,947	-	125,947
Miscellaneous	245,920	194,560	440,480
Total general revenues, excluding transfers	3,361,336	223,413	3,584,749
Transfers	149,733	(149,733)	-
Total general revenues and transfers	3,511,069	73,680	3,584,749
Change in net position	301,525	(214,189)	87,336
<b>Net Position:</b>			
Beginning of year, July 1	10,175,846	18,831,490	29,007,336
Prior period adjustment	216,305	(2,901)	213,404
Beginning of year, July 1, restated	10,392,151	18,828,589	29,220,740
End of year, June 30	\$ 10,693,676	\$ 18,614,400	\$ 29,308,076

*The accompanying notes are an integral part of the financial statements.*

TOWN OF DALLAS, NORTH CAROLINA

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2023

	<u>Major</u>				<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>American Rescue Plan Fund</u>	<u>Capital Project Fund</u>	<u>Nonmajor Governmental Fund</u>	
<b>Assets:</b>					
Cash and cash equivalents	\$ 3,532,951	\$ -	\$ 1,833,974	\$ 923,022	\$ 6,289,947
Taxes receivable, net	19,595	-	-	-	19,595
Accounts receivable, net	43,464	-	-	17,051	60,515
Due from government agencies	346,838	-	-	-	346,838
Inventories	312	-	-	-	312
Note receivable	-	-	-	210,486	210,486
Restricted cash	199,531	942,792	-	252,430	1,394,753
Total assets	<u>\$ 4,142,691</u>	<u>\$ 942,792</u>	<u>\$ 1,833,974</u>	<u>\$ 1,402,989</u>	<u>\$ 8,322,446</u>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances:</b>					
<b>Liabilities:</b>					
Accounts payable and accrued liabilities	\$ 77,459	\$ -	\$ -	\$ 12,657	\$ 90,116
Advances from grantors	-	942,792	-	180,000	1,122,792
Total liabilities	<u>77,459</u>	<u>942,792</u>	<u>-</u>	<u>192,657</u>	<u>1,212,908</u>
<b>Deferred Inflows of Resources:</b>					
Property taxes receivable	<u>19,595</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,595</u>
<b>Fund Balances:</b>					
Non-spendable:					
Inventories	312	-	-	-	312
Restricted:					
Stabilization by state statute	390,302	-	-	17,051	407,353
Economic development	-	-	-	282,916	282,916
Streets - Powell Bill	175,991	-	-	-	175,991
Public Safety	23,540	-	-	-	23,540
Assigned:					
Storm Water	-	-	-	509,528	509,528
Capital projects	-	-	1,833,974	-	1,833,974
T.O.P. T.I.E.R. Program	-	-	-	400,837	400,837
Subsequent year's expenditures	474,213	-	-	-	474,213
Unassigned	2,981,279	-	-	-	2,981,279
Total fund balances	<u>4,045,637</u>	<u>-</u>	<u>1,833,974</u>	<u>1,210,332</u>	<u>7,089,943</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 4,142,691</u>	<u>\$ 942,792</u>	<u>\$ 1,833,974</u>	<u>\$ 1,402,989</u>	<u>\$ 8,322,446</u>

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



**TOWN OF DALLAS, NORTH CAROLINA**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2023**

	<b>Total Governmental Funds</b>
Total fund balances	\$ 7,089,943
Amounts reported for governmental activities in the Statement of Net Position (Exhibit A) are different because:	
Capital assets and right to use assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:	
Gross capital assets at historical cost	\$ 10,655,344
Accumulated depreciation	<u>(4,845,442)</u> 5,809,902
Right-to-use assets	342,457
Accumulated amortization	<u>(118,514)</u> 223,943
Deferred outflows of resources related to pensions and OPEB are not reported in the funds	941,727
Liabilities for earned revenues considered deferred inflows of resources in fund statements.	19,595
Long-term liabilities used in governmental activities are not financial uses and, therefore, are not reported in the funds:	
Compensated absences	(161,278)
Installment purchases, leases, and subscription payable	(1,325,404)
LEO separation allowance	(468,205)
Net pension liability	(1,185,426)
Other post-employment benefits	(75,818)
Deferred inflows of resources related to pensions and OPEB are not reported in the funds.	<u>(175,303)</u>
Net position of the governmental activities	<u>\$ 10,693,676</u>

*The accompanying notes are an integral part of the financial statements.*

TOWN OF DALLAS, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2023

	Major			Nonmajor Governmental Fund	Total Governmental Funds
	General Fund	American Rescue Plan Fund	Capital Project Fund		
<b>Revenues:</b>					
Ad valorem taxes	\$ 1,552,010	\$ -	\$ -	\$ -	\$ 1,552,010
Other taxes and licenses	68,092	-	-	-	68,092
Unrestricted intergovernmental revenues	969,146	-	-	-	969,146
Restricted intergovernmental revenues	246,588	586,000	-	-	832,588
Permits and fees	37,673	-	-	-	37,673
Sales and services	483,727	-	-	-	483,727
Investment earnings	335,342	-	62,081	4,326	401,749
Miscellaneous	245,920	-	-	-	245,920
Storm water fees	-	-	-	213,329	213,329
Total revenues	<u>3,938,498</u>	<u>586,000</u>	<u>62,081</u>	<u>217,655</u>	<u>4,804,234</u>
<b>Expenditures:</b>					
Current:					
General government	753,161	-	-	-	753,161
Public safety	2,340,091	-	-	-	2,340,091
Transportation	404,616	-	-	-	404,616
Economic and physical development	-	-	-	59,056	59,056
Environmental protection	450,569	-	-	187,605	638,174
Cultural and recreational	338,121	-	-	-	338,121
Debt service:					
Principal	205,944	-	-	-	205,944
Interest	50,481	-	-	-	50,481
Total expenditures	<u>4,542,983</u>	<u>-</u>	<u>-</u>	<u>246,661</u>	<u>4,789,644</u>
Revenues over (under) expenditures	<u>(604,485)</u>	<u>586,000</u>	<u>62,081</u>	<u>(29,006)</u>	<u>14,590</u>
<b>Other Financing Sources (Uses):</b>					
Lease liabilities issued	146,845	-	-	-	146,845
Subscription liabilities issued	5,019	-	-	-	5,019
Sale of capital asset	1,447	-	-	124,500	125,947
Transfers in	735,733	-	117,237	-	852,970
Transfers out	(117,237)	(586,000)	-	-	(703,237)
Total other financing sources (uses)	<u>771,807</u>	<u>(586,000)</u>	<u>117,237</u>	<u>124,500</u>	<u>427,544</u>
Net change in fund balance	<u>167,322</u>	<u>-</u>	<u>179,318</u>	<u>95,494</u>	<u>442,134</u>
<b>Fund Balances:</b>					
Beginning of year, July 1	3,876,998	-	1,654,656	884,838	6,416,492
Restatement	1,317	-	-	230,000	231,317
Beginning of year, as restated	<u>3,878,315</u>	<u>-</u>	<u>1,654,656</u>	<u>1,114,838</u>	<u>6,647,809</u>
End of year, June 30	<u>\$ 4,045,637</u>	<u>\$ -</u>	<u>\$ 1,833,974</u>	<u>\$ 1,210,332</u>	<u>\$ 7,089,943</u>

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

**TOWN OF DALLAS, NORTH CAROLINA**

**STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2023**

	<u><b>Total Governmental Funds</b></u>
Amounts reported for governmental activities in the Statement of Activities are different because:	
Net changes in fund balances - total governmental funds	\$ 442,134
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation and amortization expense.	
Capital outlay expenditures, which were capitalized	395,783
Depreciation expense for governmental assets	(400,048)
Amortization expense for right to use assets	(66,088)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	
Change in unavailable revenue for tax revenues	(1,528)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. This transaction has any affect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.	
New long-term debt, leases, and subscriptions issued	(151,864)
Principal payments on long-term debt, leases, and subscriptions	205,944
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.	
Change in accrued interest	19,118
Change in compensated absences	(23,633)
Change in LGERS pension expense:	
Changes in net pension assets	
Changes in deferred outflows	284,697
Changes in net pension liability	(857,757)
Changes in deferred inflows	454,249
Change in LEO separation allowance expense:	
Change in deferred outflows	(29,948)
Change in total pension liability	105,399
Change in deferred inflows	(70,937)
Change in OPEB expense:	
Change in deferred outflows	15,176
Change in total OPEB liability	(5,895)
Change in deferred inflows	(13,277)
Total changes in net position of governmental activities	<u>\$ 301,525</u>

*The accompanying notes are an integral part of the financial statements.*

## TOWN OF DALLAS, NORTH CAROLINA

**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2023**

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final budget Over/Under</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Ad valorem taxes	\$ 1,547,404	\$ 1,547,848	\$ 1,552,010	\$ 4,162
Other taxes and licenses	105,432	105,432	68,092	(37,340)
Unrestricted intergovernmental	870,012	870,012	969,146	99,134
Restricted intergovernmental	232,169	291,468	246,588	(44,880)
Permits and fees	21,410	21,410	37,673	16,263
Sales and services	472,280	472,280	483,727	11,447
Investment earnings	9,564	159,564	335,342	175,778
Miscellaneous	141,347	268,343	245,920	(22,423)
Total revenues	<u>3,399,618</u>	<u>3,736,357</u>	<u>3,938,498</u>	<u>202,141</u>
<b>Expenditures:</b>				
Current:				
General government	852,798	855,114	753,161	101,953
Public safety	2,467,551	2,775,252	2,340,091	435,161
Transportation	443,972	444,553	404,616	39,937
Environmental protection	503,227	493,496	450,569	42,927
Cultural and recreational	367,713	380,563	338,121	42,442
Debt service:				
Principal	227,939	227,622	205,944	21,678
Interest	50,164	50,481	50,481	-
Total expenditures	<u>4,913,364</u>	<u>5,227,081</u>	<u>4,542,983</u>	<u>684,098</u>
Revenues over (under) expenditures	<u>(1,513,746)</u>	<u>(1,490,724)</u>	<u>(604,485)</u>	<u>886,239</u>
<b>Other Financing Sources (Uses):</b>				
Lease liabilities issued	-	-	146,845	146,845
Subscription liabilities issued	-	-	5,019	5,019
Sale of capital asset	1,000	1,000	1,447	447
Proceeds from capital financing	161,042	176,300	-	(176,300)
Appropriated fund balance	476,971	694,928	-	(694,928)
Transfers in	885,733	735,733	735,733	-
Transfers out	(11,000)	(117,237)	(117,237)	-
Total other financing sources (uses)	<u>1,513,746</u>	<u>1,490,724</u>	<u>771,807</u>	<u>(718,917)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>167,322</u>	<u>\$ 167,322</u>
<b>Fund Balance:</b>				
Beginning of year, July 1			3,876,998	
Restatement			1,317	
Beginning of year, as restated			<u>3,878,315</u>	
End of year, June 30			<u>\$ 4,045,637</u>	

*The accompanying notes are an integral part of the financial statements.*

**TOWN OF DALLAS, NORTH CAROLINA**

**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2023**

	<u>Major Enterprise Funds</u>		
	<u>Water and Sewer Fund</u>	<u>Electric Fund</u>	<u>Total</u>
<b>Assets:</b>			
Current assets:			
Cash and cash equivalents	\$ 3,041,153	\$ 4,235,377	\$ 7,276,530
Accounts receivable (net)	407,363	918,900	1,326,263
Inventories	220,063	448,707	668,770
Restricted cash and cash equivalents	80,393	214,499	294,892
Total current assets	<u>3,748,972</u>	<u>5,817,483</u>	<u>9,566,455</u>
Non-current assets:			
Capital assets:			
Land, CIP, and other non-depreciable assets	607,908	71,808	679,716
Capital assets, net of depreciation	8,140,974	4,703,028	12,844,002
Right-to-use assets, net of amortization	13,822	9,361	23,183
Total non-current assets	<u>8,762,704</u>	<u>4,784,197</u>	<u>13,546,901</u>
Total assets	<u>12,511,676</u>	<u>10,601,680</u>	<u>23,113,356</u>
<b>Deferred Outflows of Resources:</b>			
Pension deferrals	430,427	423,364	853,791
OPEB deferrals	42,572	29,993	72,565
Total deferred outflows of resources	<u>472,999</u>	<u>453,357</u>	<u>926,356</u>
<b>Liabilities:</b>			
Current liabilities:			
Accounts payable and accrued expenses	286,031	895,425	1,181,456
Compensated absences - current	39,700	28,100	67,800
Customer deposits - restricted	80,393	214,499	294,892
Long-term debt payable - current	190,022	27,647	217,669
Total current liabilities	<u>596,146</u>	<u>1,165,671</u>	<u>1,761,817</u>

*The accompanying notes are an integral part of the financial statements.*

**TOWN OF DALLAS, NORTH CAROLINA**

**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2023**

	<u>Major Enterprise Funds</u>		
	<u>Water and Sewer Fund</u>	<u>Electric Fund</u>	<u>Total</u>
Non-current liabilities:			
Long-term debt payable	1,936,282	47,176	1,983,458
Accrued compensated absences	39,770	28,190	67,960
Net pension liability	671,402	652,479	1,323,881
Net OPEB liability	134,075	96,816	230,891
Total non-current liabilities	<u>2,781,529</u>	<u>824,661</u>	<u>3,606,190</u>
Total liabilities	<u>3,377,675</u>	<u>1,990,332</u>	<u>5,368,007</u>
<b>Deferred Inflows of Resources:</b>			
Pension deferrals	4,404	13,069	17,473
OPEB deferrals	<u>23,368</u>	<u>16,464</u>	<u>39,832</u>
Total deferred inflows of resources	<u>27,772</u>	<u>29,533</u>	<u>57,305</u>
<b>Net Position:</b>			
Net investment in capital assets	6,636,400	4,709,374	11,345,774
Unrestricted	<u>2,942,828</u>	<u>4,325,798</u>	<u>7,268,626</u>
Total net position	<u>\$ 9,579,228</u>	<u>\$ 9,035,172</u>	<u>\$ 18,614,400</u>

