

***TOWN OF DALLAS***

Financial Statements, Supplemental Schedules,  
Independent Auditors' Report and Compliance Report  
For the Year Ended June 30, 2018

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

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# TOWN OF DALLAS, NORTH CAROLINA

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**TOWN OF DALLAS, NORTH CAROLINA**

**List of Principal Officials  
June 30, 2018**

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**Mayor & Board of Aldermen**

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

**Town Administration**

Town Manager	Maria Stroupe
Town Attorney	J. Thomas Hunn
Finance Director	Jonathan Newton
Town Clerk/HR	Da'sha Leach
Police Chief	Allen Scott
Public Works Director	Bill Trudnak
Fire Chief	Steve Lambert
Recreation Director	Steve Aloisa
Electric Director	J. Doug Huffman
Development Services Director	Tiffany Faro

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## **FINANCIAL SECTION**

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- **Independent Auditors' Report**
  - **Management's Discussion and Analysis**
  - **Basic Financial Statements**
  - **Notes to the Financial Statements**
  - **Required Supplementary Information**
  - **Individual Fund Statements and Schedules**
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**Lowdermilk Church & Co., L.L.P.**  
*Certified Public Accountants*

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

**Independent Auditors' Report**

To the Honorable Mayor and  
Members Of the Board of Aldermen  
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, 2018, 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, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund and the CDBG Grant Fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Local Government Employees' Retirement System Schedules of the Proportionate Share of the Net Pension Liability (Asset) and Contributions and the Law Enforcement Officers' Separation Allowance Schedules of the Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll on pages 5-13 and 58-61 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, budgetary schedules, and other schedules, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

**Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated November 27, 2018 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 the effectiveness of the Town of Dallas, North Carolina's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Town of Dallas, North Carolina's internal control over financial reporting and compliance.

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

Morganton, North Carolina  
November 27, 2018

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## Management's Discussion and Analysis

As management of Town of Dallas, we offer the readers of Town of Dallas' financial statements this narrative overview and analysis of the financial activities of Town of Dallas for the fiscal year ended June 30, 2018. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

### Financial Highlights

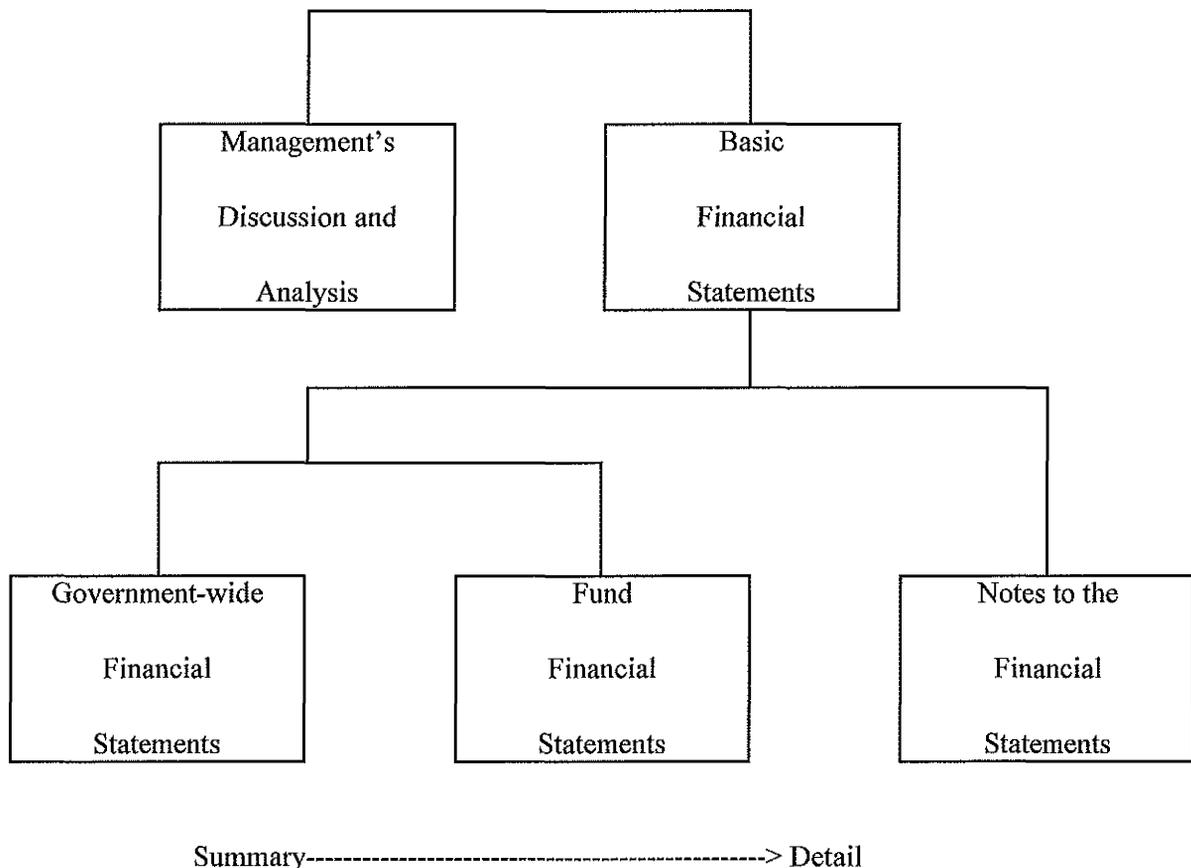
- The assets and deferred outflows of resources of Town of Dallas exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$23,799,896 (net position).
- The Town's total net position increased by \$728,383.
- As of the close of the current fiscal year, Town of Dallas' governmental funds reported combined ending fund balances of \$3,421,719, with a net increase of \$547,227 in fund balance. Approximately 12.73% of this total amount, or \$435,679, is nonspendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1,979,016 or 61.1 percent of total General Fund expenditures for the fiscal year.
- Town of Dallas' total debt decreased by \$616,403 (9.05%) during the current fiscal year. The key factors in this decrease were the principal payment of \$414,777 and a decrease in the net pension liability for the LGERS.
- The Town's total capital assets (net of accumulated depreciation) decreased by \$480,733 (2.3%) during the current fiscal year. The key factor in this decrease is depreciation expense.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Town of Dallas' basic financial statements. The Town's basic financial statements consist of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see Figure 1). The basic financial statements present two different views of the Town through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of Town of Dallas.

## Required Components of Annual Financial Report

Figure 1



### Basic Financial Statements

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

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

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

### Government-wide Financial Statements

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

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

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

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

## **Fund Financial Statements**

The fund financial statements (see Figure 1) provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Town of Dallas, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the Town's budget ordinance. All of the funds of Town of Dallas can be divided into two categories: governmental funds and proprietary funds.

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

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

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

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

**Other Information** - In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning Town of Dallas' progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 58 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 62 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

<u>The Town of Dallas, Net Position</u>						
	<u>Governmental</u>		<u>Business-type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>			
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Current and other assets	\$3,818,424	\$3,244,505	\$ 6,399,123	\$ 6,342,507	\$10,217,547	\$ 9,587,012
Capital assets	5,883,283	6,101,932	14,274,504	14,536,588	20,157,787	20,638,520
Deferred outflows of resources	<u>270,565</u>	<u>379,856</u>	<u>269,654</u>	<u>397,972</u>	<u>540,219</u>	<u>777,828</u>
Total assets and deferred outflows of resources	<u>9,972,272</u>	<u>9,726,293</u>	<u>20,943,281</u>	<u>21,277,067</u>	<u>30,915,553</u>	<u>31,003,360</u>
Long-term liabilities outstanding	2,349,981	2,560,912	3,411,689	3,830,132	5,761,671	6,391,044
Other liabilities	515,535	484,552	799,086	1,003,928	1,314,621	1,488,480
Deferred inflows of resources	<u>21,908</u>	<u>30,031</u>	<u>17,457</u>	<u>22,291</u>	<u>39,365</u>	<u>52,322</u>
Total liabilities and deferred inflows of resources	<u>2,887,425</u>	<u>3,075,496</u>	<u>4,228,233</u>	<u>4,856,352</u>	<u>7,115,658</u>	<u>7,931,846</u>
Net position:						
Net investment in capital assets	4,309,028	4,398,594	11,026,081	11,179,251	15,335,109	15,577,845
Restricted	435,366	407,321	-	-	435,366	407,321
Unrestricted	<u>2,340,454</u>	<u>1,844,883</u>	<u>5,688,966</u>	<u>5,241,465</u>	<u>8,029,420</u>	<u>7,086,348</u>
Total net position	<u>\$7,084,848</u>	<u>\$6,650,798</u>	<u>\$16,715,048</u>	<u>\$16,420,716</u>	<u>\$23,799,896</u>	<u>\$23,071,514</u>

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of Town of Dallas exceeded liabilities and deferred inflows by \$23,799,896 as of June 30, 2018. The Town's net position increased by \$728,383 for the fiscal year ended June 30, 2018. However, a large portion of net position (64.4%) reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment). Town of Dallas uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Town of Dallas' net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of Town of Dallas' net position, \$435,366, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$8,029,420 is unrestricted.

	Town of Dallas, Changes in Net Position					
	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program revenues:						
Charges for services	\$ 528,189	\$ 520,634	\$11,254,334	\$11,155,075	\$ 11,782,523	\$ 11,675,709
Operating grants and contributions	190,177	134,098	-	-	190,177	134,098
Capital grants and contributions	-	38,911	-	-	-	38,911
General revenues:						
Property taxes	1,201,276	1,155,343	-	-	1,201,276	1,155,343
Other taxes	840,187	820,995	-	-	840,187	820,995
Unrestricted investment earnings	60,919	32,271	8,943	1,982	69,861	34,252
Other	16,579	23,250	2,133	81,958	18,712	105,208
Total revenues	<u>2,837,327</u>	<u>2,725,502</u>	<u>11,265,410</u>	<u>11,239,015</u>	<u>14,102,736</u>	<u>13,964,517</u>
Expenses:						
General government	504,864	497,758	-	-	504,864	497,758
Public safety	1,680,962	1,632,808	-	-	1,680,962	1,632,808
Transportation	397,455	403,686	-	-	397,455	403,686
Economic and physical development	12,429	28,181	-	-	12,429	28,181
Environmental protection	483,007	413,055	-	-	483,007	413,055
Cultural and recreational	307,694	305,478	-	-	307,694	305,478
Interest on long-term debt	65,982	76,662	118,996	124,093	184,978	200,755
Water and sewer	-	-	2,541,873	2,465,195	2,541,873	2,465,195
Electric	-	-	7,261,092	7,201,388	7,261,092	7,201,388
Total expenses	<u>3,452,393</u>	<u>3,357,628</u>	<u>9,921,961</u>	<u>9,790,676</u>	<u>13,374,354</u>	<u>13,148,304</u>
Increase (decrease) in net position before transfers	(615,066)	(632,126)	1,343,449	1,448,339	728,382	816,212
Transfers	<u>1,049,116</u>	<u>1,299,063</u>	<u>(1,049,116)</u>	<u>(1,299,063)</u>	-	-
Increase (decrease) in net position	<u>\$ 434,050</u>	<u>\$ 666,937</u>	<u>\$ 294,332</u>	<u>\$ 149,275</u>	<u>\$ 728,382</u>	<u>\$ 816,212</u>
Net position, beginning, as previously reported	\$6,650,798	\$6,314,601	\$16,420,716	\$16,271,441	\$ 23,071,514	\$ 22,586,042
Restatement	-	(330,740)	-	-	-	(330,740)
Net position, beginning, as restated	6,650,798	5,983,861	16,420,716	16,271,441	23,071,514	22,255,302
Increase (decrease) in net position	<u>434,050</u>	<u>666,937</u>	<u>294,332</u>	<u>149,275</u>	<u>728,382</u>	<u>816,212</u>
Net position, ending	<u>\$7,084,848</u>	<u>\$6,650,798</u>	<u>\$16,715,048</u>	<u>\$16,420,716</u>	<u>\$ 23,799,896</u>	<u>\$ 23,071,514</u>

**Governmental Activities.** Governmental activities increased the Town's net position by \$434,050. Key elements of this increase are as follows:

- Increase in charges for services and other taxes.
- Slight increase in property taxes.
- Expenses increased slightly.
- Transfers decreased by \$249,947.

**Business-type Activities.** Business-type activities increased Town of Dallas' net position by \$294,332. Key elements of this increase are as follows:

- Charges for services increased slightly.
- Expenses increased slightly.
- Transfers decreased by \$249,947.

### **Financial Analysis of the Town's Funds**

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

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

The General Fund is the chief operating fund of Town of Dallas. At the end of the current fiscal year, Town of Dallas' fund balance available in the General Fund was \$2,099,697, while total fund balance reached \$2,352,848. The Governing Body of Town of Dallas has determined that the Town should maintain an available fund balance of no less than 30%, with a target of 50%, of General Fund expenditures in case of unforeseen needs or opportunities, in addition to meeting the cash flow needs of the Town. The Town currently has an available fund balance of 64.87 percent of General Fund expenditures while total fund balance represents 72.7 percent of that same amount.

