

TOWN OF DALLAS

Financial Statements, Supplemental Schedules,
Independent Auditors' Report and Compliance Report
For the Year Ended June 30, 2022

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

TOWN OF DALLAS, NORTH CAROLINA

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TOWN OF DALLAS, NORTH CAROLINA

**List of Principal Officials
June 30, 2022**

Mayor & Board of Aldermen

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

Town Administration

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

FINANCIAL SECTION

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

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Certified Public Accountants

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Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Dallas, North Carolina, as of and for the year ended June 30, 2022, 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.

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, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund and the major Special Revenue Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Other Postemployment Benefits' Schedule of Changes in Total OPEB Liability and Related Ratios, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability (Asset) and Contributions and the Law Enforcement Officers' Special Separation Allowance Schedules of the Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll, on pages 4-12 and 59-62 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Dallas, North Carolina's basic financial statements. The accompanying combining and individual major fund financial statements, budgetary schedules, and other schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements, budgetary schedules, and other schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2022, on our consideration of the Town of Dallas, North Carolina's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Dallas, North Carolina's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Dallas, North Carolina's internal control over financial reporting and compliance.

Low Smith Church & Co., P.C.

Morganton, North Carolina
November 22, 2022

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, 2022. We encourage readers to read the information presented here in conjunction with the additional information that we have furnished in the Town's financial statements, which follow this narrative.

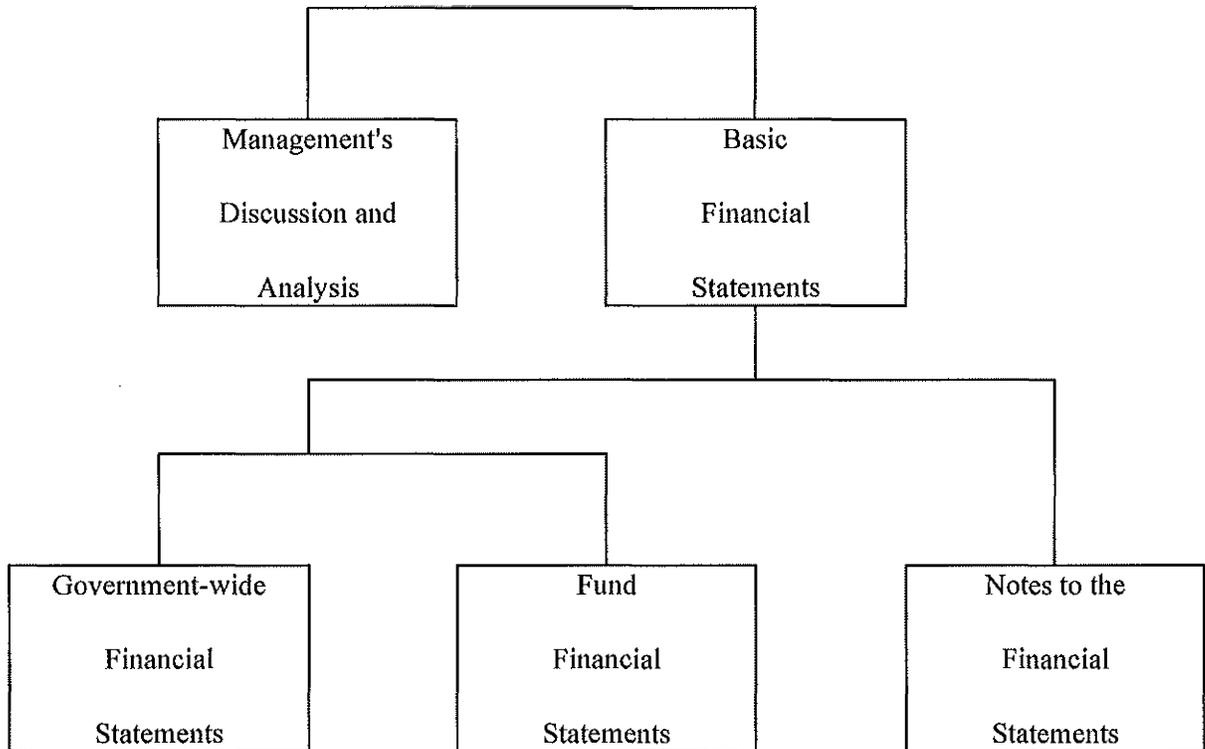
Financial Highlights

- The assets and deferred outflows of resources of Town of Dallas exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$29,007,336 (net position).
- The Town's total net position increased by \$1,518,374.
- As of the close of the current fiscal year, Town of Dallas' governmental funds reported combined ending fund balances of \$6,416,492, with a net increase of \$538,592 in fund balance. Approximately 7.85% of this total amount, or \$503,470, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$2,469,178, or 60.38 percent, of total General Fund expenditures for the fiscal year.
- Town of Dallas' total debt decreased by \$910,644 (14.06%) during the current fiscal year. The key factor in this decrease was principal payments and changes in pension liabilities.
- The Town's total capital assets (net of accumulated depreciation) decreased by \$685,858 (3.46%) 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



Summary-----> Detail

Basic Financial Statements

The first two statements 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 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 13 through 15 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 fewer 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.

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.

The individual fund statements and schedules are presented immediately following the required supplementary information on pensions.

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

Government-Wide Financial Analysis

Town of Dallas Net Position

	Figure 2					
	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Current and other assets	\$ 7,766,443	\$ 6,216,420	\$ 9,564,317	\$ 7,994,978	\$ 17,330,760	\$ 14,211,398
Capital assets	5,972,313	6,212,465	13,152,464	13,598,169	19,124,777	19,810,634
Deferred outflows of resources	671,802	490,867	560,234	481,467	1,232,036	972,334
Total assets and deferred outflows of resources	<u>14,410,558</u>	<u>12,919,752</u>	<u>23,277,015</u>	<u>22,074,614</u>	<u>37,687,573</u>	<u>34,994,366</u>
Long-term liabilities	2,491,113	2,871,411	3,071,263	3,601,629	5,562,376	6,473,040
Other liabilities	1,198,261	340,417	844,550	396,819	2,042,811	737,236
Deferred inflows of resources	545,338	75,514	529,712	11,552	1,075,050	87,066
Total liabilities and deferred inflows of resources	<u>4,234,712</u>	<u>3,287,342</u>	<u>4,445,525</u>	<u>4,010,000</u>	<u>8,680,237</u>	<u>7,297,342</u>
Net position:						
Net investment in capital assets	4,725,011	4,643,399	10,775,607	11,010,165	15,500,618	15,653,564
Restricted	503,158	344,025	-	-	503,158	344,025
Unrestricted	4,947,677	4,644,986	8,055,883	7,054,449	13,003,560	11,699,435
Total net position	<u>\$ 10,175,846</u>	<u>\$ 9,632,410</u>	<u>\$ 18,831,491</u>	<u>\$ 18,064,614</u>	<u>\$ 29,007,336</u>	<u>\$ 27,697,024</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 \$29,007,336 as of June 30, 2022. The Town's net position increased by \$1,518,374 for the fiscal year ended June 30, 2022. However, a large portion of net position (53.4) 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, \$503,158 represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$13,003,560 is unrestricted.

	Town of Dallas, Changes in Net Position					
	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Revenues:						
Program revenues:						
Charges for services	\$ 712,691	\$ 652,289	\$ 11,646,879	\$ 11,701,982	\$ 12,359,570	\$ 12,354,271
Operating grants and contributions	169,778	148,401	-	-	169,778	148,401
Capital grants and contributions	91,140	24,924	371,250	-	462,390	24,924
General Revenues:						
Property taxes	1,516,706	1,425,848	-	-	1,516,706	1,425,848
Other taxes	987,892	889,261	-	-	987,892	889,261
Unrestricted investment earnings	20,119	6,774	1,298	154	21,417	6,928
Other	115,978	32,293	27,600	133,557	143,578	165,850
Total Revenues	<u>3,614,304</u>	<u>3,179,790</u>	<u>12,047,027</u>	<u>11,835,693</u>	<u>15,661,331</u>	<u>15,015,483</u>
Expenses:						
General government	757,379	569,860	-	-	757,379	569,860
Public safety	2,226,570	1,939,949	-	-	2,226,570	1,939,949
Transportation	417,252	344,048	-	-	417,252	344,048
Economic and physical development	121,139	51,286	-	-	121,139	51,286
Environmental protection	476,524	441,933	-	-	476,524	441,933
Cultural and recreational	390,294	283,272	-	-	390,294	283,272
Interest on long-term debt	57,601	65,260	90,613	98,132	148,214	163,392
Water and sewer	-	-	3,032,263	2,679,320	3,032,263	2,679,320
Electric	-	-	6,573,322	7,031,967	6,573,322	7,031,967
Total expenses	<u>4,446,759</u>	<u>3,695,608</u>	<u>9,696,198</u>	<u>9,809,419</u>	<u>14,142,957</u>	<u>13,505,027</u>
Increase (decrease) in net position before transfers	(832,455)	(515,818)	2,350,829	2,026,274	1,518,374	1,510,456
Transfers	1,427,275	2,015,782	(1,427,275)	(2,015,782)	-	-
Change in net position	<u>\$ 594,820</u>	<u>\$ 1,499,964</u>	<u>\$ 923,554</u>	<u>\$ 10,492</u>	<u>\$ 1,518,374</u>	<u>\$ 1,510,456</u>
Net position, beginning, previous	9,632,410	8,132,446	18,064,614	18,054,122	27,697,024	26,186,568
Prior period adjustment	(51,384)	-	(156,678)	-	(208,062)	-
Net position, beginning, restated	9,581,026	8,132,446	17,907,936	18,054,122	27,488,962	26,186,568
Increase (decrease) in net position	594,820	1,499,964	923,554	10,492	1,518,374	1,510,456
Net position, ending	<u>\$ 10,175,846</u>	<u>\$ 9,632,410</u>	<u>\$ 18,831,491</u>	<u>\$ 18,064,614</u>	<u>\$ 29,007,336</u>	<u>\$ 27,697,024</u>