*The accompanying notes are an integral part of the financial statements.*

## TOWN OF DALLAS, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES  
IN FUND NET POSITION - PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2023

	<b>Major Enterprise Funds</b>		
	<b>Water and Sewer Fund</b>	<b>Electric Fund</b>	<b>Total</b>
<b>Operating Revenues:</b>			
Electricity sales	\$ -	\$ 7,802,437	\$ 7,802,437
Water sales	1,929,675	-	1,929,675
Sewer charges	1,100,902	-	1,100,902
Water and sewer taps	66,237	-	66,237
Other operating revenues	305,304	97,826	403,130
Total operating revenues	<u>3,402,118</u>	<u>7,900,263</u>	<u>11,302,381</u>
<b>Operating Expenses:</b>			
Electrical operations	-	2,261,179	2,261,179
Electrical power purchases	-	5,680,609	5,680,609
Water and sewer operations	1,765,335	-	1,765,335
Water treatment and distribution	629,694	-	629,694
Waste collection and treatment	436,289	-	436,289
Depreciation and amortization	412,399	390,782	803,181
Total operating expenses	<u>3,243,717</u>	<u>8,332,570</u>	<u>11,576,287</u>
Operating income (loss)	<u>158,401</u>	<u>(432,307)</u>	<u>(273,906)</u>
<b>Non-Operating Revenues (Expenses):</b>			
Investment earnings	-	28,853	28,853
Rental income	86,481	-	86,481
Grant revenue	64,950	-	64,950
Coal ash recovery revenue	-	108,079	108,079
Interest on long-term debt	(77,990)	(923)	(78,913)
Total non-operating revenues (expenses)	<u>73,441</u>	<u>136,009</u>	<u>209,450</u>
Income (loss) before transfers	231,842	(296,298)	(64,456)
Transfers from (to) other funds:			
General Fund - payment in lieu of taxes	-	(735,733)	(735,733)
American Rescue Plan Fund	586,000	-	586,000
Change in net position	<u>817,842</u>	<u>(1,032,031)</u>	<u>(214,189)</u>
<b>Net Position:</b>			
Beginning of year, July 1	8,767,544	10,063,946	18,831,490
Restatement	(6,158)	3,257	(2,901)
Beginning of year, as restated	<u>8,761,386</u>	<u>10,067,203</u>	<u>18,828,589</u>
End of year, June 30	<u>\$ 9,579,228</u>	<u>\$ 9,035,172</u>	<u>\$ 18,614,400</u>

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

**TOWN OF DALLAS, NORTH CAROLINA**

**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2023**

	<u>Major Enterprise Funds</u>		
	<u>Water and Sewer Fund</u>	<u>Electric Fund</u>	<u>Total</u>
<b>Cash Flows from Operating Activities:</b>			
Cash received from customers	\$ 3,445,000	\$ 8,403,221	\$ 11,848,221
Customer deposits received			
Cash paid for goods and services	(1,290,180)	(5,255,416)	(6,545,596)
Cash paid to or on behalf of employees for services	<u>(1,205,331)</u>	<u>(2,174,964)</u>	<u>(3,380,295)</u>
Net cash provided (used) by operating activities	<u>949,489</u>	<u>972,841</u>	<u>1,922,330</u>
<b>Cash Flows from Non-Capital Financing Activities:</b>			
Transfers (from) to other funds	<u>586,000</u>	<u>(735,733)</u>	<u>(149,733)</u>
<b>Cash from Capital and Related Financing Activities:</b>			
Acquisition and construction of capital assets	(871,630)	(285,421)	(1,157,051)
Grant revenues	64,950	-	64,950
Payment of coal ash - net of receipts	-	108,079	108,079
Principal paid on long-term debt	(183,691)	(27,015)	(210,706)
Interest paid on long-term debt	<u>(82,324)</u>	<u>(2,360)</u>	<u>(84,684)</u>
Net cash provided (used) by capital and related financing activities	<u>(1,072,695)</u>	<u>(206,717)</u>	<u>(1,279,412)</u>
<b>Cash Flows from Investing Activities:</b>			
Rental income	86,481	-	86,481
Investment earnings	<u>-</u>	<u>28,853</u>	<u>28,853</u>
Net cash provided (used) by investment activities	<u>86,481</u>	<u>28,853</u>	<u>115,334</u>
Net increase (decrease) in cash and cash equivalents	549,275	59,244	608,519
<b>Cash and Cash Equivalents:</b>			
Beginning of year, July 1	<u>2,572,271</u>	<u>4,390,632</u>	<u>6,962,903</u>
End of year, June 30	<u>\$ 3,121,546</u>	<u>\$ 4,449,876</u>	<u>\$ 7,571,422</u>

*The accompanying notes are an integral part of the financial statements.*



**TOWN OF DALLAS, NORTH CAROLINA**

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2023**

	<u>Major Enterprise Funds</u>		
	<u>Water and Sewer Fund</u>	<u>Electric Fund</u>	<u>Total</u>
<b>Reconciliation of Operating Income (Loss) to</b>			
<b>Net Cash Provided (Used) by Operating Activities:</b>			
Operating income (loss)	\$ 158,401	\$ (432,307)	\$ (273,906)
<b>Adjustments to Reconcile Net Operating Income</b>			
<b>to Net Cash Provided by Operating Activities:</b>			
Amortization	11,073	6,311	17,384
Depreciation	401,326	384,471	785,797
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	39,743	497,643	537,386
(Increase) decrease in inventory	22,712	21,298	44,010
(Increase) decrease in deferred outflows - pensions	(163,548)	(157,491)	(321,039)
Increase (decrease) in net pension liability	492,754	474,504	967,258
Increase (decrease) in deferred inflows - pensions	(260,952)	(251,287)	(512,239)
(Increase) decrease in deferred outflows - OPEB	(26,627)	(18,456)	(45,083)
Increase (decrease) in net OPEB liability	10,373	7,308	17,681
Increase (decrease) in deferred inflows - OPEB	23,368	16,464	39,832
Increase (decrease) in accounts payable and accrued liabilities	225,221	403,895	629,116
Increase (decrease) in accrued vacation pay	12,506	15,173	27,679
Increase (decrease) in customer deposits	3,139	5,315	8,454
Total adjustments	<u>791,088</u>	<u>1,405,148</u>	<u>2,196,236</u>
Net cash provided (used) by operating activities	<u>\$ 949,489</u>	<u>\$ 972,841</u>	<u>\$ 1,922,330</u>
<b>Supplemental Disclosure of Non-Cash Transactions:</b>			
Right-to-use assets/obligations issued	<u>\$ 8,981</u>	<u>\$ 12,415</u>	<u>\$ -</u>

*The accompanying notes are an integral part of the financial statements.*

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# TOWN OF DALLAS, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

### 1. Summary of Significant Accounting Policies

The financial statements 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 located in Rowan County, which is in the Piedmont area of North Carolina. The Town has a population of approximately 6,016. The Town provides electric, water and sewer services to its residents.

The Town of Dallas is a municipal corporation governed by an elected Mayor and a five-member Board of Aldermen. As required by generally accepted accounting principles, these financial statements present the Town financial position.

#### B. Basis of Presentation

*Government-Wide Statements.* The Statement of Net Position and the Statement of Activities display the information about the government. These statements include the activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. The 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 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 and services offered by the programs and (b) grants and contributions that are restricted to meeting the operational and 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 Town has no fiduciary funds to report. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as 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 the same values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities. Other non-operating revenues are ancillary activities such as investment earnings.

# TOWN OF DALLAS, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

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, and sanitation services.

**The American Rescue Plan Fund.** The American Rescue Plan Fund is a grant project special revenue fund used to account for the Town's portion of the American Rescue Plan Act (ARPA) funding.

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

The Town reports the following nonmajor governmental funds:

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

**"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.

**SCIF Grant Fund.** This fund is used to account for grant funds received from a State Capital and Infrastructure Fund Directed Grant.

**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 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 basis of accounting.

*Government-Wide and Proprietary Fund Financial Statements.* The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

# TOWN OF DALLAS, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

Non-exchange transactions, in which the Town gives (or receives) value without directly receiving (or giving) equal value in exchange, includes 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 the producing and delivering of goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town enterprise funds are charges to customers for sales and services. The Town also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water and sewer system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

The Town considers all revenue available if they are collected within 60 days after year end, except for property taxes. Ad valorem taxes receivable are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, state law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the state of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes and certain intergovernmental revenues, such as the 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 the Town because the tax is levied by Rowan 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.

# TOWN OF DALLAS, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

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 is both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then general revenues.

### **D. Budgetary Data**

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund, CDBG Fund, Storm Water Fund, "T.O.P. T.I.E.R." Program Fund, and the enterprise funds. All annual appropriations lapse at the fiscal-year end. Project ordinances are adopted for capital projects funds, the SCIF fund, and the American Rescue Plan Fund. 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 departmental level for all annually budgeted funds, and at the project level for the multi-year funds. Expenditures may not legally exceed appropriations at the activity level for enterprise funds, the project level for multi-year funds, and the department level for all other funds. Amendments are required for any revisions that alter total expenditures of any fund or that change departmental appropriations. 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 and Inflows of Resources, and Fund Equity**

#### **Deposits and Investments**

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

State law [G.S. 159-31] 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 generally reported at fair value. The NCCMT Government Portfolio, an SEC-registered (2a-7) money market mutual fund, is measured at fair value. Because the NCCMT Government Portfolio has a weighted average maturity of less than 90 days, it is presented as an investment with a maturity of less than 6 months.

**TOWN OF DALLAS, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2023**

**Cash and Cash Equivalents**

The Town pools money from several funds to facilitate disbursements and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents.

**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 of maintaining, repairing, constructing, reconstructing or widening of local streets per G.S. 136-41.1 through 136-41.4. Federal Asset Seizure Funds are also classified as restricted cash, because they can only be expended for the purposes of the expenses associated with forfeited operations or used to finance general investigative expenses. Unspent ARPA, SCIF, and CDBG grant funds are also classified as restricted cash, because they can only be expended for the purposes of the expenses associated with these specific funds.

**Governmental Activities:**

Streets - Powell Bill	\$	175,991
Public Safety		23,540
Unspent ARPA grant funds		942,792
Unspent SCIF grant funds		180,000
Unspent CDBG grant funds		<u>72,430</u>
Total governmental activities		<u>1,394,753</u>

**Business-Type Activities:**

Water Fund:		
Customer deposits		80,393
Electric Fund:		
Customer deposits		<u>214,499</u>
Total business-type activities		<u>294,892</u>
Total restricted cash	\$	<u>1,689,645</u>

**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 1 (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2022.

# TOWN OF DALLAS, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

### 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.

### 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.

### 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 30, 2015, are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 30, 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 after July 1, 1980, and are reported at estimated historical cost using deflated replacement costs. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

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



# TOWN OF DALLAS, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

### **Right-to-Use Assets**

The Town has recorded the right-to-use lease assets as a result of implementing GASB 87. The right-to-use assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. The right-to-use lease assets are amortized on a straight-line basis over the life of the related lease.

The City has recorded the right-to-use subscription assets related to subscription-based information technology arrangements (SBITAs) as a result of implementing GASB 96. The right to use subscription assets are initially measured at an amount equal to the initial measurement of the subscription liability plus payments made to the SBITA vendor before commencement of the subscription term, plus capitalizable implementation costs, less any incentives received from the SBITA vendor at or before the commencement of the subscription term. The right-to-use subscription assets are amortized on a straight-line basis over the life of the related SBITA.

### **Deferred Outflows / Inflows of Resources**

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net assets that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has two items that meets this criterion, pension deferrals and OPEB deferrals for the 2023 fiscal year. In addition to liabilities, the Statement of Net 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 assets that applies to a future period and so will not be recognized as revenue until then. The Town has several items that meet the criteria for this category – property taxes receivable, and pension and OPEB deferrals.

### **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 statements 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 premium or discount. Bond issuance cost, except for prepaid insurance costs are expensed over the life of the debt. In fund financial statements, the governmental fund type recognizes 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 issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual net proceeds received, are reported as debt service expenditures.

# TOWN OF DALLAS, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

### 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 taken, no accrual for sick leave has been made.

### Net Position / Fund Balances

#### Net Position

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

#### Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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

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

*Restricted for Stabilization by State Statute* – North Carolina G.S. 159-8 prohibits units of government from budgeting or spending a portion of their fund balance. This is one of several statutes enacted by the North Carolina State Legislature in the 1930's that were designed to improve and maintain the fiscal health of local government units. Restricted by state statute (RSS), is calculated at the end of each fiscal year for all annually budgeted funds. The calculation

# TOWN OF DALLAS, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

in G.S. 159-8(a) provides a formula for determining what portion of fund balance is available for appropriation. The amount of fund balance not available for appropriation is what is known as “restricted by state statute”. Appropriated fund balance in any fund shall not exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts, as those figures stand at the close of the fiscal year next preceding the budget. Per GASB guidance, RSS is considered a resource upon which a restriction is “imposed by law through constitutional provisions or enabling legislation.” RSS is reduced by inventories and prepaids as they are classified as non-spendable. Outstanding encumbrances are included within RSS. RSS is included as a component of restricted net position and restricted fund balance on the face of the balance sheet.

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

*Restricted for Public Safety* – Portion of fund balance that is used to account for narcotic enforcement.

*Restricted for Economic Development* – Portion of fund balance that is restricted by revenue source to be used for future CDBG projects.