At June 30, 2018, the governmental funds of Town of Dallas reported a combined fund balance of \$3,421,719, with a net increase in fund balance of \$547,227. Included in this change in fund balance are the following increases (decreases):

General Fund:	
General Fund	\$335,464
Other funds:	
CDBG Grant Fund	1,284
Non-Major Funds	<u>210,479</u>
	<u>\$547,227</u>

### **Budgetary Highlights**

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

## **General Fund**

There were several amendments for various departments, including one for Speed Humps to be installed on Lewis Street and E. Wilkins Street, numerous sponsorships to: Law Enforcement Torch Run Event, Somethin' Pumpkin' Event, Cotton Ginning Days Event and for Fireworks. There was also a budget amendment to the Boys and Girls Club for a Dallas location.

## **Proprietary Funds**

The Electric Department had one budget amendment for the Coal Ash Recovery Costs billed by Duke Energy.

## **T.O.P. T.I.E.R. Fund**

There was one amendment to account for the North Carolina Downtown Revitalization Grant.

## **Capital Asset and Debt Administration**

**Capital Assets.** Town of Dallas' investment in capital assets for its governmental and business type activities as of June 30, 2018, totals \$20,157,787 (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:

- Various equipment and vehicles of \$57,745, remodeling and storage building of \$27,125, and storm drains \$43,534.
- Waterline and various vehicles and equipment of \$166,041.
- Electric distribution of \$125,493.
- Various equipment and vehicles for \$236,708.
- Various equipment and vehicles were disposed of during the year.

**Town of Dallas's Capital Assets**

**Figure 4**

	<u>Governmental</u>		<u>Business-type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>			
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Land	\$ 217,973	\$ 217,973	\$ 189,069	\$ 189,069	\$ 407,042	\$ 407,042
Right of way	-	-	41,647	41,647	41,647	41,647
Buildings and improvements	3,373,305	3,464,010	511,324	527,693	3,884,629	3,991,703
Distribution systems	43,072	-	11,401,329	11,600,097	11,444,401	11,600,097
Infrastructure	759,366	788,412	-	-	759,366	788,412
Other improvements	792,852	833,809	-	-	792,852	833,809
Sewer plant	-	-	423,852	435,705	423,852	435,705
Water plant	-	-	510,853	543,100	510,853	543,100
Vehicles and equipment	696,715	797,727	1,196,430	1,199,276	1,893,145	1,997,003
Construction in progress	-	-	-	-	-	-
<b>Total</b>	<b><u>\$5,883,283</u></b>	<b><u>\$6,101,932</u></b>	<b><u>\$14,274,504</u></b>	<b><u>\$14,536,588</u></b>	<b><u>\$20,157,787</u></b>	<b><u>\$20,638,519</u></b>

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, 2018, the Town of Dallas had \$4,822,678 of loans payable. The installment debt is backed by security interest in the property for which it was issued.

**Town of Dallas' Outstanding Debt**

**Figure 5**

	<u>Governmental</u>		<u>Business-type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>			
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Loans payable	\$1,574,255	\$1,703,338	\$3,248,422	\$3,534,117	\$4,822,678	\$5,237,455
Compensated absences	129,194	124,472	98,963	103,814	228,156	228,286
Pension related debt (LGERS)	313,579	443,809	355,564	464,975	669,143	908,784
Pension related debt (LEO)	466,520	418,375	-	-	466,520	418,375
Settlement payable	-	-	<u>10,000</u>	<u>20,000</u>	<u>10,000</u>	<u>20,000</u>
<b>Total</b>	<b><u>\$2,483,548</u></b>	<b><u>\$2,689,994</u></b>	<b><u>\$3,712,949</u></b>	<b><u>\$4,122,906</u></b>	<b><u>\$6,196,497</u></b>	<b><u>\$6,812,900</u></b>

**Town of Dallas' Outstanding Debt**

The Town of Dallas' total debt decreased by \$616,403 (9.05%) during the past fiscal year, primarily due to the principal payments and a decrease in pension related debt for LGERS.

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

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

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

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

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

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

## **Budget Highlights for the Fiscal Year Ending June 30, 2019**

In order to maintain the integrity of the Town's core services, functions, and activities, the Town's property tax rate remained at \$0.40; water and sewer rates and electric rates remained unchanged. Storm Water rates increased by \$0.25. Motor vehicle license fees increased \$10 per vehicle.

The fiscal year 2019 budget funds the following ongoing and/or new initiatives or infrastructure upgrades:

### **General Fund:**

- Upgrade steps at Town Hall entrance.
- Town Clerk computer.
- New software for Community Development Department.
- Improvement repairs to the Courthouse.
- Two Police vehicles.
- Installed new lights and a scoreboard at Dallas Gym.
- Leaf machine for Solid Waste Department.

### **Water and Sewer Fund:**

- Purchased a meter reader truck.
- Improvements to the SCADA System and Gate System.
- Purchase of a new supervisor truck.
- New HVAC system.

### **Electric Fund:**

- Replace master SCADA computer.
- Purchase a new 4x4 truck.
- Carryover for Park Road Project.

### **Storm Water Fund:**

- Improvements to storm drains at N. Holland Street and McSwain Drive.

## **Requests for Information**

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

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# **BASIC FINANCIAL STATEMENTS**

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

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**TOWN OF DALLAS**

**Statement of Net Position  
June 30, 2018**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 3,082,561	\$ 4,241,349	\$ 7,323,910
Taxes receivable, net	29,848	-	29,848
Accounts receivable, net	51,620	1,690,698	1,742,317
Due from other government agencies	252,240	-	252,240
Internal balances	133,383	(133,383)	-
Accrued interest receivable	19,383	-	19,383
Mortgage receivable	230,000	-	230,000
Inventories	312	332,410	332,722
Restricted cash	19,077	268,050	287,127
Total current assets	<u>3,818,424</u>	<u>6,399,123</u>	<u>10,217,547</u>
Noncurrent assets:			
Capital assets:			
Land and nondepreciable assets	217,973	230,717	448,690
Other capital assets, net of accumulated depreciation	5,665,310	14,043,787	19,709,097
Total capital assets	<u>5,883,283</u>	<u>14,274,504</u>	<u>20,157,787</u>
Total assets	<u>9,701,707</u>	<u>20,673,627</u>	<u>30,375,334</u>
<b>Deferred Outflows of Resources</b>			
Pension deferrals	<u>270,565</u>	<u>269,654</u>	<u>540,219</u>
<b>Liabilities</b>			
Accounts payable and accrued liabilities	99,005	217,714	316,719
Accrued interest payable	15,386	12,063	27,449
Customer deposits - restricted	-	268,050	268,050
Unearned revenues	267,577	-	267,577
Current portion of long-term liabilities	133,567	301,258	434,825
Total current liabilities	<u>515,535</u>	<u>799,086</u>	<u>1,314,621</u>
Long-term liabilities:			
Net pension liability	313,579	355,564	669,143
Total pension liability	466,520	-	466,520
Due in more than one year	1,569,882	3,056,126	4,626,009
Total liabilities	<u>2,865,516</u>	<u>4,210,776</u>	<u>7,076,292</u>
<b>Deferred Inflows of Resources</b>			
Prepaid taxes	275	-	275
Pension deferrals	21,633	17,457	39,090
Total deferred inflows of resources	<u>21,908</u>	<u>17,457</u>	<u>39,365</u>
<b>Net Position</b>			
Net investment in capital assets	4,309,028	11,026,081	15,335,109
Restricted for:			
Stabilization by State Statute	252,839	-	252,839
Streets - Powell Bill	4,757	-	4,757
Public safety	177,771	-	177,771
Unrestricted	2,340,454	5,688,966	8,029,420
Total net position	<u>\$ 7,084,848</u>	<u>\$ 16,715,048</u>	<u>\$ 23,799,896</u>

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

**TOWN OF DALLAS**

**Statement of Activities  
For the Year Ended June 30, 2018**

<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>
<b>Primary Government:</b>							
Governmental activities:							
General government	\$ 504,864	\$ 2,134	\$ -	\$ -	\$ (502,730)	\$ -	\$ (502,730)
Public safety	1,680,962	1,882	7,377	-	(1,671,703)	-	(1,671,703)
Transportation	397,455	-	132,300	-	(265,155)	-	(265,155)
Economic and physical development	12,429	15,950	50,000	-	53,521	-	53,521
Environmental protection	483,007	466,080	-	-	(16,927)	-	(16,927)
Cultural and recreational	307,694	42,143	500	-	(265,051)	-	(265,051)
Interest on long-term debt	65,982	-	-	-	(65,982)	-	(65,982)
<b>Total governmental activities</b>	<b>3,452,392</b>	<b>528,189</b>	<b>190,177</b>	<b>-</b>	<b>(2,734,027)</b>	<b>-</b>	<b>(2,734,027)</b>
Business-type activities:							
Water and sewer	2,652,949	2,917,710	-	-	-	264,761	264,761
Electric	7,269,013	8,336,624	-	-	-	1,067,611	1,067,611
<b>Total business-type activities</b>	<b>9,921,963</b>	<b>11,254,334</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,332,372</b>	<b>1,332,372</b>
<b>Total primary government</b>	<b>\$ 13,374,354</b>	<b>\$ 11,782,523</b>	<b>\$ 190,177</b>	<b>\$ -</b>	<b>(2,734,027)</b>	<b>1,332,372</b>	<b>(1,401,655)</b>

cont.

**TOWN OF DALLAS**

Page 2 of 2, cont.

**Statement of Activities  
For the Year Ended June 30, 2018**

	<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	\$ 1,201,276	\$ -	\$ 1,201,276
Local option sales tax	430,810	-	430,810
Other taxes and licenses	409,378	-	409,378
Unrestricted investment earnings	60,919	8,943	69,862
Miscellaneous	16,579	-	16,579
Gain on sale of capital assets	-	2,133	2,133
Transfers	1,049,116	(1,049,116)	-
Total general revenues and transfers	<u>3,168,077</u>	<u>(1,038,040)</u>	<u>2,130,037</u>
Changes in net position	<u>\$ 434,050</u>	<u>\$ 294,332</u>	<u>\$ 728,383</u>
Net position - beginning	\$ 6,650,798	\$ 16,420,716	\$ 23,071,514
Changes in net position	<u>434,050</u>	<u>294,332</u>	<u>728,383</u>
Net position - ending	<u>\$ 7,084,848</u>	<u>\$ 16,715,048</u>	<u>\$ 23,799,896</u>

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

**TOWN OF DALLAS**

**Balance Sheet  
Governmental Funds  
June 30, 2018**

	<u>Major Funds</u>		<u>Total</u>	<u>Total</u>
	<u>General</u> <u>Fund</u>	<u>CDBG Grant</u> <u>Fund</u>	<u>Non-Major</u> <u>Funds</u>	<u>Governmental</u> <u>Funds</u>
<b><u>Assets</u></b>				
Cash and cash equivalents	\$ 2,153,906	\$ 9,572	\$ 919,082	\$ 3,082,561
Taxes receivable, net	29,848	-	-	29,848
Accounts receivable, net	38,176	-	13,444	51,620
Due from government agencies	252,240	-	-	252,240
Due from other funds	-	-	133,383	133,383
Accrued interest receivable	-	19,383	-	19,383
Inventories	312	-	-	312
Mortgage receivable	-	230,000	-	230,000
Restricted cash	19,077	-	-	19,077
<b>Total assets</b>	<b><u>\$ 2,493,559</u></b>	<b><u>\$ 258,955</u></b>	<b><u>\$ 1,065,909</u></b>	<b><u>\$ 3,818,424</u></b>
<b><u>Liabilities</u></b>				
Accounts payable and accrued liabilities	\$ 73,011	\$ -	\$ 25,994	\$ 99,005
<b>Total liabilities</b>	<b><u>73,011</u></b>	<b><u>-</u></b>	<b><u>25,994</u></b>	<b><u>99,005</u></b>
<b><u>Deferred Inflows of Resources</u></b>				
Property taxes receivable	29,848	-	-	29,848
Prepaid taxes	275	-	-	275
Unearned mortgage revenue	-	230,000	-	230,000
Other fees receivable	37,577	-	-	37,577
<b>Total deferred inflows of resources</b>	<b><u>67,701</u></b>	<b><u>230,000</u></b>	<b><u>-</u></b>	<b><u>297,701</u></b>
<b><u>Fund Balances</u></b>				
Nonspendable:				
Inventories	312	-	-	312
Restricted:				
Stabilization by State Statute	252,839	-	-	252,839
Streets - Powell Bill	4,757	-	-	4,757
Public safety	14,320	-	163,451	177,771
Assigned:				
Storm Water	-	-	121,246	121,246
Capital Project	-	28,955	133,383	162,338
Top Tier Program	-	-	621,835	621,835
Subsequent year's expenditures	101,604	-	-	101,604
Unassigned	1,979,016	-	-	1,979,016
<b>Total fund balances</b>	<b><u>2,352,848</u></b>	<b><u>28,955</u></b>	<b><u>1,039,915</u></b>	<b><u>3,421,719</u></b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b><u>\$ 2,493,559</u></b>	<b><u>\$ 258,955</u></b>	<b><u>\$ 1,065,909</u></b>	<b><u>\$ 3,818,424</u></b>

