

TOWN OF DALLAS

Financial Statements, Supplemental Schedules,
Independent Auditors' Report and Compliance Report
For the Year Ended June 30, 2015

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

TOWN OF DALLAS, NORTH CAROLINA

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TOWN OF DALLAS, NORTH CAROLINA

List of Principal Officials June 30, 2015

Mayor & Board of Aldermen

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

Town Administration

Town Manager	James Palenick
Town Attorney	J. Thomas Hunn
Administrative Services Director	Maria Stroupe
Police Chief	Gary Buckner
Public Works Director	Bill Trudnak
Fire Chief	Steve Lambert
Recreation Director	Anne Martin
Electric Director	J. Doug Huffman
Community Services Director	James Kiser

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

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Morganton, North Carolina 28655
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Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Dallas, North Carolina as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town of Dallas, North Carolina's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Dallas, North Carolina, as of June 30, 2015, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and Law Enforcement Officers' Separation Allowance and Schedule of Employer Contributions and Local Government Employees' Retirement System Schedules of the Proportionate Share of the Net Pension Asset and Contributions on pages 5 through 13, and 54 through 57 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Dallas, North Carolina's basic financial statements. The combining and individual fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal and State awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 21, 2015 on our consideration of the Town of Dallas, North Carolina's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Town of Dallas, North Carolina's internal control over financial reporting and compliance.

Loudermilk Chuck & Co.

Morganton, North Carolina
December 21, 2015

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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, 2015. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

Financial Highlights

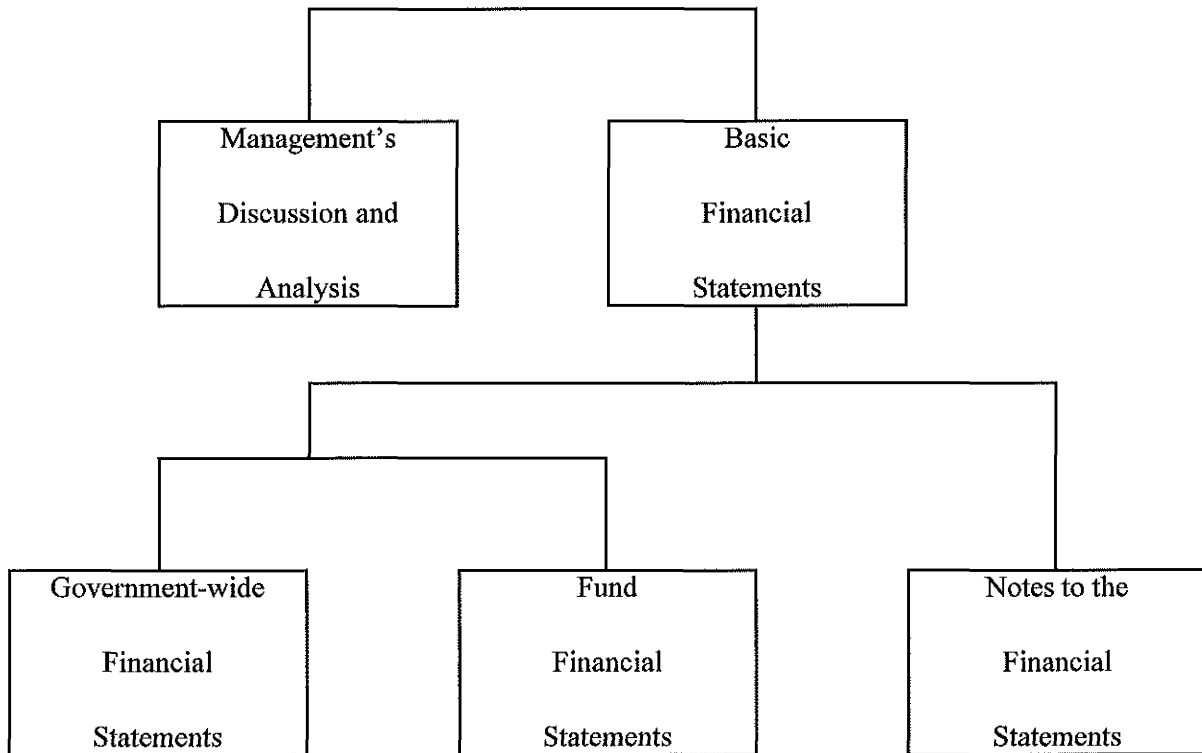
- The assets and deferred outflows of resources of the Town of Dallas exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$21,423,456 (net position).
- The Town's total net position increased by \$2,614,829.
- As of the close of the current fiscal year, the Town of Dallas' governmental funds reported combined ending fund balances of \$2,348,491, with a net increase of \$154,595 in fund balance. Approximately .69 percent of this total amount, or \$16,277, is nonspendable.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1,274,140 or 33.18 percent of total general fund expenditures for the fiscal year.
- The Town of Dallas' total debt decreased by \$287,067 (5.3%) during the current fiscal year.
- The Town's total capital assets increased by \$4,234,099 (27.8%) during the current fiscal year. The key factor in this increase is the purchase and construction of new assets.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to 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



Summary-----> Detail

Basic Financial Statements

The first two statements 14 through 16 in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the Town's financial status.

The next statements pages 17 through 25 are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; and 3) the proprietary fund statements.

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

Government-wide Financial Statements

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

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

The government-wide statements are divided into two categories: 1) governmental activities; and 2) business-type activities. The governmental activities include most of the Town's basic services such as public safety, parks and recreation, and general administration. Property taxes and state and federal grant funds finance most of these activities. The business-type activities are those that the Town charges customers to provide. These include the water and sewer and electric services offered by the Town of Dallas.

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

Fund Financial Statements

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

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

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

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

Notes to the Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 53 of this report.

Other Information - In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town of Dallas's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 54 of this report.

The individual fund statements and schedules are presented immediately following the required supplementary information on pensions. Individual fund statements and schedules can be found beginning on page 58 of this report.

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

Government-Wide Financial Analysis

The Town of Dallas, Net Position						
Figure 2						
	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$2,944,954	\$2,642,692	\$ 6,251,189	\$ 7,919,415	\$ 9,196,143	\$10,562,107
Capital assets	4,990,470	4,154,407	14,461,714	11,063,678	19,452,184	15,218,085
Deferred outflows of resources	75,282	-	88,123	-	163,405	-
Total assets and deferred outflows of resources	<u>\$8,010,706</u>	<u>\$6,797,099</u>	<u>\$20,801,026</u>	<u>\$18,983,093</u>	<u>\$28,811,732</u>	<u>\$25,780,192</u>
Long term liabilities outstanding	\$1,889,944	\$1,978,449	\$ 3,337,058	\$ 3,469,811	\$ 5,227,002	\$ 5,448,260
Other liabilities	561,076	513,905	1,031,648	1,065,210	1,592,724	1,579,115
Deferred inflows of resources	268,090	-	300,457	-	568,547	-
Total liabilities and deferred inflows of resources	<u>\$2,719,111</u>	<u>\$2,492,354</u>	<u>\$ 4,669,165</u>	<u>\$ 4,535,021</u>	<u>\$ 7,388,277</u>	<u>\$ 7,027,375</u>
Net position:						
Net investment in capital assets	\$3,174,470	\$2,488,245	\$11,118,496	\$ 8,505,551	\$14,292,966	\$10,993,796
Restricted	368,250	595,915	-	-	368,250	595,915
Unrestricted	1,748,874	1,220,584	5,013,365	5,942,521	6,762,239	7,163,105
Total net position	<u>\$5,291,595</u>	<u>\$4,304,744</u>	<u>\$16,131,861</u>	<u>\$14,448,072</u>	<u>\$21,423,456</u>	<u>\$18,752,816</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 the Town of Dallas exceeded liabilities and deferred inflows by \$21,423,455 as of June 30, 2015. The Town's net position increased by \$2,614,829 for the fiscal year ended June 30, 2015. However, a large portion of net position (66.72%) reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The Town of Dallas 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 of Dallas' net position, \$368,250, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$6,762,239 is unrestricted. Also, the Town of Dallas implemented GASB Statement 68 this year. With the new reporting change, the Town is allocated its proportionate share of the Local Government Employees' Retirement System's net pension asset, deferred outflows of resources, deferred inflows of resources, and pension expense. A restatement to record the effects of the new reporting guidance decreased beginning net position by \$322,373. Decisions regarding the allocations are made by the administrators of the pension plan, not by the Town of Dallas' management.

Town of Dallas, Changes in Net Position						
	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenues:						
Program revenues:						
Charges for services	\$ 450,289	\$ 479,114	\$ 11,112,240	\$ 9,249,926	\$ 11,562,529	\$ 9,729,040
Operating grants and contributions	131,943	136,586	-	-	131,943	136,586
Capital grants and contributions	516,463	453,859	632,537	117,462	1,149,000	571,321
General revenues:						
Property taxes	1,132,193	1,077,616	-	-	1,132,193	1,077,616
Other taxes	809,394	763,859	-	-	809,394	763,859
Unrestricted investment earnings	3,586	4,338	53	722	3,639	5,060
Other	29,698	16,178	74,477	121,686	104,175	137,864
Total revenues	<u>3,073,566</u>	<u>2,931,550</u>	<u>11,819,307</u>	<u>9,489,796</u>	<u>14,892,873</u>	<u>12,421,346</u>
Expenses:						
General government	430,948	419,721	-	-	430,948	419,721
Public safety	1,387,196	1,370,952	-	-	1,387,196	1,370,952
Transportation	618,187	437,217	-	-	618,187	437,217
Economic and physical development	-	86,758	-	-	-	86,758
Environmental protection	382,464	371,535	-	-	382,464	371,535
Cultural and recreational	232,513	221,342	-	-	232,513	221,342
Interest on long-term debt	77,594	78,227	-	2,241	77,594	80,468
Water and sewer	-	-	2,413,597	2,195,839	2,413,597	2,195,839
Electric	-	-	6,735,545	6,886,620	6,735,545	6,886,620
Total expenses	<u>3,128,902</u>	<u>2,985,752</u>	<u>9,149,142</u>	<u>9,084,700</u>	<u>12,278,044</u>	<u>12,070,452</u>
Changes in net position before transfers	(55,336)	(54,202)	2,670,165	405,096	2,614,829	350,894
Transfers	1,194,197	528,462	(1,194,197)	(528,462)	-	-
Changes in net position	<u>\$ 1,138,861</u>	<u>\$ 474,260</u>	<u>\$ 1,475,968</u>	<u>\$ (123,365)</u>	<u>\$ 2,614,829</u>	<u>\$ 350,894</u>
Net position, beginning, as previously report	\$ 4,304,744	\$ 3,811,994	\$ 14,448,071	\$ 14,631,437	\$ 18,752,815	\$ 18,443,431
Restatement and prior period adjustment	(152,010)	18,490	207,821	(60,000)	55,811	(41,510)
Net position, beginning, as restated	4,152,734	3,830,484	14,655,892	14,571,437	18,808,626	18,401,921
Changes in net position	<u>1,138,861</u>	<u>474,260</u>	<u>1,475,968</u>	<u>(123,365)</u>	<u>2,614,829</u>	<u>350,894</u>
Net position, ending	<u>\$ 5,291,595</u>	<u>\$ 4,304,744</u>	<u>\$ 16,131,861</u>	<u>\$ 14,448,072</u>	<u>\$ 21,423,456</u>	<u>\$ 18,752,816</u>

Governmental Activities. Governmental activities increased the Town's net position by \$1,138,861. Key elements of this increase are as follows:

- Capital grants and contributions were up approximately \$62,604.
- Increase in property taxes of \$117,181.
- Transfers increased by \$665,735.

Business-type Activities. Business-type activities increased the Town of Dallas' net position by \$1,475,968. Key elements of this increase are as follows:

- Charges for services were up by \$1,862,314.
- Capital grants and contributions increased by \$515,075.
- Expenses were increased by \$64,442.
- Transfers decreased by 665,735.

Financial Analysis of the Town's Funds

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

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

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 \$1,534,202, while total fund balance reached \$1,782,509. The Town currently has an available fund balance of 38.8 percent of General Fund expenditures while total fund balance represents 45.1 percent of that same amount.

At June 30, 2015, the governmental funds of the Town of Dallas reported a combined fund balance of \$2,348,491, with a net increase in fund balance of \$154,595. Included in this change in fund balance are the following increases (decreases):

General Fund:	
General Fund	\$ (93,381)
Other funds:	
Non-Major Funds	<u>247,975</u>
	<u>\$ 154,595</u>

Budgetary Highlights

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

General Fund

There were amendments to salary accounts due to the departure of the Development Services Director and then the restructuring of that position when filled. Both public safety departments received grant funding, which necessitated amendments to account for receipt of funds, as well as the subsequent expenditures. Several small projects were added; redesign of the Town's website, replacement of police radio antennas and repeater, land purchase, changes to the renovation schedule at the Courthouse, and initial funding for a streetscape project. Also, street paving was updated to include unspent Powell Bill funds from prior years.

Proprietary Funds:

Within the Electric Fund amendments were made to accommodate the redesign of the Town's website, installation of fiber optics, changes to the schedule of substation construction, and funding for the T.O.P. T.I.E.R. Program. Amendments were made in the Water fund for emergency purchase of a generator at the Water Treatment Plant and to provide for increased costs of chemical and repairs.

Capital Asset and Debt Administration

Capital Assets. The Town of Dallas' investment in capital assets for its governmental and business type activities as of June 30, 2015, totals \$19,452,184 (net of accumulated depreciation). These assets include buildings, roads and bridges, land, machinery and equipment, park facilities, and vehicles.

Major capital asset transactions during the year include the following:

- Major additions in the General Fund included a fire truck (\$119,680), land (\$121,455), courthouse renovation (\$532,650) and various other vehicles, equipment and infrastructure.
- The Electric Fund had approximately \$1,812,800 in current year additions for various equipment (\$280,255), substation and other additions (\$1,579,715).
- The Water and Sewer Fund had approximately \$2,072,000 of new additions consisting mostly of construction in progress related to Water and Sewer Capital Project.