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

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

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

*Assigned for Capital Projects* – the portion of fund balance that has been budgeted by the Board for future capital projects.

*Assigned for T.O.P. T.I.E.R. Program* – the portion of fund balance that has been budgeted by the Board for economic development.

*Assigned for Subsequent Year’s Expenditures* – the portion of fund balance that is appropriated in the next year’s budget that is not already classified as restricted or committed. The governing body approves the appropriation.

# TOWN OF DALLAS, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

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

The 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, and Town funds. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in order by committed fund balance, assigned fund balance and lastly, unassigned fund balance. The Finance Officer has the authority to deviate from this policy if it is in the best interest of the Town.

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

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

<b>Total Fund Balance - General Fund</b>	\$ 4,045,637
Less:	
Inventories	312
Stabilization by state statute	<u>390,302</u>
Total available fund balance	<u><u>\$ 3,655,023</u></u>

At June 30, 2023, the Town had no outstanding encumbrances in the General Fund.

### **Defined Benefit Cost-Sharing Plans**

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

# TOWN OF DALLAS, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

### 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.

## 2. Detail Notes on All Funds

### A. Assets

#### 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 under collateralization. This risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town has no formal policy regarding custodial credit risk for deposits but relies on the State Treasurer to enforce standards of minimum capitalization for all Pooling Method financial institutions and to monitor them for compliance. The Town complies with the provisions of G.S, 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2023, the Town's deposits had a carrying amount of \$3,606,917 and a bank balance of \$3,907,710. The bank balances of the Town were covered by \$250,000 of federal depository insurance. The remaining balance of deposits is collateralized under the Pooling Method as enumerated above. At June 30, 2023, the Town's petty cash fund totaled \$1,153.

#### Investments

At June 30, 2023, the Town had \$11,648,052 invested with the North Carolina Capital Management Trust's (NCCMT) Government Portfolio, which carried a credit rating of AAAM by Standard and Poor's and AAA-mf by Moody's Investor Service. The Town has no policy regarding credit risk.

**TOWN OF DALLAS, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2023**

**Receivables – Allowances for Doubtful Accounts**

The amounts presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2023 are net of the following allowances for doubtful accounts:

**General Fund:**

Taxes receivable	\$	9,582
Accounts receivable		546
Storm Water Fund - accounts receivable		170
		10,298

**Enterprise Funds:**

Electric Fund - accounts receivable		61,090
Water and Sewer Fund - accounts receivable		13,475
		74,565

Total	\$	84,863
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**Due from Other Governments**

Due from other governments that is owed to the Town consists of the following:

Local option sales tax	\$	5,454
Sales tax refund receivable		267,098
Other		74,286
Total	\$	346,838

**Note 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 completed 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.

Year Ending	Principal	Interest
2024	\$ -	\$ 4,249
2025	210,486	1,881
Total	\$ 210,486	\$ 6,130

# TOWN OF DALLAS, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

### Capital Assets

Capital asset activity for the primary government for the year ended June 30, 2023 is as follows:

	<b>Balance July 1, 2022 (Restated)</b>	<b>Increases</b>	<b>Decreases</b>	<b>Transfers</b>	<b>Balance June 30, 2023</b>
<b>Governmental Activities:</b>					
<b>Non-Depreciable Capital Assets:</b>					
Land	\$ 381,182	\$ -	\$ -	\$ -	\$ 381,182
Construction in progress	98,666	36,040	-	-	134,706
Total non-depreciable assets	<u>479,848</u>	<u>36,040</u>	<u>-</u>	<u>-</u>	<u>515,888</u>
<b>Depreciable Capital Assets:</b>					
Buildings	4,576,900	-	-	-	4,576,900
Distribution	115,707	-	-	-	115,707
Other improvements	1,442,723	-	-	-	1,442,723
Vehicles and equipment	2,931,138	119,465	-	-	3,050,603
Infrastructure	871,392	82,131	-	-	953,523
Total depreciable assets	<u>9,937,860</u>	<u>201,596</u>	<u>-</u>	<u>-</u>	<u>10,139,456</u>
<b>Right to Use Leased Assets:</b>					
Leased vehicles	184,310	151,811	-	-	336,121
Subscriptions	-	6,336	-	-	6,336
Total right to use leased assets	<u>184,310</u>	<u>158,147</u>	<u>-</u>	<u>-</u>	<u>342,457</u>
<b>Less Accumulated Depreciation:</b>					
Buildings	1,617,957	121,626	-	-	1,739,583
Distribution	15,747	3,981	-	-	19,728
Other Improvements	397,489	58,151	-	-	455,640
Vehicles and equipment	2,185,991	187,244	-	-	2,373,235
Infrastructure	228,210	29,046	-	-	257,256
Total accumulated depreciation	<u>4,445,394</u>	<u>400,048</u>	<u>-</u>	<u>-</u>	<u>4,845,442</u>
<b>Less Accumulated Amortization:</b>					
Leased vehicles	52,426	63,537	-	-	115,963
Subscriptions	-	2,551	-	-	2,551
Total accumulated amortization	<u>52,426</u>	<u>\$ 66,088</u>	<u>\$ -</u>	<u>\$ -</u>	<u>118,514</u>
Governmental activities capital assets, net	<u>\$ 6,104,198</u>				<u>\$ 6,033,845</u>

# TOWN OF DALLAS, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

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

**Governmental Activities:**

General government	\$	111,294
Public safety		220,965
Environmental protection		70,570
Culture and recreation		45,135
Streets		18,172
Total	\$	<u>466,136</u>



# TOWN OF DALLAS, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

Capital asset activity for the business-type activities for the year ended June 30, 2023 is as follows:

	Balance July 1, 2022 (Restated)	Increases	Decreases	Transfers	Balance June 30, 2023
<b>Business-Type Activities:</b>					
<b>Water and Sewer Fund:</b>					
<b>Non-Depreciable Capital Assets:</b>					
Land	\$ 117,261	\$ -	\$ -	\$ -	\$ 117,261
Construction in progress	339,807	442,799	-	(333,607)	448,999
Right of way	41,648	-	-	-	41,648
Total non-depreciable capital assets	<u>498,716</u>	<u>442,799</u>	<u>-</u>	<u>(333,607)</u>	<u>607,908</u>
<b>Depreciable Capital Assets:</b>					
Buildings	300,869	-	-	-	300,869
Distribution systems	11,596,550	-	-	-	11,596,550
Equipment	1,085,574	77,688	-	-	1,163,262
Sewer plant	1,522,712	241,729	-	333,607	2,098,048
Water plant	2,030,916	109,414	-	-	2,140,330
Total depreciable capital assets	<u>16,536,621</u>	<u>428,831</u>	<u>-</u>	<u>333,607</u>	<u>17,299,059</u>
<b>Right to Use Leased Assets:</b>					
Leased vehicles	20,066	-	-	-	20,066
Subscriptions	-	11,337	-	-	11,337
Total right to use leased assets	<u>20,066</u>	<u>11,337</u>	<u>-</u>	<u>-</u>	<u>31,403</u>
<b>Less Accumulated Depreciation:</b>					
Buildings	147,248	8,427	-	-	155,675
Distribution systems	4,742,966	259,069	-	-	5,002,035
Equipment	930,299	38,524	-	-	968,823
Sewer plant	1,234,589	42,089	-	-	1,276,678
Water plant	1,701,657	53,217	-	-	1,754,874
Total accumulated depreciation	<u>8,756,759</u>	<u>401,326</u>	<u>-</u>	<u>-</u>	<u>9,158,085</u>
<b>Less Accumulated Amortization:</b>					
Leased vehicles	6,508	6,508	-	-	13,016
Subscriptions	-	4,565	-	-	4,565
Total accumulated amortization	<u>6,508</u>	<u>\$ 11,073</u>	<u>\$ -</u>	<u>\$ -</u>	<u>17,581</u>
Total depreciable capital assets, net	<u>7,793,420</u>				<u>8,154,796</u>
Water and Sewer Fund capital assets, net	<u>\$ 8,292,136</u>				<u>\$ 8,762,704</u>

**TOWN OF DALLAS, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2023**

	<b>Balance July 1, 2022 (Restated)</b>	<b>Increases</b>	<b>Decreases</b>	<b>Transfers</b>	<b>Balance June 30, 2023</b>
<b>Electric Fund:</b>					
<b>Non-Depreciable Capital Assets:</b>					
Land	\$ 71,808	\$ -	\$ -	\$ -	\$ 71,808
Construction in progress	4,405	-	-	(4,405)	-
Total non-depreciable capital assets	76,213	-	-	(4,405)	71,808
<b>Depreciable Capital Assets:</b>					
Buildings	701,898	-	-	-	701,898
Distribution system	7,602,741	93,493	-	4,405	7,700,639
Equipment	2,907,827	191,928	-	-	3,099,755
Total depreciable capital assets	11,212,466	285,421	-	4,405	11,502,292
<b>Right to Use Leased Assets:</b>					
Subscriptions	-	15,672	-	-	15,672
<b>Less Accumulated Depreciation:</b>					
Buildings	250,015	24,033	-	-	274,048
Distribution system	4,021,055	194,309	-	-	4,215,364
Equipment	2,143,723	166,129	-	-	2,309,852
Total accumulated depreciation	6,414,793	384,471	-	-	6,799,264
<b>Less: Accumulated Amortization:</b>					
Subscriptions	-	\$ 6,311	\$ -	\$ -	6,311
Total depreciable capital assets, net	4,797,673				4,712,389
Electric Fund capital assets, net	4,873,886				4,784,197
Business-type capital assets, net	\$ 13,166,022				\$ 13,546,901

## TOWN OF DALLAS, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

#### Construction Commitments

The Town had active construction projects as of June 30, 2023. At year-end, the outstanding commitments with contractors are as follows:

<b>Project</b>	<b>Spent-to-Date</b>	<b>Remaining Commitment</b>
Dallas Stanley Pump Station Upgrade	\$ 195,406	\$ 1,049,830
Town Hall Annex Building	27,487	19,283
	\$ 222,893	\$ 1,069,113

#### B. Liabilities

##### Payables

Payables at the government-wide level at June 30, 2023 were as follows:

	<b>Vendors</b>	<b>Salaries &amp; Benefits</b>	<b>Total</b>
<b>Governmental Activities:</b>			
General	\$ 30,936	\$ 59,180	\$ 90,116
<b>Business-Type Activities:</b>			
Electric Fund	\$ 863,588	\$ 31,837	\$ 895,425
Water & Sewer Fund	251,207	34,824	286,031
Total - business-type activities	\$ 1,114,795	\$ 66,661	\$ 1,181,456

#### Pension Plan Obligations

##### Local Governmental Employees' Retirement System

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

## TOWN OF DALLAS, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

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

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

**Contributions.** Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. The Town of Dallas employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town of Dallas' contractually required contribution rate for the year ended June 30, 2023, was 13.10% of compensation for law enforcement officers and 12.10% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Dallas were \$439,276 for the year ended June 30, 2023.

*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 FOR THE YEAR ENDED JUNE 30, 2023

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

At June 30, 2023, the Town reported a liability of \$2,509,307 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2021. The total pension liability was then rolled forward to the measurement date of June 30, 2022 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, 2022 (measurement date), the Town's proportion was 0.04448%, which was a decrease of 0.00014% from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the Town recognized pension expense of \$692,072. At June 30, 2023, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 108,124	\$ 10,601
Changes of assumptions	250,373	-
Net difference between projected and actual earnings on pension plan investments	829,352	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	862	39,328
Town contributions subsequent to the measurement date	439,276	-
Total	<b>\$ 1,627,987</b>	<b>\$ 49,929</b>

\$439,276 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ending June 30, 2024. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ending June 30</b>	<b>Total</b>
2024	\$ 352,174
2025	303,478
2026	88,010
2027	395,120
2028	-
Thereafter	-
Total	<b>\$ 1,138,782</b>

# TOWN OF DALLAS, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

**Actuarial Assumptions.** The total pension liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary increases	3.25 to 8.25 percent, including inflation and productivity factor
Investment rate of return	6.50 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 and methods used in the December 31, 2021 actuarial valuation, were based on the results of an actuarial experience study prepared as of December 31, 2019 and adopted by the Board of Trustees on January 28, 2021.

Future and ad hoc cost of living adjustment 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, 2022 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	33.0%	0.9%
Global equity	38.0%	6.5%
Real estate	8.0%	5.9%
Alternatives	8.0%	8.2%
Opportunistic fixed income	7.0%	5.0%
Inflation sensitive	<u>6.0%</u>	2.7%
Total	<u>100.00%</u>	

**TOWN OF DALLAS, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2023**

The information above is based on 30-year expectations developed with an investment consulting firm as part of a study that was completed in early 2022, and is part of the asset, liability and investment policy of the North Carolina Retirement Systems. 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 2.25%. Return projections do not include any excess return expectations over benchmark averages. All rates of return and inflation are annualized.

**Discount Rate.** The discount rate used to measure the total pension liability was 6.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the Town’s Proportionate Share of the Net Pension Asset to Changes in the Discount Rate.* The following presents the Town’s proportionate share of the net pension asset calculated using the discount rate of 6.50 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 (5.50 percent) or one percentage point higher (7.50 percent) than the current rate:

	<b>1% Decrease (5.50%)</b>	<b>Discount Rate (6.50%)</b>	<b>1% Increase (7.50%)</b>
Town's proportionate share of the net pension liability (asset)	\$ 4,528,976	\$ 2,509,307	\$ 844,983

**Pension Plan Fiduciary Net Position.** Detailed information about the pension plan’s fiduciary net position is available in the separately issued Annual Comprehensive Financial Report for the state of North Carolina.

**Law Enforcement Officers Special 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 under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to .85% of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. A separate report was not issued for the plan.