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

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**TOWN OF DALLAS**

**Reconciliation of the Governmental Funds Balance Sheet  
To the Statement of Net Position  
June 30, 2018**

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Total Fund Balances, Governmental Funds	\$ 3,421,719
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	
Gross capital assets at historical cost	\$10,380,502
Accumulated depreciation	<u>(4,497,219)</u> 5,883,283
Deferred outflows of resources related to pensions are not reported in the funds	270,565
Liabilities for earned revenues considered deferred inflows of resources in the fund statements	
Property taxes receivable	29,848
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the fund	
Accrued interest on long-term debt	(15,386)
Long-term debt	(1,574,255)
Compensated absences	(129,194)
Net pension liability	(313,579)
Total pension liability	(466,520)
Deferred inflows of resources related to pensions are not reported in the funds	<u>(21,633)</u>
Net position of governmental activities	<u>\$ 7,084,848</u>

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

**TOWN OF DALLAS**

**Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2018**

	Major Funds		Total Non-Major Funds	Total Governmental Funds
	General Fund	CDBG Grant Fund		
<b>Revenues:</b>				
Ad valorem taxes	\$ 1,203,064	\$ -	\$ -	\$ 1,203,064
Other taxes and licenses	45,041	-	-	45,041
Unrestricted intergovernmental revenues	781,912	-	-	781,912
Restricted intergovernmental revenues	139,677	-	50,000	189,677
Permits and fees	11,525	-	-	11,525
Sales and services	382,005	-	-	382,005
Investment earnings	57,781	1,284	1,854	60,919
Miscellaneous	35,375	-	-	35,375
Storm water fees	-	-	129,597	129,597
Total revenues	<u>2,656,380</u>	<u>1,284</u>	<u>181,451</u>	<u>2,839,115</u>
<b>Expenditures:</b>				
General government	415,409	-	-	415,409
Public safety	1,520,618	-	-	1,520,618
Transportation	385,519	-	-	385,519
Economic and physical development	-	-	12,429	12,429
Environmental protection	398,521	-	102,925	501,446
Cultural and recreational	307,852	-	-	307,852
Debt service:				
Principal retirement	129,082	-	-	129,082
Interest and other charges	68,649	-	-	68,649
Total expenditures	<u>3,225,650</u>	<u>-</u>	<u>115,354</u>	<u>3,341,004</u>
Revenues over (under) expenditures	<u>(569,269)</u>	<u>1,284</u>	<u>66,096</u>	<u>(501,889)</u>
<b>Other Financing Sources (Uses):</b>				
Transfers - in	915,733	-	144,383	1,060,116
Transfers - out	(11,000)	-	-	(11,000)
Total other financing sources (uses)	<u>904,733</u>	<u>-</u>	<u>144,383</u>	<u>1,049,116</u>
Net changes in fund balances	335,464	1,284	210,479	547,227
Fund balances, beginning	<u>2,017,385</u>	<u>27,671</u>	<u>829,436</u>	<u>2,874,492</u>
Fund balances, ending	<u>\$ 2,352,848</u>	<u>\$ 28,955</u>	<u>\$ 1,039,915</u>	<u>\$ 3,421,719</u>

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

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**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, 2018**

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

Net change in fund balances - total governmental funds \$ 547,227

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	128,404
Depreciation expense	(347,052)

Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities 96,096

Benefits payments paid and administrative expense for LEOSSA are not included on the Statement of Activities 23,727

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.  
Change in deferred revenue for tax purposes (1,788)

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	129,082
Change in accrued interest payable	2,668

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	(4,721)
Pension expense	(102,028)
Pension expense (LEO)	<u>(37,564)</u>

Change in net position of governmental activities \$ 434,050

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

**TOWN OF DALLAS**

Page 1 of 2

**General Fund and Annually Budgeted Major Special Revenue Fund  
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual  
For the Year Ended June 30, 2018**

	General Fund			Variance With Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
<b>Revenues:</b>				
Ad valorem taxes	\$ 1,175,030	\$ 1,156,030	\$ 1,203,064	\$ 47,034
Other taxes and licenses	22,000	44,000	45,041	1,041
Unrestricted intergovernmental revenues	748,246	748,246	781,912	33,666
Restricted intergovernmental revenues	158,200	159,200	139,677	(19,523)
Permits and fees	6,500	6,500	11,525	5,025
Sales and services	429,000	427,200	382,005	(45,195)
Investment earnings	24,000	24,000	57,781	33,781
Miscellaneous	19,900	17,700	35,375	17,675
Total revenues	<u>2,582,876</u>	<u>2,582,876</u>	<u>2,656,380</u>	<u>73,504</u>
<b>Expenditures:</b>				
General government	483,026	483,026	415,409	67,617
Public safety	1,687,812	1,676,556	1,520,618	155,938
Transportation	452,995	459,465	385,519	73,946
Environmental protection	433,469	433,469	398,521	34,948
Cultural and recreational	327,959	341,360	307,852	33,508
Debt service:				
Principal retirement	132,852	127,108	129,082	(1,974)
Interest and other charges	64,883	70,883	68,649	2,234
Total expenditures	<u>3,582,996</u>	<u>3,591,867</u>	<u>3,225,650</u>	<u>366,217</u>
Revenues over (under) expenditures	<u>(1,000,120)</u>	<u>(1,008,991)</u>	<u>(569,269)</u>	<u>439,722</u>
<b>Other Financing Sources (Uses):</b>				
Appropriated fund balance	84,387	104,258	-	(104,258)
Transfers in	915,733	915,733	915,733	-
Transfer out	-	(11,000)	(11,000)	-
Total other financing sources (uses)	<u>1,000,120</u>	<u>1,008,991</u>	<u>904,733</u>	<u>(104,258)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	335,464	<u>\$ 335,464</u>
Fund balance, beginning			<u>2,017,385</u>	
Fund balance, ending			<u>\$ 2,352,848</u>	

cont.

**TOWN OF DALLAS**

Page 2 of 2, cont.

**General Fund and Annually Budgeted Major Special Revenue Fund  
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual  
For the Year Ended June 30, 2018**

	<u>CDBG Grant</u>			Variance With Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	
<b>Revenues:</b>				
Investment earnings	\$ 5,852	\$ 5,852	\$ 1,284	\$ (4,568)
<b>Expenditures:</b>	<u>5,852</u>	<u>5,852</u>	<u>-</u>	<u>5,852</u>
Revenues over (under) expenditures	-	-	1,284	1,284
<b>Other Financing Sources (Uses):</b>				
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	1,284	<u>\$ 1,284</u>
Fund balance, beginning			<u>27,671</u>	
Fund balance, ending			<u>\$ 28,955</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, 2018**

	Business-type Activities Enterprise Funds		
	Water and Sewer Fund	Electric Fund	Total
<b><u>Assets</u></b>			
Current assets:			
Cash and cash equivalents	\$ 1,205,441	\$ 3,035,908	\$ 4,241,349
Accounts receivable (net)	454,948	1,235,749	1,690,698
Inventories	108,258	224,152	332,410
Restricted cash and cash equivalents	72,751	195,299	268,050
Total current assets	<u>1,841,399</u>	<u>4,691,107</u>	<u>6,532,506</u>
Noncurrent assets:			
Land and other non-depreciable assets	158,909	71,808	230,717
Capital assets, net of accumulated depreciation	8,901,270	5,142,517	14,043,787
Total noncurrent assets	<u>9,060,179</u>	<u>5,214,325</u>	<u>14,274,504</u>
Total assets	<u>10,901,578</u>	<u>9,905,432</u>	<u>20,807,010</u>
<b><u>Deferred Outflows of Resources</u></b>			
Pension deferrals	<u>135,823</u>	<u>133,831</u>	<u>269,654</u>
<b><u>Liabilities</u></b>			
Current liabilities:			
Accounts payable and accrued liabilities	60,845	156,869	217,714
Due to other funds	133,383	-	133,383
Customer deposits - restricted	72,751	195,299	268,050
Settlement agreement - current	10,000	-	10,000
Loans payable - current	179,909	111,350	291,258
Accrued interest payable	6,063	6,000	12,063
Total current liabilities	<u>462,951</u>	<u>469,518</u>	<u>932,469</u>
Noncurrent liabilities:			
Loans payable	2,801,972	155,192	2,957,164
Accrued compensated absences	51,054	47,908	98,963
Net pension liability	179,095	176,469	355,564
Total noncurrent liabilities	<u>3,032,121</u>	<u>379,569</u>	<u>3,411,690</u>
Total liabilities	<u>3,495,072</u>	<u>849,087</u>	<u>4,344,159</u>
<b><u>Deferred Inflows of Resources</u></b>			
Pension deferrals	<u>8,793</u>	<u>8,664</u>	<u>17,457</u>
<b><u>Net Position</u></b>			
Net investment in capital assets	6,078,298	4,947,784	11,026,081
Unrestricted	<u>1,455,237</u>	<u>4,233,729</u>	<u>5,688,966</u>
Total net position	<u>\$ 7,533,535</u>	<u>\$ 9,181,513</u>	<u>\$ 16,715,048</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, 2018**

	Business-type Activities		
	Enterprise Funds		
	Water and Sewer Fund	Electric Fund	Total
<b>Operating Revenues:</b>			
Electricity sales	\$ -	\$ 8,224,064	\$ 8,224,064
Water sales	1,817,485	-	1,817,485
Sewer charges	972,210	-	972,210
Water and sewer taps	43,224	-	43,224
Other operating revenues	84,791	112,560	197,351
Total operating revenues	<u>2,917,710</u>	<u>8,336,624</u>	<u>11,254,334</u>
<b>Operating Expenses:</b>			
Electrical operations	-	1,672,600	1,672,600
Electrical power purchases	-	4,794,628	4,794,628
Water and sewer operations	1,279,605	-	1,279,605
Watertreatment and distribution	443,573	-	443,573
Waste collection and treatment	428,370	-	428,370
Depreciation	390,325	399,884	790,210
Total operating expenses	<u>2,541,874</u>	<u>6,867,112</u>	<u>9,408,986</u>
Operating income (loss)	<u>375,836</u>	<u>1,469,512</u>	<u>1,845,348</u>
<b>Nonoperating Revenues (Expenses):</b>			
Investment earnings	-	8,943	8,943
Gain (loss) on disposal of capital assets	2,133	-	2,133
Coal ash recovery charge	-	(393,980)	(393,980)
Interest on long-term debt	(111,076)	(7,921)	(118,996)
Total nonoperating revenues (expenses)	<u>(108,942)</u>	<u>(392,958)</u>	<u>(501,900)</u>
Income (loss) before transfers and capital contributions	266,894	1,076,554	1,343,448
Transfers (to) from other funds:			
General Fund-payment in lieu of taxes	-	(915,733)	(915,733)
Capital Reserve Fund	(133,383)	-	(133,383)
Changes in net position	133,511	160,821	294,332
Total net position -beginning	<u>7,400,024</u>	<u>9,020,692</u>	<u>16,420,716</u>
Total net position - ending	<u>\$ 7,533,535</u>	<u>\$ 9,181,513</u>	<u>\$ 16,715,048</u>

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

**TOWN OF DALLAS**

Page 1 of 2

**Statement of Cash Flows  
Proprietary Funds  
For the Year Ended June 30, 2018**

	<b>Business-type Activities</b>		
	<b>Enterprise Funds</b>		
	<b>Water and Sewer Fund</b>	<b>Electric Fund</b>	<b>Total</b>
<b>Cash Flows From Operating Activities:</b>			
Cash received from customers	\$2,859,027	\$8,810,746	\$ 11,669,773
Customer deposits received	681	(797)	(116)
Cash paid for goods and services	(1,041,776)	(5,727,096)	(6,768,872)
Cash paid to or on behalf of employees for services	<u>(1,082,667)</u>	<u>(983,258)</u>	<u>(2,065,925)</u>
Net cash provided (used) by operating activities	<u>735,265</u>	<u>2,099,595</u>	<u>2,834,860</u>
<b>Cash Flows From Non-Capital Financing Activities:</b>			
Due to other fund	133,383	-	133,383
Transfers - in (out)	<u>(133,383)</u>	<u>(915,733)</u>	<u>(1,049,116)</u>
Net cash provided (used) by non-capital financing activities	<u>-</u>	<u>(915,733)</u>	<u>(915,733)</u>
<b>Cash Flows From Capital and Related Financing Activities:</b>			
Acquisition and construction of capital assets	(166,041)	(362,201)	(528,242)
Proceeds from sale of capital assets	2,249	-	2,249
Payment on settlement agreement	(10,000)	-	(10,000)
Payment of coal ash	-	(393,980)	(393,980)
Principal paid on long-term debt	(174,166)	(111,529)	(285,695)
Interest paid on long-term debt	<u>(111,607)</u>	<u>(10,035)</u>	<u>(121,642)</u>
Net cash provided (used) by capital and related financing activities	<u>(459,565)</u>	<u>(877,745)</u>	<u>(1,337,310)</u>
<b>Cash Flows From Investing Activities:</b>			
Investment earnings	-	8,943	8,943
Net cash provided (used) by investing activities	<u>-</u>	<u>8,943</u>	<u>8,943</u>
Net increase (decrease) in cash and cash equivalents	275,700	315,060	590,760
Cash and cash equivalents at beginning of year	<u>1,002,491</u>	<u>2,916,147</u>	<u>3,918,638</u>
Cash and cash equivalents at end of year	<u>\$1,278,191</u>	<u>\$3,231,207</u>	<u>\$ 4,509,398</u>

cont.