Governmental Activities. Governmental activities increased the Town's net position by \$594,820. Key elements of this increase are as follows:

- Increase in charges for services and other taxes.
- Increase in property tax revenue due to an increase in the property tax rate.
- Increase in other revenues.
- Transfers decreased by \$588,507.

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

- Capital grants increased \$371,250.
- Charges for services decreased slightly.
- Expenses decreased slightly.
- Transfers decreased by \$588,507.

Financial Analysis of the Town's Funds

As the Town completed the year, its governmental funds (as presented in the balance sheet) reported a combined fund balance of \$6,416,492, which is higher than last year's total of \$5,877,900. Included in this change in fund balance is an increase in the General Fund balance of \$199,701. The primary reasons for the increase mirror the governmental activities analysis highlighted on page 10.

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

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

The General Fund is the chief operating fund of Town of Dallas. At the end of the current fiscal year, Town of Dallas' fund balance available in the General Fund was \$3,506,012, while total fund balance reached \$3,876,998. 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 85.73 percent of General Fund expenditures, while total fund balance represents 94.81 percent of that same amount.

At June 30, 2022, the governmental funds of Town of Dallas reported a combined fund balance of \$6,416,492, with a net increase in fund balance of \$538,592. Included in this change in fund balance are the following increases (decreases):

General Fund:	
General Fund	\$ 199,701
Other Funds:	
CDBG Grant Fund	4,735
Non-Major Funds	334,157
	\$ 538,592

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 thirteen amendments in the General Fund in fiscal year 2021-22. In the Streets/Solid Waste department there were two amendments for the purchase of a side arm mower and to reconfigure parking spaces on S. Gaston St. Four amendments were for the Police department to accept insurance funds for a totaled vehicle, to purchase a replacement vehicle, to receive and accept funds for the Governors Crime Commission Grant and to accept and receive funds from the NCLM Safety Grant. Two amendments were for the Fire Department, one being to receive and appropriate funds from the LGFCU given to the Fire Department 100-year anniversary and the other to accept funds from the COVID 10 relief grant. The Town approved two more amendments, both in administration, one for the purchase of two more Christmas Trees for the court square and the other to accept bank of America rebates from using their Purchasing Cards.

Proprietary Funds

In the Water Fund there was a budget amendment to purchase water from Two Rivers, so that we could do scheduled tank maintenance.

In the Electric Fund, there were four budget amendments: (1) for Duke Energy Audit Review Refund, (2) Appropriation of funds for Economic Development Funding per Town Policy (3) appropriation of Duke Energy True Up Revenue and (4) to appropriate coal ash recovery charges

Other Funds

Economic Development Fund

The Town completed 2 amendments in the Economic Development Fund, (1) to accept the Duke audit review funds and (2) to accept the Duke True Up Revenue

SCIF Grant Fund

An amendment was approved to receive and appropriate funds from a SCIF Grant

Capital Assets and Debt Administration

Capital Assets. Town of Dallas' investment in capital assets for its governmental and business type activities as of June 30, 2022, totals \$19,124,778 (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:

- Transportation equipment consisting of vehicles and a street sweeper.
- Parking lot at 102 E Trade Street.
- A Hurst Spreader Package for the Fire Department
- Enclosure of a tree truck shed.
- Substation upgrades.
- Sewer interconnect project for the sewer plant.

Town of Dallas Capital Assets

Figure 4

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
	Land	\$ 381,181	\$ 381,181	\$ 189,069	\$ 189,069	\$ 570,250
Right of way	-	-	41,647	41,647	41,647	41,647
Buildings and improvements	2,958,943	3,080,569	605,501	579,199	3,564,444	3,659,768
Distribution systems	99,959	103,940	10,435,269	10,867,665	10,535,228	10,971,605
Infrastructure	643,181	672,227	-	-	643,181	672,227
Other improvements	1,045,234	838,671	-	-	1,045,234	838,671
Sewer plant	-	-	288,125	329,002	288,125	329,002
Water plant	-	-	329,258	365,178	329,258	365,178
Vehicles and equipment	745,148	973,459	919,382	1,095,018	1,664,530	2,068,477
Construction in progress	98,666	162,418	344,213	131,390	442,879	293,808
Total	\$ 5,972,313	\$ 6,212,465	\$ 13,152,464	\$ 13,598,168	\$ 19,124,778	\$ 19,810,633

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, 2022, the Town of Dallas had \$3,624,161 of direct placement installment purchase. The installment debt is backed by security interest in the property for which it was issued.

Town of Dallas Outstanding Debt

Figure 5

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Direct placement installment purchases	\$ 1,247,303	\$ 1,383,676	\$ 2,376,858	\$ 2,565,167	\$ 3,624,161	\$ 3,948,843
Capitalized leases	134,969	185,391	16,493	22,837	151,462	208,228
Compensated absences	137,645	117,537	108,081	105,105	245,726	222,642
Total OPEB liability	69,923	-	213,210	-	283,133	-
Pension related debt (LGERS)	327,669	688,088	356,622	908,520	684,291	1,596,608
Pension related debt (LEO)	573,604	496,720	-	-	573,604	496,720
Total	\$ 2,491,112	\$ 2,871,412	\$ 3,071,264	\$ 3,601,629	\$ 5,562,377	\$ 6,473,041

Town of Dallas' Outstanding Debt

The Town of Dallas' total debt decreased by \$910,664 (14.07%) during the past fiscal year, primarily due to a decrease in pension liabilities (LGERS) and principal payments.

Economic Factors and Next Year's Budgets and Rates

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

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

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

Budget Highlights for the Fiscal Year Ending June 30, 2023

In order to maintain the integrity of the Town's core services, functions, and activities, Storm Water, Electric, Water/Sewer and Property Tax rates remained unchanged. This will be year (4) that the Town has passed along the coal ash recovery charge to its citizens and year (3) that the Town has passed along banking fees due to credit card transaction to its citizens. The Town of Dallas is slowly opening capital projects that have been placed on hold, while keeping a close watch on revenues.

The fiscal year 2023 budget funds the following ongoing and/or new initiatives or infrastructure upgrades:

General Fund:

- UDO Ordinance Rewrite.
- 5 laptops and 9 desktops for the Police Department.
- Three leased vehicles for the Police Department.
- Bunker gear for the Fire Department.
- New trash cans for new growth.

Water and Sewer Fund:

- Final Itron radio read water meters to finish replacement of outdated meters.
- Dallas Stanley pump station.
- Replacement of a vehicle.
- Upgrade a bar screen at the wastewater plant.

Electric Fund:

- Rate study/CIP for electric rates.
- New generator for the Fire Department and move existing generator to Town Hall.