Town of Dallas's Capital Assets						
Figure 4						
	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land	\$ 217,973	\$ 96,518	\$ 189,069	\$ 189,069	\$ 407,042	\$ 285,587
Right of way	-	-	41,648	41,648	41,648	41,648
Buildings and improvements	2,242,413	2,273,918	374,959	396,481	2,617,372	2,670,399
Distribution systems	-	-	4,242,649	4,389,699	4,242,649	4,389,699
Infrastructure	164,211	171,540	-	-	164,211	171,540
Other improvements	95,531	100,605	-	-	95,531	100,605
Sewer plant	-	-	507,772	544,439	507,772	544,439
Water plant	-	-	636,443	685,201	636,443	685,201
Vehicles and equipment	950,558	967,203	1,134,186	1,013,648	2,084,744	1,980,851
Construction in progress	<u>1,319,783</u>	<u>544,622</u>	<u>7,334,988</u>	<u>3,803,494</u>	<u>8,654,771</u>	<u>4,348,116</u>
Total	<u>\$4,990,470</u>	<u>\$4,154,407</u>	<u>\$14,461,714</u>	<u>\$11,063,678</u>	<u>\$19,452,184</u>	<u>\$15,218,085</u>

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

Long-term Debt. As of June 30, 2015, the Town of Dallas had total outstanding debt of \$5,159,218.

Town of Dallas's Outstanding Debt						
	Governmental		Business-type		Total	
	Activities		Activities			
	2015	2014	2015	2014	2015	2014
Loans payable	<u>\$1,816,000</u>	<u>\$1,901,184</u>	<u>\$3,343,218</u>	<u>\$3,545,101</u>	<u>\$5,159,218</u>	<u>\$5,446,285</u>

The Town of Dallas' total debt decreased by \$287,067 (5.3%) during the fiscal year, primarily due to principal payments.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within the government's boundaries. The legal debt margin for Town of Dallas is \$18,281,396. The Town has no bonds authorized but un-issued at June 30, 2015.

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

Economic Factors and Next Year's Budgets and Rates

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

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

- Both utility and tax revenues have continued their post-recession stability and this year we saw modest up-ticks in single family housing starts, as well as some retail and commercial building activity.
- Unemployment for the area and region continues to trend downward slightly. Manufacturing, health care, and retail and service commercial have seen additions to their respective work forces.
- The Dallas area economy is diversified and not overly tied to any one employer or economic activity, thus allowing for reasonable insulation from sudden or dramatic impacts to revenues.

Budget Highlights for the Fiscal Year Ending June 30, 2016

Overall, the budget comfortably maintains the integrity of the Town's core services, functions, and activities while maintaining the same rate and fee levels for property taxes, electric, storm water, solid waste and permit and recreation fees; while instituting a 3% rate increase to water and sewer charges across all rate classes. At the same time, the budget serves to either continue or complete a number of high-impact, high-priority capital improvement or re-investment projects. Specifically, the fiscal year 2016 budget fully funds the following ongoing and/or new initiatives or infrastructure up grades:

- The installation of all new mast-arm signalization, pedestrian signals, and ornamental cross walks at the Trade/Gaston and Trade/Holland intersections.
- The complete land acquisition, demolition, and construction involved in the development of the new Town Center parking lot behind Trade Street.
- The installation of a new hardwood basketball floor and HVAC system at the Dennis Franklin gym.
- The replacement and upgrade of all new fencing and back stops at both Wooten and Cudd ball fields.
- The Phase IV Public Plaza/Gazebo enhancement within the courthouse square.
- The re-conductoring of two electric transmissions line circuits feeding the new substation.
- The CMAQ sidewalk extension project along Dallas/High Shoals Hwy and Park Road.

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, NC 28034-1625. You can also call 704-922-3176, visit our website at www.dallasnc.net or send an email to mstroupe@dallasnc.net for more information.

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TOWN OF DALLAS

Statement of Net Position June 30, 2015

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 2,075,497	\$ 2,920,824	\$ 4,996,321
Taxes receivable, net	30,730	-	30,730
Accounts receivable, net	110,111	2,399,458	2,509,569
Due from other government agencies	353,467	-	353,467
Accrued interest receivable	19,337	-	19,337
Mortgage receivable	230,000	-	230,000
Inventories	16,277	559,975	576,252
Prepaid items	-	26,976	26,976
Total current assets	<u>2,835,419</u>	<u>5,907,234</u>	<u>8,742,652</u>
Noncurrent assets:			
Restricted cash	25	221,224	221,249
Net pension asset	<u>109,510</u>	<u>122,731</u>	<u>232,241</u>
Capital assets:			
Land and nondepreciable assets	1,537,756	5,872,861	7,410,618
Other capital assets, net of accumulated depreciation	<u>3,452,714</u>	<u>8,588,853</u>	<u>12,041,567</u>
Total capital assets	<u>4,990,470</u>	<u>14,461,714</u>	<u>19,452,184</u>
Total assets	<u>7,935,424</u>	<u>20,712,902</u>	<u>28,648,327</u>
Deferred Outflows of Resources			
Contributions to pension plan in current fiscal year	<u>75,282</u>	<u>88,123</u>	<u>163,405</u>
Liabilities			
Accounts payable and accrued liabilities	131,756	665,079	796,834
Accrued interest payable	16,485	-	16,485
Customer deposits - restricted	-	221,224	221,224
Unearned revenues	324,466	-	324,466
Current portion of long-term liabilities	<u>88,370</u>	<u>145,346</u>	<u>233,715</u>
Total current liabilities	<u>561,076</u>	<u>1,031,648</u>	<u>1,592,724</u>
Long-term liabilities:			
Due in more than one year	<u>1,889,944</u>	<u>3,337,058</u>	<u>5,227,002</u>
Total liabilities	<u>2,451,020</u>	<u>4,368,707</u>	<u>6,819,727</u>
Deferred Inflows of Resources			
Pension deferrals	<u>268,090</u>	<u>300,457</u>	<u>568,547</u>
Net Position			
Net investment in capital assets	3,174,470	11,118,496	14,292,967
Restricted for:			
Stabilization by State Statute	232,030	-	232,030
Streets - Powell Bill	25	-	25
Public safety	136,195	-	136,195
Unrestricted	<u>1,748,874</u>	<u>5,013,365</u>	<u>6,762,239</u>
Total net position	<u>\$ 5,291,595</u>	<u>\$ 16,131,861</u>	<u>\$ 21,423,456</u>

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

TOWN OF DALLAS

Page 1 of 2

**Statement of Activities
For the Year Ended June 30, 2015**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Primary Government</u>		
					<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Primary Government:							
Governmental activities:							
General government	\$ 430,948	\$ 5,143	\$ -	\$ 347,530	\$ (78,275)	\$ -	\$ (78,275)
Public safety	1,387,196	-	-	105,075	(1,282,121)	-	(1,282,121)
Transportation	618,187	-	131,943	-	(486,244)	-	(486,244)
Environmental protection	382,464	384,362	-	-	1,898	-	1,898
Cultural and recreational	232,513	60,784	-	63,858	(107,871)	-	(107,871)
Interest on long-term debt	77,594	-	-	-	(77,594)	-	(77,594)
Total governmental activities	<u>3,128,902</u>	<u>450,289</u>	<u>131,943</u>	<u>516,463</u>	<u>(2,030,207)</u>	<u>-</u>	<u>(2,030,207)</u>
Business-type activities:							
Water and sewer	2,413,597	2,345,131	-	632,537	-	564,071	564,071
Electric	6,735,545	8,767,109	-	-	-	2,031,564	2,031,564
Total business-type activities	<u>9,149,142</u>	<u>11,112,240</u>	<u>-</u>	<u>632,537</u>	<u>-</u>	<u>2,595,635</u>	<u>2,595,635</u>
Total primary government	<u>\$ 12,278,044</u>	<u>\$11,562,529</u>	<u>\$ 131,943</u>	<u>\$ 1,149,000</u>	<u>(2,030,207)</u>	<u>2,595,635</u>	<u>565,428</u>

cont.

TOWN OF DALLAS

Page 2 of 2, cont.

**Statement of Activities
For the Year Ended June 30, 2014**

	<u>Net (Expense) Revenue and Changes in Net Position</u>		
	<u>Primary Government</u>		
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
General revenues:			
Ad valorem taxes	\$ 1,132,193	\$ -	\$ 1,132,193
Local option sales tax	345,095	-	345,095
Franchise tax	146,578	-	146,578
Other taxes and licenses	317,721	-	317,721
Unrestricted investment earnings	3,586	53	3,639
Miscellaneous	29,698	71,077	100,775
Gain on sale of capital assets	-	3,400	3,400
Transfers	1,194,197	(1,194,197)	-
Total general revenues and transfers	<u>3,169,068</u>	<u>(1,119,667)</u>	<u>2,049,401</u>
Changes in net position	<u>\$ 1,138,861</u>	<u>\$ 1,475,969</u>	<u>\$ 2,614,829</u>
Net position - beginning, as previously reported	\$ 4,304,744	\$ 14,448,071	\$ 18,752,815
Restatement and prior period adjustment	(152,010)	207,821	55,811
Net position - beginning, as restated	4,152,734	14,655,892	18,808,626
Changes in net position	<u>1,138,861</u>	<u>1,475,969</u>	<u>2,614,829</u>
Net position - ending	<u>\$ 5,291,595</u>	<u>\$ 16,131,861</u>	<u>\$ 21,423,456</u>

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

TOWN OF DALLAS

Balance Sheet Governmental Funds June 30, 2015

	Major Funds		Total	Total
	General	CDBG Grant	Non-Major	Governmental
<u>Assets</u>	<u>Fund</u>	<u>Fund</u>	<u>Funds</u>	<u>Funds</u>
Cash and cash equivalents	\$1,534,177	\$ 40,920	\$ 500,399	\$ 2,075,497
Taxes receivable, net	30,730	-	-	30,730
Accounts receivable, net	34,209	-	75,902	110,111
Due from government agencies	353,467	-	-	353,467
Accrued interest receivable	-	19,337	-	19,337
Inventories	16,277	-	-	16,277
Mortgage receivable	-	230,000	-	230,000
Restricted cash	25	-	-	25
Total assets	<u>\$1,968,886</u>	<u>\$ 290,257</u>	<u>\$ 576,301</u>	<u>\$ 2,835,444</u>
<u>Liabilities</u>				
Accounts payable and accrued liabilities	\$ 121,437	\$ -	\$ 10,318	\$ 131,756
Total liabilities	<u>121,437</u>	<u>-</u>	<u>10,318</u>	<u>131,756</u>
<u>Deferred Inflows of Resources</u>				
Property taxes receivable	30,730	-	-	30,730
Unearned mortgage revenue	-	290,257	-	290,257
Other fees receivable	34,209	-	-	34,209
Total deferred inflows of resources	<u>64,940</u>	<u>290,257</u>	<u>-</u>	<u>355,196</u>
<u>Fund Balances</u>				
Nonspendable:				
Inventories	16,277	-	-	16,277
Restricted:				
Stabilization by State Statute	232,030	-	-	232,030
Streets - Powell Bill	25	-	-	25
Public safety	-	-	136,195	136,195
Assigned:				
Storm Water	-	-	25,983	25,983
Capital Project	-	-	90,929	90,929
Top Tier Program	-	-	265,171	265,171
Subsequent year's expenditures	260,037	-	56,446	316,483
Unassigned	<u>1,274,140</u>	<u>-</u>	<u>(8,741)</u>	<u>1,265,399</u>
Total fund balances	<u>1,782,509</u>	<u>-</u>	<u>565,983</u>	<u>2,348,491</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$1,968,886</u>	<u>\$ 290,257</u>	<u>\$ 576,301</u>	<u>\$ 2,835,444</u>

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

TOWN OF DALLAS

**Reconciliation of the Governmental Funds Balance Sheet
To the Statement of Net Position
June 30, 2015**

Total Fund Balances, Governmental Fund \$ 2,348,491

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

Capital assets used in governmental activities
are not financial resources and, therefore, are not
reported in the funds

Gross capital assets at historical cost	\$8,644,314	
Accumulated depreciation	<u>(3,653,844)</u>	4,990,470

Net pension asset 109,510

Contributions to the pension plan in the current fiscal year are deferred
outflows of resources on the Statement of Net Position 75,282

Liabilities for earned revenues considered deferred inflows of
resources in the fund statements

Property taxes receivable 30,730

Long-term liabilities used in governmental activities are not
financial uses and therefore are not reported in the funds

Accrued interest on long-term debt (16,485)

Long-term debt (1,816,000)

Compensated absences (103,850)

Law enforcement officers' separation allowance (58,464)

Pension related deferrals (268,090)

Net position of governmental activities \$ 5,291,595

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

TOWN OF DALLAS

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

For the Year Ended June 30, 2015

	Major Funds		Total	Total
	General	CDBG Grant	Non-Major	Governmental
	<u>Fund</u>	<u>Fund</u>	<u>Funds</u>	<u>Funds</u>
Revenues:				
Ad valorem taxes	\$ 1,138,903	\$ -	\$ -	\$ 1,138,903
Other taxes and licenses	25,623	-	-	25,623
Unrestricted intergovernmental revenues	776,549	-	-	776,549
Restricted intergovernmental revenues	237,052	-	-	237,052
Permits and fees	9,082	-	-	9,082
Sales and services	347,096	-	-	347,096
Grant revenue	-	-	63,858	63,858
Investment earnings	3,549	-	37	3,586
Miscellaneous	388,517	-	-	388,517
Storm water fees	-	-	90,046	90,046
Total revenues	<u>2,926,369</u>	<u>-</u>	<u>153,942</u>	<u>3,080,311</u>
Expenditures:				
General government	1,053,526	-	-	1,053,526
Public safety	1,429,170	-	-	1,429,170
Transportation	640,611	-	-	640,611
Economic and physical development	-	-	5,000	5,000
Environmental protection	331,979	-	82,039	414,018
Cultural and recreational	221,511	-	193,299	414,811
Debt service:				
Principal retirement	85,185	-	-	85,185
Interest and other charges	77,594	-	-	77,594
Total expenditures	<u>3,839,576</u>	<u>-</u>	<u>280,337</u>	<u>4,119,914</u>
Revenues over (under) expenditures	<u>(913,207)</u>	<u>-</u>	<u>(126,396)</u>	<u>(1,039,603)</u>
Other Financing Sources (Uses):				
Transfers - in	932,226	-	374,371	1,306,597
Transfers - out	(112,400)	-	-	(112,400)
Total other financing sources (uses)	<u>819,826</u>	<u>-</u>	<u>374,371</u>	<u>1,194,197</u>
Net changes in fund balances	(93,381)	-	247,975	154,595
Fund balances, beginning	<u>1,875,890</u>	<u>-</u>	<u>318,008</u>	<u>2,193,898</u>
Fund balances, ending	<u>\$ 1,782,509</u>	<u>\$ -</u>	<u>\$ 565,983</u>	<u>\$ 2,348,493</u>

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

TOWN OF DALLAS

**Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances of Governmental Funds to the
Statement of Activities
For the Year Ended June 30, 2015**

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

Net change in fund balances - total governmental funds	\$ 154,595
--------------------------------------------------------	------------

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

Capital outlay	1,105,062
Depreciation expense	(268,998)

Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	75,282
-----------------------------------------------------------------------------------------------------------------	--------

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Change in deferred revenue for tax purposes	(6,710)

The issuance of long-term debt provides current financial resources to governmental funds,
while the repayment of the principal of long-term debt consumes the current financial
resources of the governmental funds. Neither transaction has any effect on net position.
This amount is the net effect of these differences in the treatment of long-term
and related items.