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**TOWN OF DALLAS**

Page 2 of 2, cont.

**Statement of Cash Flows  
Proprietary Funds  
For the Year Ended June 30, 2018**

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	<b>Business-type Activities</b>		
	<b>Enterprise Funds</b>		
	<b>Water and Sewer Fund</b>	<b>Electric Fund</b>	<b>Total</b>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>			
Operating income (loss)	\$ 375,836	\$1,469,512	\$ 1,845,348
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	390,325	399,884	790,209
Change in assets, deferred outflows of resources and liabilities:			
(Increase) decrease in accounts receivable	(58,683)	474,122	415,439
(Increase) decrease in inventory	(14,578)	(98)	(14,676)
(Increase) decrease in deferred outflows of resources - pensions	64,287	64,031	128,318
(Increase) decrease in net pension liability	(54,705)	(54,706)	(109,411)
Increase (decrease) in deferred inflows of resources - pensions	(2,415)	(2,419)	(4,834)
Increase (decrease) in accounts payable and accrued liabilities	38,195	(248,760)	(210,565)
Increase (decrease) in accrued vacation pay	(3,678)	(1,174)	(4,852)
Increase (decrease) in customer deposits	681	(797)	(116)
Net cash provided (used) by operating activities	<u>\$ 735,265</u>	<u>\$2,099,595</u>	<u>\$ 2,834,860</u>

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

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## **NOTES TO THE FINANCIAL STATEMENTS**

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

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# TOWN OF DALLAS, NORTH CAROLINA

## Notes to the Financial Statements June 30, 2018

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### I. Summary of Significant Accounting Policies

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

#### A. Reporting Entity

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

#### B. Basis of Presentation - Fund Accounting

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

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

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

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

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## TOWN OF DALLAS, NORTH CAROLINA

### Notes to the Financial Statements June 30, 2018

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

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

The Town reports the following major enterprise funds:

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

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

#### C. Measurement Focus and Basis of Accounting

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

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## TOWN OF DALLAS, NORTH CAROLINA

### Notes to the Financial Statements June 30, 2018

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

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

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

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

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

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## TOWN OF DALLAS, NORTH CAROLINA

### Notes to the Financial Statements June 30, 2018

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

#### **D. Budgetary Data**

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

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

##### **1. Deposits and Investments**

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

State law [G.S. 159-30(c)] authorizes the Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT). The Town's investments are reported at fair value. Non-participating, interest earning contracts are accounted for at cost. The NCCMT- Government Portfolio, a SEC-registered (2a-7) external investment pool, is measured at amortized cost, which is the NCCMT's share price. The NCCMT-Term Portfolio's securities are valued at fair value.

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**TOWN OF DALLAS, NORTH CAROLINA**

**Notes to the Financial Statements  
June 30, 2018**

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**2. Cash and Cash Equivalents**

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

**3. Restricted Assets**

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

Governmental activities	
General Fund	
Streets	\$ 4,757
Public safety	<u>14,320</u>
	<u>19,077</u>
Business-type activities	
Water and Sewer fund	
Customer deposits	72,751
Electric fund	
Customer deposits	<u>195,299</u>
Total business-type activities	<u>268,050</u>
Total restricted cash	<u>\$287,127</u>

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## TOWN OF DALLAS, NORTH CAROLINA

### Notes to the Financial Statements June 30, 2018

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#### 4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 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, 2017. As allowed by State law, the Town has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the Town's General Fund, ad valorem tax revenues are reported net of such discounts.

#### 5. Allowances for Doubtful Accounts

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

#### 6. Inventories and Prepaid Items

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

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

#### 7. Capital Assets

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

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**TOWN OF DALLAS, NORTH CAROLINA**

**Notes to the Financial Statements  
June 30, 2018**

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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 2018 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 - prepaid taxes, property taxes receivable, unearned mortgage revenue, other fees receivable and pension deferrals.

**9. Long-Term Obligations**

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

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

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## TOWN OF DALLAS, NORTH CAROLINA

### Notes to the Financial Statements June 30, 2018

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

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

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

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

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## TOWN OF DALLAS, NORTH CAROLINA

### Notes to the Financial Statements June 30, 2018

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

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' governing body (highest level of decision-making authority). The governing body can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

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

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

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

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

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

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

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

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

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## TOWN OF DALLAS, NORTH CAROLINA

### Notes to the Financial Statements June 30, 2018

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#### 12. Defined Benefit Cost-Sharing Plans

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

#### F. Other

##### Management Estimates

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

#### II. Stewardship Compliance Accountability

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

###### 1. Noncompliance with North Carolina General Statutes

None.

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## TOWN OF DALLAS, NORTH CAROLINA

### Notes to the Financial Statements June 30, 2018

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#### 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, 2018, the Town's deposits had a carrying amount of \$1,858,703 and a bank balance of \$1,868,398. 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, 2018, the Town's petty cash fund totaled \$1,820.

**TOWN OF DALLAS, NORTH CAROLINA**

**Notes to the Financial Statements  
June 30, 2018**

**2. Investments**

<u>Investment Type</u>	<u>Valuation Measurement Method</u>	<u>Book Value At 6/30/18</u>	<u>Maturity</u>	<u>Rating</u>
N. C. Capital Management Trust				
Government Portfolio	Amortized Cost	\$3,879,021	N/A	AAAm
Term Portfolio	Fair Value Level 1	<u>1,871,492</u>	0.09 years	Unrated
Total		<u>\$5,750,513</u>		

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

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

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

Credit Risk. The Town has no formal policy regarding interest rate risk, but has internal management procedures that limit the Town's investments to the provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. The Town's investments in the N.C. Capital Management Trust Government Portfolio carried a credit rating of AAAm by Standard and Poor's as of June 30, 2016. The Town's investment in the N.C. Capital Management Trust Term Portfolio is unrated. The Term Portfolio is authorized to invest in obligations of the U.S. government and agencies, and in high grade money market instruments as permitted under North Carolina General Statutes 159-30 as amended.

**3. Receivables - Allowance for Doubtful Accounts**

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

General Fund:	
Taxes receivable	\$ 27,529
Accounts receivable	362
Storm Water Fund-accounts receivable	<u>104</u>
	<u>27,995</u>
Enterprise Funds:	
Electric Fund-accounts receivable	74,021
Water and Sewer Fund-accounts receivable	<u>12,672</u>
	<u>86,693</u>
Total	<u>\$114,688</u>

**TOWN OF DALLAS, NORTH CAROLINA**

**Notes to the Financial Statements  
June 30, 2018**

**4. Mortgage Receivable**

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

**5. Capital Assets**

Primary Government

Capital asset activity for the primary government for the year ended June 30, 2018 was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<b>Governmental Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 217,973	\$ -	\$ -	\$ 217,973
Construction in progress	-	-	-	-
Total capital assets not being depreciated	<u>217,973</u>	<u>\$ -</u>	<u>\$ -</u>	<u>217,973</u>
Capital assets being depreciated:				
Buildings	4,487,853	\$ 27,125	\$ -	4,514,978
Distribution	-	43,534	-	43,534
Other improvements	1,012,873	-	-	1,012,873
Vehicles and equipment	3,671,079	57,745	9,071	3,719,753
Infrastructure	871,392	-	-	871,392
Total capital assets being depreciated	<u>10,043,197</u>	<u>\$ 128,404</u>	<u>\$ 9,071</u>	<u>10,162,530</u>
Less accumulated depreciation for:				
Buildings	1,023,842	\$ 117,832	\$ -	1,141,674
Distribution	-	462	-	462
Other improvements	179,063	40,957	-	220,020
Vehicles and equipment	2,873,352	158,756	9,071	3,023,037
Infrastructure	82,980	29,046	-	112,026
Total accumulated depreciation	<u>4,159,237</u>	<u>\$ 347,053</u>	<u>\$ 9,071</u>	<u>4,497,219</u>
Total capital assets being depreciated, net	<u>5,883,959</u>			<u>5,665,310</u>
Governmental activity capital assets, net	<u>\$6,101,932</u>			<u>\$5,883,283</u>

**TOWN OF DALLAS, NORTH CAROLINA**

**Notes to the Financial Statements  
June 30, 2018**

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

General government	\$ 95,977
Public safety	165,762
Public works	19,846
Environmental protection	29,570
Cultural and recreational	<u>35,897</u>
Total depreciation expense	<u>\$347,053</u>

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<b>Business-type Activities:</b>				
Electric Fund:				
Capital assets, not being depreciated:				
Land	\$ 71,808	\$ -	\$ -	\$ 71,808
Total capital assets not being depreciated	<u>71,808</u>	<u>\$ -</u>	<u>\$ -</u>	<u>71,808</u>
Capital assets being depreciated:				
Buildings	496,891	\$ 7,000	\$ -	503,891
Distribution system	6,934,131	150,073	-	7,084,204
Equipment	<u>2,491,912</u>	<u>205,128</u>	<u>27,057</u>	<u>2,669,983</u>
Total capital assets being depreciated	<u>9,922,935</u>	<u>\$ 362,201</u>	<u>\$ 27,057</u>	<u>10,258,078</u>
Less accumulated depreciation for:				
Buildings	153,067	\$ 15,231	\$ -	168,297
Distribution system	3,071,087	184,315	-	3,255,402
Equipment	<u>1,518,581</u>	<u>200,338</u>	<u>27,057</u>	<u>1,691,862</u>
Total accumulated depreciation	<u>4,742,735</u>	<u>\$ 399,884</u>	<u>\$ 27,057</u>	<u>5,115,561</u>
Total capital assets being depreciated, net	<u>5,180,200</u>			<u>5,142,517</u>
Electric Fund capital assets, net	<u>5,252,008</u>			<u>5,214,325</u>
Water and Sewer Fund:				
Capital assets not being depreciated:				
Land	117,261	\$ -	\$ -	117,261
Right of way	<u>41,648</u>	<u>-</u>	<u>-</u>	<u>41,648</u>
Total capital assets not being depreciated	<u>158,909</u>	<u>\$ -</u>	<u>\$ -</u>	<u>158,909</u>
Capital assets being depreciated:				
Buildings	289,320	\$ -	\$ -	289,320
Distribution system	11,194,154	89,176	-	11,283,330
Equipment	1,185,123	37,050	80,061	1,142,112
Sewer plant	1,558,767	25,275	4,683	1,579,359
Water plant	<u>2,079,335</u>	<u>14,540</u>	<u>25,167</u>	<u>2,068,708</u>
Total capital assets being depreciated	<u>16,306,699</u>	<u>\$ 166,041</u>	<u>\$ 109,911</u>	<u>16,362,829</u>

**TOWN OF DALLAS, NORTH CAROLINA**

**Notes to the Financial Statements  
June 30, 2018**

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<b>Business-type Activities, continued:</b>				
Less accumulated depreciation for:				
Buildings	\$ 105,451	\$ 8,138	\$ -	\$ 113,589
Distribution system	3,457,100	253,701	-	3,710,801
Equipment	959,181	44,687	80,061	923,807
Sewer plant	1,123,063	37,128	4,683	1,155,508
Water plant	<u>1,536,234</u>	<u>46,672</u>	<u>25,051</u>	<u>1,557,855</u>
Total accumulated depreciation	<u>7,181,029</u>	<u>\$ 390,326</u>	<u>\$109,795</u>	<u>7,461,560</u>
 Total capital assets being depreciated, net	 <u>9,125,670</u>			 <u>8,901,270</u>
 Water and Sewer Fund capital assets, net	 <u>9,284,580</u>			 <u>9,060,179</u>
 Business-type activities capital assets, net	 <u>\$14,536,587</u>			 <u>\$14,274,504</u>

**B. Liabilities**

**1. Pension Plan and Postemployment Obligations**

**a. Local Governmental Employees' Retirement System**

Plan Description - The Town of Dallas is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing, multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, 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](http://www.osc.nc.gov).