# TOWN OF DALLAS, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

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

Retirees receiving benefits	3
Terminated plan members entitled to, but not yet receiving, benefits	-
Active plan members	<u>14</u>
Total	<u><u>17</u></u>

### Summary of Significant Accounting Policies

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

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

**Actuarial Assumptions.** The entry age normal actuarial cost method was used in the December 31, 2021 valuation. The total pension liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary increases	3.25 to 7.75 percent, including inflation and real wage growth
Discount rate	4.31 percent

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

The actuarial assumptions used in the December 31, 2021 valuation were based on the results of an experience study completed by the Actuary for the Local Governmental Employees' Retirement System for the five-year period ended December 31, 2019.

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

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



# TOWN OF DALLAS, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

*Deaths After Retirement (Healthy):* Mortality rates are based on the Safety Mortality Table for Retirees. Rates for all members are multiplied by 97% and set forward by one year.

*Deaths After Retirement (Disabled Members at Retirement):* Mortality rates are based on the Non-Safety Mortality Table for Disabled Retirees. Rates are set back three years for all ages.

*Deaths After Retirement (Survivors of Deceased Members):* Mortality rates are based on the Below-median Teachers Mortality Table for Contingent Survivors. Rates for male members are set forward three years. Rates for female members are set forward one year. Because the contingent survivor tables have no rates prior to age 45, the Below-median Teachers Mortality Table for Employees is used for ages less than 45.

*Deaths Prior to Retirement:* Mortality rates are based on the Safety Mortality Table for Employees.

**Contributions.** The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay-as-you-go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The Town’s obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The Town paid \$38,653 as benefits came due for the reporting period.

At June 30, 2023, the Town reported a total pension liability of \$468,205. The total pension liability was measured as of December 31, 2022 based on a December 31, 2021 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2022 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2023, the Town recognized pension expense of \$49,650.

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 73,337	\$ 30,721
Changes of assumptions	54,706	98,849
Town benefit payments and plan administrative expense made subsequent to the measurement date	15,299	-
<b>Total</b>	<b>\$ 143,342</b>	<b>\$ 129,570</b>

**TOWN OF DALLAS, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2023**

\$15,299 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ending June 30, 2024. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ending June 30</b>	<b>Amount</b>
2024	\$ (315)
2025	14,951
2026	13,348
2027	(7,943)
2028	(18,432)
Thereafter	(3,136)
Total	<u>\$ (1,527)</u>

*Sensitivity of the Town's Total Pension Liability to Changes in the Discount Rate.* The following presents the Town's total pension liability calculated using the discount rate of 4.31%, as well as what the Town's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.31%) or 1-percentage-point higher (5.31%) than the current rate:

	<b>1% Decrease (3.31%)</b>	<b>Discount Rate (4.31%)</b>	<b>1% Increase (5.31%)</b>
Total pension liability	<u>\$ 514,782</u>	<u>\$ 468,205</u>	<u>\$ 426,466</u>

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

	<b>2023</b>
Beginning balance	\$ 573,604
Service cost	34,511
Interest on the total pension liability	12,471
Differences between expected and actual experience	(12,033)
Changes of assumptions or other inputs	(101,695)
Benefit payments	(38,653)
Ending balance of the total pension liability	<u>\$ 468,205</u>

# TOWN OF DALLAS, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

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

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

	<b>LGERS</b>	<b>LEOSSA</b>	<b>Total</b>
Pension expense	\$ 692,072	\$ 49,650	\$ 741,722
Pension liability	2,509,307	468,205	2,977,512
Proportion of the net pension liability	0.04448%	NA	-

At June 30, 2023, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>LGERS</b>	<b>LEOSSA</b>	<b>Total</b>
<b>Deferred Outflows of Resources:</b>			
Differences between expected and actual experience	\$ 108,124	\$ 73,337	\$ 181,461
Changes of assumptions	250,373	54,706	305,079
Net difference between projected and actual earnings on pension plan investments	829,352	-	829,352
Changes in proportion and differences between Town contributions and proportionate share of contributions	862	-	862
Town contributions (LGERS) and benefit payments and administration costs (LEOSSA) subsequent to the measurement date	439,276	15,299	454,575
Total	\$ 1,627,987	\$ 143,342	\$ 1,771,329
<b>Deferred Inflows of Resources:</b>			
Differences between expected and actual experience	\$ 10,601	\$ 30,721	\$ 41,322
Changes of assumptions	-	98,849	98,849
Changes in proportion and differences between Town contributions and proportionate share of contributions	39,328	-	39,328
Total	\$ 49,929	\$ 129,570	\$ 179,499

# TOWN OF DALLAS, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

### **Supplemental Retirement Income Plan for Law Enforcement Officers and Other Employees**

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

**Funding Policy.** Article 12E of GS Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officer's salary and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. The Town made contributions of \$30,561 for the reporting year. No amounts were forfeited.

The Town contributes each month an amount equal to five percent of other employees' salaries, and all amounts contributed are vested immediately. Also, the other employees may make voluntary contributions to the plan. The Town made contributions of \$42,040 for the reporting year. No amounts were forfeited.

### **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 five percent of each employee's salary, and all amounts contributed are vested immediately. Also, the employees may make voluntary contributions to the plan.

The Town made contributions of \$117,504 for the reporting year. No amounts were forfeited.

### **Other Post-Employment Benefit Healthcare Benefits**

**Plan Description.** Under the terms of a Town resolution, the Town administers a single employer defined benefit Healthcare Benefits Plan (the HCB Plan). Under the terms of the Town of Dallas, North Carolina's Healthcare Policy, the Board of Aldermen has the authority to establish and amend the benefit provisions. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

# TOWN OF DALLAS, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

**Benefits Provided.** Upon retirement from the Town of Dallas, fulltime employees that have at least twenty-five (25) years of continuous service with the Town of Dallas and thirty (30) years of creditable\* service with the North Carolina Local Government Employees' Retirement System (LGERS) and have not reached the current Medicare Eligible age shall continue to be covered under the Town's Group Health Insurance Plan until such time as the employee reaches the current Medicare Eligible age. If the Town provides a choice of medical plans to employees, the retiree will receive coverage only under the Base Medical Plan\*\* provided to fulltime employees. Medical coverage will extend to the retired employee only. Dependents (spouse, children, etc.) will not be eligible to receive nor purchase coverage under the Town Group Plan.

At such time as the retired employee reaches Medicare Eligible age, group coverage under the Town of Dallas plan will cease and the retired employee will be responsible for obtaining Medicare, and any Supplemental Insurance as they deem necessary, at their own cost. Further, any retiree eligible for coverage continuation shall lose that eligibility and coverage if, and when, the retiree becomes employed following retirement from the Town, and as a result becomes eligible for coverage under the new employers' plan,

\*Creditable Service with LGERS is defined as having accumulated a combination of years of service and sick hours to yield 30 years of service with the North Carolina Local Government Employees' Retirement System.

\*\*Base Medical Plan is the plan provided to full-time Town of Dallas employees at no cost to the employee.

Membership of the HCB Plan consisted of the following on June 30, 2021, the date of the last actuarial valuation:

	<u>Employees</u>
Retirees receiving benefits	-
Terminate plan members entitled to, but not yet receiving, benefits	-
Active plan members	<u>54</u>
Total	<u><u>54</u></u>

# TOWN OF DALLAS, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

### Total OPEB Liability

The Town's total OPEB liability of \$306,709 was measured as of June 30, 2022 and was determined by an actuarial valuation as June 30, 2021. Actuarial assumptions and other inputs. The total OPEB liability in the June 30, 2021, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.5 percent
Real wage growth	0.75 percent
Wage inflation	3.25 percent
Salary increases, including wage inflation	
General employees	3.25 - 8.41 percent
Law Enforcement Officers	3.25 - 7.90 percent
Municipal Bond Index Rate	
Prior measurement date	2.16 percent
Measurement date	3.54 percent
Healthcare cost trend rates	
Pre-Medicare medical and prescription drug	7.00 percent for 2021 decreasing to an ultimate rate of 4.5 percent by 2031

### Changes in the Total OPEB Liability

	<b>Total OPEB Liability</b>
<b>Balance at July 1, 2022</b>	<u>\$ 283,133</u>
Changes for the year	
Service cost	26,071
Interest	6,656
Differences between expected and actual experience	51,793
Changes in assumptions or other inputs	(58,851)
Benefit payments	<u>(2,093)</u>
Net changes	<u>23,576</u>
<b>Balance at June 30, 2023</b>	<u>\$ 306,709</u>

Changes in assumptions and other inputs reflect a change in the discount rate of from 2.16% to 3.54%.

The Town selected a Municipal Bond Index Rate equal to the Bond Buyer 20-Year General Obligation Bond Index published at the last Thursday of June by The Bond Buyer, and the Municipal Bond Index Rate as of the measurement date as the discount rate used to measure the TOL.

## TOWN OF DALLAS, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

Mortality rates were based on the Pub-2010 mortality tables, with adjustments for LGERS experience and generational mortality improvements using Scale MP-2019.

The demographic actuarial assumptions for retirement, disability incidence, withdrawal and salary increases used in the June 30, 2021, valuation were based on the results of an actuarial experience study for the period January 1, 2015 through December 31, 2019, adopted by the LGERS Board.

*Sensitivity of the Total OPEB Liability to Changes in the Discount Rate.* The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.54 percent) or 1-percentage-point higher (4.54 percent) than the current discount rate:

	<b>1% Decrease (2.54%)</b>	<b>Discount Rate (3.54%)</b>	<b>1% Increase (4.54%)</b>
Total OPEB liability	\$ 348,273	\$ 306,709	\$ 270,355

*Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates.* The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1- percentage-point lower or 1 percentage-point higher than the current healthcare cost trend rates:

	<b>1% Decrease</b>	<b>Discount Rate</b>	<b>1% Increase</b>
Total OPEB liability	\$ 260,822	\$ 306,709	\$ 362,228

#### **OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

For the year ended June 30, 2023, the Town recognized OPEB expense of \$41,138. At June 30, 2023, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 46,740	\$ -
Changes of assumptions	32,471	53,109
Town benefit payments and plan administrative expense made subsequent to the measurement date	17,543	-
Total	\$ 96,754	\$ 53,109

**TOWN OF DALLAS, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2023**

\$17,543 reported as deferred outflows of resources related to OPEB resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total OPEB liability in the year ended June 30, 2024. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ending June 30</b>	<b>Amount</b>
2024	\$ 3,335
2025	3,335
2026	3,335
2027	3,335
2028	3,335
Thereafter	9,427
Total	<u>\$ 26,102</u>

**Other Employment Benefits**

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

**Deferred Outflows and Inflows of Resources**

Deferred outflows of resources are comprised of the following:

<b>Source</b>	<b>Amount</b>
Deferred outflows - LGERS	\$ 1,627,987
Deferred outflows - LEOSSA	143,342
Deferred outflows - OPEB	96,754
Total	<u>\$ 1,868,083</u>



# TOWN OF DALLAS, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

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

	<u>Statement of Net Position</u>	<u>Governmental Balance Sheet</u>
Taxes receivable, net (General Fund)	\$ -	\$ 19,595
Deferred inflows - LGERS	49,929	-
Deferred inflows - LEOSSA	129,570	-
Deferred inflows - OPEB	53,109	-
Total	<u>\$ 232,608</u>	<u>\$ 19,595</u>

### Commitments

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

In August 2019, the Town received cost estimates for Duke Coal Ash Recovery. The Town of Dallas is a wholesale customer of Duke Energy. Due to a major Duke Energy coal ash spill, the Town is required to make annual coal ash payments to Duke Energy for coal ash recovery costs. The estimated cost to the Town of Dallas is \$1,491,353. To recover the costs, amounts will be added to the monthly regular Duke Energy bill. The amount recovered was \$108,162 for the year ended June 30, 2023, The coal ash recovery charge was \$115,000 for the year ended June 30, 2023.

### Risk Management

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

# TOWN OF DALLAS, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

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 \$1,000,000, while employees with custody of funds, or access to inventories, are covered under a blanket policy against crime, fraud, or theft.

### **Long-Term Obligations**

#### **Lease Liabilities**

The Town has entered into an agreement to lease vehicles. The lease agreement qualifies as other than short-term leases under GASB 87 and therefore, have been recorded at the present value of future minimum lease payments as of the date of their inception.

On March 31, 2023, the Town entered into a 60-month lease for the use of vehicles. An initial lease liability of \$47,400 was recorded at the present value of future minimum lease payments using the Town's incremental borrowing rate 2.822%. At June 30, 2023, the value of the lease liability was \$45,116. The Town is required to make monthly fixed payments of \$916. The related right-to-use asset has a carrying value of \$46,645.

On March 31, 2023, the Town entered into a 60-month lease for the use of vehicles. An initial lease liability of \$47,400 was recorded at the present value of future minimum lease payments using the Town's incremental borrowing rate 2.822%. At June 30, 2023, the value of the lease liability was \$45,116. The Town is required to make monthly fixed payments of \$916. The related right-to-use asset has a carrying value of \$46,645.

On December 1, 2022, the Town entered into a 60-month lease for the use of vehicles. An initial lease liability of \$52,045 was recorded at the present value of future minimum lease payments using the Town's incremental borrowing rate 3.445%. At June 30, 2023, the value of the lease liability was \$46,507. The Town is required to make monthly fixed payments of \$993. The related right-to-use asset has a carrying value of \$47,411.

On July 1, 2021, the Town entered into a 49-month lease for the use of vehicles. An initial lease liability of \$24,279 was recorded at the present value of future minimum lease payments using the Town's incremental borrowing rate 0.560%. At June 30, 2023, the value of the lease liability was \$12,451. The Town is required to make monthly fixed payments of \$567. The related right-to-use asset has a carrying value of \$12,387.