Storm Water Fund:

- S Holland Street project.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

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

TOWN OF DALLAS

**Statement of Net Position
June 30, 2022**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 5,986,638	\$ 6,676,459	\$ 12,663,097
Taxes receivable, net	21,123	-	21,123
Accounts receivable, net	55,682	1,863,650	1,919,331
Due from other government agencies	332,189	-	332,189
Accrued interest receivable	294	-	294
Mortgage receivable	223,640	-	223,640
Inventories	312	712,780	713,092
Restricted cash	996,880	286,444	1,283,324
Total current assets	<u>7,616,758</u>	<u>9,539,333</u>	<u>17,156,091</u>
Right to use leased assets, net of amortization	<u>149,685</u>	<u>24,984</u>	<u>174,669</u>
Capital assets:			
Land and nondepreciable assets	479,848	574,929	1,054,777
Other capital assets, net of accumulated depreciation	<u>5,492,466</u>	<u>12,577,535</u>	<u>18,070,001</u>
Total capital assets	<u>5,972,313</u>	<u>13,152,464</u>	<u>19,124,778</u>
Total assets	<u>13,738,756</u>	<u>22,716,782</u>	<u>36,455,537</u>
Deferred Outflows of Resources			
Pension deferrals	662,789	532,752	1,195,541
OPEB deferrals	<u>9,013</u>	<u>27,482</u>	<u>36,495</u>
Total deferred outflows of resources	<u>671,802</u>	<u>560,234</u>	<u>1,232,036</u>
Liabilities			
Accounts payable and accrued liabilities	84,434	552,341	636,775
Accrued interest payable	19,118	5,771	24,889
Customer deposits - restricted	-	286,438	286,438
Unearned revenues	1,094,709	-	1,094,709
Current portion of long-term liabilities	<u>193,398</u>	<u>201,324</u>	<u>394,722</u>
Total current liabilities	<u>1,391,659</u>	<u>1,045,874</u>	<u>2,437,533</u>
Long-term liabilities:			
Net pension liability	327,669	356,623	684,292
Total pension liability	573,604	-	573,604
OPEB Liability	69,923	213,210	283,133
Due in more than one year	<u>1,326,518</u>	<u>2,300,107</u>	<u>3,626,625</u>
Total liabilities	<u>3,689,374</u>	<u>3,915,813</u>	<u>7,605,187</u>
Deferred Inflows of Resources			
Pension deferrals	545,338	529,712	1,075,050
OPEB deferrals	-	-	-
Total deferred inflows of resources	<u>545,338</u>	<u>529,712</u>	<u>1,075,050</u>
Net Position			
Net investment in capital assets	4,725,011	10,775,607	15,500,618
Restricted for:			
Stabilization by State Statute	370,674	-	370,674
Streets - Powell Bill	109,902	-	109,902
Public safety	22,582	-	22,582
Unrestricted	<u>4,947,677</u>	<u>8,055,883</u>	<u>13,003,560</u>
Total net position	<u>\$ 10,175,846</u>	<u>\$ 18,831,491</u>	<u>\$ 29,007,336</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, 2022

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating	Capital	Primary Government		
			Grants and Contributions	Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary Government:							
Governmental activities:							
General government	\$ 757,379	\$ 2,310	\$ -	\$ -	\$ (755,069)	\$ -	\$ (755,069)
Public safety	2,226,570	2,409	838	91,140	(2,132,183)	-	(2,132,183)
Transportation	417,252	-	168,940	-	(248,312)	-	(248,312)
Economic and physical development	121,139	20,237	-	-	(100,902)	-	(100,902)
Environmental protection	476,524	625,987	-	-	149,462	-	149,462
Cultural and recreational	390,294	61,749	-	-	(328,545)	-	(328,545)
Interest on long-term debt	57,601	-	-	-	(57,601)	-	(57,601)
Total governmental activities	<u>4,446,758</u>	<u>712,691</u>	<u>169,778</u>	<u>91,140</u>	<u>(3,473,148)</u>	<u>-</u>	<u>(3,473,148)</u>
Business-type activities:							
Water and sewer	3,120,574	3,323,339	-	371,250	-	574,015	574,015
Electric	6,575,624	8,323,540	-	-	-	1,747,916	1,747,916
Total business-type activities	<u>9,696,198</u>	<u>11,646,879</u>	<u>-</u>	<u>371,250</u>	<u>-</u>	<u>2,321,931</u>	<u>2,321,931</u>
Total primary government	<u>\$ 14,142,956</u>	<u>\$12,359,571</u>	<u>\$ 169,778</u>	<u>\$ 462,390</u>	<u>(3,473,148)</u>	<u>2,321,931</u>	<u>(1,151,217)</u>

cont.

TOWN OF DALLAS

Statement of Activities
For the Year Ended June 30, 2022

	<u>Net (Expense) Revenue and Changes in Net Position</u>		
	<u>Primary Government</u>		
	<u>Governmental</u>	<u>Business-type</u>	<u>Total</u>
	<u>Activities</u>	<u>Activities</u>	
General revenues:			
Ad valorem taxes	\$ 1,516,706	\$ -	\$ 1,516,706
Local option sales tax	649,728	-	649,728
Other taxes and licenses	338,162	-	338,162
Unrestricted investment earnings	20,119	1,298	21,417
Miscellaneous	115,978	27,600	143,578
Transfers	<u>1,427,275</u>	<u>(1,427,275)</u>	<u>-</u>
Total general revenues and transfers	<u>4,067,968</u>	<u>(1,398,377)</u>	<u>2,669,591</u>
Changes in net position	<u>\$ 594,820</u>	<u>\$ 923,554</u>	<u>\$ 1,518,374</u>
Net position - beginning, as previously reported	\$ 9,632,410	\$ 18,064,614	\$ 27,697,024
Prior period adjustment	<u>(51,384)</u>	<u>(156,678)</u>	<u>(208,062)</u>
Net position - beginning, as restated	9,581,026	17,907,936	27,488,962
Changes in net position	<u>594,820</u>	<u>923,554</u>	<u>1,518,374</u>
Net position - ending	<u>\$ 10,175,846</u>	<u>\$ 18,831,491</u>	<u>\$ 29,007,336</u>

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

TOWN OF DALLAS

**Balance Sheet
Governmental Funds
June 30, 2022**

	Major Funds			Total Non-Major Funds	Total Governmental Funds
	General Fund	CDBG Grant Fund	American Recsue Plan Fund		
Assets					
Cash and cash equivalents	\$ 3,456,587	\$ 54,656	\$ -	\$ 2,475,396	\$ 5,986,638
Taxes receivable, net	21,123	-	-	-	21,123
Accounts receivable, net	38,799	-	-	16,883	55,682
Due from government agencies	332,189	-	-	-	332,189
Accrued interest receivable	-	294	-	-	294
Inventories	312	-	-	-	312
Mortgage receivable	-	223,640	-	-	223,640
Restricted cash	132,484	-	764,396	100,000	996,880
Total assets	\$ 3,981,493	\$ 278,590	\$ 764,396	\$ 2,592,278	\$ 7,616,758
Liabilities					
Accounts payable and accrued liabilities	\$ 83,059	\$ -	\$ -	\$ 1,375	\$ 84,434
Unearned revenues	-	-	764,396	100,000	864,396
Total liabilities	83,059	-	764,396	101,375	948,830
Deferred Inflows of Resources					
Property taxes receivable	21,123	-	-	-	21,123
Unearned mortgage revenue	-	230,000	-	-	230,000
Other fees receivable	313	-	-	-	313
Total deferred inflows of resources	21,436	230,000	-	-	251,436
Fund Balances					
Nonspendable:					
Inventories	312	-	-	-	312
Restricted:					
Stabilization by State Statute	370,674	-	-	-	370,674
Streets - Powell Bill	109,902	-	-	-	109,902
Public safety	22,582	-	-	-	22,582
Committed: Public safety	213,791	-	-	-	213,791
Assigned:					
Storm Water	-	-	-	500,855	500,855
Capital Project	-	48,590	-	1,654,656	1,703,246
Top Tier Program	-	-	-	335,393	335,393
Subsequent year's expenditures	690,559	-	-	-	690,559
Unassigned	2,469,178	-	-	-	2,469,178
Total fund balances	3,876,998	48,590	-	2,490,903	6,416,492
Total liabilities, deferred inflows of resources and fund balances	\$ 3,981,493	\$ 278,590	\$ 764,396	\$ 2,592,278	\$ 7,616,758

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

TOWN OF DALLAS

**Reconciliation of the Governmental Funds Balance Sheet
To the Statement of Net Position
June 30, 2022**

Total Fund Balances, Governmental Funds		\$ 6,416,492
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	\$10,417,705	
Accumulated depreciation	<u>(4,445,392)</u>	5,972,313
Right to use leased asset capital outlay expenditures which were capitalized		
Amortization expense for intangible assets	<u>296,249</u> <u>(146,565)</u>	149,685
Deferred outflows of resources related to pensions are not reported in the funds		662,789
Deferred outflows of resources related to OPEB are not reported in the funds in the funds		9,013
Liabilities for earned revenues considered deferred inflows of resources in the fund statements		
Property taxes receivable		21,123
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds		
Accrued interest on long-term deb		(19,118)
Long-term debt		(1,382,272)
Compensated absences		(137,645)
Other post employment benefits		(69,923)
Net pension liability		(327,669)
Total pension liability		(573,604)
Deferred inflows of resources related to pensions are not reported in the funds		<u>(545,338)</u>
Net position of governmental activities		<u>\$ 10,175,846</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, 2022