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## TOWN OF DALLAS, NORTH CAROLINA

### Notes to the Financial Statements June 30, 2018

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

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

Contributions - Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. The Town of Dallas employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town of Dallas' contractually required contribution rate for the year ended June 30, 2018, was 8.50% of compensation for law enforcement officers, and 7.75% 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 \$205,057 for the year ended June 30, 2018.

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

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**TOWN OF DALLAS, NORTH CAROLINA**

**Notes to the Financial Statements  
June 30, 2018**

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

At June 30, 2018, the Town reported an liability of \$669,143 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016. The total pension liability was then rolled forward to the measurement date of June 30, 2017 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2018, the Town's proportion was 0.04380%, which was an increase of 0.00098% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2018, the Town recognized pension expense of \$225,061. At June 30, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 38,549	\$ 18,941
Changes of assumptions	95,563	-
Net difference between projected and actual earnings on pension plan investments	162,468	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	5,830	13,910
Town contributions subsequent to the measurement date	<u>205,057</u>	<u>-</u>
Total	<u>\$507,467</u>	<u>\$ 32,851</u>

\$205,057 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year ended June 30:</b>	
2019	\$34,083
2020	192,646
2021	94,078
2022	(51,248)
2023	-
Thereafter	-

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## TOWN OF DALLAS, NORTH CAROLINA

### Notes to the Financial Statements June 30, 2018

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Actuarial Assumptions - The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.50 to 8.10 percent, including inflation and productivity factor
Investment rate of return	7.20 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, 2016 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2017 are summarized in the following table:

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

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## TOWN OF DALLAS, NORTH CAROLINA

### Notes to the Financial Statements

June 30, 2018

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The information above is based on 30 year expectations developed with the consulting actuary for the 2016 asset, liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

Discount rate - The discount rate used to measure the total pension liability was 7.20%. 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 7.20 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 (6.20 percent) or one percentage point higher (8.20 percent) than the current rate:

	1% Increase (6.20%)	Discount Decrease (7.20%)	1% Rate (8.20%)
Town's proportionate share of the net pension liability (asset)	<u>\$2,008,781</u>	<u>\$669,143</u>	<u>\$(449,033)</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.

#### **b. Law Enforcement Officers' Special Separation Allowance**

##### **1. Plan Description**

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

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**TOWN OF DALLAS, NORTH CAROLINA**

**Notes to the Financial Statements  
June 30, 2018**

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All full-time law enforcement officers are covered by the Separation Allowance. At December 31, 2016, the Separation Allowance's membership consisted of:

Retirees receiving benefits	2
Terminated plan members entitled to but not receiving benefits	-
Active plan members	<u>13</u>
Total	<u>15</u>

**2. Summary of Significant Accounting Policies**

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

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

**3. Actuarial Assumptions**

The entry age actuarial cost method was used in the December 31, 2016 valuation. The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	3.50 to 7.35 percent, including inflation and productivity factor
Discount Rate	3.16 percent

The discount rate is based on the yield of the S & P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2017.

Mortality rates are based on the RP-2000 Mortality tables with adjustments for mortality improvements based on Scale AA.

**4. Contributions**

The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The Town's obligation to contribute to this plan is established, and may be amended by, the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The Town paid \$23,539 as benefits came due for the reporting period.

**TOWN OF DALLAS, NORTH CAROLINA**

**Notes to the Financial Statements  
June 30, 2018**

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

At June 30, 2018, the Town reported a total pension liability of \$466,520. The total pension liability was measured as of December 31, 2017 based on a December 31, 2016 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2017 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2018, the Town recognized pension expense of \$37,564.

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$13,055	\$ -
Changes of assumptions	19,697	6,238
Town benefit payments and plan administrative expense made subsequent to the measurement date	<u>-</u>	<u>-</u>
Total	<u>\$32,752</u>	<u>\$6,238</u>

\$32,752 reported as deferred outflows of resources related to pensions resulting from benefit payments made, and administrative expenses incurred subsequent to the measurement date, will be recognized as a decrease of the total pension liability in the year ended June 30, 2018. Other amounts reported as deferred inflows of resources related to pensions will be recognized in the pension expense as follows:

**Year ended June 30:**

2019	\$5,458
2020	5,458
2021	5,458
2022	5,458
2023	4,682
Thereafter	-

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

*Sensitivity of the Town's total pension liability to changes in the discount rate.* The following presents the Town's total pension liability calculated using the discount rate of 3.16 percent, as well as what the Town's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.16 percent), or 1-percentage-point higher (4.16 percent) than the current rate:

	<b>1% Decrease <u>(2.16%)</u></b>	<b>Discount Rate <u>(3.16%)</u></b>	<b>1% Increase <u>(4.16%)</u></b>
Total pension liability	\$501,326	\$466,520	\$434,758

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**TOWN OF DALLAS, NORTH CAROLINA**

**Notes to the Financial Statements**  
**June 30, 2018**

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

Beginning balance	\$418,375
Service cost	16,223
Interest on the total pension liability	15,695
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	15,851
Changes of assumptions or other inputs	23,915
Benefit payments	(23,539)
Other changes	-
Ending balance of the total pension liability	<u>\$466,520</u>

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

The actuarial assumptions used in the December 31, 2016 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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**TOWN OF DALLAS, NORTH CAROLINA**

**Notes to the Financial Statements**

**June 30, 2018**

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

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

	<u>LGERS</u>	<u>LEOSSA</u>	<u>Total</u>
Pension expense	\$225,061	\$37,564	\$ 262,625
Pension liability	669,143	466,520	1,135,663
Proportionate share of the net pension liability	0.04380%	n/a	
Deferred outflows of resources			
Differences between expected and actual experience	38,549	13,055	51,604
Changes of assumptions	95,563	19,697	115,260
Net difference between projected and actual earnings on plan investments	162,468	-	162,468
Changes in proportion and differences between contributions and proportionate share of contributions	5,830	-	5,830
Benefit payments and administrative costs paid subsequent to the measurement date	205,057	-	205,057
Deferred inflows of resources			
Differences between expected and actual experience	18,941	-	18,941
Changes of assumptions	-	6,238	6,238
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	13,910	-	13,910

**c. Supplemental Retirement Income Plan for Law Enforcement Officers**

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

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**TOWN OF DALLAS, NORTH CAROLINA**

**Notes to the Financial Statements  
June 30, 2018**

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The Town made contributions of \$27,262 for the reporting year. No amounts were forfeited.

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

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

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

The Town made contributions of \$92,283 for the reporting year. No amounts were forfeited.

**e. Other Employment Benefits**

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

**2. Deferred Outflows and Inflows of Resources**

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

	<u>Amount</u>
Contributions to pension plan in current fiscal year	\$ 205,057
Differences between expected and actual experience	51,604
Changes of assumptions	115,260
Net difference between projected and actual	162,468
Changes in proportion and differences between employer contributions and proportionate share of contributions	5,830
Charge on refunding	-
Total	<u>\$ 540,219</u>

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**TOWN OF DALLAS, NORTH CAROLINA**

**Notes to the Financial Statements**  
**June 30, 2018**

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

	<u>Statement of Net Position</u>	<u>General Fund Balance Sheet</u>
Taxes receivable, less penalties (General Fund)	\$ -	\$ 29,848
Prepaid taxes	275	275
Mortgage receivable (CDGB Grant Fund)	-	230,000
Other fees receivable	-	37,577
Changes in assumptions	6,238	-
Differences between expected and actual experience	18,941	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	<u>13,910</u>	<u>-</u>
Total	<u>\$39,365</u>	<u>\$297,701</u>

**3. Commitments**

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

In August 2018, the Town received cost estimates for Duke Coal Ash Recovery. The Town of Dallas is a wholesale customer of Duke Energy. Due to a major Duke Energy coal ash spill, the Town is required to make annual coal ash payments to Duke Energy for coal ash recovery costs. The estimated cost to the Town of Dallas is \$1,491,353. To recover the costs, amounts will be added to the monthly regular Duke Energy bill. The coal ash recovery charge was \$393,980 for the year ended June 30, 2018.

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## TOWN OF DALLAS, NORTH CAROLINA

### Notes to the Financial Statements

June 30, 2018

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#### 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.

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 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, 2018 was \$10,000.

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**TOWN OF DALLAS, NORTH CAROLINA**

**Notes to the Financial Statements  
June 30, 2018**

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**6. Long-Term Obligations**

Loans payable consist of the following at June 30, 2018:

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. \$1,136,785

\$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. 254,744

\$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. 148,516

\$99,255, loan for police vehicles, with principal and interest payments of \$34,953, due annually in August, at an annual interest rate of 5.756%, through 2019. 34,211

Total serviced by the General Fund 1,574,256

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. 2,922,430

\$88,382 loan for vehicles, with principal and interest payments of \$15,203, due semi-annually in July, at an annual interest rate of 1.82%, through 2020. 59,450

Total serviced by the Water and Sewer Fund 2,981,880

Serviced by the Electric Fund:

\$211,618 loan for a vehicle, with principal and interest payments of \$36,402, due semi-annually in July, at an annual interest rate of 1.82%, through 2020. 139,435

\$212,033 loan for vehicles, with principal and interest payments of \$45,584, due annually in July, at an annual interest rate of 3.75%, through 2020. 127,107

Total serviced by the Electric Fund 266,542

Total loans payable \$4,822,678

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**TOWN OF DALLAS, NORTH CAROLINA**

**Notes to the Financial Statements  
June 30, 2018**

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

	<u>Loans Payable</u>	
	<u>Principal</u>	<u>Interest</u>
<b>Governmental activities:</b>		
2019	\$ 133,567	\$ 64,165
2020	103,140	59,639
2021	107,330	55,449
2022	111,565	51,215
2023	115,970	46,808
2024-2028	539,093	166,118
2029-2033	<u>463,591</u>	<u>57,823</u>
Total governmental activities	<u>1,574,256</u>	<u>501,217</u>
<b>Business-type activities:</b>		
2019	291,259	112,902
2020	297,098	103,887
2021	205,389	95,562
2022	167,244	88,123
2023	173,248	82,119
2024-2028	964,123	312,712
2029-2033	<u>1,150,061</u>	<u>126,773</u>
Total business-type activities	<u>3,248,422</u>	<u>922,078</u>
Total	<u>\$ 4,822,678</u>	<u>\$1,423,295</u>

At June 30, 2018, the Town's legal debt margin is \$19,086,074.

**TOWN OF DALLAS, NORTH CAROLINA**

**Notes to the Financial Statements  
June 30, 2018**

**Changes in Long-Term Liabilities**

	<u>Balance</u> <u>June 30, 2017</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2018</u>	<u>Current</u> <u>Portion of</u> <u>Balance</u>
Governmental activities:					
Compensated absences	\$ 124,473	\$ 4,721	\$ -	\$ 129,194	\$ -
Net pension liability (LEO)	418,375	72,060	23,915	466,520	-
Net pension liability (LGERS)	443,809	-	130,230	313,579	-
Loans payable	<u>1,703,338</u>	<u>-</u>	<u>129,082</u>	<u>1,574,256</u>	<u>133,567</u>
Total governmental activities	<u>\$ 2,689,995</u>	<u>\$ 76,781</u>	<u>\$283,227</u>	<u>\$ 2,483,549</u>	<u>\$133,567</u>
Business-type activities:					
Water and Sewer Fund					
Compensated absences	\$ 54,732	\$ -	\$ 3,678	\$ 51,054	\$ -
Settlement payable	20,000	-	10,000	10,000	10,000
Net pension liability (LGERS)	233,801	-	54,706	179,095	-
Loans payable	<u>3,156,046</u>	<u>-</u>	<u>174,166</u>	<u>2,981,880</u>	<u>179,909</u>
Water and Sewer Fund long-term liabilities	<u>3,464,579</u>	<u>-</u>	<u>242,550</u>	<u>3,222,029</u>	<u>189,909</u>
Electric Fund					
Compensated absences	49,081	-	1,173	47,908	-
Net pension liability (LGERS)	231,175	-	54,706	176,469	-
Loans payable	<u>378,071</u>	<u>-</u>	<u>111,529</u>	<u>266,542</u>	<u>111,350</u>
Electric Fund Long-term liabilities	<u>658,327</u>	<u>-</u>	<u>167,408</u>	<u>490,919</u>	<u>111,350</u>
Total business-type activities	<u>\$ 4,122,906</u>	<u>\$ -</u>	<u>\$409,958</u>	<u>\$ 3,712,948</u>	<u>\$301,259</u>

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**TOWN OF DALLAS, NORTH CAROLINA**

**Notes to the Financial Statements  
June 30, 2018**

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**C. Interfund Balances and Activity**

Balances due to/from other funds at June 30, 2018 consist of the following:

Due to the Capital Project Fund for future capital project expenditures:

Water and Sewer Fund	<u>\$133,383</u>
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The interfund balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Transfers to/from other funds at June 30, 2018 consist of the following:

From the General Fund to LESA Fund - to fund LESA	\$ 11,000
From the Water and Sewer Fund to the Capital Project Fund - capital projects	133,383
From the Electric Fund to the General Fund - payment in lieu of taxes	<u>915,733</u>
	<u>\$1,060,116</u>

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

**D. Net Investment in Capital Assets**

	<u>Governmental</u>	<u>Business-type</u>
Capital assets	\$ 5,883,283	\$ 14,274,504
Less: long-term debt	<u>(1,574,256)</u>	<u>(3,248,422)</u>
	<u>\$ 4,309,028</u>	<u>\$ 11,026,081</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	\$2,352,848
Less:	
Inventories	312
Stabilization by State Statute	252,839
Streets-Powell Bill	4,757
Public Safety	14,320
Appropriated Fund Balance in 2018 Budget	101,604
Remaining Fund Balance	1,979,016

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## TOWN OF DALLAS, NORTH CAROLINA

### Notes to the Financial Statements June 30, 2018

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#### III. Jointly Governed Organizations

The Town, in conjunction with nine counties and seventy-four other municipalities, established the Centralina Council of Governments (the Council). The participating governments established the Council to coordinate various funding received from federal and State agencies. Each participating government appoints one member to the Council's governing board. The Town paid membership fees of \$1,125 to the Council during the fiscal year ended June 30, 2018.