On July 1, 2021, the Town entered into a 42-month lease for the use of vehicles. An initial lease liability of \$26,009 was recorded at the present value of future minimum lease payments using the Town's incremental borrowing rate 0.560%. At June 30, 2023, the value of the lease liability was \$11,204. The Town is required to make monthly fixed payments of \$675. The related right-to-use asset has a carrying value of \$11,147.

## **TOWN OF DALLAS, NORTH CAROLINA**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023**

On July 1, 2021, the Town entered into a 43-month lease for the use of vehicles. An initial lease liability of \$36,091 was recorded at the present value of future minimum lease payments using the Town's incremental borrowing rate 0.560%. At June 30, 2023, the value of the lease liability was \$16,029. The Town is required to make monthly fixed payments of \$878. The related right-to-use asset has a carrying value of \$15,947.

On July 1, 2021, the Town entered into a 43-month lease for the use of vehicles. An initial lease liability of \$35,972 was recorded at the present value of future minimum lease payments using the Town's incremental borrowing rate 0.560%. At June 30, 2023, the value of the lease liability was \$15,976. The Town is required to make monthly fixed payments of \$875. The related right-to-use asset has a carrying value of \$15,895.

On July 1, 2021, the Town entered into a 43-month lease for the use of vehicles. An initial lease liability of \$36,128 was recorded at the present value of future minimum lease payments using the Town's incremental borrowing rate 0.560%. At June 30, 2023, the value of the lease liability was \$16,046. The Town is required to make monthly fixed payments of \$878. The related right-to-use asset has a carrying value of \$15,963.

On July 1, 2021, the Town entered into a 37-month lease for the use of vehicles. An initial lease liability of \$20,066 was recorded at the present value of future minimum lease payments using the Town's incremental borrowing rate 0.411%. At June 30, 2023, the value of the lease liability was \$7,077. The Town is required to make monthly fixed payments of \$611. The related right-to-use asset has a carrying value of \$7,050.

On July 1, 2021, the Town entered into a 35-month lease for the use of vehicles. An initial lease liability of \$10,137 was recorded at the present value of future minimum lease payments using the Town's incremental borrowing rate 0.411%. At June 30, 2023, the value of the lease liability was \$3,198. The Town is required to make monthly fixed payments of \$316. The related right-to-use asset has a carrying value of \$3,186.

On July 1, 2021, the Town entered into a 35-month lease for the use of vehicles. An initial lease liability of \$15,694 was recorded at the present value of future minimum lease payments using the Town's incremental borrowing rate 0.411%. At June 30, 2023, the value of the lease liability was \$4,951. The Town is required to make monthly fixed payments of \$476. The related right-to-use asset has a carrying value of \$4,932.

## TOWN OF DALLAS, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2023 are as follows:

Year Ending June 30	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2024	\$ 79,594	\$ 4,071	\$ 83,665	\$ 6,531	\$ 17	\$ 6,548
2025	56,074	2,970	59,044	546	-	546
2026	29,967	2,028	31,995	-	-	-
2027	30,375	1,118	31,493	-	-	-
2028	20,584	233	20,817	-	-	-
Total	<u>\$ 216,594</u>	<u>\$ 10,420</u>	<u>\$ 227,014</u>	<u>\$ 7,077</u>	<u>\$ 17</u>	<u>\$ 7,094</u>

#### Subscriptions

The Town has entered into subscription-based information technology arrangements (SBITAs). The SBITAs qualify as other than short-term SBITAs under GASB 96 and, therefore, have been recorded at the present value of the future minimum subscription payments as of the date of their inception.

On July 1, 2022, the Town entered into a 29-month subscription for the use of software. An initial subscription liability of \$26,415 was recorded at the present value of future minimum subscription payments using the Town's incremental borrowing rate 2.1937%. At June 30, 2023, the value of the subscription liability was \$14,830. The Town is required to make quarterly fixed payments of \$3,015. The related right-to-use asset has a carrying value of \$19,918.

The future minimum subscription obligations and the net present value of these minimum subscription payments as of June 30, 2023 were as follows:

Year Ending June 30	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2024	\$ 2,248	\$ 43	\$ 2,291	\$ 9,584	\$ 185	\$ 9,769
2025	570	3	573	2,428	13	2,441
Total	<u>\$ 2,818</u>	<u>\$ 46</u>	<u>\$ 2,864</u>	<u>\$ 12,012</u>	<u>\$ 198</u>	<u>\$ 12,210</u>

# TOWN OF DALLAS, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

Installment purchases consist of the following at June 30, 2023:

**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 the annual interest rate of 4.33%, through 2033, secured by the fire station building. \$ 836,574

\$349,944 loan for a fire truck, with principal and interest payments of \$31,325, due annually in July, at an annual rate of 3.914%, through 2028, secured by fire truck. 164,493

\$235,000 loan for a solid waste truck, with principal and interest payments of \$27,171, due annually in October, at an annual interest rate of 2.73%, through 2023, secured by a solid waste truck. 26,449

\$146,597 loan for a sanitation truck, with principal and interest payments \$26,517, due annually in October, at an annual interest of 2.39% through 2025, secured by a sanitation truck. 76,516

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

Total serviced by the General Fund 1,105,992

**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 rate of 3.59% through 2033, secured by water lines and other personal property financed with the proceeds. 2,114,185

**Serviced by the Electric Fund:**

\$132,265 loan for a sanitation truck, with principal and interest payments of \$23,924, due annually in October, at an annual rate of 2.39% through 2025, secured by a sanitation truck. 67,853

Total installment purchases \$ 3,288,030

**TOWN OF DALLAS, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2023**

The future minimum payments of governmental activities installment purchases as of June 30, 2023 are as follows:

<b>Year Ending June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2024	\$ 146,344	\$ 45,129	\$ 191,473
2025	122,634	39,708	162,342
2026	127,428	34,914	162,342
2027	105,683	29,925	135,608
2028	110,176	25,432	135,608
2029-2033	493,727	59,012	552,739
Total	<u>\$ 1,105,992</u>	<u>\$ 234,120</u>	<u>\$ 1,340,112</u>

The future minimum payments of business-type activities installment purchase as of June 30, 2023 are as follows:

<b>Year Ending June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2024	\$ 201,554	\$ 77,521	\$ 279,075
2025	208,524	70,550	279,074
2026	215,739	63,336	279,075
2027	199,499	55,868	255,367
2028	206,661	48,706	255,367
2029-2033	1,150,061	126,773	1,276,834
Total	<u>\$ 2,182,038</u>	<u>\$ 442,754</u>	<u>\$ 2,624,792</u>

At June 30, 2023, the Town's legal debt margin is \$26,194,370.

# TOWN OF DALLAS, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

A summary of changes in long-term obligations follows:

	<b>Restated Balance July 1, 2022</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance June 30, 2023</b>	<b>Current Portion of Balance</b>
<b>Governmental Activities:</b>					
Compensated absences	\$ 137,645	\$ 108,314	\$ 84,681	\$ 161,278	\$ 80,600
Net pension liability - LEOSSA	573,604	-	105,399	468,205	-
Net pension liability - LGERS	327,669	857,757	-	1,185,426	-
Net OPEB liability	69,923	5,895	-	75,818	-
Direct placement installment purchases	1,247,303	-	141,311	1,105,992	146,344
Lease liabilities	132,181	146,845	62,432	216,594	79,594
Subscription liabilities	-	5,019	2,201	2,818	2,248
Total governmental activities	<u>\$ 2,488,325</u>	<u>\$ 1,123,830</u>	<u>\$ 396,024</u>	<u>\$ 3,216,131</u>	<u>\$ 308,786</u>
<b>Business-Type Activities:</b>					
Water and Sewer Fund:					
Compensated absences	\$ 66,964	\$ 86,609	\$ 74,103	\$ 79,470	\$ 39,700
Net pension liability - LGERS	178,648	492,754	-	671,402	-
Net OPEB liability	123,702	10,373	-	134,075	-
Direct placement installment purchases	2,287,433	-	173,248	2,114,185	179,468
Lease liabilities	13,581	-	6,504	7,077	6,531
Subscription liabilities	-	8,981	3,939	5,042	4,023
Water and Sewer Fund long-term liabilities	<u>2,670,328</u>	<u>598,717</u>	<u>257,794</u>	<u>3,011,251</u>	<u>229,722</u>
Electric Fund:					
Compensated absences	41,117	80,554	65,381	56,290	28,100
Net pension liability - LGERS	177,975	474,504	-	652,479	-
Net OPEB liability	89,508	7,308	-	96,816	-
Direct placement installment purchases	89,423	-	21,570	67,853	22,086
Subscription liabilities	-	12,415	5,445	6,970	5,561
Electric Fund long-term liabilities	<u>398,023</u>	<u>574,781</u>	<u>92,396</u>	<u>880,408</u>	<u>55,747</u>
Business-type activity long-term liabilities	<u>\$ 3,068,351</u>	<u>\$ 1,173,498</u>	<u>\$ 350,190</u>	<u>\$ 3,891,659</u>	<u>\$ 285,469</u>

Compensated absences, pensions and other post-employment benefits liabilities have typically been liquidated in the General Fund. Compensated absences are accounted for on a last-in, first-out (LIFO) basis, assuming that employees are taking leave time as it is earned.

**TOWN OF DALLAS, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2023**

**C. Interfund Balances and Activity**

Transfers to / from funds for the year ended June 30, 2023 consist of the following:

**Governmental Activities:**

<u>From:</u>	<u>To:</u>	<u>Purpose</u>	<u>Amount</u>
General Fund	Capital Projects Fund	Fund future capital project	\$ 117,237
ARPA Fund	Water and Sewer Fund	ARPA grant expenditures	586,000
			<u>\$ 703,237</u>

**Business-Type Activities:**

<u>From:</u>	<u>To:</u>	<u>Purpose</u>	<u>Amount</u>
Electric Fund	General Fund	payment in lieu of taxes	<u>\$ 735,733</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 Activities</u>	<u>Business-Type Activities</u>
Capital assets, net	\$ 6,033,845	\$ 13,546,901
Less:		
Long-term debt	(1,325,404)	(2,201,127)
Net investment in capital assets	<u>\$ 4,708,441</u>	<u>\$ 11,345,774</u>

**3. Jointly Governed Organization**

The Town, in conjunction with nine counties and seventy-four other municipalities, established the Centralina Council of Governments (the Council). The participating governments established the Council to coordinate various funding received from federal and state agencies. Each participating government appoints one member to the Council's governing board. The Town paid membership fees of \$1,427 to the Council during the fiscal year ended June 30, 2023.

**4. Related Party Transactions**

**North Gaston Service Company**

North Gaston Service Company is a company that provides heating and air conditioning services and installation to its customers. A member of the Town's Board of Aldermen has ownership over a third of the North Gaston Service Company and has been made aware of the Town's conflict of interest



**TOWN OF DALLAS, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2023**

policies. The related party-board member recuse themselves from voting on actions that involve the North Gaston Service Company.

The payments made to North Gaston Service Company during FY23 were \$6,998.

**The Country Kitchen**

The Country Kitchen is a restaurant in Dallas, NC that offers food and services to its customers. A member of the Town’s Board of Aldermen has ownership over The Country Kitchen and have been made aware of the Town’s conflict of interest policies. The related party-board member recuse themselves from voting on actions that involve The Country Kitchen.

The payments made to The Country Kitchen during FY23 were \$2,423.

**5. Implementation of GASB 96**

For the year ended June 30, 2023, the financial statements include the adoption of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. The primary objective of this statement is to establish a definition for subscription-based information technology arrangements (SBITAs) and enhance the relevance and consistency of information about governments' SBITA activities. This statement builds on the single model for lease accounting contained in GASB 87, *Leases*, based on the principle that leases are financings of the right-to-use an underlying asset. Under this statement, a SBITA results in a right-to-use subscription asset and a related subscription liability for the present value of the minimum subscription payments.

**6. Restatements**

During the fiscal year ended June 30, 2023, the Town determined that the \$230,000 corpus from a CDBG long-term revolving loan program should not be considered deferred revenue under current GAAP guidance included in GASB 65, GASB 54, and related implementation guides. Long-term receivables, including loan receivables, should be balanced by fund balance, not deferred inflows of resources. Accordingly, fund balance in the CDBG grant fund has been restated. The implementation of GASB 96 also required certain restatements.

Total restatements to fund balance/net position at June 30, 2022 are as follows:

	<u>Governmental Activities</u>	<u>General Fund</u>	<u>CDBG Fund</u>	<u>Water and Sewer Fund</u>	<u>Electric Fund</u>
Long-term revolving loan	\$ 230,000	\$ -	\$ 230,000	\$ -	\$ -
GASB 96:					
Prior year project costs	1,317	1,317	-	2,356	3,257
Restatement of leases, net	(15,012)	-	-	(8,514)	-
Total restatement	<u>\$ 216,305</u>	<u>\$ 1,317</u>	<u>\$ 230,000</u>	<u>\$ (6,158)</u>	<u>\$ 3,257</u>

# **TOWN OF DALLAS, NORTH CAROLINA**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023**

### **7. 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.

### **8. Reimbursement for Pandemic-Related Expenditures**

In FY 2020/21, the American Rescue Plan Act (ARPA) established the Coronavirus State and Local Fiscal Recovery Funds to support urgent COVID-19 response efforts and replace lost revenue for the eligible state, local, territorial, and tribal governments. The Town was allocated \$1,528,792 of fiscal recovery funds to be paid in two equal installments. The first installment of \$764,396 was received in July 2021, and the second equal installment was received in July 2022. Town and the Board of Aldermen have elected to use \$586,000 of the ARPA funds for water and sewer fund salaries and benefits. The remaining \$942,792 ARPA funds are planned to be used for public safety salaries and benefits during fiscal year 2024.