	Major Funds			Total Non-Major Funds	Total Governmental Funds
	General Fund	CDBG Grant Fund	American Rescue Plan Fund		
Revenues:					
Ad valorem taxes	\$ 1,515,374	\$ -	\$ -	\$ -	\$ 1,515,374
Other taxes and licenses	66,170	-	-	-	66,170
Unrestricted intergovernmental revenues	880,171	-	-	-	880,171
Restricted intergovernmental revenues	260,918	-	-	-	260,918
Permits and fees	17,902	-	-	-	17,902
Sales and services	493,655	-	-	-	493,655
Investment earnings	13,217	4,735	-	2,167	20,119
Miscellaneous	145,925	-	-	-	145,925
Storm water fees	-	-	-	212,738	212,738
Total revenues	<u>3,393,332</u>	<u>4,735</u>	<u>-</u>	<u>214,904</u>	<u>3,612,971</u>
Expenditures:					
General government	645,669	-	-	-	645,669
Public safety	2,064,035	-	-	-	2,064,035
Transportation	446,805	-	-	-	446,805
Economic and physical development	-	-	-	292,351	292,351
Environmental protection	351,272	-	-	119,939	471,210
Cultural and recreational	336,577	-	-	-	336,577
Debt service:					
Principal retirement	184,835	-	-	-	184,835
Interest and other charges	60,171	-	-	-	60,171
Total expenditures	<u>4,089,364</u>	<u>-</u>	<u>-</u>	<u>412,290</u>	<u>4,501,654</u>
Revenues over (under) expenditures	<u>(696,032)</u>	<u>4,735</u>	<u>-</u>	<u>(197,385)</u>	<u>(888,683)</u>
Other Financing Sources (Uses):					
Transfers - in	895,733	-	-	531,542	1,427,275
Total other financing sources (uses)	<u>895,733</u>	<u>-</u>	<u>-</u>	<u>531,542</u>	<u>1,427,275</u>
Net changes in fund balances	<u>\$ 199,701</u>	<u>\$ 4,735</u>	<u>\$ -</u>	<u>\$ 334,157</u>	<u>\$ 538,592</u>
Fund balances, beginning	\$ 3,677,298	\$ 43,855	\$ -	\$ 2,156,747	\$ 5,877,900
Net changes in fund balances	<u>199,701</u>	<u>4,735</u>	<u>-</u>	<u>334,157</u>	<u>538,592</u>
Fund balances, ending	<u>\$ 3,876,998</u>	<u>\$ 48,590</u>	<u>\$ -</u>	<u>\$ 2,490,903</u>	<u>\$ 6,416,492</u>

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

TOWN OF DALLAS

**Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances of Governmental Funds to the
Statement of Activities
For the Year Ended June 30, 2022**

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

Net change in fund balances - total governmental funds \$ 538,592

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	367,470
Depreciation expense	(311,372)

Right to use leased asset capital outlay expenditures which were capitalized Amortization expense for intangible assets	(146,565)
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Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	178,451
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Benefits payments paid and administrative expense for LEOSSA are not included on the Statement of Activities	47,663
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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	1,332
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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	186,794
Change in accrued interest payable	2,570

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	(20,108)
Pension expense	(171,139)
Pension expense (LEO)	(69,342)
OPEB expense	(9,526)

Change in net position of governmental activities	<u>\$ 594,820</u>
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The notes to the financial statements are an integral part of this statement.

TOWN OF DALLAS

**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, 2022**

	General Fund			Variance With Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
Ad valorem taxes	\$ 1,510,089	\$ 1,510,089	\$ 1,515,374	\$ 5,285
Other taxes and licenses	65,376	65,376	66,170	794
Unrestricted intergovernmental revenues	781,080	767,715	880,171	112,456
Restricted intergovernmental revenues	158,930	219,986	260,918	40,932
Permits and fees	20,240	20,240	17,902	(2,338)
Sales and services	436,017	448,217	493,655	45,438
Investment earnings	2,093	2,057	13,217	11,160
Miscellaneous	168,934	156,986	145,925	(11,061)
Total revenues	<u>3,142,759</u>	<u>3,190,666</u>	<u>3,393,332</u>	<u>202,666</u>
Expenditures:				
General government	747,234	748,312	645,669	102,643
Public safety	2,438,643	2,335,132	2,064,035	271,097
Transportation	511,343	545,904	446,805	99,099
Environmental protection	396,237	401,132	351,272	49,860
Cultural and recreational	343,870	362,493	336,577	25,916
Debt service:				
Principal retirement	193,909	193,909	184,835	9,074
Interest and other charges	55,402	55,402	60,171	(4,769)
Total expenditures	<u>4,686,638</u>	<u>4,642,284</u>	<u>4,089,364</u>	<u>552,920</u>
Revenues over (under) expenditures	<u>(1,543,879)</u>	<u>(1,451,618)</u>	<u>(696,032)</u>	<u>755,586</u>
Other Financing Sources (Uses):				
Proceeds from capital financing	161,042	161,042	-	(161,042)
Appropriated fund balance	487,104	405,843	-	(405,843)
Transfers in	895,733	895,733	895,733	-
Transfer out	-	(11,000)	-	11,000
Total other financing sources (uses)	<u>1,543,879</u>	<u>1,451,618</u>	<u>895,733</u>	<u>(555,885)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 199,701</u>	<u>\$ 199,701</u>
Fund balance, beginning			\$ 3,677,298	
Net change in fund balance			<u>199,701</u>	
Fund balance, ending			<u>\$ 3,876,998</u>	

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

cont.

TOWN OF DALLAS

Page 1 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, 2022**

	<u>CDBG Grant</u>			Variance With Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
Investment earnings	\$ 20,732	\$ 20,732	\$ 4,735	\$ (15,997)
Total revenues	<u>20,732</u>	<u>20,732</u>	<u>4,735</u>	<u>(15,997)</u>
Expenditures:	<u>20,732</u>	<u>20,732</u>	-	<u>20,732</u>
Revenues over (under) expenditures	-	-	4,735	4,735
Other Financing Sources (Uses):				
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	4,735	<u>\$ 4,735</u>
Fund balance, beginning			<u>43,855</u>	
Fund balance, ending			<u>\$ 48,590</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, 2022**

	Business-type Activities		
	Enterprise Funds		
	Water and Sewer Fund	Electric Fund	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 2,495,017	\$ 4,181,442	\$ 6,676,459
Accounts receivable (net)	447,106	1,416,543	1,863,650
Inventories	242,775	470,005	712,780
Restricted cash and cash equivalents	<u>77,254</u>	<u>209,190</u>	<u>286,444</u>
Total current assets	<u>3,262,153</u>	<u>6,277,180</u>	<u>9,539,333</u>
Noncurrent assets:			
Right to use asset, net of amortization	24,984	-	24,984
Land and other non-depreciable assets	498,716	76,213	574,929
Capital assets, net of accumulated depreciation	<u>7,779,862</u>	<u>4,797,673</u>	<u>12,577,535</u>
Total noncurrent assets	<u>8,303,563</u>	<u>4,873,886</u>	<u>13,177,449</u>
Total assets	<u>11,565,716</u>	<u>11,151,066</u>	<u>22,716,782</u>
Deferred Outflows of Resources			
Pension deferrals	266,879	265,873	532,752
OPEB deferrals	<u>15,945</u>	<u>11,537</u>	<u>27,482</u>
Total deferred outflows of resources	<u>282,824</u>	<u>277,410</u>	<u>560,234</u>
Liabilities			
Current liabilities:			
Accounts payable and accrued liabilities	60,811	491,530	552,341
Customer deposits - restricted	77,254	209,184	286,438
Long term debt payable- current	179,754	21,570	201,324
Accrued interest payable	<u>4,334</u>	<u>1,437</u>	<u>5,771</u>
Total current liabilities	<u>322,153</u>	<u>723,720</u>	<u>1,045,874</u>
Noncurrent liabilities:			
Long term debt payable	2,124,172	67,853	2,192,025
Accrued compensated absences	66,964	41,117	108,081
Net pension liability	178,648	177,975	356,623
Net OPEB liability	<u>123,702</u>	<u>89,508</u>	<u>213,210</u>
Total noncurrent liabilities	<u>2,493,486</u>	<u>376,453</u>	<u>2,869,940</u>
Total liabilities	<u>2,815,639</u>	<u>1,100,174</u>	<u>3,915,813</u>
Deferred Inflows of Resources			
Pension deferrals	265,356	264,356	529,712
OPEB deferrals	-	-	-
Total deferred inflows of resources	<u>265,356</u>	<u>264,356</u>	<u>529,712</u>
Net Position			
Net investment in capital assets	5,991,145	4,784,462	10,775,607
Unrestricted	<u>2,776,399</u>	<u>5,279,484</u>	<u>8,055,883</u>
Total net position	<u>\$ 8,767,544</u>	<u>\$ 10,063,946</u>	<u>\$ 18,831,491</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, 2022**