#### IV. Related Organization

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

#### V. Summary Disclosure of Significant Contingencies

##### Federal and State Assisted Programs

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

#### VI. Significant Effects of Subsequent Events

Management has evaluated subsequent events through November 27, 2018, the date on which the financial statements were available to be issued. During the period from the end of the year, and through this date, the following event occurred that requires recognition or disclosure in these financial statements.

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## **REQUIRED SUPPLEMENTARY INFORMATION**

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

- **Schedule of the Proportionate Share of Net Pension Liability (Asset) for Local Government Employees' Retirement System**
  - **Schedule of Contributions - Local Government Employees' Retirement System**
  - **Schedule of Changes in Total Pension Liability**
  - **Schedule of Total Pension Liability as a Percentage of Covered Payroll**
-

**TOWN OF DALLAS**

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Town of Dallas' proportion of the net pension liability (asset) (%)	0.04380%	0.04282%	0.04216%	0.03938%	0.04030%
Town of Dallas' proportion of the net pension liability (asset) (\$)	\$ 669,143	\$ 908,784	\$ 189,212	\$ (232,242)	\$ 485,770
Town of Dallas' covered payroll	\$ 2,571,122	\$ 2,435,404	\$ 1,716,527	\$ 1,724,960	\$ 1,542,147
Town of Dallas' proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	26.03%	37.32%	11.02%	(13.46)%	31.50%
Plan fiduciary net position as a percentage of the total pension liability**	94.18%	91.47%	98.09%	102.64%	94.35%

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

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

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**TOWN OF DALLAS**

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

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

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**TOWN OF DALLAS, NORTH CAROLINA**

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

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	<u>2018</u>	<u>2017</u>
Beginning balance	\$ 418,375	\$ 412,459
Service cost	16,223	19,207
Interest on the total pension liability	15,695	14,397
Changes of benefit terms	-	-
Differences between expected and actual experience in the measurement of the total pension liability	15,851	-
Changes of assumptions or other inputs	23,915	(9,350)
Benefit payments	(23,539)	(18,338)
Other changes	-	-
Ending balance of the total pension liability	<u>\$ 466,520</u>	<u>\$ 418,375</u>

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

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**TOWN OF DALLAS, NORTH CAROLINA**

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

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	<u>2018</u>	<u>2017</u>
Total pension liability	\$466,520	\$418,375
Covered payroll	623,345	666,556
Total pension liability as a percentage of covered payroll	74.84%	62.77%

Notes to the schedules:

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

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## **GOVERNMENTAL ACTIVITIES**

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### **GENERAL FUND**

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

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**TOWN OF DALLAS**

**General Fund  
Schedule of Revenues, Expenditures and Changes  
In Fund Balances - Budget and Actual  
For the Fiscal Year Ended June 30, 2018  
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2017)**

	<u>2018</u>		<u>Variance Positive (Negative)</u>	<u>2017 Actual</u>
	<u>Budget</u>	<u>Actual</u>		
<b>Revenues:</b>				
Ad valorem taxes:				
Current year	\$1,121,530	\$1,154,643	\$ 33,113	\$1,114,977
Prior years	10,000	17,316	7,316	12,520
State board assessed	22,500	23,463	963	22,654
Interest and penalties	2,000	7,643	5,643	5,623
Total	<u>1,156,030</u>	<u>1,203,064</u>	<u>47,034</u>	<u>1,155,775</u>
Other taxes and licenses:				
Privilege licenses	3,000	4,425	1,425	4,020
Motor vehicle licenses	19,000	19,865	865	19,495
Alcohol beverage tax	22,000	20,751	(1,249)	21,382
Total	<u>44,000</u>	<u>45,041</u>	<u>1,041</u>	<u>44,897</u>
Unrestricted intergovernmental revenues:				
Local option sales tax	390,159	430,810	40,651	398,864
Hold harmless distribution	108,039	110,097	2,058	122,417
Utility franchise tax	156,988	151,562	(5,426)	148,196
Excise tax on piped natural gas	14,580	18,201	3,621	14,184
Sales tax on telecommunications	58,064	51,347	(6,717)	55,976
Sales tax on video programming	17,416	16,635	(781)	17,069
Solid waste disposal tax	3,000	3,260	260	3,167
Total	<u>748,246</u>	<u>781,912</u>	<u>33,666</u>	<u>759,873</u>
Restricted intergovernmental revenues:				
Powell Bill street aid allocation	132,000	131,952	(48)	131,343
Powell Bill investment earnings	200	348	148	321
Drug forfeiture revenue	1,000	7,377	6,377	1,531
Grant revenue	-	-	-	2,500
Federal and state grants	26,000	-	(26,000)	-
Total	<u>159,200</u>	<u>139,677</u>	<u>(19,523)</u>	<u>135,694</u>

cont.

**TOWN OF DALLAS**

Page 2 of 6

**General Fund  
Schedule of Revenues, Expenditures and Changes  
In Fund Balances - Budget and Actual  
For the Fiscal Year Ended June 30, 2018  
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2017)**

	2018		Variance	
	<u>Budget</u>	<u>Actual</u>	<u>Positive (Negative)</u>	<u>2017 Actual</u>
<b>Revenues (continued):</b>				
Permits and fees:				
Zoning fees	\$ 6,500	\$ 11,525	\$ 5,025	\$ 2,437
Sales and services:				
Arrest fees	1,600	1,882	282	1,672
Refuse collection fees	353,000	334,969	(18,031)	332,795
Recreation fees and concessions	67,900	42,143	(25,757)	44,816
Other	4,700	3,011	(1,689)	4,330
Total	427,200	382,005	(45,195)	383,612
Investment earnings	24,000	57,781	33,781	26,718
Miscellaneous:				
Returned check revenue	1,800	1,514	(286)	1,860
Customer billed charges	1,700	120	(1,580)	712
ABC wholesale distribution	9,200	17,660	8,460	20,246
Contribution from Courthouse Foundation	-	-	-	36,411
Other	5,000	16,082	11,082	22,020
Total	17,700	35,375	17,675	81,250
Total revenues	2,582,876	2,656,380	73,504	2,590,256 cont.

**General Fund**  
**Schedule of Revenues, Expenditures and Changes**  
**In Fund Balances - Budget and Actual**  
**For the Fiscal Year Ended June 30, 2018**  
**(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2017)**

	2018		Variance Positive (Negative)	2018 Actual
	<u>Budget</u>	<u>Actual</u>		
<b>Expenditures:</b>				
General government:				
Governing body:				
Salaries and employee benefits	\$ 64,864	\$ 63,434	\$ 1,430	\$ 63,619
Other operating expenditures	14,315	8,492	5,823	5,155
	<u>79,179</u>	<u>71,926</u>	<u>7,253</u>	<u>68,774</u>
Administrative:				
Salaries and employee benefits	67,686	60,954	6,732	58,385
Professional services	12,420	12,071	349	12,633
Maintenance and repairs	25,115	22,614	2,501	20,670
Other operating expenditures	133,345	116,777	16,568	116,461
	<u>238,566</u>	<u>212,416</u>	<u>26,150</u>	<u>208,149</u>
Public buildings:				
Community development:				
Salaries and employee benefits	65,552	48,413	17,139	73,319
Other operating expenditures	55,739	42,690	13,049	60,160
Capital outlay	-	-	-	(23,832)
	<u>121,291</u>	<u>91,103</u>	<u>30,188</u>	<u>109,647</u>
Courthouse:				
Professional services	6,282	5,190	1,092	4,807
Maintenance and repairs	18,742	16,567	2,175	22,735
Other operating expenditures	18,966	18,207	759	14,031
Capital outlay	-	-	-	43,239
	<u>43,990</u>	<u>39,964</u>	<u>4,026</u>	<u>84,813</u>
Total general government	<u>483,026</u>	<u>415,409</u>	<u>67,617</u>	<u>471,382</u>

cont.

**General Fund**  
**Schedule of Revenues, Expenditures and Changes**  
**In Fund Balances - Budget and Actual**  
**For the Fiscal Year Ended June 30, 2018**  
**(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2017)**

	<u>2018</u>		<u>Variance Positive (Negative)</u>	<u>2017 Actual</u>
	<u>Budget</u>	<u>Actual</u>		
<b>Expenditures (continued):</b>				
Police:				
Salaries and employee benefits	\$1,207,121	\$1,120,083	\$ 87,038	\$1,060,724
Maintenance and repairs	31,389	29,266	2,123	32,643
Other operating expenditures	118,218	115,359	2,859	90,162
Capital outlay	35,412	35,193	219	102,251
	<u>1,392,140</u>	<u>1,299,901</u>	<u>92,239</u>	<u>1,285,779</u>
Fire:				
Salaries and employee benefits	123,052	116,473	6,579	115,077
Maintenance and repairs	40,773	40,892	(119)	38,587
Other operating expenditures	71,303	63,351	7,952	58,663
Capital outlay	49,288	-	49,288	-
	<u>284,416</u>	<u>220,717</u>	<u>63,699</u>	<u>212,326</u>
Total public safety	<u>1,676,556</u>	<u>1,520,618</u>	<u>155,938</u>	<u>1,498,106</u>
Transportation:				
Street maintenance				
Salaries and employee benefits	189,821	161,573	28,248	165,525
Maintenance and repairs	148,471	118,396	30,075	128,061
Street lights	72,770	63,052	9,718	61,288
Contracted services	9,413	9,298	115	5,129
Other operating expenditures	28,978	23,786	5,192	20,847
Capital outlay	10,012	9,414	598	20,000
	<u>459,465</u>	<u>385,519</u>	<u>73,946</u>	<u>400,850</u>
Environmental protection:				
Solid waste:				
Salaries and employee benefits	165,204	152,716	12,488	147,128
Maintenance and repairs	68,800	66,434	2,366	48,404
Other operating expenditures	56,740	57,520	(780)	49,367
Capital outlay	43,425	32,376	11,049	-
Tipping fees	99,300	89,475	9,825	90,474
	<u>433,469</u>	<u>398,521</u>	<u>34,948</u>	<u>335,373</u>

cont.

**General Fund**  
**Schedule of Revenues, Expenditures and Changes**  
**In Fund Balances - Budget and Actual**  
**For the Fiscal Year Ended June 30, 2018**  
**(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2017)**

	2018		Variance Positive (Negative)	2017 Actual
	<u>Budget</u>	<u>Actual</u>		
<b>Expenditures (continued):</b>				
Cultural and recreational:				
Parks and recreation:				
Salaries and employee benefits	\$ 130,651	\$ 113,052	\$ 17,599	\$ 93,591
Maintenance and repairs	37,068	35,853	1,215	49,699
Operating expenditures	145,016	130,322	14,694	128,310
Capital outlay	28,625	28,625	-	52,191
	<u>341,360</u>	<u>307,852</u>	<u>33,508</u>	<u>323,791</u>
Debt service:				
Debt service - principal	127,108	129,082	(1,974)	123,547
Debt service - interest	70,883	68,649	2,234	74,184
	<u>197,991</u>	<u>197,732</u>	<u>260</u>	<u>197,732</u>
Total expenditures	<u>3,591,867</u>	<u>3,225,650</u>	<u>366,217</u>	<u>3,227,234</u>
Revenues over (under) expenditures	<u>(1,008,991)</u>	<u>(569,269)</u>	<u>439,722</u>	<u>(636,978)</u>
<b>Other Financing Sources (Uses):</b>				
Proceeds from capital financing	-	-	-	99,255
Appropriated fund balance	104,258	-	(104,258)	-
Transfers (to) from other funds:				
LESA Fund	(11,000)	(11,000)	-	(11,000)
Town Center Parking Lot project	-	-	-	10,681
Electric Fund	915,733	915,733	-	895,745
Total other financing sources (uses)	<u>1,008,991</u>	<u>904,733</u>	<u>(104,258)</u>	<u>994,681</u>

cont.