## **Required Supplemental Financial Data**

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

<i>Law Enforcement Officers’ Special Separation Allowance –</i>	Schedule of Changes in Total Pension Liability and Schedule of Total Pension Liability as a Percentage of Covered-Employee Payroll
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<i>Local Governmental Employees’ Retirement System –</i>	Schedule of Proportionate Share of Net Pension Liability (Asset) and Schedule of Town Contributions
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<i>Other Post-Employment Benefits –</i>	Schedule of Changes in the Total OPEB Liability and Related Ratios
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**TOWN OF DALLAS, NORTH CAROLINA**

**SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY  
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE  
REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE LAST SEVEN FISCAL YEARS**

	<b>Law Enforcement Officers' Special Separation Allowance</b>			
	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Beginning balance	\$ 573,604	\$ 496,720	\$ 367,852	\$ 390,041
Service cost on total pension liability	34,511	38,353	23,892	14,630
Interest	12,471	9,129	11,377	13,769
Differences between expected and actual experience in the measurement of the total pension liability	(12,033)	94,638	23,503	(36,068)
Changes of assumptions or other inputs	(101,695)	(17,769)	107,831	9,019
Benefit payments	(38,653)	(47,467)	(37,735)	(23,539)
Ending balance of the total pension liability	<u>\$ 468,205</u>	<u>\$ 573,604</u>	<u>\$ 496,720</u>	<u>\$ 367,852</u>

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

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

**TOWN OF DALLAS, NORTH CAROLINA**

**SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY  
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE  
REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE LAST SEVEN FISCAL YEARS**

<b>Law Enforcement Officers' Special Separation Allowance</b>			
	<u>2019</u>	<u>2018</u>	<u>2017</u>
Beginning balance	\$ 466,520	\$ 418,375	\$ 412,459
Service cost interest on total pension liability	19,987	16,223	19,207
Interest	14,370	15,695	14,397
Differences between expected and actual experience in the measurement of the total pension liability	(72,872)	15,851	-
Changes of assumptions or other inputs	(14,425)	23,915	(9,350)
Benefit payments	<u>(23,539)</u>	<u>(23,539)</u>	<u>(18,338)</u>
Ending balance of the total pension liability	<u>\$ 390,041</u>	<u>\$ 466,520</u>	<u>\$ 418,375</u>

**TOWN OF DALLAS, NORTH CAROLINA**

**SCHEDULE OF TOTAL PENSION LIABILITY AS A PERCENTAGE  
OF COVERED EMPLOYEE PAYROLL  
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE  
FOR THE LAST SEVEN FISCAL YEARS**

<b>Law Enforcement Officers' Special Separation Allowance</b>				
	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Total pension liability	\$ 468,205	\$ 573,604	\$ 496,720	\$ 367,852
Covered employee payroll	786,575	790,368	737,438	581,161
Total pension liability as a percentage of covered employee payroll	59.52%	72.57%	67.36%	63.30%

**Notes to the Schedules:**

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

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

**TOWN OF DALLAS, NORTH CAROLINA**

**SCHEDULE OF TOTAL PENSION LIABILITY AS A PERCENTAGE  
OF COVERED EMPLOYEE PAYROLL  
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE  
FOR THE LAST SEVEN FISCAL YEARS**

<b>Law Enforcement Officers' Special Separation Allowance</b>			
	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total pension liability	\$ 390,041	\$ 466,520	\$ 418,375
Covered employee payroll	674,988	623,345	666,556
Total pension liability as a percentage of covered employee payroll	57.78%	74.84%	62.77%

**TOWN OF DALLAS, NORTH CAROLINA**

**TOWN OF DALLAS' PROPORTIONATE SHARE OF  
NET PENSION LIABILITY (ASSET)  
REQUIRED SUPPLEMENTARY INFORMATION  
LAST TEN FISCAL YEARS\***

	<b>Local Governmental Employees' Retirement System</b>				
	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>
Dallas' proportion of the net pension liability (asset) (%)	0.04448%	0.04462%	0.04468%	0.04379%	0.04507%
Dallas' proportion of the net pension liability (asset) (\$)	\$ 2,509,307	\$ 684,291	\$ 1,596,607	\$ 1,195,871	\$ 1,069,215
Dallas' covered payroll	\$ 3,233,436	\$ 2,891,209	\$ 2,937,722	\$ 2,787,616	\$ 2,726,848
Dallas' proportionate share of the net pension liability (asset) as a percentage of its covered payroll	77.60%	23.67%	54.35%	42.90%	39.21%
Plan fiduciary net position as a percentage of the total pension liability**	84.14%	95.51%	88.61%	90.86%	91.63%

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

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



**TOWN OF DALLAS, NORTH CAROLINA**

**TOWN OF DALLAS' PROPORTIONATE SHARE OF  
NET PENSION LIABILITY (ASSET)  
REQUIRED SUPPLEMENTARY INFORMATION  
LAST TEN FISCAL YEARS\***

	<b>Local Governmental Employees' Retirement System</b>				
	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Dallas' proportion of the net pension liability (asset) (%)	0.04380%	0.04282%	0.04216%	0.03938%	0.04030%
Dallas' proportion of the net pension liability (asset) (\$)	\$ 669,143	\$ 908,784	\$ 189,212	\$ (232,242)	\$ 485,770
Dallas' covered payroll	\$ 2,571,122	\$ 2,435,404	\$ 1,716,527	\$ 1,724,960	\$ 1,542,147
Dallas' proportionate share of the net pension liability (asset) as a percentage of its covered payroll	26.03%	37.32%	11.02%	( 13.46%)	31.50%
Plan fiduciary net position as a percentage of the total pension liability**	91.47%	98.09%	99.07%	102.64%	94.35%

**TOWN OF DALLAS, NORTH CAROLINA****TOWN OF DALLAS' CONTRIBUTIONS  
REQUIRED SUPPLEMENTARY INFORMATION  
LAST TEN FISCAL YEARS**

<b>Local Governmental Employees' Retirement System</b>					
	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Contractually required contribution	\$ 439,276	\$ 372,923	\$ 298,412	\$ 269,655	\$ 217,988
Contributions in relation to the contractually required contribution	<u>439,276</u>	<u>372,923</u>	<u>298,412</u>	<u>269,655</u>	<u>217,988</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Dallas' covered payroll	\$ 3,558,068	\$ 3,233,436	\$ 2,891,209	\$ 2,937,722	\$ 2,787,616
Contributions as a percentage of covered payroll	12.35%	11.53%	10.32%	9.18%	7.82%

**TOWN OF DALLAS, NORTH CAROLINA**

**TOWN OF DALLAS' CONTRIBUTIONS  
REQUIRED SUPPLEMENTARY INFORMATON  
LAST TEN FISCAL YEARS**

<b>Local Governmental Employees' Retirement System</b>					
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 205,057	\$ 187,034	\$ 159,467	\$ 163,404	\$ 163,396
Contributions in relation to the contractually required contribution	<u>205,057</u>	<u>187,034</u>	<u>159,467</u>	<u>163,404</u>	<u>163,396</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Dallas' covered payroll	\$ 2,726,848	\$ 2,571,122	\$ 2,435,404	\$ 1,716,527	\$ 1,724,960
Contributions as a percentage of covered payroll	7.52%	7.27%	6.55%	9.52%	9.47%

## TOWN OF DALLAS, NORTH CAROLINA

**OTHER POST-EMPLOYMENT BENEFITS  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS  
 LAST TWO FISCAL YEARS**

<b>Other Post-Employment Benefits</b>		
	<u>2023</u>	<u>2022</u>
Service cost	\$ 26,071	\$ 24,651
Interest	6,656	5,246
Differences between expected and actual experience	51,793	-
Changes of assumptions or other inputs	(58,851)	40,519
Benefit payments	<u>(2,093)</u>	<u>-</u>
Net change in total OPEB liability	23,576	70,416
Total OPEB liability - beginning	<u>283,133</u>	<u>212,717</u>
Total OPEB liability - ending	<u>\$ 306,709</u>	<u>\$ 283,133</u>
Covered employee payroll	\$ 2,712,191	\$ 2,712,191
Total OPEB liability as a percentage of covered employee payroll	11.31%	10.44%

**Notes to the Required Schedules:**

*Changes of Assumptions:* Changes of assumptions and other inputs reflect the effects of changes in the discount rate of each period. The following are the discount rates used in each period:

<u>Fiscal Year</u>	<u>Rate</u>
2023	3.54%
2022	2.16%

This schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available. There are no assets accumulated in a trust that meet the criteria in paragraph 4 of GASB Statement 75 to pay related benefits.

## **Governmental Activities Major Funds**

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The **General Fund** is the main operating fund of the Town. This fund is used to account for all financial resources traditionally associated with government activities that are not required legally or by sound financial management to be accounted for in other funds.

The **American Rescue Plan Fund** is used to account for the Town's portion of the American Rescue Plan Act (ARPA) funds.

The **Capital Projects Fund** is used to account for general capital projects for the Town's governmental activities.

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**TOWN OF DALLAS, NORTH CAROLINA**

**GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2023**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
<b>Ad Valorem Taxes:</b>			
Current year	\$ 1,515,813	\$ 1,545,335	\$ 29,522
State board assessed	26,135	-	(26,135)
Interest and penalties	5,900	6,675	775
Total	<u>1,547,848</u>	<u>1,552,010</u>	<u>4,162</u>
<b>Other Taxes and Licenses:</b>			
Privilege licenses	3,100	785	(2,315)
Motor vehicle licenses	80,112	39,950	(40,162)
Alcohol beverage tax	22,220	27,357	5,137
Total	<u>105,432</u>	<u>68,092</u>	<u>(37,340)</u>
<b>Unrestricted Intergovernmental Revenues:</b>			
Local option sales tax	653,477	728,537	75,060
Utility franchise tax	155,629	167,129	11,500
Excise tax on piped natural gas	11,231	23,658	12,427
Sales tax on telecommunications	28,978	28,499	(479)
Sales tax on video programming	16,269	16,630	361
Solid waste disposal tax	4,428	4,693	265
Total	<u>870,012</u>	<u>969,146</u>	<u>99,134</u>
<b>Restricted Intergovernmental Revenues:</b>			
Powell Bill street aid allocation	168,940	168,787	(153)
Drug forfeiture revenue	-	958	958
Grant revenue	18,088	19,408	1,320
Federal and state grants	104,440	57,435	(47,005)
Total	<u>291,468</u>	<u>246,588</u>	<u>(44,880)</u>
<b>Permits and Fees:</b>			
Zoning fees	<u>21,410</u>	<u>37,673</u>	<u>16,263</u>
<b>Sales and Services:</b>			
Arrest fees	2,270	4,063	1,793
Refuse collection fees	395,280	393,481	(1,799)
Recreation fees and concessions	59,280	63,446	4,166
Other	15,450	22,737	7,287
Total	<u>472,280</u>	<u>483,727</u>	<u>11,447</u>

TOWN OF DALLAS, NORTH CAROLINA

GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2023

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Interest Earnings:</b>			
Investment earnings	159,564	327,064	167,500
Investment earnings - Powell	-	8,278	8,278
Total	<u>159,564</u>	<u>335,342</u>	<u>175,778</u>
<b>Miscellaneous:</b>			
Insurance proceeds	-	182	182
ABC wholesale distribution	28,681	40,878	12,197
Payment in lieu - developer	-	117,237	117,237
Other	239,662	87,623	(152,039)
Total	<u>268,343</u>	<u>245,920</u>	<u>(22,423)</u>
Total revenues	<u>3,736,357</u>	<u>3,938,498</u>	<u>202,141</u>
<b>Expenditures:</b>			
<b>General Government:</b>			
<b>Governing Body:</b>			
Salaries and employee benefits	64,849	64,238	611
Other operating expenditures	4,329	3,947	382
Total	<u>69,178</u>	<u>68,185</u>	<u>993</u>
<b>Administrative:</b>			
Salaries and employee benefits	96,502	93,029	3,473
Professional services	35,078	33,654	1,424
Maintenance and repairs	42,321	37,753	4,568
Other operating expenditures	233,164	218,272	14,892
Capital outlay	-	6,336	(6,336)
Total	<u>407,065</u>	<u>389,044</u>	<u>18,021</u>
<b>Public Buildings:</b>			
Salaries and employee benefits	195,307	184,316	10,991
Professional services	106,423	39,312	67,111
Total	<u>301,730</u>	<u>223,628</u>	<u>78,102</u>
<b>Courthouse:</b>			
Professional services	8,349	6,448	1,901
Maintenance and repairs	36,760	35,761	999
Other operating expenditures	32,032	30,095	1,937
Total	<u>77,141</u>	<u>72,304</u>	<u>4,837</u>



TOWN OF DALLAS, NORTH CAROLINA

GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2023

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Total general government	855,114	753,161	101,953
<b>Public Safety:</b>			
<b>Police:</b>			
Salaries and employee benefits	1,820,116	1,477,400	342,716
Maintenance and repairs	80,249	79,076	1,173
Other operating expenditures	254,561	230,363	24,198
Capital outlay	176,300	168,119	8,181
Total	<u>2,331,226</u>	<u>1,954,958</u>	<u>376,268</u>
<b>Fire Department:</b>			
Salaries and employee benefits	201,856	182,641	19,215
Maintenance and repairs	60,780	60,470	310
Operating expenditures	143,390	142,022	1,368
Capital outlay	38,000	-	38,000
Total	<u>444,026</u>	<u>385,133</u>	<u>58,893</u>
Total public safety	<u>2,775,252</u>	<u>2,340,091</u>	<u>435,161</u>
<b>Transportation:</b>			
<b>Street Maintenance:</b>			
Salaries and employee benefits	216,584	211,610	4,974
Maintenance and repairs	18,368	17,382	986
Street lights	33,870	33,869	1
Contracted services	6,885	6,117	768
Other operating expenditures	35,774	33,177	2,597
Powell Bill expenditures	133,072	102,461	30,611
Total transportation	<u>444,553</u>	<u>404,616</u>	<u>39,937</u>
<b>Environmental Protection:</b>			
<b>Solid Waste:</b>			
Salaries and employee benefits	199,935	168,821	31,114
Maintenance and repairs	66,332	63,183	3,149
Other operating expenditures	46,455	40,482	5,973
Tipping fees	90,517	87,826	2,691
Capital outlay	90,257	90,257	-
Total environmental protection	<u>493,496</u>	<u>450,569</u>	<u>42,927</u>