	Business-type Activities		
	Enterprise Funds		Total
	Water and Sewer Fund	Electric Fund	
Operating Revenues:			
Electricity sales	\$ -	\$ 8,012,759	\$ 8,012,759
Water sales	2,008,338	-	2,008,338
Sewer charges	1,121,557	-	1,121,557
Water and sewer taps	51,262	-	51,262
Other operating revenues	142,183	210,199	352,381
Total operating revenues	<u>3,323,339</u>	<u>8,222,957</u>	<u>11,546,297</u>
Operating Expenses:			
Electrical operations	-	1,411,070	1,411,070
Electrical power purchases	-	4,634,680	4,634,680
Water and sewer operations	1,672,601	-	1,672,601
Wastertreatment and distribution	503,712	-	503,712
Waste collection and treatment	454,390	-	454,390
Depreciation and amortization	401,561	397,570	799,131
Total operating expenses	<u>3,032,264</u>	<u>6,443,321</u>	<u>9,475,585</u>
Operating income (loss)	<u>291,076</u>	<u>1,779,636</u>	<u>2,070,712</u>
Nonoperating Revenues (Expenses):			
Investment earnings	-	1,298	1,298
Rental income	27,600	-	27,600
Grant revenue	371,250	-	371,250
Coal ash recovery revenue	-	100,583	100,583
Coal ash recovery charge	-	(130,000)	(130,000)
Interest on long-term debt	(88,311)	(2,302)	(90,613)
Total nonoperating revenues (expenses)	<u>310,539</u>	<u>(30,422)</u>	<u>280,118</u>
Income (loss) before transfers and capital contributions	601,615	1,749,214	2,350,829
Transfers (to) from other funds:			
General Fund-payment in lieu of taxes	-	(895,733)	(895,733)
Capital Reserve Fund	-	(394,206)	(394,206)
T.O.P. T.I.E.R. Program	-	(137,336)	(137,336)
Changes in net position	<u>\$ 601,615</u>	<u>\$ 321,939</u>	<u>\$ 923,554</u>
Total net position -beginning, as previously reported	\$ 8,256,832	\$ 9,807,782	\$ 18,064,614
Prior period adjusment	(90,903)	(65,775)	(156,678)
Total net position -beginning, restated	8,165,929	9,742,007	17,907,936
Changes in net position	601,615	321,939	923,554
Total net position - ending	<u>\$ 8,767,544</u>	<u>\$ 10,063,946</u>	<u>\$ 18,831,491</u>

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

TOWN OF DALLAS

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**Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2022**

	Business-type Activities		
	Enterprise Funds		
	Water and Sewer Fund	Electric Fund	Total
Cash Flows From Operating Activities:			
Cash received from customers	\$3,262,096	\$7,857,043	\$ 11,119,139
Customer deposits received	2,013	4,782	6,795
Cash paid for goods and services	(1,596,089)	(4,678,412)	(6,274,501)
Cash paid to or on behalf of employees for services	<u>(1,174,609)</u>	<u>(1,223,977)</u>	<u>(2,398,586)</u>
Net cash provided (used) by operating activities	<u>493,411</u>	<u>1,959,436</u>	<u>2,452,847</u>
Cash Flows From Non-Capital Financing Activities:			
Transfers - in (out)	<u>-</u>	<u>(1,427,275)</u>	<u>(1,427,275)</u>
Net cash provided (used) by non-capital financing activities	<u>-</u>	<u>(1,427,275)</u>	<u>(1,427,275)</u>
Cash Flows From Capital and Related Financing Activities:			
Acquisition and construction of capital assets	(236,148)	(142,263)	(378,411)
Grant revenues	371,250	-	371,250
Payment of coal ash -net of receipts	-	(29,417)	(29,417)
Principal paid on long-term debt	(173,588)	(21,067)	(194,655)
Interest paid on long-term debt	<u>(88,628)</u>	<u>(2,640)</u>	<u>(91,268)</u>
Net cash provided (used) by capital and related financing activities	<u>(127,114)</u>	<u>(195,387)</u>	<u>(322,501)</u>
Cash Flows From Investing Activities:			
Rental income	27,600	-	27,600
Investment earnings	<u>-</u>	<u>1,298</u>	<u>1,298</u>
Net cash provided (used) by investing activities	<u>27,600</u>	<u>1,298</u>	<u>28,898</u>
Net increase (decrease) in cash and cash equivalents	393,897	338,072	731,969
Cash and cash equivalents at beginning of year	<u>2,178,374</u>	<u>4,052,560</u>	<u>6,230,934</u>
Cash and cash equivalents at end of year	<u>\$2,572,271</u>	<u>\$4,390,632</u>	<u>\$ 6,962,903</u>

TOWN OF DALLAS

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**Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2022**

	Business-type Activities		
	Enterprise Funds		
	<u>Water and Sewer Fund</u>	<u>Electric Fund</u>	<u>Total</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	\$ 291,076	\$ 1,779,636	\$ 2,070,712
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation and amortization	401,561	397,570	799,131
Change in assets, deferred outflows of resources and liabilities:			
(Increase) decrease in accounts receivable	(61,244)	(365,914)	(427,158)
(Increase) decrease in inventory	(136,682)	(248,546)	(385,228)
(Increase) decrease in deferred outflows of resources - pensions	(35,942)	(15,343)	(51,285)
(Increase) decrease in net pension liability	(257,126)	(294,771)	(551,897)
Increase (decrease) in deferred inflows of resources - pensions	259,815	258,345	518,160
(Increase) decrease in deferred outflows of resources - OPEB	(15,945)	(11,537)	(27,482)
(Increase) decrease in net OPEB liability	32,799	23,733	56,532
Increase (decrease) in deferred inflows of resources - OPEB	-	-	-
Increase (decrease) in accounts payable and accrued liabilities	3,209	438,382	441,591
Increase (decrease) in accrued vacation pay	9,877	(6,901)	2,976
Increase (decrease) in customer deposits	<u>2,013</u>	<u>4,782</u>	<u>6,795</u>
Net cash provided (used) by operating activities	<u>\$ 493,411</u>	<u>\$ 1,959,436</u>	<u>\$ 2,452,847</u>

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

NOTES TO THE FINANCIAL STATEMENTS

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

TOWN OF DALLAS, NORTH CAROLINA

Notes to the Financial Statements June 30, 2022

I. Summary of Significant Accounting Policies

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

A. Reporting Entity

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

B. Basis of Presentation - Fund Accounting

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

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

Fund Financial Statements. The fund financial statements provide information about the Town's funds. Separate statements for each fund category - governmental and proprietary - are presented. The Town has no fiduciary funds to report. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

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

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 two Special Revenue Funds: the CDBG Grant Fund and the American Rescue Plan Fund.

The CDBG Grant Fund is used to account for a mortgage receivable loaned through a federal grant program.

The American Rescue Plan Fund is used to account for transaction related to the American Rescue Plan Funds.

The Town reports the following non-major governmental funds:

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

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

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

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

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.

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

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

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

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

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

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

D. Budgetary Data

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

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

1. Deposits and Investments

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

State law [G.S. 159-30(c)] authorizes the Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States, obligations of the State of North Carolina, bonds and notes of any North Carolina local government or public authority, obligations of certain non-guaranteed federal agencies, certain high-quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT). The Town's investments are reported at fair value. The NCCMT Government Portfolio, a SEC-registered (2a-7) money market mutual fund, is measured at fair value. Because the NCCMT Government Portfolios has a weighted average maturity of less than 90 days, it is presented as an investment with a maturity of less than 6 months.

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	\$ 109,902
Public safety	22,582
	<u>132,484</u>
American Rescue Plan Fund	764,396
SCIF Grant Fund	100,000
Total governmental activities	<u>996,880</u>
Business-type activities	
Water and Sewer Fund	
Customer deposits	77,254
Electric Fund	
Customer deposits	209,190
Total business-type activities	<u>286,444</u>
Total restricted cash	<u>\$ 1,283,324</u>

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, 2021. As allowed by State law, the Town has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the Town's General Fund, ad valorem tax revenues are reported net of such discounts.