Principal payments on long-term debt	85,185
Change in accrued interest payable	879

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

Compensated absences	3,424
Pension expense	(6,570)
Net pension obligation	<u>(3,288)</u>

Change in net position of governmental activities	<u>\$ 1,138,861</u>
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The notes to the financial statements are an integral part of this statement.

TOWN OF DALLAS

Statement of Revenues, Expenditures and Changes in Fund Balance Budget and Actual - General Fund For the Year Ended June 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance With Final Budget Positive (Negative)
Revenues:				
Ad valorem taxes	\$ 1,030,500	\$ 1,037,800	\$ 1,138,903	\$ 101,103
Other taxes and licenses	39,518	39,518	25,623	(13,895)
Unrestricted intergovernmental revenues	727,430	727,430	776,549	49,119
Restricted intergovernmental revenues	159,715	402,540	237,052	(165,488)
Permits and fees	3,500	3,500	9,082	5,582
Sales and services	400,240	413,840	347,096	(66,744)
Investment earnings	4,400	4,400	3,549	(851)
Miscellaneous	214,123	559,723	388,517	(171,206)
Total revenues	<u>2,579,426</u>	<u>3,188,751</u>	<u>2,926,369</u>	<u>(262,382)</u>
Expenditures:				
General government	718,737	1,209,421	1,053,526	155,895
Public safety	1,580,644	1,509,088	1,429,170	79,918
Transportation	558,608	1,037,913	640,611	397,302
Environmental protection	393,153	365,982	331,979	34,003
Cultural and recreational	327,042	245,237	221,511	23,726
Debt service:				
Principal retirement	-	85,204	85,185	19
Interest and other charges	-	77,623	77,594	29
Total expenditures	<u>3,578,184</u>	<u>4,530,468</u>	<u>3,839,576</u>	<u>690,892</u>
Revenues over (under) expenditures	<u>(998,758)</u>	<u>(1,341,717)</u>	<u>(913,207)</u>	<u>428,510</u>
Other Financing Sources (Uses):				
Appropriated fund balance	456,532	521,891	-	(521,891)
Transfers in	542,226	932,226	932,226	-
Transfer out	-	(112,400)	(112,400)	-
Total other financing sources (uses)	<u>998,758</u>	<u>1,341,717</u>	<u>819,826</u>	<u>(521,891)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	(93,381)	<u>\$ (93,381)</u>
Fund balance, beginning			<u>1,875,890</u>	
Fund balance, ending			<u>\$ 1,782,509</u>	

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

TOWN OF DALLAS

Statement of Fund Net Position Proprietary Funds June 30, 2015

	Business-type Activities Enterprise Funds		
	Water and Sewer Fund	Electric Fund	Total
<u>Assets</u>			
Current assets:			
Cash and cash equivalents	\$ 554,298	\$ 2,366,525	\$ 2,920,824
Accounts receivable (net)	323,450	2,076,008	2,399,458
Prepaid expenses	-	26,976	26,976
Inventories	192,047	367,928	559,975
Total current assets	<u>1,069,795</u>	<u>4,837,437</u>	<u>5,907,233</u>
Noncurrent assets:			
Restricted cash and cash equivalents	62,811	158,413	221,224
Net pension asset	61,490	61,241	122,731
Land and other non-depreciable assets	5,801,053	71,808	5,872,861
Capital assets, net of accumulated depreciation	<u>4,083,067</u>	<u>4,505,786</u>	<u>8,588,853</u>
Total noncurrent assets	<u>10,008,421</u>	<u>4,797,248</u>	<u>14,805,670</u>
Total assets	<u>11,078,217</u>	<u>9,634,686</u>	<u>20,712,902</u>
<u>Deferred Outflows of Resources:</u>			
Contributions to pension plan	<u>41,910</u>	<u>46,213</u>	<u>88,123</u>
<u>Liabilities</u>			
Current liabilities:			
Accounts payable and accrued liabilities	124,675	540,403	665,079
Customer deposits - restricted	62,811	158,413	221,224
Settlement agreement - current	10,000	-	10,000
Loans payable - current	<u>135,346</u>	<u>-</u>	<u>135,346</u>
Total current liabilities	<u>332,832</u>	<u>698,817</u>	<u>1,031,648</u>
Noncurrent liabilities:			
Settlement agreement	30,000	-	30,000
Loans payable	3,207,872	-	3,207,872
Accrued compensated absences	<u>48,838</u>	<u>50,348</u>	<u>99,186</u>
Total noncurrent liabilities	<u>3,286,711</u>	<u>50,348</u>	<u>3,337,058</u>
Total liabilities	<u>3,619,542</u>	<u>749,164</u>	<u>4,368,707</u>
<u>Deferred Inflows of Resources:</u>			
Pension deferrals	<u>150,533</u>	<u>149,924</u>	<u>300,457</u>
<u>Net Position</u>			
Net investment in capital assets	6,540,902	4,577,594	11,118,496
Unrestricted	<u>809,149</u>	<u>4,204,216</u>	<u>5,013,365</u>
Total net position	<u>\$ 7,350,051</u>	<u>\$ 8,781,810</u>	<u>\$ 16,131,861</u>

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

TOWN OF DALLAS

Statement of Revenues, Expenses and Changes in Fund Net Position Proprietary Funds For the Year Ended June 30, 2015

	Business-type Activities Enterprise Funds		
	Water and Sewer Fund	Electric Fund	Total
Operating Revenues:			
Electricity sales	\$ -	\$ 8,619,449	\$ 8,619,449
Water sales	1,479,113	-	1,479,113
Sewer charges	769,606	-	769,606
Water and sewer taps	15,846	-	15,846
Other operating revenues	80,566	147,660	228,227
Total operating revenues	<u>2,345,131</u>	<u>8,767,109</u>	<u>11,112,240</u>
Operating Expenses:			
Electrical operations	-	1,520,265	1,520,265
Electrical power purchases	-	4,909,572	4,909,572
Water and sewer operations	1,155,139	-	1,155,139
Wastewater treatment and distribution	596,181	-	596,181
Waste collection and treatment	407,310	-	407,310
Depreciation	254,968	305,707	560,675
Total operating expenses	<u>2,413,597</u>	<u>6,735,545</u>	<u>9,149,142</u>
Operating income (loss)	<u>(68,466)</u>	<u>2,031,565</u>	<u>1,963,099</u>
Nonoperating Revenues (Expenses):			
Investment earnings	27	27	53
Rental income	71,983	-	71,983
Gain (loss) on disposal of capital assets	3,400	-	3,400
Interest on long-term debt	-	(906)	(906)
Total nonoperating revenues (expenses)	<u>75,410</u>	<u>(880)</u>	<u>74,530</u>
Income (loss) before transfers and capital contributions	6,944	2,030,685	2,037,629
Transfers (to) from other funds:			
General Fund-payment in lieu of taxes	-	(542,226)	(542,226)
General Fund	-	(360,000)	(360,000)
Jaggers Park	-	(21,800)	(21,800)
Top Tier Program	-	(270,171)	(270,171)
Grant revenues	<u>632,537</u>	<u>-</u>	<u>632,537</u>
Changes in net position	<u>\$ 639,481</u>	<u>\$ 836,488</u>	<u>\$ 1,475,969</u>
Total net position - beginning, as previously reported	\$ 6,795,924	\$ 7,652,147	\$ 14,448,071
Restatement and prior period adjustment	<u>(85,354)</u>	<u>293,175</u>	<u>207,821</u>
Total net position - beginning, as restated	6,710,570	7,945,322	14,655,892
Changes in net position	<u>639,481</u>	<u>836,488</u>	<u>1,475,969</u>
Total net position - ending	<u>\$ 7,350,051</u>	<u>\$ 8,781,810</u>	<u>\$ 16,131,861</u>

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

TOWN OF DALLAS

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**Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2015**

	Business-type Activities		
	Enterprise Funds		
	Water and Sewer Fund	Electric Fund	Total
Cash Flows From Operating Activities:			
Cash received from customers	\$2,303,692	\$8,160,156	\$ 10,463,848
Cash paid for goods and services	(1,394,684)	(5,398,034)	(6,792,718)
Cash paid to or on behalf of employees for services	<u>(900,678)</u>	<u>(910,671)</u>	<u>(1,811,349)</u>
Net cash provided (used) by operating activities	<u>8,330</u>	<u>1,851,451</u>	<u>1,859,781</u>
Cash Flows From Non-Capital Financing Activities:			
Transfers - in (out)	-	<u>(1,194,197)</u>	<u>(1,194,197)</u>
Net cash provided (used) by non-capital financing activities	<u>-</u>	<u>(1,194,197)</u>	<u>(1,194,197)</u>
Cash Flows From Capital and Related Financing Activities:			
Acquisition and construction of capital assets	(2,145,884)	(1,812,799)	(3,958,683)
Proceeds from sale of capital assets	3,400	-	3,400
Grant revenues	632,537	-	632,537
Payment on settlement agreement	(10,000)	-	(10,000)
Principal paid on long-term debt	(130,655)	(71,228)	(201,883)
Interest paid on long-term debt	<u>-</u>	<u>(906)</u>	<u>(906)</u>
Net cash provided (used) by capital and related financing activities	<u>(1,650,602)</u>	<u>(1,884,933)</u>	<u>(3,535,535)</u>
Cash Flows From Investing Activities:			
Lease income	71,983	-	71,983
Investment earnings	<u>27</u>	<u>27</u>	<u>54</u>
Net cash provided (used) by investing activities	<u>72,010</u>	<u>27</u>	<u>72,037</u>
Net increase (decrease) in cash and cash equivalents	(1,570,262)	(1,227,652)	(2,797,914)
Cash and cash equivalents at beginning of year	<u>2,187,370</u>	<u>3,752,590</u>	<u>5,939,960</u>
Cash and cash equivalents at end of year	<u>\$ 617,108</u>	<u>\$2,524,938</u>	<u>\$ 3,142,045</u>

cont.

TOWN OF DALLAS

Page 2 of 2, cont.

**Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2015**

	Business-type Activities		
	Enterprise Funds		
	<u>Water and Sewer Fund</u>	<u>Electric Fund</u>	<u>Total</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	\$ (68,466)	\$2,031,565	\$ 1,963,099
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	254,968	305,707	560,675
Pension expense	(85,354)	35,533	(49,821)
Prior period adjustment	-	378,184	378,184
Change in assets and liabilities:			
(Increase) decrease in accounts receivable	(38,829)	(981,416)	(1,020,245)
(Increase) decrease in inventory	(23,704)	36,964	13,260
(Increase) decrease in net pension asset	(61,490)	(61,241)	(122,731)
(Increase) decrease in deferred outflows of resources for pensions	(41,910)	(46,213)	(88,123)
Increase (decrease) in accounts payable and other accrued liabilities	(77,484)	(3,721)	(81,205)
Increase (decrease) in deferred inflows of resources for pensions	150,533	149,924	300,457
Increase (decrease) in accrued vacation pay	2,707	9,886	12,593
Increase (decrease) in customer deposits	<u>(2,641)</u>	<u>(3,721)</u>	<u>(6,362)</u>
Net cash provided (used) by operating activities	<u>\$ 8,330</u>	<u>\$1,851,451</u>	<u>\$ 1,859,781</u>

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

TOWN OF DALLAS, NORTH CAROLINA

Notes to the Financial Statements June 30, 2015

I. Summary of Significant Accounting Policies

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

A. Reporting Entity

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

B. Basis of Presentation - Fund Accounting

Government-wide Statements. The statement of net position and the statement of activities display information about the primary government. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the Town. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the Town and for each function of the Town's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

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

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies result from non-exchange transactions. Other non-operating revenues are ancillary activities such as investment earnings.

TOWN OF DALLAS, NORTH CAROLINA

Notes to the Financial Statements June 30, 2015

The Town reports the following major governmental funds:

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

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

The Town reports the following non-major governmental funds:

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

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

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

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

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

The Town reports the following major enterprise funds:

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

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

C. Measurement Focus and Basis of Accounting

In accordance with North Carolina General Statutes, all funds of the Town are maintained during the year using the modified accrual basis of accounting.

TOWN OF DALLAS, NORTH CAROLINA

Notes to the Financial Statements June 30, 2015

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town's Enterprise Funds are charges to customers for sales and services. The Town also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water and sewer system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

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

TOWN OF DALLAS, NORTH CAROLINA

Notes to the Financial Statements June 30, 2015

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

D. Budgetary Data

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

The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

1. Deposits and Investments

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

TOWN OF DALLAS, NORTH CAROLINA

Notes to the Financial Statements June 30, 2015

State law [G.S. 159-30(c)] authorizes the Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain nonguaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT). The investments of the Town are reported at fair value as determined by quoted market prices. The securities of the NCCMT Cash Portfolio, a SEC-registered (2a-7) money market mutual fund, are valued at fair value, which is the NCCMT's share price. The NCCMT Term Portfolio's securities are valued at fair value.