TOWN OF DALLAS, NORTH CAROLINA

GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2023

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Cultural and Recreational:</b>			
<b>Parks and Recreation:</b>			
Salaries and employee benefits	178,963	162,886	16,077
Maintenance and repairs	35,324	24,058	11,266
Operating expenditures	<u>166,276</u>	<u>151,177</u>	<u>15,099</u>
Total cultural and recreational	<u>380,563</u>	<u>338,121</u>	<u>42,442</u>
<b>Debt Service:</b>			
Principal retirement	227,622	205,944	21,678
Interest	<u>50,481</u>	<u>50,481</u>	<u>-</u>
Total debt service	<u>278,103</u>	<u>256,425</u>	<u>21,678</u>
Total expenditures	<u>5,227,081</u>	<u>4,542,983</u>	<u>684,098</u>
Revenues over (under) expenditures	<u>(1,490,724)</u>	<u>(604,485)</u>	<u>886,239</u>
<b>Other Financing Sources (Uses):</b>			
Lease liabilities issued	-	146,845	146,845
Subscription liabilities issued	-	5,019	5,019
Sale of capital assets	1,000	1,447	447
Proceeds from capital financing	176,300	-	(176,300)
Appropriated fund balance	694,928	-	(694,928)
Operating transfers - in (out):			
Transfer (to) from Electric Fund	735,733	735,733	-
Transfer (to) from Capital Projects	<u>(117,237)</u>	<u>(117,237)</u>	<u>-</u>
Total other financing sources (uses)	<u>1,490,724</u>	<u>771,807</u>	<u>(718,917)</u>
Net change in fund balance	<u>\$ -</u>	<u>167,322</u>	<u>\$ 167,322</u>
<b>Fund Balance:</b>			
Beginning of year, July 1		3,876,998	
Restatement		<u>1,317</u>	
Beginning of year, as restated		<u>3,878,315</u>	
End of year, June 30		<u>\$ 4,045,637</u>	

## TOWN OF DALLAS, NORTH CAROLINA

AMERICAN RESCUE PLAN FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCE - BUDGET AND ACTUAL  
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2023

	<u>Project Authorization</u>	<u>Actual</u>		<u>Total to Date</u>	<u>Variance Over/Under</u>
		<u>Prior Year</u>	<u>Current Year</u>		
<b>Revenues:</b>					
Restricted intergovernmental revenues	\$ 1,528,792	\$ -	\$ 586,000	\$ 586,000	\$ (942,792)
<b>Other Financing Sources (Uses):</b>					
Transfer (to) Water and Sewer Fund	(1,528,792)	-	(586,000)	(586,000)	942,792
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

## TOWN OF DALLAS, NORTH CAROLINA

**CAPITAL PROJECT FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2023**

	<u>Project Authorization</u>	<u>Actual</u>			<u>Variance Over/Under</u>
		<u>Prior Year</u>	<u>Current Year</u>	<u>Total to Date</u>	
<b>Revenues:</b>					
Investment earnings	\$ -	\$ 2,220	\$ 62,081	\$ 64,301	\$ 64,301
<b>Expenditures:</b>					
Capital outlay	616,567	-	-	-	616,567
Revenues over (under) expenditures	(616,567)	2,220	62,081	64,301	680,868
<b>Other Financing Sources (Uses):</b>					
Transfer from (to) Storm Water Fund	-	33,142	-	33,142	33,142
Transfer from (to) Electric Fund	499,330	1,390,643	-	1,390,643	891,313
Transfer from (to) General Fund	117,237	228,651	117,237	345,888	228,651
Total other financing sources (uses)	616,567	1,652,436	117,237	1,769,673	1,153,106
Net change in fund balance	\$ -	\$ 1,654,656	179,318	\$ 1,833,974	\$ 1,833,974
<b>Fund Balance:</b>					
Beginning of year, July 1			1,654,656		
End of year, June 30			\$ 1,833,974		

## Nonmajor Funds

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**Special Revenue Funds** are used to account for revenues that are legally restricted to expenditures for a particular purpose.

The Town has the following Special Revenue Funds:

**Stormwater Fund** – This fund is used to account for fees collected and monies spent in connection with the Town’s storm water run-off.

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

**CDBG Grant Fund** – This fund is used to account for a mortgage receivable loaned through a federal grant program.

**Capital Projects Funds** account for all resources used for the acquisition and/or construction of major capital facilities other than those financed by Enterprise Funds.

The Town has the following Capital Project Fund:

**SCIF Grant Fund** – This fund is used to account for Passive Park improvements.

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## TOWN OF DALLAS, NORTH CAROLINA

COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2023

	Special Revenue Funds			Capital Project Fund	Nonmajor Governmental Funds
	Storm Water	T.O.P. T.I.E.R. Program Fund	CDBG Grant Fund	SCIF Grant Fund	
<b>Assets:</b>					
Cash and cash equivalent	\$ 519,692	\$ 403,330	\$ -	\$ -	\$ 923,022
Restricted cash	-	-	72,430	180,000	252,430
Accounts receivable (net)	17,051	-	-	-	17,051
Note receivable	-	-	210,486	-	210,486
Total assets	<u>\$ 536,743</u>	<u>\$ 403,330</u>	<u>\$ 282,916</u>	<u>\$ 180,000</u>	<u>\$ 1,402,989</u>
<b>Liabilities and Fund Balances:</b>					
<b>Liabilities:</b>					
Accounts payable and accrued liabilities	\$ 10,164	\$ 2,493	\$ -	\$ -	\$ 12,657
Advance from grantors	-	-	-	180,000	180,000
Total liabilities	<u>10,164</u>	<u>2,493</u>	<u>-</u>	<u>180,000</u>	<u>192,657</u>
<b>Fund Balances:</b>					
Restricted:					
Stabilization by state statute	17,051	-	-	-	17,051
Economic development	-	-	282,916	-	282,916
Assigned:					
Storm water	509,528	-	-	-	509,528
T.O.P. T.I.E.R. program	-	400,837	-	-	400,837
Total fund balances	<u>526,579</u>	<u>400,837</u>	<u>282,916</u>	<u>-</u>	<u>1,210,332</u>
Total liabilities and fund balances	<u>\$ 536,743</u>	<u>\$ 403,330</u>	<u>\$ 282,916</u>	<u>\$ 180,000</u>	<u>\$ 1,402,989</u>

## TOWN OF DALLAS, NORTH CAROLINA

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2023**

	Special Revenue Funds			Capital Project Fund	Nonmajor Governmental Funds
	Storm Water	T.O.P. T.I.E.R Program Fund	CDBG Grant Fund	SCIF Grant Fund	
<b>Revenues:</b>					
Storm water fees	\$ 213,329	\$ -	\$ -	\$ -	\$ 213,329
Investment earnings	-	-	4,326	-	4,326
Total revenues	<u>213,329</u>	<u>-</u>	<u>4,326</u>	<u>-</u>	<u>217,655</u>
<b>Expenditures:</b>					
Current:					
Salaries and employee benefits	46,035	-	-	-	46,035
Contracted services	11,309	8,016	-	-	19,325
Repairs and maintenance	32,663	-	-	-	32,663
Other operating expenditures	2,567	15,000	-	-	17,567
Capital outlay	<u>95,031</u>	<u>36,040</u>	<u>-</u>	<u>-</u>	<u>131,071</u>
Total expenditures	<u>187,605</u>	<u>59,056</u>	<u>-</u>	<u>-</u>	<u>246,661</u>
Revenues over (under) expenditures	<u>25,724</u>	<u>(59,056)</u>	<u>4,326</u>	<u>-</u>	<u>(29,006)</u>
<b>Other Financing Sources (Uses):</b>					
Sale of capital asset	<u>-</u>	<u>124,500</u>	<u>-</u>	<u>-</u>	<u>124,500</u>
Net change in fund balance	<u>25,724</u>	<u>65,444</u>	<u>4,326</u>	<u>-</u>	<u>95,494</u>
<b>Fund Balances:</b>					
Beginning of year, July 1	500,855	335,393	48,590	-	884,838
Restatement	<u>-</u>	<u>-</u>	<u>230,000</u>	<u>-</u>	<u>230,000</u>
Beginning of year, as restated	<u>500,855</u>	<u>335,393</u>	<u>278,590</u>	<u>-</u>	<u>1,114,838</u>
End of year, June 30	<u>\$ 526,579</u>	<u>\$ 400,837</u>	<u>\$ 282,916</u>	<u>\$ -</u>	<u>\$ 1,210,332</u>



## TOWN OF DALLAS, NORTH CAROLINA

**STORMWATER FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2023**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Stormwater fees	\$ 211,452	\$ 213,329	\$ 1,877
<b>Expenditures:</b>			
Salaries and employee benefits	55,397	46,035	9,362
Supplies	600	-	600
Contracted services	18,763	11,309	7,454
Repairs and maintenance	49,068	32,663	16,405
Other operating expenditures	6,348	2,567	3,781
Capital outlay	<u>302,495</u>	<u>95,031</u>	<u>207,464</u>
Total expenditures	<u>432,671</u>	<u>187,605</u>	<u>245,066</u>
Revenues over (under) expenditures	(221,219)	25,724	246,943
Appropriated fund balance	<u>221,219</u>	<u>-</u>	<u>221,219</u>
Net change in fund balance	<u>\$ -</u>	25,724	<u>\$ 25,724</u>
<b>Fund Balance:</b>			
Beginning of year, July 1		<u>500,855</u>	
End of year, June 30		<u>\$ 526,579</u>	

## TOWN OF DALLAS, NORTH CAROLINA

## T.O.P. T.I.E.R. FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2023

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Grant revenue	\$ 100,000	\$ -	\$ (100,000)
<b>Expenditures:</b>			
Contracted services	25,750	8,016	17,734
Other operating expenditures	47,000	15,000	32,000
Capital outlay	425,400	36,040	389,360
Total expenditures	<u>498,150</u>	<u>59,056</u>	<u>439,094</u>
Revenues over (under) expenditures	<u>(398,150)</u>	<u>(59,056)</u>	<u>339,094</u>
<b>Other Financing Sources (Uses):</b>			
Sale of fixed asset	<u>129,500</u>	<u>124,500</u>	<u>(5,000)</u>
Appropriated fund balance	<u>268,650</u>	<u>-</u>	<u>(268,650)</u>
Net change in fund balance	<u>\$ -</u>	65,444	<u>\$ 65,444</u>
<b>Fund Balance:</b>			
Beginning of year, July 1		<u>335,393</u>	
End of year, June 30		<u>\$ 400,837</u>	

## TOWN OF DALLAS, NORTH CAROLINA

**CDBG GRANT FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2023**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Sales and services	\$ -	\$ 13,442	\$ 13,442
Investment earnings	53,176	4,326	(48,850)
Total revenues	<u>53,176</u>	<u>17,768</u>	<u>(35,408)</u>
<b>Expenditures:</b>			
Historic preservation	<u>53,176</u>	-	<u>53,176</u>
Net change in fund balance	<u>\$ -</u>	17,768	<u>\$ 17,768</u>
<b>Reconciliation from Budgetary Basis to Modified Accrual Basis:</b>			
Current year loan repayments		<u>(13,442)</u>	
Net change in fund balance - modified accrual basis		<u>4,326</u>	
<b>Fund Balance:</b>			
Beginning of year, July 1		48,590	
Restatement		<u>230,000</u>	
Beginning of year, as restated		<u>278,590</u>	
End of year, June 30		<u>\$ 282,916</u>	

**TOWN OF DALLAS, NORTH CAROLINA**

**SCIF GRANT FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCE - BUDGET AND ACTUAL  
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2023**

	<u>Project Authorization</u>	<u>Actual</u>			<u>Variance Over/Under</u>
		<u>Prior Year</u>	<u>Current Year</u>	<u>Total to Date</u>	
<b>Revenues:</b>					
Restricted intergovernmental:					
Grant revenue	\$ 180,000	\$ -	\$ -	\$ -	\$ (180,000)
<b>Expenditures:</b>					
Economic and physical development	<u>180,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>180,000</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Fund Balance:</b>					
Beginning of year, July 1			<u>-</u>		
End of year, June 30			<u>\$ -</u>		

## **Enterprise Funds**

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

The Town has the following Enterprise Funds:

**Electric Fund** – This fund accounts for the Town’s electric operations.

**Water and Sewer Fund** – This fund accounts for the Town’s water and sewer operations.

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## TOWN OF DALLAS, NORTH CAROLINA