5. Allowances for Doubtful Accounts

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

6. Inventories and Prepaid Items

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

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

7. Capital Assets

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

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 years
Buildings	30-40 years
Improvements	25 years
Vehicles	3-10 years
Furniture and equipment	7-10 years
Distribution systems:	
Water and Sewer	40 years
Electric	30 years

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 two items that meet this criterion, pension deferrals and OPEB deferrals for the 2022 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, Deferred Inflows of Resources, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has several items that meet the criterion for this category - property taxes receivable, unearned mortgage revenue, other fees receivable and pension and OPEB deferrals.

9. Long-Term Obligations

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

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

10. Compensated Absences

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

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

11. Net Position/Fund Balances

Net Position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

12. Defined Benefit Cost-Sharing Plans

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

13. Reimbursements for Pandemic-related Expenditures

In FY 2020/21, the American Rescue Plan Act (ARPA) established the Coronavirus State and Local Fiscal Recovery Funds to support urgent COVID-19 response efforts and replace lost revenue for the eligible state, local, territorial, and tribal governments. The Town was allocated \$1,528,792 of fiscal recovery funds to be paid in two equal installments. The first installment of \$764,396 was received in July 2021. The second installment will be received in July 2022. Town and the Board of Aldermen have elected to use \$1,528,792 of the ARPA funds for premium pay.

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.

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 under collateralization. This risk may increase in periods of high cash flows.

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

At June 30, 2022, the Town's deposits had a carrying amount of \$3,392,379 and a bank balance of \$3,512,993. 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, 2022, the Town's petty cash fund totaled \$1,154.

2. Investments

At June 30, 2022, the Town's investment balances were as follows:

Investment by Type	Valuation Measurement Method	Book Value At 6/30/22	Maturity	Rating
N. C. Capital Management Trust				
Government Portfolio	Fair Value Level 1	<u>\$10,552,888</u>	N/A	AAAm

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

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

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

Credit Risk. The Town has no formal policy regarding interest rate risk, but has internal management procedures that limit the Town's investments to the provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. The Town's investments in the N. C. Capital Management Trust Government Portfolio carried a credit rating of AAAM by Standard and Poor's as of June 30, 2022.

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	\$ 12,078
Accounts receivable	75
Storm Water Fund-accounts receivable	171
	<u>12,323</u>
Enterprise Funds:	
Electric Fund-accounts receivable	62,150
Water and Sewer Fund-accounts receivable	11,347
	<u>73,497</u>
Total	<u>\$ 85,820</u>

4. Mortgage Receivable

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

5. Capital Assets

Primary Government

Capital asset activity for the primary government for the year ended June 30, 2022 was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balances</u>
Governmental Activities:					
Capital assets not being depreciated:					
Land	\$ 381,182	\$ -	\$ -	\$ -	\$ 381,182
Construction in progress	162,417	22,875	86,626	-	98,666
Total capital assets not being depreciated	<u>543,599</u>	<u>\$ 22,875</u>	<u>\$ 86,626</u>	<u>\$ -</u>	<u>479,848</u>
Capital assets being depreciated:					
Buildings	4,576,900	-	-	-	4,576,900
Distribution	115,707	-	-	-	115,707
Other improvements	1,184,885	257,838	-	-	1,442,723
Vehicles and equipment	2,757,755	173,383	-	-	2,931,138
Infrastructure	871,392	-	-	-	871,392
Total capital assets being depreciated	<u>9,506,639</u>	<u>\$ 431,221</u>	<u>\$ -</u>	<u>\$ -</u>	<u>9,937,859</u>
Less accumulated depreciation for:					
Buildings	1,496,331	121,626	-	-	1,617,957
Distribution	11,766	3,981	-	-	15,747
Other improvements	346,214	51,275	-	-	397,489
Vehicles and equipment	1,993,232	192,759	-	-	2,185,991
Infrastructure	199,164	29,046	-	-	228,210
Total accumulated depreciation	<u>4,046,707</u>	<u>\$ 398,687</u>	<u>\$ -</u>	<u>\$ -</u>	<u>4,445,394</u>
Total capital assets being depreciated, net	<u>5,459,931</u>				<u>5,492,465</u>
Governmental activity capital assets, net	<u>\$ 6,003,530</u>				<u>\$ 5,972,313</u>

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

General government	\$ 108,743
Public safety	158,080
Public works	19,593
Environmental protection	65,456
Cultural and recreational	46,814
Total depreciation expense	<u>\$ 398,687</u>

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balances</u>
Business-type Activities:					
Electric Fund:					
Capital assets, not being depreciated					
Land	\$ 71,808	\$ -	\$ -	\$ -	\$ 71,808
Construction in progress	-	4,405	-	-	4,405
Total capital assets not being depreciated	<u>71,808</u>	<u>\$ 4,405</u>	<u>\$ -</u>	<u>\$ -</u>	<u>76,213</u>
Capital assets being depreciated:					
Buildings	644,951	\$ 56,946	\$ -	\$ -	701,897
Distribution system	7,580,405	22,336	-	-	7,602,741
Equipment	<u>2,849,252</u>	<u>58,575</u>	<u>-</u>	<u>-</u>	<u>2,907,827</u>
Total capital assets being depreciated	<u>11,074,608</u>	<u>\$ 137,858</u>	<u>\$ -</u>	<u>\$ -</u>	<u>11,212,466</u>
Less accumulated depreciation for:					
Buildings	227,798	\$ 22,217	\$ -	\$ -	250,015
Distribution system	3,825,463	195,592	-	-	4,021,055
Equipment	<u>1,963,961</u>	<u>179,762</u>	<u>-</u>	<u>-</u>	<u>2,143,723</u>
Total accumulated depreciation	<u>6,017,222</u>	<u>\$ 397,570</u>	<u>\$ -</u>	<u>\$ -</u>	<u>6,414,792</u>
Total capital assets being depreciated, net	<u>5,057,386</u>				<u>4,797,673</u>
Electric Fund capital assets, net	<u>5,129,194</u>				<u>4,873,886</u>
Water and Sewer Fund:					
Capital assets, not being depreciated					
Land	117,261	\$ -	\$ -	\$ -	117,261
Construction in progress	131,390	208,417	-	-	339,807
Right of way	<u>41,648</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>41,648</u>
Total capital assets not being depreciated	<u>290,299</u>	<u>\$ 208,417</u>	<u>\$ -</u>	<u>\$ -</u>	<u>498,716</u>
Capital assets being depreciated:					
Buildings	300,869	\$ -	\$ -	\$ -	300,869
Distribution system	11,596,550	-	-	-	11,596,550
Equipment	1,070,699	14,875	-	-	1,085,574
Sewer plant	1,522,712	-	-	-	1,522,712
Water plant	<u>2,018,061</u>	<u>12,855</u>	<u>-</u>	<u>-</u>	<u>2,030,916</u>
Total capital assets being depreciated	<u>16,508,891</u>	<u>\$ 27,730</u>	<u>\$ -</u>	<u>\$ -</u>	<u>16,536,621</u>
Less accumulated depreciation for:					
Buildings	138,822	\$ 8,427	\$ -	\$ -	147,249
Distribution system	4,483,825	259,141	-	-	4,742,966
Equipment	889,528	40,771	-	-	930,299
Sewer plant	1,193,712	40,877	-	-	1,234,589
Water plant	<u>1,652,882</u>	<u>48,776</u>	<u>-</u>	<u>-</u>	<u>1,701,658</u>
Total accumulated depreciation	<u>8,358,769</u>	<u>\$ 397,991</u>	<u>\$ -</u>	<u>\$ -</u>	<u>8,756,760</u>
Total capital assets being depreciated, net	<u>8,150,122</u>				<u>7,779,862</u>
Water and Sewer Fund capital assets, net	<u>8,440,421</u>				<u>8,278,578</u>
Business-type activities capital assets, net	<u>\$ 13,569,615</u>				<u>\$ 13,152,464</u>

6. Right to Use Leased Assets

The Town has recorded right to use leased assets. The assets are right to use assets for leased vehicles. The related leases are discussed in the Leases subsection of the Liabilities section of this note. The right to use lease assets are amortized on a straight-line basis over the terms of the related leases. Right to use asset activity for the Primary Government for the year ended June 30, 2022, was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental Activities:				
Right to use assets:				
Leased vehicles	\$ 296,249	\$ -	\$ -	\$ 296,249
Less accumulated amortization	87,315	59,250		146,565
Total governmental right to use assets - net	<u>208,935</u>	<u>\$ 59,250</u>	<u>\$ -</u>	<u>149,685</u>
Business-type Activities:				
Water and Sewer Fund:				
Leased vehicles	35,692	-	-	35,692
Less accumulated amortization	7,138	3,569	-	10,708
Right to use assets - net	<u>28,554</u>	<u>\$ 3,569</u>	<u>\$ -</u>	<u>24,984</u>
Electric Fund:				
Leased vehicles	-	-	-	-
Less accumulated amortization	-	-	-	-
Right to use assets - net	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>
Total business-type right to use assets - net	<u>28,554</u>			<u>24,984</u>
Total right to use assets being amortized - net	<u>\$ 237,488</u>			<u>\$ 174,669</u>

B. Liabilities

1. Pension Plan and Postemployment Obligations

a. Local Governmental Employees' Retirement System

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

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, 2022, was 12.04% of compensation for law enforcement officers, and 11.35% 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 \$372,923 for the year ended June 30, 2022.