2. Cash and Cash Equivalents

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

3. Restricted Assets

The unexpended loan proceeds of the General Fund and Water and Sewer Fund are classified as Restricted Assets for the enterprise fund because their use is completely restricted to the purpose for which the loan was originally issued. 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.

Governmental activities	
General Fund	
Streets	<u>\$ 25</u>
Business-type activities	
Water and sewer fund	
Customer deposits	62,811
Electric fund	
Customer deposits	<u>158,413</u>
Total business-type activities	<u>221,224</u>
Total restricted cash	<u>\$221,249</u>

TOWN OF DALLAS, NORTH CAROLINA

Notes to the Financial Statements June 30, 2015

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2014. As allowed by State law, the Town has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the Town's General Fund, ad valorem tax revenues are reported net of such discounts.

5. Allowances for Doubtful Accounts

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

6. Inventories and Prepaid Items

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

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements and expensed as the items are used. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

7. Capital Assets

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

TOWN OF DALLAS, NORTH CAROLINA

Notes to the Financial Statements June 30, 2015

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

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

8. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, Deferred Outflows of Resources, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditures until then. The Town has one item that meets this criterion, contributions made to the pension plan in the 2015 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, Deferred Inflows of Resources, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has several items that meet the criterion for this category - property taxes receivable, unearned mortgage revenue, other fees receivable and deferrals of pension expense that results from the implementation of GASB Statement 68.

9. Long-Term Obligations

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

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

TOWN OF DALLAS, NORTH CAROLINA

Notes to the Financial Statements June 30, 2015

10. Compensated Absences

The vacation policy of the Town provides for the accumulation of up to twenty days earned vacation leave with such leave being fully vested when earned. For the Town's government-wide and proprietary funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The Town has assumed a first-in, first-out method of using accumulated compensated time. The portion of that time that is estimated to be used in the next fiscal year has been considered to be immaterial, therefore no current liability has been reflected in the government-wide financial statements.

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

11. Net Position/Fund Balances

Net Position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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

Prepaid Items - portion of fund balance that is not available for appropriation because it represents the year-end balance of prepaid items, which are not expendable available resources.

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

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

TOWN OF DALLAS, NORTH CAROLINA

Notes to the Financial Statements June 30, 2015

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 used to account for future obligations of the Law Enforcement Officers' Separation Allowance.

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

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

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

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

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

TOWN OF DALLAS, NORTH CAROLINA

Notes to the Financial Statements June 30, 2015

12. Pensions

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

F. Other

Management Estimates

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

II. Stewardship Compliance Accountability

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

1. Noncompliance with North Carolina General Statutes

Prior Period Adjustment

A "true-up" payment received as part of the wholesale purchase power agreement with Duke Energy was received in the prior year, but not recorded as revenue. The beginning fund balance of the Electric Fund was adjusted by \$378,184 to account for the receipt of the "true up" payment

TOWN OF DALLAS, NORTH CAROLINA

Notes to the Financial Statements June 30, 2015

Deficit in Fund Balance or Net Position of Individual Funds

The Jagers Park Capital Project Fund has a deficit fund balance of \$8,741. Expenses were incurred that exceeded appropriations. The Town will transfer funds from the General Fund and/or Electric Fund to prevent a deficit fund balance in the future.

Powell Bill Report Materially Incorrect

G.S.136-41.3(b) states that: "On or before the first day of August each year, the treasurer, auditor, or other responsible official of each municipality receiving funds by virtue of G.S. 136-41.1 and 136-41.2 shall file a statement under oath with the Secretary of Transportation showing in detail the expenditure of funds received by virtue of G.S. 136-41.1 and 136-41.2 during the preceding year and the balance on hand." The Town's Powell Bill Expenditures Report was materially incorrect as a result of the discovery of pre-2006, unspent revenues. The beginning balance was not adjusted for the pre-2006 funds of \$167,241. They were spent during this fiscal year and not shown as an expenditure on the Powell Bill report.

III. Detail Notes on All Funds

A. Assets

1. Deposits

All the deposits of the Town are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's agents in the Town's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town these deposits are considered to be held by the Town's agent in their name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town under the Pooling Method, the potential exists for undercollateralization. This risk may increase in periods of high cash flows.

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

At June 30, 2015, the Town's deposits had a carrying amount of \$635,355 and a bank balance of \$934,734. Of the bank balance, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2015, the Town's petty cash fund totaled \$1,820.

TOWN OF DALLAS, NORTH CAROLINA

Notes to the Financial Statements June 30, 2015

2. Investments

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity</u>	<u>Rating</u>
NC Capital Management Trust			
Cash Portfolio	\$1,564,026	N/A	AAAm
Term Portfolio	<u>3,016,370</u>	0.19 years	Unrated
Total	<u>\$4,580,396</u>		

Interest Rate Risk. The Town has no formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. The Town has no formal policy regarding credit risk, but has internal management procedures that limit the Town's investments to the provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. The Town's investments in the NC Capital Management Trust Cash Portfolio carried a credit rating of AAAm by Standard and Poor's as of June 30, 2015. The Town's investment in the NC Capital Management Trust Term Portfolio is unrated. The Term Portfolio is authorized to invest in obligations of the U.S. government and agencies, and in high grade money market instruments as permitted under North Carolina General Statutes 159-30 as amended.

3. Receivables - Allowance for Doubtful Accounts

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

General Fund:	
Taxes receivable	\$ 27,528
Accounts receivable	273
Storm Water Fund-accounts receivable	<u>69</u>
	<u>27,870</u>
Enterprise Funds:	
Electric Fund-accounts receivable	61,953
Water and Sewer Fund-accounts receivable	<u>12,216</u>
	<u>74,170</u>
Total	<u>\$102,039</u>

TOWN OF DALLAS, NORTH CAROLINA

Notes to the Financial Statements June 30, 2015

4. Mortgage Receivable

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

5. Capital Assets

Primary Government

Capital asset activity for the primary government for the year ended June 30, 2015, was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 96,518	\$121,455	\$ -	\$ 217,973
Construction in progress	<u>544,622</u>	<u>775,161</u>	<u>-</u>	<u>1,319,783</u>
Total capital assets not being depreciated	<u>641,140</u>	<u>896,616</u>	<u>-</u>	<u>1,537,756</u>
Capital assets being depreciated:				
Building	3,019,258	47,222	-	3,066,480
Other improvements	251,926	-	-	251,926
Vehicles and equipment	3,418,495	161,223	11,431	3,568,287
Infrastructure	<u>219,865</u>	<u>-</u>	<u>-</u>	<u>219,865</u>
Total capital assets being depreciated	<u>6,909,544</u>	<u>208,446</u>	<u>11,431</u>	<u>7,106,558</u>
Less accumulated depreciated for:				
Buildings	745,340	78,727	-	824,067
Other improvements	151,321	5,074	-	156,395
Vehicles and equipment	2,451,292	177,868	11,431	2,617,729
Infrastructure	<u>48,325</u>	<u>7,329</u>	<u>-</u>	<u>55,654</u>
Total accumulated depreciation	<u>3,396,277</u>	<u>\$268,998</u>	<u>\$11,431</u>	<u>3,653,845</u>
Total capital assets being depreciated, net	<u>3,513,267</u>			<u>3,452,714</u>
Governmental activity capital assets, net	<u>\$4,154,407</u>			<u>\$4,990,470</u>

TOWN OF DALLAS, NORTH CAROLINA

Notes to the Financial Statements June 30, 2015

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

General government	\$ 22,654
Public safety	168,960
Public works	33,868
Environmental protection	30,913
Cultural and recreational	12,603
Total depreciation expense	<u>\$268,998</u>

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Business-type Activities:				
Electric Fund:				
Capital assets, not being depreciated:				
Land	\$ 71,808	\$ -	\$ -	\$ 71,808
Construction in progress	232,921	1,459,921	-	1,692,842
Total capital assets not being depreciated	<u>304,729</u>	<u>\$1,459,921</u>	<u>\$ -</u>	<u>1,764,650</u>
Capital assets being depreciated:				
Buildings	305,046	\$ -	\$ -	305,046
Distribution system	4,422,258	72,622	-	4,494,880
Equipment	1,802,534	280,255	-	2,082,789
Total capital assets being depreciated	<u>6,529,838</u>	<u>352,877</u>	<u>-</u>	<u>6,882,715</u>
Less accumulated depreciation for:				
Buildings	118,896	12,565	-	131,461
Distribution system	2,667,747	106,856	-	2,774,604
Equipment	977,419	186,286	-	1,163,706
Total accumulated depreciation	<u>3,764,063</u>	<u>\$ 305,707</u>	<u>\$ -</u>	<u>4,069,771</u>
Total capital assets being depreciated, net	<u>2,765,775</u>			<u>2,812,944</u>
Electric Fund capital assets, net	<u>3,070,503</u>			<u>4,577,594</u>
 Water and Sewer Fund:				
Capital assets not being depreciated:				
Land	117,261	\$ -	\$ -	117,261
Construction in progress	3,570,573	2,071,571	-	5,642,144
Right of way	41,648	-	-	41,648
Total capital assets not being depreciated	<u>3,729,482</u>	<u>2,071,571</u>	<u>-</u>	<u>5,801,053</u>
Capital assets being depreciated:				
Buildings	289,320	-	-	289,320
Distribution system	5,491,980	-	-	5,491,980
Equipment	1,059,971	74,313	20,805	1,113,475
Sewer plant	1,558,767	-	-	1,558,767
Water plant	2,079,335	-	-	2,079,335
Total capital assets being depreciated	<u>10,479,374</u>	<u>74,313</u>	<u>20,805</u>	<u>10,532,880</u>

TOWN OF DALLAS, NORTH CAROLINA

Notes to the Financial Statements June 30, 2015

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Business-type Activities:				
Less accumulated depreciation for:				
Buildings	\$ 78,989	\$ 8,957	\$ -	\$ 87,946
Distribution system	2,856,792	112,815	-	2,969,607
Equipment	871,438	47,741	20,805	898,375
Sewer plant	1,014,328	36,667	-	1,050,995
Water plant	1,394,134	48,758	-	1,442,892
Total accumulated depreciation	<u>6,215,681</u>	<u>\$ 254,938</u>	<u>\$20,805</u>	<u>6,449,814</u>
Total capital assets being depreciated, net	<u>4,263,693</u>			<u>4,083,066</u>
Water and Sewer Fund capital assets, net	<u>7,993,174</u>			<u>9,884,120</u>
Business-type activities capital assets, net	<u>\$11,063,678</u>			<u>\$14,461,714</u>

The Town has active construction projects as of June 30, 2015. At year-end, the Town's commitments with contractors are as follows:

	<u>Spent-to-date</u>	<u>Remaining Commitment</u>
Courthouse renovation	\$ 919,764	\$222,750
Electric substation	1,579,715	264,300
Water system improvements (Phase I, II, III)	4,133,133	58,740
(Phase IV-CDBG)	1,176,751	5,500

B. Liabilities

1. Pension Plan and Postemployment Obligations

a. Local Governmental Employees' Retirement System

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

TOWN OF DALLAS, NORTH CAROLINA

Notes to the Financial Statements June 30, 2015

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

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

Contributions - Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. The Town of Dallas employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town of Dallas's contractually required contribution rate for the year ended June 30, 2015, was 7.55% of compensation for law enforcement officers and 7.07% for general employees, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Dallas were \$163,404 for the year ended June 30, 2015.

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

TOWN OF DALLAS, NORTH CAROLINA

Notes to the Financial Statements June 30, 2015

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

At June 30, 2015, the Town reported an asset of \$232,242 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2015. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2013. The total pension liability was then rolled forward to the measurement date of June 30, 2014 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension asset was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2014, the Town's proportion was 0.04030%, which was a decrease of 0.03938% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the Town recognized pension expense of \$13,930. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 25,376
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	540,654
Changes in proportion and differences between Town contributions and proportionate share of contributions	-	2,515
Town contributions subsequent to the measurement date	<u>163,404</u>	<u>-</u>
Total	<u>\$163,404</u>	<u>\$568,546</u>

\$163,404 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2016. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2016	\$(142,154)
2017	(142,154)
2018	(142,154)
2019	(142,084)
2020	-
Thereafter	-

TOWN OF DALLAS, NORTH CAROLINA

Notes to the Financial Statements June 30, 2015

Actuarial Assumptions - The total pension liability in the December 31, 2013 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	4.25 to 8.55 percent, including inflation and productivity factor
Investment rate of return	7.25 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2013 valuation were based on the results of an actuarial experience study for the period January 1, 2005 through December 31, 2009.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2014 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	36.0%	2.5%
Global Equity	40.5%	6.1%
Real Estate	8.0%	5.7%
Alternatives	6.5%	10.5%
Credit	4.5%	6.8%
Inflation Protection	4.5%	3.7%
Total	<u>100%</u>	

TOWN OF DALLAS, NORTH CAROLINA

Notes to the Financial Statements June 30, 2015

The information above is based on 30 year expectations developed with the consulting actuary for the 2013 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.19%. All rates of return and inflation are annualized.

A new asset allocation policy was finalized during the fiscal year ended June 30, 2014 to be effective July 1, 2014. The new asset allocation policy utilizes different asset classes, changes in the structure of certain asset classes, and adopts new benchmarks. Using the asset class categories in the preceding table, the new long-term expected arithmetic real rates of return are: Fixed Income 2.2%, Global Equity 5.8%, Real Estate 5.2%, Alternatives 9.8%, Credit 6.8% and Inflation Protection 3.4%.