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TOWN OF DALLAS

Page 6 of 6, cont.

**General Fund**  
**Schedule of Revenues, Expenditures and Changes**  
**In Fund Balances - Budget and Actual**  
**For the Fiscal Year Ended June 30, 2018**  
**(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2017)**

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	2018		Variance Positive (Negative)	2017 Actual
	Budget	Actual		
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	\$ 335,464	<u>\$ 335,464</u>	\$ 357,704
Fund balances, beginning		<u>2,017,385</u>		<u>1,659,681</u>
Fund balances, ending		<u>\$2,352,848</u>		<u>\$2,017,385</u>

## **GOVERNMENTAL ACTIVITIES NON-MAJOR GOVERNMENTAL FUNDS**

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**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.

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

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

**"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.

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**TOWN OF DALLAS**

**Combining Balance Sheet  
Non-Major Governmental Funds  
For the Year Ended June 30, 2018**

	<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>T.O.P. T.I.E.R.</u> <u>Program</u>	<u>Total Nonmajor</u> <u>Governmental</u> <u>Funds</u>
<b>Assets:</b>					
Cash and cash equivalents	\$163,451	\$133,797	\$ -	\$ 621,835	\$ 919,082
Accounts receivable, net	-	13,444	-	-	13,444
Due from other funds	-	-	133,383	-	133,383
<b>Total assets</b>	<u>\$163,451</u>	<u>\$147,241</u>	<u>\$ 133,383</u>	<u>\$ 621,835</u>	<u>\$ 1,065,909</u>
<b>Liabilities and Fund Balances:</b>					
Accounts payable and accrued expenses	\$ -	\$ 25,994	\$ -	\$ -	\$ 25,994
<b>Total liabilities</b>	<u>-</u>	<u>25,994</u>	<u>-</u>	<u>-</u>	<u>25,994</u>
<b>Fund balances:</b>					
<b>Restricted:</b>					
Public safety	163,451	-	-	-	163,451
<b>Assigned:</b>					
Storm Water	-	121,246	-	-	121,246
Capital Project	-	-	133,383	-	133,383
Top Tier Program	-	-	-	621,835	621,835
<b>Total fund balances</b>	<u>163,451</u>	<u>121,246</u>	<u>133,383</u>	<u>621,835</u>	<u>1,039,915</u>
<b>Total liabilities and fund balances</b>	<u>\$163,451</u>	<u>\$147,241</u>	<u>\$ 133,383</u>	<u>\$ 621,835</u>	<u>\$ 1,065,909</u>

**TOWN OF DALLAS**

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
Non-Major Governmental Funds  
For the Year Ended June 30, 2018**

	LESA <u>Fund</u>	Storm Water <u>Fund</u>	Capital Project <u>Fund</u>	T.O.P. T.I.E.R. <u>Program</u>	Total Nonmajor Governmental <u>Funds</u>
<b>Revenues:</b>					
Storm water fees	\$ -	\$129,597	\$ -	\$ -	\$ 129,597
Grant revenue	-	-	-	50,000	50,000
Investment earnings	<u>1,854</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,854</u>
Total revenues	<u>1,854</u>	<u>129,597</u>	<u>-</u>	<u>50,000</u>	<u>181,451</u>
<b>Expenditures:</b>					
Salaries and employee benefits	-	38,613	-	-	38,613
Supplies	-	7,484	-	-	7,484
Contracted services	-	10,288	-	12,429	22,717
Repairs and maintenance	-	242	-	-	242
Other operating expenditures	-	2,765	-	-	2,765
Capital outlay	<u>-</u>	<u>43,534</u>	<u>-</u>	<u>-</u>	<u>43,534</u>
Total expenditures	<u>-</u>	<u>102,925</u>	<u>-</u>	<u>12,429</u>	<u>115,354</u>
Revenues over (under) expenditures	1,854	26,672	-	37,571	66,096
<b>Other Financing Sources (Uses):</b>					
Operating transfers in (out):					
General Fund	11,000	-	-	-	11,000
Water and Sewer Fund	<u>-</u>	<u>-</u>	<u>133,383</u>	<u>-</u>	<u>133,383</u>
Revenues and other financing sources over financing sources (uses)	12,854	26,672	133,383	37,571	210,479
Fund balances, beginning	<u>150,597</u>	<u>94,575</u>	<u>-</u>	<u>584,264</u>	<u>829,436</u>
Fund balances, ending	<u>\$163,451</u>	<u>\$121,246</u>	<u>\$ 133,383</u>	<u>\$ 621,835</u>	<u>\$ 1,039,915</u>

**TOWN OF DALLAS**

**LESA Fund**

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

**For the Year Ended June 30, 2018**

**(With Comparative Actual Amounts for the Year Ended June 30, 2017)**

	<u>2018</u>		<b>Variance Positive (Negative)</b>	<b>2017 Actual</b>
	<u>Budget</u>	<u>Actual</u>		
<b>Revenues:</b>				
Investment earnings	\$ 573	\$ 1,854	\$ 1,281	\$ 616
Total revenues	573	1,854	1,281	616
<b>Expenditures:</b>	<u>162,080</u>	<u>-</u>	<u>162,080</u>	<u>-</u>
Revenues over (under) expenditures	(161,507)	1,854	163,361	616
<b>Other Financing Sources (Uses):</b>				
Appropriated fund balance	150,507	-	(150,507)	-
Transfer from General Fund	<u>11,000</u>	<u>11,000</u>	<u>-</u>	<u>11,000</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	12,854	<u>\$ 12,854</u>	11,616
Fund balance, July 1		<u>150,597</u>		<u>138,981</u>
Fund balance, June 30		<u>\$ 163,451</u>		<u>\$ 150,597</u>

**TOWN OF DALLAS**

**Storm Water Fund**

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

**For the Year Ended June 30, 2018**

**(With Comparative Actual Amounts for the Year Ended June 30, 2017)**

	<b>2018</b>		<b>Variance Positive (Negative)</b>	<b>2017 Actual</b>
	<b><u>Budget</u></b>	<b><u>Actual</u></b>		
<b>Revenues:</b>				
Operating revenues:				
Storm water fees	\$ 121,924	\$ 129,597	\$ 7,673	\$ 129,889
Other operating revenues	-	-	-	235
<b>Total revenues</b>	<b><u>121,924</u></b>	<b><u>129,597</u></b>	<b><u>7,673</u></b>	<b><u>130,124</u></b>
<b>Expenditures:</b>				
Salaries and employee benefits	39,142	38,613	529	35,711
Supplies	500	7,484	(6,984)	212
Contracted services	10,900	10,288	612	4,276
Repairs and maintenance	9,781	242	9,539	1,776
Other operating expenditures	7,818	2,765	5,053	2,536
Capital outlay	53,783	43,534	10,249	19,521
<b>Total operating expenditures</b>	<b><u>121,924</u></b>	<b><u>102,925</u></b>	<b><u>18,999</u></b>	<b><u>64,032</u></b>
<b>Revenues over (under) expenditures</b>	<b><u>-</u></b>	<b><u>26,672</u></b>	<b><u>26,672</u></b>	<b><u>66,092</u></b>
<b>Other Financing Sources (Uses):</b>				
Appropriated fund balance	-	-	-	-
<b>Revenues and other financing sources over (under) expenditures and other financing uses</b>	<b><u>\$ -</u></b>	<b><u>26,672</u></b>	<b><u>\$ 26,672</u></b>	<b><u>66,092</u></b>
Fund balance, beginning		<u>94,575</u>		<u>28,483</u>
Fund balance, ending		<u>\$ 121,246</u>		<u>\$ 94,575</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, 2018**  
**(With Comparative Actual Amounts for the Year Ended June 30, 2017)**

	<u>2018</u>		<b>Variance Postive (Negative)</b>	<b>2017 Actual</b>
	<u>Budget</u>	<u>Actual</u>		
<b>Revenues:</b>				
Investment earnings	\$ 6,400	\$ -	\$ (6,400)	\$ -
<b>Expenditures:</b>	<u>179,471</u>	<u>-</u>	<u>179,471</u>	<u>-</u>
Revenues over (under) expenditures	<u>(173,071)</u>	<u>-</u>	<u>173,071</u>	<u>-</u>
<b>Other Financing Sources (Uses):</b>				
Appropriated fund balance	133,244	-	(133,244)	-
Transfer from (to) Water and Sewer Fund	45,817	133,383	87,566	-
Transfer from (to) Electric Fund	(27,000)	-	27,000	-
Transfer from (to) General Fund	<u>21,010</u>	<u>-</u>	<u>(21,010)</u>	<u>-</u>
Total other financing sources (uses)	<u>173,071</u>	<u>133,383</u>	<u>(39,688)</u>	<u>-</u>
Revenues and other financing sources (uses) over (under) expenditures and other financing uses	<u>\$ -</u>	133,383	<u>\$ 133,383</u>	<u>\$ -</u>
Fund balance, July 1		<u>-</u>		
Fund balance, June 30		<u>\$ 133,383</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, 2018**  
**(With Comparative Actual Amounts for the Year Ended June 30, 2017)**

	<u>2018</u>		<b>Variance Positive (Negative)</b>	<b>2017 Actual</b>
	<u>Budget</u>	<u>Actual</u>		
<b>Revenues:</b>				
Grant revenue	\$ 50,000	\$ 50,000	\$ -	\$ -
<b>Expenditures:</b>				
Top Tier grants	597,445	-	597,445	28,181
Professional services	25,000	12,429	12,571	-
Capital outlay	78,550	-	78,550	18,659
Total expenditures	<u>700,995</u>	<u>12,429</u>	<u>688,566</u>	<u>46,840</u>
Revenues over (under) expenditures	(650,995)	37,571	688,566	(46,840)
<b>Other Financing Sources (Uses):</b>				
Transfer from Electric Fund	<u>650,995</u>	<u>-</u>	<u>(650,995)</u>	<u>380,824</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	37,571	<u>\$ 37,571</u>	333,984
Fund balance, July 1		<u>584,264</u>		<u>250,280</u>
Fund balance, June 30		<u>\$ 621,835</u>		<u>\$ 584,264</u>

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## **BUSINESS - TYPE ACTIVITIES**

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### **ENTERPRISE FUNDS**

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

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

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

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**TOWN OF DALLAS**

**Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)  
Water and Sewer Fund  
For the Year Ended June 30, 2018  
(With Comparative Actual Amounts for the Year Ended June 30, 2017)**

	2018		Variance Positive (Negative)	2017 Actual
	Budget	Actual		
<b>Revenues:</b>				
Operating revenues:				
Water charges	\$ 1,797,000	\$ 1,817,485	\$ 20,485	\$ 1,628,163
Sewer charges	974,550	972,210	(2,340)	886,424
Water and sewer taps	26,280	43,224	16,944	22,239
Other	87,290	84,791	(2,499)	83,631
Total operating revenues	<u>2,885,120</u>	<u>2,917,710</u>	<u>32,590</u>	<u>2,620,457</u>
Nonoperating revenues:				
Rental income	50,000	-	(50,000)	66,909
Investment earnings	-	-	-	4
Total nonoperating revenues	<u>50,000</u>	<u>-</u>	<u>(50,000)</u>	<u>66,912</u>
Total revenues	<u>2,935,120</u>	<u>2,917,710</u>	<u>(17,410)</u>	<u>2,687,369</u>
<b>Expenditures:</b>				
Operating expenditures:				
Water and sewer operations				
Salaries and employee benefits	695,849	683,365	12,484	648,473
Travel	10,500	10,191	309	7,011
Supplies	81,530	87,263	(5,733)	80,601
Insurance	46,564	45,668	896	49,011
Repairs and maintenance	229,098	187,448	41,650	204,325
Other operating expenditures	300,816	277,056	23,760	246,758
	<u>1,364,357</u>	<u>1,290,992</u>	<u>73,365</u>	<u>1,236,180</u>
Water treatment and distribution				
Salaries and employee benefits	246,351	240,045	6,306	239,794
Supplies	25,000	12,892	12,108	26,365
Chemicals	66,000	48,166	17,834	63,741
Other operating expenditures	173,112	143,233	29,879	150,811
	<u>510,463</u>	<u>444,336</u>	<u>66,127</u>	<u>480,712</u>
Waste collection and treatment				
Salaries and employee benefits	126,196	121,855	4,341	58,232
Chemicals	65,000	48,126	16,874	52,767
Supplies	3,500	1,481	2,019	2,345
Other operating expenditures	292,923	265,848	27,075	236,797
	<u>487,619</u>	<u>437,309</u>	<u>50,310</u>	<u>350,141</u>

cont.