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.

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

At June 30, 2022, the Town reported an liability of \$684,291 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2020. The total pension liability was then rolled forward to the measurement date of June 30, 2021, 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, 2021 (measurement date), the Town's proportion was 0.04462%, which was a decrease of 0.00006% from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the Town recognized pension expense of \$280,588. At June 30, 2022, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 217,697	\$ -
Changes in assumptions	429,909	-
Net difference between projected and actual earnings on pension plan investments	-	977,646
Changes in proportion, and differences between, town contributions and proportionate share of contributions	1,723	38,771
Town contributions subsequent to the measurement date	372,923	-
	<u>\$ 1,022,252</u>	<u>\$ 1,016,417</u>

\$372,923, 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, 2022. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30:

2023	\$ 49,195
2024	(34,126)
2025	(82,991)
2026	(299,165)
2027	-
Thereafter	-

Actuarial Assumptions. The total pension liability in the December 31, 2020, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	3.25 to 8.25 percent, including inflation and productivity factor
Investment rate of return	6.5 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, 2020, valuation were based on the results of an actuarial experience study for the period January 1, 2015 through December 31, 2019.

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 weighing 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, 2021, 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>100.0%</u>	

The information above is based on 30-year expectations developed with the consulting actuary for the 2018 asset, liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 2.5%. All rates of return and inflation are annualized.

Discount rate. The discount rate used to measure the total pension liability was 6.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Town's proportionate share of the net pension asset to changes in the discount rate. The following presents the Town's proportionate share of the net pension asset calculated using the discount rate of 6.50 percent, as well as what the Town's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.50 percent) or one percentage point higher (7.50 percent) than the current rate:

	1% Decrease (5.50%)	Discount Rate (6.50%)	1% Increase (7.50%)
Town's proportionate share of the net pension liability (asset)	<u>\$ 2,656,359</u>	<u>\$ 684,291</u>	<u>\$ (938,607)</u>

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

b. Law Enforcement Officers' Special Separation Allowance

1. Plan Description

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

All full-time law enforcement officers are covered by the Separation Allowance. At December 31, 2020, the valuation date, the Separation Allowance's membership consisted of:

Retirees receiving benefits	4
Terminated plan members entitled to, but not receiving, benefits	-
Active plan members	<u>15</u>
Total	<u>19</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, 2020, valuation. The total pension liability in the December 31, 2020, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25 percent
Salary increases	3.25 to 7.75 percent, including inflation and productivity
Discount Rate	2.50 percent

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

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

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

4. Contributions

The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The Town's obligation to contribute to this plan is established, and may be amended by, the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The Town paid \$47,467 as benefits came due for the reporting period.

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

At June 30, 2022, the Town reported a total pension liability of \$573,604. The total pension liability was measured as of December 31, 2021, based on a December 31, 2020, actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2021, utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2022, the Town recognized pension expense of \$21,679.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 95,591	\$ 39,610
Changes in assumptions	77,699	19,023
Town benefit payments and plan administrative expense made subsequent to the measurement date	-	-
	<u>\$ 173,290</u>	<u>\$ 58,633</u>

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

Year ending June 30:

2023	\$ 20,888
2024	18,117
2025	33,383
2026	31,780
2027	10,489
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 2.25 percent, as well as what the Town's total pension liability would be if it were calculated using a discount rate that is one percentage point lower (1.25 percent), or one percentage point higher (3.25 percent) than the current rate:

	1% Decrease (1.25%)	Discount Rate (2.25%)	1% Increase (3.25%)
Total pension liability	<u>\$ 631,196</u>	<u>\$ 573,604</u>	<u>\$ 521,890</u>

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

Beginning Balance	\$ 496,720
Service cost	38,353
Interest on the total pension liability	9,129
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	94,638
Changes of assumptions or other inputs	(17,769)
Benefit payments	(47,467)
Other changes	-
Ending balance of the total pension liability	<u>\$ 573,604</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, 2020, valuation were based on the results of an actuarial experience study for the period January 1, 2015 through December 31, 2019.

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	\$ 280,588	\$ 21,679	\$ 302,267
Pension liability	684,291	573,604	1,257,895
Proportionate share of the net pension liability	0.04462%	n/a	
Deferred outflows of resources			
Differences between expected and actual experience	217,697	95,591	313,288
Changes of assumptions	429,909	77,699	507,608
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion, and differences between, contributions and proportionate share of contributions	1,723	-	1,723
Benefit payments and administrative costs paid subsequent to the measurement date	372,923	-	372,923
Deferred inflows of resources			
Differences between expected and actual experience	-	39,610	39,610
Changes of assumptions	-	19,023	19,023
Net difference between projected and actual earnings on plan investments	977,646	-	977,646
Changes in proportion, and differences between, contributions and proportionate share of contributions	38,771	-	38,771

c. Supplemental Retirement Income Plan for Law Enforcement Officers

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

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

The Town made contributions of \$41,106 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 \$109,599 for the reporting year. No amounts were forfeited.

e. Other Postemployment Benefit Healthcare Benefits

Healthcare Benefits

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

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

At such time as the retired employee reaches Medicare Eligible age, group coverage under the Town of Dallas plan will cease and the retired employee will be responsible for obtaining Medicare, and any Supplemental Insurance as they deem necessary, at their own cost.

Further, any retiree eligible for coverage continuation shall lose that eligibility and coverage if, and when, the retiree becomes employed following retirement from the Town, and as a result becomes eligible for coverage under the new employers' plan.

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

**Base Medical Plan is the plan provided to fulltime Town of Dallas employees at no cost to the employee.

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

	<u>Employees</u>
Retirees and dependents receiving benefits	0
Terminate plan members entitled to but not yet receiving benefits	0
Active plan members	<u>54</u>
Total	<u><u>54</u></u>

Total OPEB Liability

The Town's total OPEB liability of \$283,133 was measured as of June 30, 2021 and was determined by an actuarial valuation as of that date. Actuarial assumptions and other inputs. The total OPEB liability in the June 30, 2022, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.5 percent
Real wage growth	0.75 percent
Salary increases, including wage inflation	
General employees	3.25 - 8.41 percent
Law Enforcement Officers	3.25 - 7.90 percent
Municipal Bond Index Rate	
Prior measurement date	2.21 percent
Measurement date	2.16 percent
Healthcare cost trend rates	
Pre-Medicare medical and prescription drug	7.00 percent for 2021 decreasing to an ultimate rate of 4.5 percent by 2031

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Balance at July 1, 2020	\$ 212,717
Changes for the year	
Service cost	24,651
Interest	5,246
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions or other inputs	40,519
Benefit payments	-
Net changes	<u>70,416</u>
Balance at June 30, 2021	<u><u>\$ 283,133</u></u>

Changes in assumptions and other inputs reflect a discount rate of 2.16%.

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

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

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.16 percent) or 1-percentagepoint higher (3.16 percent) than the current discount rate:

	<u>1 % Decrease</u>	<u>Discount Rate (2.16%)</u>	<u>1 % Increase</u>
Total OPEB liability	<u>\$324,142</u>	<u>\$283,133</u>	<u>\$247,133</u>

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

	<u>1% Decrease</u>	<u>Current</u>	<u>1% Increase</u>
Total OPEB liability	<u>\$238,635</u>	<u>\$283,133</u>	<u>\$336,983</u>

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

For the year ended June 30, 2022, the Town recognized OPEB expense of \$38,577. At June 30, 2022, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	36,495	-
Benefit payments and administrative costs made subsequent to the measurement date	-	-
Total	<u>\$ 36,495</u>	<u>\$ -</u>

\$-0- reported as deferred outflows of resources related to OPEB resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2023. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2023	\$ 4,024
2024	4,024
2025	4,024
2026	4,024
2027	4,024
Thereafter	16,375

f. Other Employment Benefits

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

2. Deferred Outflows and Inflows of Resources

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

	<u>Amount</u>
Contributions to pension plan in the current fiscal year	\$ 372,923
Differences between expected and actual experience	313,287
Changes in assumptions	544,103
Net difference between projected and actual	-
Changes in proportion, and differences between, employer contributions and proportionate share of contributions	<u>1,723</u>
Total	<u>\$ 1,232,036</u>

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)	\$ -	\$ 21,123
Prepaid taxes	-	-
Mortgage receivable (CDGB Grant Fund)	-	230,000
Other fees receivable	-	313
Changes in assumptions	19,023	-
Differences between expected and actual experience	1,017,256	-
Changes in proportion, and differences between, employer contributions and proportionate share of contributions	<u>38,771</u>	-
Total	<u>\$ 1,075,050</u>	<u>\$ 251,436</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 "trued-up" to reflect actual costs, as well as the Town's efficiency in "peak-shaving generation". In recent years, Dallas has received substantive, year-end, "true-up" payments to balance against the expenses otherwise incurred. While historically, the rates charged by Duke have trended upward year-over-year in a manner slightly exceeding the rate of inflation, this year's likely increase has moderated due to the continued low costs of natural gas; and such trend could continue for several more years.