Discount rate - The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Town's proportionate share of the net pension asset to changes in the discount rate - The following presents the Town's proportionate share of the net pension asset calculated using the discount rate of 7.25 percent, as well as what the Town's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25 percent) or one percentage point higher (8.25 percent) than the current rate:

	1% Increase (6.25%)	Discount Decrease (7.25%)	1% Rate (8.25%)
Town's proportionate share of the net pension liability (asset)	<u>\$788,330</u>	<u>\$(232,242)</u>	<u>\$(1,091,531)</u>

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

TOWN OF DALLAS, NORTH CAROLINA

Notes to the Financial Statements

June 30, 2015

b. Law Enforcement Officers Special Separation Allowance

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

All full-time law enforcement officers of the Town are covered by the Separation Allowance. At December 31, 2014, the Separation Allowance's membership consisted of:

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

A separate report was not issued for the plan.

Summary of Significant Accounting Policies

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

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

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

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

TOWN OF DALLAS, NORTH CAROLINA

Notes to the Financial Statements June 30, 2015

Contributions

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

The annual required contribution for the current year was determined as part of the December 31, 2014 actuarial valuation using the projected unit credit actuarial cost method. The amortization method used was the level percent of pay closed. The plan has a remaining amortization period of 16 years. The actuarial assumptions included (a) 5.00% investment rate of return (net of administrative expenses) and (b) projected salary increases ranging from 4.25%-7.85% per year. Both (a) and (b) included an inflation component of 3.00%. The assumptions did not include postretirement benefit increases. Market value is used to determine the actuarial value of assets.

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

Annual required contribution	\$ 17,337
Interest on net pension obligation	2,699
Adjustment to annual required contribution	<u>(5,748)</u>
Annual pension cost	14,288
Contributions made	<u>11,000</u>
Increase (decrease) in net pension obligation	3,288
Net pension obligation, beginning of year	<u>55,176</u>
Net pension obligation, end of year	<u>\$ 58,464</u>

3 Year Trend Information

<u>For Year Ended June 30,</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2013	\$14,856	74.04%	\$49,201
2014	\$16,975	64.80%	\$55,176
2015	\$15,475	71.08%	\$58,464

The Town has set aside amounts in a separate fund, which has a balance of \$136,196 at June 30, 2015, but this fund is not legally restricted to this purpose.

TOWN OF DALLAS, NORTH CAROLINA

Notes to the Financial Statements June 30, 2015

Funded Status and Funding Progress

As of December 31, 2014, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and the unfunded actuarial accrued liability (UAAL) was \$152,510. The covered payroll (annual payroll of active employees covered by the plan) was \$639,862, and the ratio of the UAAL to the covered payroll was 23.83%.

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

c. Supplemental Retirement Income Plan for Law Enforcement Officers

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

Funding Policy - Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2015 were \$45,487, which consisted of \$25,237 from the Town and \$20,250 from the law enforcement officers.

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

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

Funding Policy - The Town voluntarily contributes each month an amount equal to four percent of each employee's salary, and all amounts contributed are vested immediately. Also, the employees may make voluntary contributions to the plan. Contributions for the year ended June 30, 2015 were \$80,824, which consisted of \$64,500 from the Town and \$16,324 from the employees.

TOWN OF DALLAS, NORTH CAROLINA

Notes to the Financial Statements June 30, 2015

e. Other Employment Benefits

The Town has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement of 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.

For the fiscal year ended June 30, 2015, the Town made contributions to the State for death benefits of \$0. The Town's required contributions for employees not engaged in law enforcement and for law enforcement officers represented 0.00% and 0.00% of covered payroll, respectively.

Due to a surplus in the death benefit, a decision was made by the State to temporarily stop employer contributions to the LGERS Death Benefit Plan beginning July 1, 2012. A temporary relief period based on the number of years the employer has contributed as of December 31, 2010 was established as follows:

<u>No. Years Contributing</u>	<u>Years Relief</u>	<u>Fiscal Year Contributions Resume</u>
less than 10	1	2014
10 - 20	2	2015
20 or more	3	2016

The period of reprieve is determined separately for law enforcement officers. The Town of Dallas will have a three year reprieve because it has been contributing for more than 20 years. Contributions will resume in the fiscal year beginning July 1, 2015.

TOWN OF DALLAS, NORTH CAROLINA

Notes to the Financial Statements June 30, 2015

2. Deferred Outflows and Inflows of Resources

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

<u>Source</u>	
Contributions to pension plan in current fiscal year	\$163,405

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

Taxes receivable(General Fund)	\$ 30,730
Vehicle tag receivable (General Fund)	6,549
Tipping for receivable (General Fund)	27,660
Pension deferrals	568,547
Mortgage receivable (CDBG Grant Fund)	290,257

3. Commitments

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

4. Risk Management

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

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

TOWN OF DALLAS, NORTH CAROLINA

Notes to the Financial Statements June 30, 2015

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

5. Claims, Judgments and Contingent Liabilities

In May 2010, the Town entered into a settlement agreement with the Division of Water Quality of the North Carolina Department of Environment and Natural Resources (NCDENR) for violations related to the operation of the Town's Wastewater Treatment Plant. The Town was assessed a civil penalty and a settlement agreement was reached in the amount of \$101,289 for civil penalties and investigative costs. The agreement calls for one payment of \$11,289 and nine annual payments of \$10,000, beginning on June 15, 2010, to satisfy this penalty. The unpaid balance remaining of this settlement will be forgiven by NCDENR if, prior to January 15, 2019, the Town irrevocably conveys ownership and operation of its waste water treatment plant to an unrelated third party, or submits a request to terminate its permit to operate that plant. The balance owed at June 30, 2015 was \$40,000.

6. Long-Term Obligations

Loans payable consist of the following at June 30, 2015:

Serviced by the General Fund:

\$1,500,000 loan for a fire station, with principal and interest payments of \$51,141, due semi-annually in April and October, at an annual interest rate of 4.33%, through 2033.	\$1,287,926
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\$349,944 loan for a fire truck, with principal and interest payments of \$31,325, due annually in July, at an annual interest rate of 3.914%, through 2028.	313,829
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\$235,000 loan for a solid waste truck, with principal and interest payments of \$27,171, due annually in September, at an annual interest rate of 2.73%, through 2023.	<u>214,245</u>
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Total serviced by the General Fund	1,816,000
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Serviced by the Water and Sewer Fund:

\$3,600,000 loan for water and sewer capital projects, with principal and interest payments of \$225,367, due annually in June, at an annual interest rate of 3.59% through 2033.	<u>3,343,218</u>
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Total loans payable	<u>\$5,159,218</u>
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TOWN OF DALLAS, NORTH CAROLINA

Notes to the Financial Statements June 30, 2015

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

	Loans Payable	
	<u>Principal</u>	<u>Interest</u>
Governmental activities:		
2016	\$ 88,370	\$ 74,409
2017	91,987	70,792
2018	95,598	67,180
2019	99,356	63,422
2020	103,140	59,639
2021-2025	553,476	233,247
2026-2030	493,944	121,445
2031-2035	<u>290,128</u>	<u>127,000</u>
Total governmental activities	<u>1,816,000</u>	<u>817,135</u>
Business-type activities:		
2016	135,346	120,022
2017	140,204	115,163
2018	145,238	110,129
2019	150,452	104,915
2020	155,853	104,915
2021-2025	867,319	439,574
2026-2030	1,034,589	278,100
2031-2035	<u>714,217</u>	<u>85,485</u>
Total business-type activities	<u>3,343,218</u>	<u>1,358,304</u>
Total	<u>\$5,159,218</u>	<u>\$2,175,438</u>

At June 30, 2015, the Town's legal debt margin is \$18,231,396.

Changes in Long-Term Liabilities

	<u>Balance July 1, 2014</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2015</u>	<u>Current Portion of Balance</u>
Governmental activities:					
Compensated absences	\$ 107,274	\$ -	\$ 3,424	\$ 103,850	\$ -
Net pension obligation	55,176	3,288	-	58,464	-
Loans payable	<u>1,901,184</u>	<u>-</u>	<u>85,184</u>	<u>1,816,000</u>	<u>88,370</u>
Total governmental activities	<u>\$2,063,634</u>	<u>\$ 3,288</u>	<u>\$ 88,608</u>	<u>\$1,978,314</u>	<u>\$ 88,370</u>
Business-type activities:					
Compensated absences	\$ 86,593	\$12,593	\$ -	\$ 99,186	\$ -
Settlement payable	50,000	-	10,000	40,000	10,000
Loans payable	<u>3,545,101</u>	<u>-</u>	<u>201,883</u>	<u>3,343,218</u>	<u>135,346</u>
Total business-type activities	<u>\$3,681,694</u>	<u>\$12,593</u>	<u>\$211,883</u>	<u>\$3,482,404</u>	<u>\$145,346</u>

The liability for compensated absences and net pension obligation for the governmental activities typically has been liquidated in the General Fund.

TOWN OF DALLAS, NORTH CAROLINA

Notes to the Financial Statements June 30, 2015

C. Interfund Balances and Activity

From the General Fund to LESA Fund - to fund LESA	\$ 11,000
From the Storm Water Fund to the General Fund - reimbursement of expenses	30,000
From the General Fund to Jagers Park Capital Project - park construction	101,400
From the Electric Fund to Jagers Park Capital Project - park construction	21,800
From the Electric Fund to the Top Tier Program Fund - operations	270,171
From the Electric Fund to the General Fund - payment in lieu of taxes	542,226
From the Electric Fund to the General Fund - reimbursement of expenses	<u>360,000</u>
	<u>\$1,336,597</u>

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

D. Net Investment in Capital Assets

	<u>Governmental</u>	<u>Business-type</u>
Capital assets	\$ 4,990,470	\$ 14,461,714
Less: long-term debt	<u>(1,816,000)</u>	<u>(3,343,218)</u>
	<u>\$ 3,174,470</u>	<u>\$ 11,118,494</u>

E. Fund Balance

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

Total fund balance-General Fund	\$1,782,509
Less:	
Inventories	16,277
Stabilization by State Statute	232,030
Streets-Powell Bill	25
Appropriated Fund Balance in 2015 budget	260,037
Remaining Fund Balance	<u>1,274,140</u>

F. Prior Period Adjustment

During the fiscal year ended June 30, 2015, an adjustment was made to beginning fund balance in the Electric Fund due to a "true-up" payment of \$378,184 received as part of the wholesale purchase power agreement with Duke Energy. The "true-up" payment was received in the prior year, but was not recorded as revenue.

TOWN OF DALLAS, NORTH CAROLINA

Notes to the Financial Statements June 30, 2015

III. Jointly Governed Organizations

The Town, in conjunction with nine counties and seventy-four other municipalities established the Centralina Council of Governments (Council). The participating governments established the Council to coordinate various funding received from federal and State agencies. Each participating government appoints one member to the Council's governing board. The Town paid membership fees of \$1,120 to the Council during the fiscal year ended June 30, 2015.

IV. Related Organization

The Dallas Historic Courthouse Foundation, a 501(c)(3) organization was organized to solicit, provide and manage resources and support for the preservation, protection, renovation, improvement, upkeep, maintenance and operations of the Historic Dallas Courthouse and surrounding public square, which is owned by the Town of Dallas. The Town of Dallas made no contributions to the Foundation during the current fiscal year, however, the Foundation contributed \$347,530 back to the Town of Dallas for renovations to the courthouse.

V. Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

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

VI. Significant Effects of Subsequent Events

Management has evaluated subsequent events through December 21, 2015, the date on which the financial statements were available to be issued. During the period from the end of the year and through this date, no circumstances occurred that require recognition or disclosure in these financial statements.

Subsequent to year end the Town has entered into a contract for \$205,000 for traffic signals, controllers and mast arms and a contract for \$342,883 for concrete, paving and cross-walks.

VII. Change in Accounting Principles/Restatement

The Town implemented Governmental Accounting Standards Board (GASB) statement 68, *Accounting and Financial Reporting for Pensions (an amendment of GASB Statement No.27)*, in the fiscal year ending June 30, 2015. The implementation of the statement required the Town to record beginning net pension liability and the effects on net position of contributions made by the Town during the measurement period (fiscal year ending June 30, 2014). As a result, net position for the governmental and business-type activities decreased by \$152,010 and \$170,363, respectively.

TOWN OF DALLAS

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

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

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

TOWN OF DALLAS

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

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

Notes to Required Schedules:

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

Valuation date	12/31/14
Actuarial cost method	Projected unit credit
Amortization method	Level dollar closed
Remaining amortization period	16 years
Asset valuation method	Market value of assets
Actuarial assumptions:	
Investment rate of return*	5.00%
Projected salary increases	4.25% - 7.85%
*Includes inflation at	3.00%
Cost of living adjustments	N/A

TOWN OF DALLAS

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

	<u>2015</u>	<u>2014</u>
Town of Dallas' proportion of the net pension liability (asset) (%)	0.03938%	0.04030%
Town of Dallas' proportion of the net pension liability (asset) (\$)	\$ (232,242)	\$ 485,770
Town of Dallas' covered payroll	\$ 1,724,960	\$ 1,542,147
Town of Dallas' proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	(13.46)%	31.50%
Plan fiduciary net position as a percentage of the total pension liability**	102.64%	94.35%

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

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

TOWN OF DALLAS

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

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

TOWN OF DALLAS

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General Fund
Schedule of Revenues, Expenditures and Changes
In Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2015
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2014)

	<u>2015</u>		<u>Variance</u>	<u>2014</u>
	<u>Budget</u>	<u>Actual</u>	<u>Positive</u> <u>(Negative)</u>	<u>Actual</u>
Revenues:				
Ad valorem taxes:				
Current year	\$1,030,500	\$1,041,668	\$ 11,168	\$ 972,654
Prior years	-	69,386	69,386	81,895
State board assessed	-	20,050	20,050	19,846
Interest and penalties	7,300	7,798	498	8,484
Total	<u>1,037,800</u>	<u>1,138,903</u>	<u>101,103</u>	<u>1,082,878</u>
Other taxes and licenses:				
Privilege licenses	3,900	1,796	(2,104)	5,488
Motor vehicle licenses	15,755	1,568	(14,187)	11,093
Alcohol beverage tax	19,863	22,259	2,396	20,139
Total	<u>39,518</u>	<u>25,623</u>	<u>(13,895)</u>	<u>36,720</u>
Unrestricted intergovernmental revenues:				
Local option sales tax	325,453	345,095	19,642	315,441
Hold harmless distribution	172,862	178,982	6,120	190,704
Utility franchise tax	116,056	146,578	30,522	106,996
Excise tax on ripiped natural gas	16,697	13,289	(3,408)	23,236
Sales tax on telecommunications	76,028	67,067	(8,961)	69,910
Sales tax on video programming	17,404	22,572	5,168	17,371
Solid waste disposal tax	2,930	2,966	36	2,583
Total	<u>727,430</u>	<u>776,549</u>	<u>49,119</u>	<u>726,241</u>
Restricted intergovernmental revenues:				
Powell Bill street aid allocation	296,190	131,943	(164,247)	128,453
Powell Bill investment earnings	25	33	8	23
Drug forfeiture revenue	500	-	(500)	179
Grant revenue	2,475	2,475	-	-
Federal and state grants	102,600	102,600	-	36,907
Public safety grant	750	-	(750)	1,250
Total	<u>402,540</u>	<u>237,052</u>	<u>(165,488)</u>	<u>166,812</u>

cont.