**ELECTRIC FUND**  
**SCHEDULE OF REVENUES AND EXPENDITURES -**  
**BUDGET AND ACTUAL (NON-GAAP)**  
**FOR THE YEAR ENDED JUNE 30, 2023**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Operating revenues:			
Electricity sales	\$ 8,876,902	\$ 7,802,437	\$ (1,074,465)
Other operating revenues	122,320	97,826	(24,494)
Total operating revenues	<u>8,999,222</u>	<u>7,900,263</u>	<u>(1,098,959)</u>
Non-operating revenues:			
Coal ash recovery revenue	130,000	108,079	(21,921)
Investment earnings	988	28,853	27,865
Total non-operating revenues	<u>130,988</u>	<u>136,932</u>	<u>5,944</u>
Total revenues	<u>9,130,210</u>	<u>8,037,195</u>	<u>(1,093,015)</u>
<b>Expenditures:</b>			
Electrical operations:			
Salaries and employee benefits	1,422,444	1,280,433	142,011
Supplies	176,550	153,755	22,795
Contracted services	159,807	146,307	13,500
Insurance	145,553	133,090	12,463
Repairs and maintenance	237,476	207,244	30,232
Other operating expenditures	251,212	254,135	(2,923)
Total electrical operations	<u>2,393,042</u>	<u>2,174,964</u>	<u>218,078</u>
Purchased resources - electricity	<u>5,786,573</u>	<u>5,680,609</u>	<u>105,964</u>
Debt service:			
Principal retirement	29,153	27,015	2,138
Interest	2,361	2,360	1
Total debt service	<u>31,514</u>	<u>29,375</u>	<u>2,139</u>
Capital outlay	<u>423,730</u>	<u>301,093</u>	<u>122,637</u>
Total expenditures	<u>8,634,859</u>	<u>8,186,041</u>	<u>448,818</u>

## TOWN OF DALLAS, NORTH CAROLINA

**ELECTRIC FUND**  
**SCHEDULE OF REVENUES AND EXPENDITURES -**  
**BUDGET AND ACTUAL (NON-GAAP)**  
**FOR THE YEAR ENDED JUNE 30, 2023**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues over (under) expenditures	495,351	(148,846)	(644,197)
<b>Other Financing Sources (Uses):</b>			
Subscription liabilities issued	-	12,415	12,415
Transfer (to) General Fund	(885,733)	(735,733)	150,000
Total other financing sources (uses)	(885,733)	(723,318)	162,415
Appropriated fund balance	390,382	-	(390,382)
Net change in fund balance	<u>\$ -</u>	<u>\$ (872,164)</u>	<u>\$ (872,164)</u>
<b>Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual:</b>			
Net change in fund balance		<u>\$ (872,164)</u>	
Reconciling items:			
Capital outlay		301,093	
Compensated absences		(15,173)	
Accrued interest		1,437	
Payment of debt principal		27,015	
Pension expense		(65,726)	
OPEB expense		(5,316)	
Subscription liabilities issued		(12,415)	
Amortization		(6,311)	
Depreciation		(384,471)	
Total reconciling items		<u>(159,867)</u>	
Change in net position		<u>\$ (1,032,031)</u>	



TOWN OF DALLAS, NORTH CAROLINA

WATER AND SEWER FUND  
SCHEDULE OF REVENUES AND EXPENDITURES -  
BUDGET AND ACTUAL (NON-GAAP)  
FOR THE YEAR ENDED JUNE 30, 2023

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Charges for services:			
Water sales	\$ 2,003,741	\$ 1,929,675	\$ (74,066)
Water taps	23,000	40,368	17,368
Sewer sales	1,122,264	1,100,902	(21,362)
Sewer taps	15,900	25,869	9,969
Other operating revenues	144,987	305,304	160,317
Total operating revenues	<u>3,309,892</u>	<u>3,402,118</u>	<u>92,226</u>
Non-operating revenues:			
Rental income	63,629	86,481	22,852
Grant revenue	74,723	64,950	(9,773)
Total non-operating revenues	<u>138,352</u>	<u>151,431</u>	<u>13,079</u>
Total revenues	<u>3,448,244</u>	<u>3,553,549</u>	<u>105,305</u>
<b>Expenditures:</b>			
Operating expenditures			
Water and sewer operations			
Salaries and employee benefits	846,928	819,723	27,205
Travel	7,300	6,606	694
Supplies	428,012	359,904	68,108
Insurance	112,337	102,931	9,406
Repairs and maintenance	208,724	194,311	14,413
Other operating expenditures	214,791	200,239	14,552
Total water and sewer operations	<u>1,818,092</u>	<u>1,683,714</u>	<u>134,378</u>
Water treatment and distribution			
Salaries and employee benefits	344,635	296,106	48,529
Supplies	23,195	21,173	2,022
Chemicals	107,499	102,765	4,734
Other operating expenditures	229,498	203,397	26,101
Total water treatment and distribution	<u>704,827</u>	<u>623,441</u>	<u>81,386</u>
Waste collection and treatment			
Salaries and employee benefits	181,603	177,376	4,227
Chemicals	58,645	55,905	2,740
Supplies	3,500	2,429	1,071
Other operating expenditures	243,765	200,579	43,186
Total waste collection and treatment	<u>487,513</u>	<u>436,289</u>	<u>51,224</u>
Debt service:			
Principal	183,983	183,691	292
Interest	82,324	82,324	-
Total debt service	<u>266,307</u>	<u>266,015</u>	<u>292</u>

**TOWN OF DALLAS, NORTH CAROLINA**

**WATER AND SEWER FUND  
SCHEDULE OF REVENUES AND EXPENDITURES -  
BUDGET AND ACTUAL (NON-GAAP)  
FOR THE YEAR ENDED JUNE 30, 2023**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Capital outlay:			
Water and sewer operations	872,218	531,824	340,394
Water treatment of and distribution	109,720	109,414	306
Water collection and treatment	242,229	241,729	500
Total capital outlay	<u>1,224,167</u>	<u>882,967</u>	<u>341,200</u>
Total expenditures	<u>4,500,906</u>	<u>3,892,426</u>	<u>608,480</u>
Revenues over (under) expenditures	<u>(1,052,662)</u>	<u>(338,877)</u>	<u>713,785</u>
<b>Other Financing Sources (Uses):</b>			
Proceeds from issuance of subscriptions	-	8,981	8,981
Transfers (to) from	586,000	586,000	-
Total other financing sources (uses)	<u>586,000</u>	<u>594,981</u>	<u>8,981</u>
Appropriated fund balance	<u>466,662</u>	<u>-</u>	<u>(466,662)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 256,104</u>	<u>\$ 256,104</u>
<b>Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual:</b>			
Net change in fund balance		<u>\$ 256,104</u>	
Reconciling items:			
From Capital Project Fund:			
Pension expense		(68,254)	
OPEB expense		(7,114)	
Subscription liabilities issued		(8,981)	
Capital outlay		882,967	
Principal retirement		183,691	
Change in compensated absences		(12,506)	
Change in accrued interest		4,334	
Amortization		(11,073)	
Depreciation		<u>(401,326)</u>	
Total reconciling items		<u>561,738</u>	
Change in net position		<u>\$ 817,842</u>	

## **Additional Financial Data**

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This section contains additional information on property taxes and principal taxpayers.

**Schedule of Ad Valorem Taxes Receivable**

**Analysis of Current Tax Levy**

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## TOWN OF DALLAS, NORTH CAROLINA

**GENERAL FUND**  
**SCHEDULE OF AD VALOREM TAXES RECEIVABLE**  
**JUNE 30, 2023**

<b>Fiscal Year</b>	<b>Uncollected Balance June 30, 2022</b>	<b>Additions</b>	<b>Collections and Credits</b>	<b>Uncollected Balance June 30, 2023</b>
2022-2023	\$ -	\$ 1,547,826	\$ 1,535,162	\$ 12,664
2021-2022	13,249	-	8,678	4,571
2020-2021	5,065	-	3,072	1,993
2019-2020	3,559	-	1,585	1,974
2018-2019	2,253	-	554	1,699
2017-2018	2,093	-	513	1,580
2016-2017	1,976	-	313	1,663
2015-2016	1,998	-	484	1,514
2014-2015	1,114	-	184	930
2013-2014	653	-	64	589
2012-2013	1,240	-	1,240	-
<b>Total</b>	<b>\$ 33,200</b>	<b>\$ 1,547,826</b>	<b>\$ 1,551,849</b>	<b>29,177</b>
Less: allowance for uncollectible taxes receivable				<u>(9,582)</u>
Ad valorem taxes receivable - net				<u>\$ 19,595</u>
<b>Reconciliation with Revenues:</b>				
Ad valorem taxes - General Fund				\$ 1,552,010
Reconciling items:				
Write-offs				1,240
Other adjustments				<u>(1,401)</u>
Total collections and credits				<u>\$ 1,551,849</u>

## TOWN OF DALLAS, NORTH CAROLINA

ANALYSIS OF CURRENT TAX LEVY  
TOWN-WIDE LEVY  
FOR THE YEAR ENDED JUNE 30, 2023

	Town-Wide		Tax Levy		
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
<b>Original Levy:</b>					
Property taxes	\$ 322,094,048	\$ 0.420	\$ 1,352,795	\$ 1,352,795	\$ -
Motor vehicles	<u>45,264,048</u>	0.420	<u>190,109</u>	<u>-</u>	<u>190,109</u>
Total	<u>367,358,095</u>		<u>1,542,904</u>	<u>1,352,795</u>	<u>190,109</u>
<b>Discoveries:</b>					
Current year taxes	1,472,619	0.420	6,185	6,185	-
Releases	<u>(300,714)</u>	0.420	<u>(1,263)</u>	<u>(1,263)</u>	<u>-</u>
Total	<u>1,171,905</u>		<u>4,922</u>	<u>4,922</u>	<u>-</u>
Total property valuation	<u>\$ 368,530,000</u>				
<b>Net Levy</b>			1,547,826	1,357,717	190,109
Uncollected taxes at June 30, 2023			<u>(12,664)</u>	<u>(12,664)</u>	<u>-</u>
<b>Current Year's Taxes Collected</b>			<u>\$ 1,535,162</u>	<u>\$ 1,345,053</u>	<u>\$ 190,109</u>
<b>Current Levy Collection Percentage</b>			<u>99.18%</u>	<u>99.07%</u>	<u>100.00%</u>

## Compliance Section

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- Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*
  - Schedule of Findings and Responses
  - Corrective Action Plan
  - Schedule of Prior Year Audit Findings
-

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# MARTIN STARNES & ASSOCIATES, CPAs, P.A.

*“A Professional Association of Certified Public Accountants and Management Consultants”*

## **Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

### **Independent Auditor's Report**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable of the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Dallas, North Carolina, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated October 6, 2023.

### **Report on Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified a deficiency in internal control, described in the accompanying Schedule of Findings and Responses as item 2023-001 that we consider to be a material weakness.

## **Report on Compliance and Other Matters**

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

## **Town of Dallas' Response to Finding**

*Government Auditing Standards* requires the auditor to perform limited procedures on the Town of Dallas' response to the finding identified in our audit and described in the accompanying Schedule of Findings and Responses. The Town's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

## **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 Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Martin Starnes & Associates, CPAs, P.A.*

Martin Starnes & Associates, CPAs, P.A.  
Hickory, North Carolina  
October 6, 2023

**TOWN OF DALLAS, NORTH CAROLINA**

**SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2023**

**1. Summary of Auditor's Results**

**Financial Statements**

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

Unmodified

Internal control over financial reporting:

- Material weaknesses identified?                      X   Yes                           No
- Significant deficiencies identified?                           Yes                      X   None reported

Non-compliance material to financial  
statements noted?

       Yes                      X   No

# TOWN OF DALLAS, NORTH CAROLINA

## SCHEDULE OF FINDINGS AND RESPONSES FOR THE YEAR ENDED JUNE 30, 2023

### 2. Findings Related to the Audit of the Basic Financial Statements

#### Material Weakness

##### Finding 2023-001

**Criteria:** Management should have a system in place to reduce the likelihood of errors in financial reporting.

**Condition:** During the year ended June 30, 2023, management determined that the \$230,000 corpus of a CDBG loan program grant should not be deferred but should have been reported as revenue and included in fund balance under current GAAP guidance. A prior period adjustment was required to accurately report the fund balance/net position of the Town as of June 30, 2022.

**Effect:** For the statements affected, the prior year financial statements were misstated.

**Cause:** Misapplication of current accounting guidance related to the accounting for long-term loan receivables.

**Recommendation:** The Town should apply updated guidance as accounting standards and practices change. Employees involved in oversight of the financial reporting process should continue to obtain training and education related to governmental accounting.

**Name of Contact Person:** Jonathan Newton, Finance Director

**Views of Responsible Officials and Planned Corrective Action:** Management agrees with the finding. Please refer to the Corrective Action Plan following this section.



**Mayor**  
Rick Coleman

**Aldermen**  
Jerry Cearley  
Sam Martin  
Darlene Morrow  
Hoyle Withers  
Frank Milton

**Town Manager**  
Maria Stroupe

**Town Clerk/HR**  
Sarah Ballard

**Finance**  
Jonathan Newton

**Town Attorney**  
J. Thomas Hunn

**Police**  
Robert Walls

**Electrical**  
Lanny Smith

**Public Works**  
Bill Trudnak

**Development  
Svc**  
Brian Finnegan

**Fire Chief**  
Earl Withers III

**Recreation**  
Nick Daniello

Town of Dallas  
210 N. Holland St.  
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704-922-3176

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704-922-4701

**Web Page:**  
www.dallasnc.net

**TOWN OF DALLAS, NORTH CAROLINA**

**CORRECTIVE ACTION PLAN  
FOR THE YEAR ENDED JUNE 30, 2023**

**Material Weakness**

**Finding 2023-001: Prior Period Adjustment**

**Name of Contact Person:** Jonathan Newton

**Corrective Action:** The Town will apply updated guidance as accounting standards and practices change. Staff involved in the oversight of the financial reporting process should continue to obtain training and education related to governmental accounting.

**Proposed Completion Date:** Immediately and ongoing

**TOWN OF DALLAS, NORTH CAROLINA**  
**SCHEDULE OF PRIOR YEAR AUDIT FINDINGS**  
**FOR THE YEAR ENDED JUNE 30, 2023**

None reported.