**TOWN OF DALLAS**

**Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)  
Water and Sewer Fund  
For the Year Ended June 30, 2018  
(With Comparative Actual Amounts for the Year Ended June 30, 2017)**

	2018		Variance	2017
	<u>Budget</u>	<u>Actual</u>	<u>Positive (Negative)</u>	<u>Actual</u>
Total operating expenditures	\$ 2,362,439	\$ 2,172,638	\$ 189,801	\$ 2,067,032
Debt service:				
Principal retirement	174,035	174,166	(131)	140,204
Interest and fees	111,739	111,607	132	115,163
Total debt service	285,774	285,773	1	255,367
Capital outlay:				
Water and sewer operations	133,500	126,226	7,274	143,644
Water treatment and distribution	15,000	14,540	460	-
Water collection and treatment	6,024	25,275	(19,251)	-
Total capital outlay	154,524	166,041	(11,517)	143,644
Total expenditures	2,802,737	2,624,451	178,286	2,466,043
Revenues over (under) expenditures	132,383	293,259	160,876	221,326
<b>Other Financing Sources (Uses):</b>				
Gain (loss) on disposal of capital assets	1,000	2,133	1,133	(141)
Proceeds from borrowing	-	-	-	88,378
Transfer to Capital Reserve Fund	(133,383)	(133,383)	-	-
Total other financing sources	(132,383)	(131,250)	1,133	88,237
Revenues and other sources over (under) expenditures and other uses	\$ -	162,009	\$ 162,009	309,563
<b>Reconciliation From Budgetary Basis (Modified Accrual) to Full Accrual:</b>				
Increase (decrease) in inventory		14,578		1,166
(Increase) decrease in accrued vacation pay		3,678		(5,865)
(Increase) decrease in accrued interest		531		(516)
Payment of debt principal		174,166		140,204
Proceeds from borrowing		-		(88,378)
Fines and penalties		10,000		10,000
Transfer in from Electric Fund to Water and Sewer				

cont.

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**TOWN OF DALLAS**

Page 3 of 3, cont.

**Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)  
Water and Sewer Fund  
For the Year Ended June 30, 2018  
(With Comparative Actual Amounts for the Year Ended June 30, 2017)**

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	<u>2018</u>		<b>Variance</b>	
	<u>Budget</u>	<u>Actual</u>	<b>Positive</b>	<b>2017</b>
			<b>(Negative)</b>	<u>Actual</u>
Increase (decrease) in deferred outflows of resources - pensions		\$ (64,287)		\$ 156,192
(Increase) decrease in net pension liability		54,705		(185,404)
(Increase) decrease in deferred inflows of resources - pensions		2,415		14,428
Capital outlay		166,041		143,644
Depreciation		<u>(390,325)</u>		<u>(388,678)</u>
Change in net position		<u>\$ 133,511</u>		<u>\$ 106,355</u>

**TOWN OF DALLAS**

Page 1 of 2

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

**Electric Fund**

**For the Year Ended June 30, 2018**

**(With Comparative Actual Amounts for the Year Ended June 30, 2017)**

	2018		Variance Positive (Negative)	2017 Actual
	<u>Budget</u>	<u>Actual</u>		
<b>Revenues:</b>				
Operating revenues:				
Electricity sales	\$8,600,843	\$8,224,064	\$ (376,779)	\$8,415,033
Other operating revenues	104,795	112,560	7,765	119,585
Total operating revenues	<u>8,705,638</u>	<u>8,336,624</u>	<u>(369,014)</u>	<u>8,534,618</u>
Nonoperating revenues:				
Investment earnings	<u>1,610</u>	<u>8,943</u>	<u>7,333</u>	<u>1,979</u>
Total revenues	<u>8,707,248</u>	<u>8,345,567</u>	<u>(361,681)</u>	<u>8,536,596</u>
<b>Expenditures:</b>				
Salaries and employee benefits	1,024,075	988,990	35,085	941,985
Electrical power purchases	5,235,675	4,794,628	441,047	5,072,898
Supplies	168,400	94,112	74,288	174,299
Contracted services	124,750	86,453	38,297	139,201
Insurance	111,500	107,430	4,070	107,891
Repairs and maintenance	264,385	221,389	42,996	186,051
Other operating expenditures	181,439	168,592	12,847	163,313
Debt service - principal	111,216	111,530	(314)	45,584
Debt service - interest	10,349	10,035	314	300
Capital outlay	<u>767,923</u>	<u>362,201</u>	<u>405,722</u>	<u>707,337</u>
Total operating expenditures	<u>7,999,712</u>	<u>6,945,359</u>	<u>1,054,353</u>	<u>7,538,859</u>
Revenues over (under) expenditures	<u>707,536</u>	<u>1,400,208</u>	<u>692,672</u>	<u>997,737</u>
<b>Other Financing Sources (Uses):</b>				
Appropriated fund balance	403,699	-	(403,699)	-
Gain (loss) on disposition of assets	12,500	-	(12,500)	15,190
Proceeds from borrowing	186,000	-	(186,000)	423,655
Coal ash recovery charge	(394,002)	(393,980)	22	-
Transfers from (to):				
Top Tier Program Fund	-	-	-	(380,824)
Trade Street Intersection Project	-	-	-	(22,494)
General Fund-payment in lieu of taxes	<u>(915,733)</u>	<u>(915,733)</u>	<u>-</u>	<u>(895,745)</u>
Total other financing sources (uses)	<u>(707,536)</u>	<u>(1,309,713)</u>	<u>(602,177)</u>	<u>(860,218)</u>

**TOWN OF DALLAS**

Page 2 of 2, cont.

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

**Electric Fund**

**For the Year Ended June 30, 2018**

**(With Comparative Actual Amounts for the Year Ended June 30, 2017)**

	2018		Variance Positive (Negative)	2017 Actual
	Budget	Actual		
Revenues and other sources over (under) expenditures and other uses	\$ -	\$ 90,495	\$ 90,495	\$ 137,519
<b>Reconciliation From Budgetary Basis</b>				
<b>(Modified Accrual) to Full Accrual:</b>				
Increase (decrease) in inventory		98		26,100
(Increase) decrease in accrued vacation pay		1,174		2,546
(Increase) decrease in accrued interest		2,114		(8,114)
(Increase) decrease in net pension liability		54,706		(180,595)
Increase (decrease) in deferred outflows of resources-pension		(64,031)		151,963
(Increase) decrease in deferred inflows of resources-pensions		2,419		15,710
Capital outlay		362,201		707,337
Proceeds from borrowing		-		(423,655)
Payment of debt principal		111,530		45,584
Depreciation		(399,884)		(431,474)
Changes in net position		\$ 160,821		\$ 42,921

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## **OTHER SCHEDULES**

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

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

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**TOWN OF DALLAS**

**Schedule of Ad Valorem Taxes Receivable  
June 30, 2018**

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<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2017</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2018</u>
2017 - 2018	\$ -	\$1,195,438	\$1,178,106	\$ 17,332
2016 - 2017	15,398	-	8,116	7,282
2015 - 2016	7,822	-	2,727	5,095
2014 - 2015	5,739	-	2,797	2,942
2013 - 2014	5,302	-	1,576	3,726
2012 - 2013	5,809	-	1,087	4,722
2011 - 2012	5,557	-	879	4,678
2010 - 2011	4,697	-	151	4,546
2009 - 2010	4,358	-	107	4,251
2008 - 2009	2,861	-	56	2,805
2007 - 2008	2,769	-	2,769	-
Total	<u>\$ 60,311</u>	<u>\$1,195,438</u>	<u>\$1,198,371</u>	57,377
Less allowance for uncollectibles				<u>(27,529)</u>
Balance				<u>\$ 29,848</u>
<b>Reconciliation With Revenue:</b>				
Taxes - Ad valorem - General Fund				\$ 1,203,064
Adjustments, releases and discounts				180
Taxes written off				2,769
Interest collected				<u>(7,643)</u>
Total collections and credits				<u>\$ 1,198,371</u>

**TOWN OF DALLAS**

**Analysis of Current Tax Levy  
June 30, 2018**

	Town Wide		Total Levy		
	Property	Rate	Total	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
	Valuation		Levy		
Original levy:					
Property taxes at current year's rate	\$ 259,774,750	0.40	\$ 1,039,099	\$ 1,039,099	\$ -
Motor vehicles taxed at current year rate	<u>37,305,895</u>	0.40	<u>149,224</u>	<u>-</u>	<u>149,224</u>
Total	<u>297,080,645</u>		<u>1,188,323</u>	<u>1,039,099</u>	<u>149,224</u>
Discoveries - current and prior year taxes	1,982,405		7,930	7,930	-
Releases	<u>(203,655)</u>		<u>(815)</u>	<u>(815)</u>	<u>-</u>
Total	<u>1,778,750</u>		<u>7,115</u>	<u>7,115</u>	<u>-</u>
Total property valuation	<u><u>\$ 298,859,395</u></u>				
Net levy			1,195,438	1,046,214	149,224
Less uncollected taxes at June 30, 2018			<u>(17,332)</u>	<u>(17,332)</u>	<u>-</u>
Current year's taxes collected			<u>\$ 1,178,106</u>	<u>\$ 1,028,882</u>	<u>\$ 149,224</u>
Current levy collection percentage			<u>98.55%</u>	<u>98.34%</u>	<u>100.00%</u>

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## COMPLIANCE SECTION

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

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

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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 Board of Aldermen  
Town of Dallas, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Dallas, North Carolina, as of and for the year ended June 30, 2018, 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 November 27, 2018.

**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 2018-001.

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 accompanying schedule of findings and responses to be significant deficiencies. See 2018-002.

### **Compliance and Other Matters**

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

### **Town of 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.

*Lowenthal Church & Co., P.C.*

Morganton, North Carolina  
November 27, 2018

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**TOWN OF DALLAS, NORTH CAROLINA**

**Schedule of Findings and Responses  
For the Year Ended June 30, 2018**

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**Financial Statement Findings:**

**Internal Control over Financial Reporting:**

**Material Weaknesses:**

Findings: **2018-001 Significant Audit Adjustments**

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

Effect: Errors could occur in financial reporting.

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

**Significant Deficiencies:**

Findings: **2018-002 Preparation of the Financial Statements**

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

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

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

**Section III. Federal Award Findings and Responses**

None.

**Section IV. State Award Findings and Responses**

None.



**Corrective Action Plan  
For the Year Ended June 30, 2018**

**Mayor**  
Rick Coleman

**Aldermen**  
Jerry Cearley  
Allen Huggins  
Darlene Morrow  
Stacey Thomas  
Hoyle Withers

**Town Manager**  
Maria Stroupe

**Town Clerk/HR**  
Da'Sha Leach

**Finance**  
Jonathan Newton

**Town Attorney**  
J. Thomas Hunn

**Police**  
Alien Scott

**Electrical**  
J. Doug Huffman

**Public Works**  
Bill Trudnak

**Development Svc**  
Tiffany Faro

**Fire Chief**  
Steven Lambert

**Recreation**  
Steven Aloisa

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

**Phone:**  
704-922-3176

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704-922-4701

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



**Section II. Financial Statement Findings**

**Finding 2018-001:**

Name of contact person:  
Corrective action:

Maria Stroupe, Town Manager  
Management is aware that year-end audit adjustments are typically required. Management will examine existing controls to see if they can be strengthened, given available resources, thus, reducing the number of audit adjustments required at year-end. In the areas where the cost/benefit does not justify improving the control system, management will exercise due caution in performing their oversight function.

Proposed completion date:

The Town will implement this immediately.

**Finding 2018-002:**

Name of contact person:  
Corrective action:

Maria Stroupe, Town Manager  
Management is aware of the weakness but will continue to rely on the external auditor to draft the year-end financial statements. The Town will exercise due care in reviewing the financial statements drafted by the external auditor as the Town is responsible for the accuracy of the audited financial statements.

Proposed completion date:

The Town will implement this immediately.

**Section III. Federal Award Findings and Responses**

None.

**Section IV. State Award Findings and Responses**

None.

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**TOWN OF DALLAS, NORTH CAROLINA**

**Summary Schedule of Prior Audit Findings  
For the Year Ended June 30, 2018**

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**Finding 2017-001:**

Still applicable.

**Finding 2017-002:**

Still applicable.