TOWN OF DALLAS

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General Fund
Schedule of Revenues, Expenditures and Changes
In Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2015
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2014)

	<u>2015</u>		<u>Variance</u>	<u>2014</u>
	<u>Budget</u>	<u>Actual</u>	<u>Positive</u> <u>(Negative)</u>	<u>Actual</u>
Revenues (continued):				
Permits and fees:				
Zoning fees	\$ 3,500	\$ 9,082	\$ 5,582	\$ 3,295
Sales and services:				
Arrest fees	800	1,077	277	498
Refuse collection fees	330,540	283,676	(46,864)	322,388
Recreation fees and concessions	70,000	60,784	(9,216)	61,779
Other	12,500	1,558	(10,942)	214
Total	413,840	347,096	(66,744)	384,879
Investment earnings	4,400	3,549	(851)	4,298
Miscellaneous:				
Sale of property	8,000	15,690	7,690	26,358
Returned check revenue	2,400	4,365	1,965	1,901
Customer billed charges	4,000	5,143	1,143	2,694
ABC wholesale distribution	4,973	7,222	2,249	898
Contribution from Courthouse Foundation	535,850	347,530	(188,320)	416,952
Other	4,500	8,566	4,066	(12,830)
Total	559,723	388,517	(171,206)	435,973
Total revenues	3,188,751	2,926,369	(262,382)	2,841,096
				cont.

TOWN OF DALLAS

Page 3 of 6

**General Fund
Schedule of Revenues, Expenditures and Changes
In Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2015
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2014)**

	2015		Variance Positive (Negative)	2014 Actual
	<u>Budget</u>	<u>Actual</u>		
Expenditures:				
General government:				
Administrative:				
Salaries and employee benefits	\$ 81,743	\$ 72,074	\$ 9,669	\$ 81,433
Professional services	21,758	20,081	1,677	23,376
Maintenance and repairs	300	300	-	215
Other operating expenditures	<u>89,570</u>	<u>81,051</u>	<u>8,519</u>	<u>91,699</u>
	<u>193,371</u>	<u>173,506</u>	<u>19,865</u>	<u>196,722</u>
Public buildings:				
Professional services	18,030	14,955	3,075	15,583
Maintenance and repairs	49,525	47,686	1,839	44,351
Other operating expenditures	35,180	32,813	2,367	20,204
Capital outlay	<u>10,650</u>	<u>10,650</u>	<u>-</u>	<u>-</u>
	<u>113,385</u>	<u>106,104</u>	<u>7,281</u>	<u>80,139</u>
Community development:				
Salaries and employee benefits	62,505	57,275	5,230	55,190
Other operating expenditures	86,940	57,884	29,056	24,127
Capital outlay	<u>172,050</u>	<u>134,195</u>	<u>37,855</u>	<u>-</u>
	<u>321,495</u>	<u>249,353</u>	<u>72,142</u>	<u>79,316</u>
Courthouse:				
Professional services	17,615	12,888	4,727	21,237
Other operating expenditures	15,175	9,105	6,070	-
Capital outlay	<u>548,380</u>	<u>502,570</u>	<u>45,810</u>	<u>441,924</u>
	<u>581,170</u>	<u>524,562</u>	<u>56,608</u>	<u>463,161</u>
Total general government	<u>1,209,421</u>	<u>1,053,526</u>	<u>155,895</u>	<u>819,338</u>
Public safety:				
Police:				
Salaries and employee benefits	987,818	952,878	34,940	930,749
Maintenance and repairs	28,800	23,143	5,657	28,383
Other operating expenditures	123,562	103,228	20,334	88,911
Capital outlay	<u>42,305</u>	<u>41,543</u>	<u>762</u>	<u>68,043</u>
	<u>1,182,485</u>	<u>1,120,792</u>	<u>61,693</u>	<u>1,116,087</u>

cont.

TOWN OF DALLAS

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**General Fund
Schedule of Revenues, Expenditures and Changes
In Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2015
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2014)**

	2015		Variance	2014
	<u>Budget</u>	<u>Actual</u>	<u>Positive (Negative)</u>	<u>Actual</u>
Expenditures (continued):				
Fire:				
Salaries and employee benefits	\$ 100,958	\$ 95,514	\$ 5,444	\$ 97,529
Maintenance and repairs	42,300	35,874	6,426	34,265
Other operating expenditures	63,645	57,310	6,335	56,153
Capital outlay	119,700	119,681	19	372,942
	<u>326,603</u>	<u>308,378</u>	<u>18,225</u>	<u>560,889</u>
Total public safety	<u>1,509,088</u>	<u>1,429,170</u>	<u>79,918</u>	<u>1,676,976</u>
Transportation:				
Street maintenance				
Salaries and employee benefits	173,943	144,980	28,963	144,692
Maintenance and repairs	355,065	328,351	26,714	155,266
Street lights	77,550	77,527	23	29,758
Contracted services	12,600	12,081	519	35,981
Other operating expenditures	38,550	28,459	10,091	29,300
Capital outlay	380,205	49,212	330,993	6,062
	<u>1,037,913</u>	<u>640,611</u>	<u>397,302</u>	<u>401,059</u>
Environmental protection:				
Solid waste:				
Salaries and employee benefits	145,618	140,082	5,536	142,374
Maintenance and repairs	72,900	67,731	5,169	68,868
Other operating expenditures	61,540	49,758	11,782	61,254
Capital outlay	12,965	10,845	2,120	266,471
Tipping fees	72,959	63,564	9,395	90,158
	<u>365,982</u>	<u>331,979</u>	<u>34,003</u>	<u>629,124</u>
				cont.

General Fund
Schedule of Revenues, Expenditures and Changes
In Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2015
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2014)

	<u>2015</u>		<u>Variance</u>	<u>2014</u>
	<u>Budget</u>	<u>Actual</u>	<u>Positive</u> <u>(Negative)</u>	<u>Actual</u>
Expenditures (continued):				
Cultural and recreational:				
Parks and recreation:				
Salaries and employee benefits	\$ 85,032	\$ 79,372	\$ 5,660	\$ 79,414
Maintenance and repairs	42,250	35,521	6,729	20,676
Operating expenditures	117,955	106,619	11,336	111,175
Capital outlay	-	-	-	24,143
	<u>245,237</u>	<u>221,511</u>	<u>23,726</u>	<u>235,408</u>
Debt service:				
Debt service - principal	85,204	85,185	19	62,103
Debt service - interest	<u>77,623</u>	<u>77,594</u>	<u>29</u>	<u>73,505</u>
	<u>162,827</u>	<u>162,779</u>	<u>48</u>	<u>135,608</u>
Total expenditures	<u>4,530,468</u>	<u>3,839,576</u>	<u>690,892</u>	<u>3,897,513</u>
Revenues over (under) expenditures	<u>(1,341,717)</u>	<u>(913,207)</u>	<u>428,510</u>	<u>(1,056,417)</u>
Other Financing Sources (Uses):				
Proceeds from capital financing	-	-	-	584,944
Appropriated fund balance	521,891	-	(521,891)	-
Transfers (to) from other funds:				
Police Station capital project	-	-	-	18,991
Enhancement grant capital project	-	-	-	16,870
Capital Reserve Fund	-	-	-	49,294
LESA Fund	(11,000)	(11,000)	-	(11,000)
Jaggers Park capital project	(101,400)	(101,400)	-	(11,596)
Streetscape	360,000	360,000	-	-
Storm Water	30,000	30,000	-	-
Electric Fund	<u>542,226</u>	<u>542,226</u>	<u>-</u>	<u>492,727</u>
Total other financing sources (uses)	<u>1,341,717</u>	<u>819,826</u>	<u>(521,891)</u>	<u>1,140,230</u>
				cont.

General Fund
Schedule of Revenues, Expenditures and Changes
In Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2015
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2014)

	2015		Variance Positive (Negative)	2014 Actual
	<u>Budget</u>	<u>Actual</u>		
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ (93,381)</u>	<u>\$ (93,381)</u>	<u>\$ 83,813</u>
Fund balances, July 1, beginning as previously reported		1,875,890		1,773,584
Prior period adjustment		<u>-</u>		<u>18,490</u>
Fund balances, July 1, beginning as restated		<u>1,875,890</u>		<u>1,792,074</u>
Fund balances, June 30		<u>\$1,782,509</u>		<u>\$1,875,887</u>

TOWN OF DALLAS

Combining Balance Sheet Non-Major Governmental Funds For the Year Ended June 30, 2015

	<u>LESA Fund</u>	<u>Storm Water Fund</u>	<u>Capital Project Fund</u>	<u>Jaggers Park Capital Project</u>	<u>T.O.P. T.I.E.R. Program</u>	<u>Total Nonmajor Governmental Funds</u>
Assets:						
Cash and cash equivalents	\$136,195	\$ 77,126	\$ 90,929	\$ (69,021)	\$ 265,171	\$ 500,399
Accounts receivable, net	<u>-</u>	<u>5,655</u>	<u>-</u>	<u>70,247</u>	<u>-</u>	<u>75,902</u>
Total assets	<u>\$136,195</u>	<u>\$ 82,781</u>	<u>\$ 90,929</u>	<u>\$ 1,225</u>	<u>\$ 265,171</u>	<u>\$ 576,301</u>
Liabilities and Fund Balances:						
Accounts payable and accrued expenses	<u>\$ -</u>	<u>\$ 352</u>	<u>\$ -</u>	<u>\$ 9,966</u>	<u>\$ -</u>	<u>\$ 10,318</u>
Total liabilities	<u>-</u>	<u>352</u>	<u>-</u>	<u>9,966</u>	<u>-</u>	<u>10,318</u>
Fund balances:						
Restricted:						
Public safety	136,195	-	-	-	-	136,195
Assigned:						
Storm Water	-	82,429	-	-	-	82,429
Capital Project	-	-	90,929	-	-	90,929
Top Tier Program	-	-	-	-	265,171	265,171
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>(8,741)</u>	<u>-</u>	<u>(8,741)</u>
Total fund balances	<u>136,195</u>	<u>82,429</u>	<u>90,929</u>	<u>(8,741)</u>	<u>265,171</u>	<u>565,983</u>
Total liabilities and fund balances	<u>\$136,195</u>	<u>\$ 82,781</u>	<u>\$ 90,929</u>	<u>\$ 1,225</u>	<u>\$ 265,171</u>	<u>\$ 576,302</u>

TOWN OF DALLAS

Combining Statement of Revenues, Expenditures and Changes in Fund Balances Non-Major Governmental Funds For the Year Ended June 30, 2015

	<u>LESA</u> <u>Fund</u>	<u>Storm</u> <u>Water</u> <u>Fund</u>	<u>Capital</u> <u>Project</u> <u>Fund</u>	<u>Jaggers Park</u> <u>Capital</u> <u>Project</u>	<u>T.O.P. T.I.E.R.</u> <u>Program</u>	<u>Total Nonmajor</u> <u>Governmental</u> <u>Funds</u>
Revenues:						
Storm water fees	\$ -	\$ 90,046	\$ -	\$ -	\$ -	\$ 90,046
Grant revenue	-	-	-	63,858	-	63,858
Investment earnings	23	-	14	-	-	37
Total revenues	<u>23</u>	<u>90,046</u>	<u>14</u>	<u>63,858</u>	<u>-</u>	<u>153,942</u>
Expenditures:						
Salaries and employee benefits	-	26,610	-	-	-	26,610
Professional services	-	-	-	2,500	-	2,500
Supplies	-	881	-	755	-	1,636
Contracted services	-	6,545	-	-	-	6,545
Repairs and maintenance	-	1,941	-	-	-	1,941
Other operating expenditures	-	2,994	-	-	-	2,994
Contribution to Regional Development Agency	-	-	-	-	5,000	5,000
Capital outlay	-	43,067	-	190,044	-	233,111
Total expenditures	<u>-</u>	<u>82,039</u>	<u>-</u>	<u>193,299</u>	<u>5,000</u>	<u>280,337</u>
Revenues over (under) expenditures	23	8,008	14	(129,441)	(5,000)	(126,395)
Other Financing Sources (Uses):						
Operating transfers in (out):						
General Fund	11,000	(30,000)	-	101,400	-	82,400
Electric Fund	-	-	-	21,800	270,171	291,971
Revenues and other financing sources over (under) expenditures and other financing sources (uses)	11,023	(21,992)	14	(6,241)	265,171	247,976
Fund balances, beginning	<u>125,172</u>	<u>104,421</u>	<u>90,915</u>	<u>(2,500)</u>	<u>-</u>	<u>318,008</u>
Fund balances, ending	<u>\$136,195</u>	<u>\$ 82,429</u>	<u>\$ 90,929</u>	<u>\$ (8,741)</u>	<u>\$ 265,171</u>	<u>\$ 565,984</u>

TOWN OF DALLAS**LESA Fund****Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2015****(With Comparative Actual Amounts for the Year Ended June 30, 2014)**

	2015		Variance	2014
	<u>Budget</u>	<u>Actual</u>	<u>Positive (Negative)</u>	<u>Actual</u>
Revenues:				
Investment earnings	\$ -	\$ 23	\$ 23	\$ 12
Miscellaneous	-	-	-	467
Total revenues	-	23	23	479
Expenditures:	-	-	-	-
Revenues over (under) expenditures	-	23	23	479
Other Financing Sources (Uses):				
Transfer from General Fund	-	11,000	11,000	11,000
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	11,023	<u>\$ 11,023</u>	11,479
Fund balance, July 1		<u>125,172</u>		<u>113,693</u>
Fund balance, June 30		<u>\$ 136,196</u>		<u>\$ 125,172</u>

TOWN OF DALLAS

Storm Water Fund Schedule of Revenues and Expenditures - Budget and Actual For the Year Ended June 30, 2015 (With Comparative Actual Amounts for the Year Ended June 30, 2014)

	2015		Variance	2014
	<u>Budget</u>	<u>Actual</u>	<u>Positive (Negative)</u>	<u>Actual</u>
Revenues:				
Operating revenues:				
Storm water fees	\$ 78,540	\$ 90,046	\$ 11,506	\$ 88,281
Grant revenue	-	-	-	6,883
Other operating revenues	-	-	-	65
Total revenues	<u>78,540</u>	<u>90,046</u>	<u>11,506</u>	<u>95,229</u>
Expenditures:				
Salaries and employee benefits	27,982	26,610	1,372	56,322
Supplies	4,000	881	3,119	2,276
Contracted services	11,772	6,545	5,227	4,419
Repairs and maintenance	5,210	1,941	3,269	20,364
Other operating expenditures	3,990	2,994	996	3,377
Capital outlay	<u>43,750</u>	<u>43,067</u>	<u>683</u>	<u>-</u>
Total operating expenditures	<u>96,704</u>	<u>82,039</u>	<u>14,665</u>	<u>86,758</u>
Revenues over (under) expenditures	<u>(18,164)</u>	<u>8,008</u>	<u>26,172</u>	<u>8,471</u>
Other Financing Sources (Uses):				
Appropriated fund balance	48,164	-	(48,164)	-
Operating transfers in (out):				
General Fund	<u>(30,000)</u>	<u>(30,000)</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>18,164</u>	<u>(30,000)</u>	<u>(48,164)</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>(21,992)</u>	<u>\$ (21,992)</u>	<u>8,471</u>
Fund balance, beginning		<u>104,421</u>		<u>95,950</u>
Fund balance, ending		<u>\$ 82,429</u>		<u>\$ 104,421</u>

TOWN OF DALLAS

Capital Project Fund Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual For the Year Ended June 30, 2015 (With Comparative Actual Amounts for the Year Ended June 30, 2014)

	2015		Variance	2014
	<u>Budget</u>	<u>Actual</u>	<u>Positive (Negative)</u>	<u>Actual</u>
Revenues:				
Investment earnings	\$ 6,400	\$ 14	\$ (6,386)	\$ 8
Total revenues	6,400	14	(6,386)	8
Expenditures:	-	-	-	-
Revenues over (under) expenditures	6,400	14	(6,386)	8
Other Financing Sources (Uses):				
Appropriated fund balance	492,369	-	(492,369)	-
Operating transfers in (out):				
General Fund	21,010	-	(21,010)	(49,294)
Water and Sewer Fund	45,817	-	(45,817)	-
Electric Fund	(27,000)	-	27,000	-
Capital Reserve	(359,125)	-	359,125	-
Capital project - Water and Sewer	(137,451)	-	137,451	-
Capital project - Fire	(42,020)	-	42,020	-
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	14	<u>\$ 14</u>	(49,286)
Fund balance, July 1		<u>90,915</u>		<u>140,201</u>
Fund balance, June 30		<u>\$ 90,930</u>		<u>\$ 90,915</u>

TOWN OF DALLAS**"T.O.P. T.I.E.R." Program****Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual****For the Year Ended June 30, 2015****(With Comparative Actual Amounts for the Year Ended June 30, 2014)**

	2015		Variance	2014
	<u>Budget</u>	<u>Actual</u>	<u>Positive</u>	<u>Actual</u>
			<u>(Negative)</u>	
Revenues:	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Expenditures:				
Top Tier grants	270,171	-	(270,171)	-
Contribution to Regional Development Agencies	<u>-</u>	<u>5,000</u>	<u>5,000</u>	<u>-</u>
Total expenditures	<u>270,171</u>	<u>5,000</u>	<u>(265,171)</u>	<u>-</u>
Revenues over (under) expenditures	(270,171)	(5,000)	265,171	-
Other Financing Sources (Uses):				
Transfer from Electric Fund	<u>270,171</u>	<u>270,171</u>	<u>-</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	265,171	<u>\$ 265,171</u>	-
Fund balance, July 1		<u>-</u>		<u>-</u>
Fund balance, June 30		<u>\$ 265,171</u>		<u>\$ -</u>

TOWN OF DALLAS

Jaggers Park Capital Project
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
From Inception and for Year Ended June 30, 2015

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>
Revenues:				
N.C. State PARTF grant	\$ 63,858	\$ -	\$ 63,858	\$ 63,858
Expenditures:				
Professional services	9,800	14,096	2,500	16,596
Advertising	600	-	-	-
Departmental supplies	800	-	755	755
Equipment	3,200	-	-	-
Miscellaneous	1,283	-	-	-
Capital outlay	<u>171,375</u>	<u>-</u>	<u>190,044</u>	<u>190,044</u>
Total expenditures	<u>187,058</u>	<u>14,096</u>	<u>193,299</u>	<u>207,394</u>
Revenues over (under) expenditures	<u>(123,200)</u>	<u>(14,096)</u>	<u>(129,441)</u>	<u>(143,536)</u>
Other Financing Sources (Uses):				
Transfer from Electric Fund	101,400	-	101,400	-
Transfer from General Fund	<u>21,800</u>	<u>11,596</u>	<u>21,800</u>	<u>134,796</u>
Total other financing sources (uses)	<u>123,200</u>	<u>11,596</u>	<u>123,200</u>	<u>134,796</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ (2,500)</u>	<u>(6,241)</u>	<u>\$ (8,741)</u>
Fund balance, beginning			<u>(2,500)</u>	
Fund balance, ending			<u>\$ (8,741)</u>	

TOWN OF DALLAS

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Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)
Water and Sewer Fund
For the Year Ended June 30, 2015
(With Comparative Actual Amounts for the Year Ended June 30, 2014)

	2015		Variance	2014
	<u>Budget</u>	<u>Actual</u>	<u>Positive (Negative)</u>	<u>Actual</u>
Revenues:				
Operating revenues:				
Water charges	\$ 1,463,080	\$ 1,479,113	\$ 16,033	\$ 1,319,145
Sewer charges	778,610	769,606	(9,004)	701,850
Water and sewer taps	20,800	15,846	(4,954)	15,200
Other	75,000	80,566	5,566	85,230
Total operating revenues	<u>2,337,490</u>	<u>2,345,131</u>	<u>7,641</u>	<u>2,121,425</u>
Nonoperating revenues:				
Rental income	70,760	71,983	1,223	112,360
Proceeds on disposal	4,000	3,400	(600)	9,326
Total nonoperating revenues	<u>74,760</u>	<u>75,383</u>	<u>623</u>	<u>121,686</u>
Total revenues	<u>2,412,250</u>	<u>2,420,514</u>	<u>8,264</u>	<u>2,243,111</u>
Expenditures:				
Operating expenditures:				
Water and sewer operations				
Salaries and employee benefits	618,916	596,798	22,118	594,322
Travel	7,700	6,330	1,370	6,774
Supplies	95,804	82,034	13,770	82,357
Insurance	49,375	49,322	53	36,598
Repairs and maintenance	305,205	283,621	21,584	295,251
Other operating expenditures	208,920	187,017	21,903	197,654
	<u>1,285,920</u>	<u>1,205,123</u>	<u>80,797</u>	<u>1,212,958</u>
Water treatment and distribution				
Salaries and employee benefits	227,756	226,196	1,560	215,270
Supplies	31,450	29,821	1,629	27,871
Chemicals	125,000	107,861	17,139	91,928
Other operating expenditures	260,520	241,748	18,772	142,828
	<u>644,726</u>	<u>605,626</u>	<u>39,100</u>	<u>477,897</u>
Waste collection and treatment				
Salaries and employee benefits	42,248	42,140	108	41,980
Chemicals	67,000	59,115	7,885	52,111
Supplies	8,500	8,358	142	12,143
Other operating expenditures	340,278	307,697	32,581	202,980
	<u>458,026</u>	<u>417,310</u>	<u>40,716</u>	<u>309,214</u>

TOWN OF DALLAS

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Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)
Water and Sewer Fund
For the Year Ended June 30, 2015
(With Comparative Actual Amounts for the Year Ended June 30, 2014)

	<u>2015</u>		<u>Variance Positive (Negative)</u>	<u>2014 Actual</u>
	<u>Budget</u>	<u>Actual</u>		
Total operating expenditures	<u>2,388,672</u>	<u>2,228,059</u>	<u>160,613</u>	<u>2,000,069</u>
Debt service:				
Principal retirement	130,655	130,655	-	126,127
Interest and fees	<u>124,713</u>	<u>124,464</u>	<u>249</u>	<u>125,052</u>
Total debt service	<u>255,368</u>	<u>255,119</u>	<u>249</u>	<u>251,179</u>
Capital outlay:				
Water sewer operations	49,070	48,066	1,004	49,042
Water treatment and distribution	20,955	20,634	321	34,357
Water collection and treatment	<u>15,365</u>	<u>5,613</u>	<u>9,752</u>	<u>12,385</u>
Total capital outlay	<u>85,390</u>	<u>74,313</u>	<u>11,077</u>	<u>95,784</u>
Total expenditures	<u>2,729,430</u>	<u>2,557,491</u>	<u>171,939</u>	<u>2,347,032</u>
Revenues over (under) expenditures	<u>(317,180)</u>	<u>(136,976)</u>	<u>180,204</u>	<u>(103,921)</u>
Other Financing Sources (Uses):				
Appropriated fund balance	<u>317,180</u>	<u>-</u>	<u>(317,180)</u>	<u>-</u>
Total other financing sources	<u>317,180</u>	<u>-</u>	<u>(317,180)</u>	<u>-</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>(136,976)</u>	<u>\$ (136,976)</u>	<u>(103,921)</u>
Reconciliation From Budgetary Basis (Modified Accrual) to Full Accrual:				
Increase (decrease) in inventory		23,704		51,849
(Increase) decrease in accrued vacation pay		(2,708)		(5,636)
Payment of debt principal		130,655		126,127
Fines and penalties		10,000		10,000
Deferred outflows of resources for contributions made to pension plan in current fiscal year		41,908		-
Pension expense		(3,475)		-
Capital fund activity		632,564		82,434
Capitalized interest from capital project fund		124,464		125,052
Capital outlay		74,313		95,784
Depreciation		<u>(254,968)</u>		<u>(251,983)</u>
Change in net position		<u>\$ 639,481</u>		<u>\$ 129,706</u>

TOWN OF DALLAS

Water and Sewer Capital Projects Fund - Phases I, II and III
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
From Inception and for Year Ended June 30, 2015

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>
Revenues:				
Investment earnings	\$ -	\$ 804	\$ 27	\$ 831
Expenditures:				
Professional services	405,870	379,185	58,902	438,087
Bond issuance costs	4,000	5,089	-	5,089
Capital outlay:				
Water line construction	3,315,760	2,839,770	846,587	3,686,357
Private lateral reimbursement	70,000	-	3,600	3,600
Total expenditures	<u>3,795,630</u>	<u>3,224,044</u>	<u>909,089</u>	<u>4,133,133</u>
Revenues over (under) expenditures	<u>(3,795,630)</u>	<u>(3,223,240)</u>	<u>(909,062)</u>	<u>(4,132,303)</u>
Other Financing Sources (Uses):				
Transfer from Water and Sewer Fund	229,430	229,430	-	229,430
Transfer to General Fund - Town Hall Project	-	(35,735)	-	(35,735)
Proceeds from installment financing	3,566,200	3,600,000	-	3,600,000
Total other financing sources (uses)	<u>3,795,630</u>	<u>3,793,695</u>	<u>-</u>	<u>3,793,695</u>
Revenues and other financing sources (uses) over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 570,455</u>	<u>(909,062)</u>	<u>\$(338,607)</u>
Fund balance, July 1			<u>570,455</u>	
Fund balance, June 30			<u>\$(338,607)</u>	

TOWN OF DALLAS

Water and Sewer Capital Projects Fund - Phase IV
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
From Inception and for Year Ended June 30, 2015

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>
Revenues:				
Restricted intergovernmental:				
Community Development Block Grant	<u>\$ 750,000</u>	<u>\$ 117,462</u>	<u>\$ 632,537</u>	<u>\$ 749,999</u>
Expenditures:				
Professional services	160,261	138,733	99,268	238,001
Capital outlay:				
Construction of water lines	635,360	-	934,504	934,504
Private lateral reimbursement	<u>50,000</u>	<u>-</u>	<u>4,246</u>	<u>4,246</u>
Total expenditures	<u>845,621</u>	<u>138,733</u>	<u>1,038,018</u>	<u>1,176,751</u>
Revenues over (under) expenditures	<u>(95,621)</u>	<u>(21,272)</u>	<u>(405,481)</u>	<u>(426,752)</u>
Other Financing Sources (Uses):				
Transfer from Water and Sewer Fund	<u>95,621</u>	<u>95,621</u>	<u>-</u>	<u>95,621</u>
Total other financing sources (uses)	<u>95,621</u>	<u>95,621</u>	<u>-</u>	<u>95,621</u>
Revenues and other financing sources (uses) over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 74,350</u>	<u>(405,481)</u>	<u>\$(331,131)</u>
Fund balance, July 1			<u>74,350</u>	
Fund balance, June 30			<u>\$(331,131)</u>	

TOWN OF DALLAS

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

Electric Fund

For the Year Ended June 30, 2015

(With Comparative Actual Amounts for the Year Ended June 30, 2014)

	2015		Variance	2014
	<u>Budget</u>	<u>Actual</u>	<u>Positive (Negative)</u>	<u>Actual</u>
Revenues:				
Operating revenues:				
Electricity sales	\$7,599,590	\$8,619,449	\$1,019,859	\$7,087,362
Other operating revenues	138,600	147,660	9,060	41,139
Total operating revenues	<u>7,738,190</u>	<u>8,767,109</u>	<u>1,028,919</u>	<u>7,128,501</u>
Nonoperating revenues:				
Investment earnings	<u>8,750</u>	<u>27</u>	<u>(8,723)</u>	<u>15</u>
Total revenues	<u>7,746,940</u>	<u>8,767,136</u>	<u>1,020,196</u>	<u>7,128,516</u>
Expenditures:				
Salaries and employee benefits	907,665	878,019	29,646	852,661
Electrical power purchases	5,122,810	4,909,572	213,238	4,582,731
Supplies	150,630	128,608	22,022	123,761
Contracted services	116,580	94,916	21,664	129,234
Insurance	84,405	84,335	70	80,027
Repairs and maintenance	263,300	216,524	46,776	247,622
Other operating expenditures	117,365	113,552	3,813	96,136
Debt service - principal	71,650	71,228	422	69,921
Debt service - interest	911	906	5	2,241
Capital outlay	<u>1,971,795</u>	<u>1,812,798</u>	<u>158,997</u>	<u>575,565</u>
Total operating expenditures	<u>8,807,111</u>	<u>8,310,459</u>	<u>496,652</u>	<u>6,759,898</u>
Revenues over (under) expenditures	<u>(1,060,171)</u>	<u>456,677</u>	<u>1,516,848</u>	<u>368,618</u>
Other Financing Sources (Uses):				
Appropriated fund balance	2,254,368	-	(2,254,368)	-
Contribution to Downtown Historic Foundation	-	-	-	(502,939)
Transfers from (to):				
Top Tier Program Fund	(270,171)	(270,171)	-	-
Jaggers Park Improvement Project	(21,800)	(21,800)	-	-
General Fund	(360,000)	(360,000)	-	-
General Fund-payment in lieu of taxes	<u>(542,226)</u>	<u>(542,226)</u>	<u>-</u>	<u>(492,727)</u>
Total other financing sources (uses)	<u>1,060,171</u>	<u>(1,194,197)</u>	<u>(2,254,368)</u>	<u>(995,666)</u>

cont.

TOWN OF DALLAS

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Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)**Electric Fund****For the Year Ended June 30, 2015****(With Comparative Actual Amounts for the Year Ended June 30, 2014)**

	2015		Variance Positive (Negative)	2014 Actual
	<u>Budget</u>	<u>Actual</u>		
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	\$ (737,520)	<u>\$ (737,520)</u>	\$ (627,048)
Reconciliation From Budgetary Basis				
(Modified Accrual) to Full Accrual:				
Increase (decrease) in inventory		(36,964)		58,395
(Increase) decrease in accrued vacation pay		(9,886)		(3,369)
Deferred outflows of resources for contribution made to pension plan in current fiscal year		46,213		-
Pension expense		(3,674)		-
Capital outlay		1,812,798		575,565
Payment of debt principal		71,228		69,921
Depreciation		<u>(305,707)</u>		<u>(326,535)</u>
Changes in net position		<u>\$ 836,488</u>		<u>\$ (253,072)</u>

TOWN OF DALLAS**Schedule of Ad Valorem Taxes Receivable
June 30, 2015**

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2014</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2015</u>
2014 - 2015	\$ -	\$1,111,054	\$1,097,693	\$ 13,361
2013 - 2014	26,873	-	17,890	8,983
2012 - 2013	12,455	-	4,584	7,871
2011 - 2012	7,580	-	1,016	6,564
2010 - 2011	5,893	-	366	5,527
2009 - 2010	5,136	-	234	4,902
2008 - 2009	3,507	-	426	3,081
2007 - 2008	2,921	-	61	2,860
2006 - 2007	3,079	-	63	3,016
2005 - 2006	2,192	-	98	2,094
2004 - 2005	<u>1,442</u>	<u>-</u>	<u>1,442</u>	<u>-</u>
Total	<u>\$ 71,076</u>	<u>\$1,111,054</u>	<u>\$1,123,873</u>	58,258
Less allowance for uncollectibles				<u>(27,528)</u>
Balance				<u>\$ 30,730</u>
Reconciliation With Revenue:				
Taxes - Ad valorem - General Fund				\$ 1,138,903
Adjustments, releases and discounts				(8,674)
Taxes written off				1,442
Interest collected				<u>(7,798)</u>
Total collections and credits				<u>\$ 1,123,873</u>

TOWN OF DALLAS

Analysis of Current Tax Levy June 30, 2015

	Town Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxes at current year's rate	\$ 263,128,685	0.38	\$ 999,889	\$ 999,889	\$ -
Motor vehicles taxed at current year rate	<u>29,321,611</u>	0.38	<u>111,422</u>	<u>-</u>	<u>111,422</u>
Total	<u>292,450,296</u>		<u>1,111,311</u>	<u>999,889</u>	<u>111,422</u>
Discoveries:					
Current year taxes	200,263		761	761	-
Adjustments	<u>(267,895)</u>		<u>(1,018)</u>	<u>(1,011)</u>	<u>(7)</u>
Total	<u>(67,632)</u>		<u>(257)</u>	<u>(250)</u>	<u>(7)</u>
Total property valuation	<u>\$ 292,382,664</u>				
Net levy			1,111,054	999,639	111,415
Less uncollected taxes at June 30, 2015			<u>(13,361)</u>	<u>(13,361)</u>	<u>-</u>
Current year's taxes collected			<u>\$ 1,097,693</u>	<u>\$ 986,278</u>	<u>\$ 111,415</u>
Current levy collection percentage			<u>98.80%</u>	<u>98.66%</u>	<u>100.00%</u>

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

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

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Dallas, North Carolina, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town of Dallas, North Carolina's basic financial statements and have issued our report thereon dated December 21, 2015.

Internal Control over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses. See 2015-001.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompany schedule of findings and responses to be significant deficiencies. See 2015-002 and 2015-003.

Compliance and Other Matters

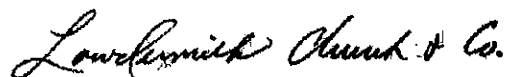
As part of obtaining reasonable assurance about whether the Town of Dallas, North Carolina's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings and responses as items 2015-004 and 2015-005.

Town of Dallas, North Carolina's Response to Findings

Town of Dallas, North Carolina's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. Town of Dallas, North Carolina's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

The image shows a handwritten signature in cursive script that reads "Lawrence Smith".

Morganton, North Carolina
December 21, 2015

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

121 N. Sterling Street
Morganton, North Carolina 28655
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**Independent Auditors' Report On Compliance For Each Major Federal Program
And On Internal Control Over Compliance Required By OMB Circular A-133;
And The State Single Audit Implementation Act**

To the Honorable Mayor and Members
Of the Town of Dallas and the Citizens
Dallas, North Carolina

Report on Compliance for Each Major Federal Program

We have audited the Town of Dallas, North Carolina's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina* issued by the Local Government Commission that could have a direct and material effect on each of the Town of Dallas, North Carolina's major federal programs for the year ended June 30, 2015. Town of Dallas, North Carolina's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and responses.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Town of Dallas, North Carolina's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the State Single Audit Implementation Act. Those standards and OMB Circular A-133 and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Dallas, North Carolina's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Town of Dallas, North Carolina's compliance.

Opinion on Each Major Federal Program

In our opinion, the Town of Dallas, North Carolina's, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

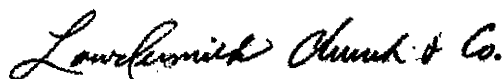
Report on Internal Control over Compliance

Management of the Town of Dallas, North Carolina's, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town of Dallas, North Carolina's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of Dallas, North Carolina's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

The image shows a handwritten signature in cursive script that reads "Lawrence Smith".

Morganton, North Carolina
December 21, 2015

**Schedule of Findings and Responses
For the Year Ended June 30, 2015**

Section I. Summary of Auditors' Results**Financial Statements**

Type of auditors' report issued:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ☒ yes ☐ no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? ☒ yes ☐ none reported

Noncompliance material to financial statements noted

☒ yes ☐ no**Federal Awards**

Internal control over major federal programs:

- Material weakness(es) identified? ☐ yes ☒ no
- Significant deficiency(ies) identified that are not considered to be material weaknesses ☐ yes ☒ none reported

Type of auditors' report issued on compliance
for major federal programs:

Unmodified

Any audit findings disclosed that are required
to be reported in accordance with the Section 510(a)
of Circular A-133☐ yes ☒ no

Identification of major federal programs:

CFDA #
14.228Program Name
Community Development Block Grant (CDBG)Dollar threshold used to distinguish
between Type A and Type B programs:

\$300,000

Auditee qualified as low-risk auditee?

☐ yes ☒ no**State Awards**

No major programs.

**Schedule of Findings and Responses
For the Year Ended June 30, 2015**

Section II. Financial Statement Findings**Internal Control over Financial Reporting:****Material Weaknesses:****Findings: 2015-001 Prior Period Adjustment**

Condition: A “true-up” payment received as part of the wholesale purchase power agreement with Duke Energy was received in the prior year, but not recorded as revenue. The beginning fund balance of the Electric Fund was adjusted by \$378,184 to account for the receipt of the “true-up” payment.

Effect: The beginning fund balance in the Electric Fund was understated by \$378,184.

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

Significant Deficiencies:**Findings: 2015-002 Inadequate Segregation of Duties**

Condition: The size of the Organization’s accounting and administrative staff precludes certain internal controls that would be preferred if the office staff were large enough to provide optimum segregation of duties. The mayor and the board of aldermen should engaged in the on going review of the financial affairs of the Town to provide oversight.

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

Response: Duties will be segregated as much as possible.

Findings: 2015-003 Preparation of the Financial Statements

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

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

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

Compliance and Other Matters:**Findings: 2015-004 Deficit in Fund Balance or Net Position of Individual Funds**

Condition: The Jagers Park Capital Project Fund has a deficit fund balance of \$8,741. The Town will transfer funds from the General Fund and/or Electric Fund to prevent a deficit fund balance in the future.

Effect: Funds were expended that exceeded revenues.

Response: The project will be reviewed and transfers made to prevent a deficit fund balance.

**Schedule of Findings and Responses
For the Year Ended June 30, 2015**

Findings: 2015-005 Powell Bill Report Materially Incorrect

Condition: G.S.136-41.3(b) states that: "On or before the first day of August each year, the treasurer, auditor, or other responsible official of each municipality receiving funds by virtue of G.S.136-41.1 and 136-41.2 shall file a statement under oath with the Secretary of Transportation showing in detail the expenditure of funds received by virtue of G.S.136-41.1 and 136-41.2 during the preceding year and the balance on hand." The Town's Powell Bill Expenditures Report was materially incorrect as a result of the discovery of pre-2006, unspent revenues. The beginning balance was not adjusted for the pre-2006 funds of \$167,241. They were spent during this fiscal year and not shown as an expenditure on the Powell Bill report.

Effect: The Town was not in compliance with G.S.136.41.3(b).

Response: The Powell Bill report will be reviewed and reconciled to include all transactions.

Section III. Federal Award Findings and Responses

None.

Section IV. State Award Findings and Responses

None.

TOWN OF DALLAS, NORTH CAROLINA

Corrective Action Plan For the Year Ended June 30, 2015

Section II. Financial Statement Findings

Finding 2015-001:

Name of contact person: Maria Stroupe, Administrative Services Director
Corrective action: The finance officer and management will review the general ledger and make adjustments as necessary.
Proposed completion date: Has been implemented.

Finding 2015-002:

Name of contact person: Maria Stroupe, Administrative Services Director
Corrective action: Duties will be segregated as much as possible.
Proposed completion date: Has been implemented.

Finding 2015-003:

Name of contact person: Maria Stroupe, Administrative Services Director
Corrective action: The Town will provide staff with additional training for bookkeeping and financial reporting.
Proposed completion date: The Town will implement this immediately.

Finding 2015-004:

Name of contact person: Maria Stroupe, Administrative Services Director
Corrective action: The project will be reviewed and transfers made to prevent a deficit fund balance in the future.
Proposed completion date: The Town will implement this immediately.

Finding 2015-005:

Name of contact person: Maria Stroupe, Administrative Services Director
Corrective action: The Powell Bill report will be reviewed and reconciled to include all transactions.
Proposed completion date: The Town will implement this immediately.

Section III. Federal Award Findings and Responses

None.

Section IV. State Award Findings and Responses

None.

TOWN OF DALLAS, NORTH CAROLINA

Summary Schedule of Prior Audit Findings For the Year Ended June 30, 2015

Finding 2014-1:
Still applicable.

Finding 2014-2:
Still applicable.

Finding 2014-3:
Still applicable.

Finding 2014-4:
Still applicable.

Finding 2014-5:
Corrected.

Finding 2014-6:
Corrected.

Finding 2014-7:
Still applicable.

TOWN OF DALLAS, NORTH CAROLINA

Schedule of Expenditures of Federal and State Awards For the Year Ended June 30, 2015

<u>Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/ Pass-Through Grantor's Number</u>	<u>Federal (Direct and Pass-through) Expenditures</u>	<u>State Expenditures</u>
<u>U.S. Department of Housing and Urban Development</u>				
Community Development Block Grant (CDBG)	14.228	XXXX	\$632,537	\$ -
<u>U.S. Department of Homeland Security</u>				
Federal Emergency Management Agency (FEMA)	94.044	XXXX	102,601	-
Total federal awards			<u>\$735,138</u>	<u>\$ -</u>
<u>State Awards:</u>				
<u>N.C. Department of Transportation</u>				
Powell Bill Funds	-		\$ -	\$299,218
<u>N.C. Department of Environment and Natural Resources</u>				
PARTF	-		-	63,858
Total State awards			-	363,076
Total federal and State Awards			<u>\$735,138</u>	<u>\$363,076</u>

Note to the Schedule of Expenditures of Federal and State Awards:

1. Basis of Presentation

The accompanying schedule of expenditures of federal and State awards includes the federal and State grant activity of Town of Dallas and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and the State Single Audit Implementation Act. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.