In August 2019, the Town received cost estimates for Duke Coal Ash Recovery. The Town of Dallas is a wholesale customer of Duke Energy. Due to a major Duke Energy coal ash spill, the Town is required to make annual coal ash payments to Duke Energy for coal ash recovery costs. The estimated cost to the Town of Dallas is \$1,491,353. To recover the costs, amounts will be added to the monthly regular Duke Energy bill. The amount recovered was \$100,583 for the year ended June 30, 2022. The coal ash recovery charge was \$130,000 for the year ended June 30, 2022.

4. Risk Management

The Town is exposed to various liabilities and risks of loss related to torts; theft of, damage to, and/or destruction of assets; as well as for errors and omissions; injuries to employees or citizens; and resulting from natural disasters. To protect against such threat of loss, the Town participates in a self-funded, risk-financing pool administered by the North Carolina League of Municipalities (NCLM), as well as purchasing umbrella coverage for general liability and auto and property insurance from a regional, private brokerage firm. The NCLM Pool provides the Town with workers' compensation coverage up to statutory limits, and then the pool is reinsured through commercial carriers for single occurrence claims in excess of

\$300,000 to the maximum allowed by State law. The Town has experienced no significant reductions in insurance coverage in the prior year and settled claims have not exceeded coverage in any of the past three fiscal years.

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

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

5. Long-Term Obligations

a. Capital Leases

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

The agreement was executed on September 10, 2018, to lease vehicles and requires 60 monthly payments of varying amounts. As a result of the leases, the Town has recorded right to use assets with a net book value of \$174,669 at June 30, 2022. The right to use leased assets are discussed in more detail in the Intangible Asset section A.6. of this note.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2022, were as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Governmental activities:			
2023	\$ 52,087	\$ 3,406	\$ 55,493
2024	53,822	1,671	55,493
2025	28,535	245	28,780
2026	526	-	526
Total governmental activities	<u>\$ 134,969</u>	<u>\$ 5,322</u>	<u>\$ 140,292</u>
Business-type activities:			
2023	\$ 6,506	\$ 342	\$ 6,848
2024	6,672	176	6,848
2025	3,315	7	3,321
Total business-type activities	<u>\$ 16,493</u>	<u>\$ 525</u>	<u>\$ 17,018</u>

b. Installment purchases consist of the following at June 30, 2022:

Serviced by the General Fund:

\$1,500,000 loan for a fire station, with principal and interest payments of \$51,141, due semi-annually in April and October, at the annual interest rate of 4.33%, through 2033, secured by the fire station building.	\$ 901,966
\$349,944 loan for a fire truck, with principal and interest payments of \$31,325, due annually in July, at an annual rate of 3.914%, through 2028, secured by fire truck.	188,383
\$235,000 loan for a solid waste truck, with principal and interest payments of \$27,171, due annually in September, at an annual rate of 2.73%, through 2023, secured by a solid waste truck.	52,195
\$146,597 loan for a sanitation truck, with principal and interest payments \$26,517, due annually in October, at an annual interest rate of 2.39% through 2025, secured by a sanitation truck.	100,839
\$9,800 loan for tasers, with principal of \$1,960, due annually in June with 0% interest through 2024, secured by tasers.	<u>3,920</u>
Total serviced by the General Fund	<u>\$ 1,247,303</u>

Serviced by the Water and Sewer Fund:

\$3,600,000 loan for water and sewer capital projects, with principal and interest payments of \$225,367, due annually in June, at an annual rate of 3.59% through 2033, secured by water lines and other personal property financed with the proceeds	<u>2,287,433</u>
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Serviced by the Electric Fund:

\$132,265 loan for a sanitation truck, with principal and interest payments of \$23,924, due annually in October, at an annual rate of 2.39% through 2025, secured by a sanitation truck.	<u>89,423</u>
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Total installment purchases	<u>\$ 3,624,160</u>
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Annual debt service requirements to maturity for long-term obligations are as follows:

	Direct Placement Installment Purchase	
	Principal	Interest
Governmental activities:		
2023	\$ 141,311	\$ 50,142
2024	146,344	45,114
2025	122,634	39,698
2026	127,428	35,513
2027	105,683	29,925
2028-2032	502,959	81,106
2033-2037	100,944	3,339
Total governmental activities:	<u>1,247,303</u>	<u>284,836</u>
Business-type activities:		
2023	194,818	84,256
2024	201,553	77,521
2025	208,524	70,549
2026	215,739	63,336
2027	199,499	55,868
2028-2032	1,110,206	182,838
2033-2037	246,517	26,243
2037-2041	-	-
Total business-type activities	<u>2,376,857</u>	<u>560,611</u>
Total	<u>\$ 3,624,160</u>	<u>\$ 845,447</u>

At June 30, 2022, the Town's legal debt margin is \$30,112,992.

Changes in Long-Term Liabilities

	Balance June 30, 2021	Increases	Decreases	Balance June 30 2022	Current Portion of Balance
Governmental activities:					
Compensated absences	\$ 117,537	\$ 20,108	\$ -	\$ 137,645	\$ -
Net pension liability (LEO)	496,720	142,120	65,236	573,604	-
Net pension liability (LGERS)	688,088	-	360,419	327,669	-
Net OPEB liability	-	69,923	-	69,923	-
Direct placement installment purchase	1,383,676	-	136,373	1,247,303	141,311
Lease liabilities	185,391	-	50,422	134,969	52,087
Total governmental activities	<u>\$ 2,871,411</u>	<u>\$ 232,151</u>	<u>\$ 612,450</u>	<u>\$ 2,491,112</u>	<u>\$ 193,398</u>
Business-type activities:					
Water and Sewer Fund					
Compensated absences	\$ 57,087	\$ 9,877	\$ -	\$ 66,964	\$ -
Net pension liability (LGERS)	435,774	-	257,126	178,648	-
Net OPEB liability	-	123,702	-	123,702	-
Direct placement installment purchase	2,454,677	-	167,244	2,287,433	173,248
Lease liabilities	22,837	-	6,344	16,493	6,506
Water and Sewer Fund long-term liabilities	<u>2,970,375</u>	<u>133,579</u>	<u>430,714</u>	<u>2,673,240</u>	<u>179,754</u>
Electric Fund					
Compensated absences	48,018	-	6,901	41,117	-
Net pension liability (LGERS)	472,746	-	294,771	177,975	-
Net OPEB liability	-	89,508	-	89,508	-
Direct placement installment purchase	110,490	-	21,067	89,423	21,570
Electric Fund Long-term liabilities	<u>631,254</u>	<u>89,508</u>	<u>322,739</u>	<u>398,023</u>	<u>21,570</u>
Business-type activity long-term liabilities	<u>\$ 3,601,629</u>	<u>\$ 223,087</u>	<u>\$ 753,452</u>	<u>\$ 3,071,263</u>	<u>\$ 201,324</u>

C. Interfund Balances and Activity

Transfers to/from other funds at June 30, 2022 consist of the following:

From the Electric Fund to T.O.P. T.I.E.R - to fund economic development	\$ 137,336
From the Electric Fund to the Capital Project Fund - to fund capital projects	394,206
From the Electric Fund to the General Fund - payment in lieu of taxes	895,733
	<u>\$ 1,427,275</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	\$ 5,972,313	\$ 13,152,464
Less: long-term debt	<u>(1,247,303)</u>	<u>(2,376,856)</u>
	<u>\$ 4,725,011</u>	<u>\$ 10,775,607</u>

E. Fund Balance

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

Total fund balance - General Fund	\$ 3,876,998
Less:	
Inventories	312
Stabilization by State Statute	370,674
Streets-Powell Bill	109,902
Public Safety	236,373
Appropriated Fund Balance in 2023 Budget	<u>690,559</u>
Remaining Fund Balance	<u>\$ 2,469,178</u>

IV. Jointly Governed Organizations

The Town, in conjunction with nine counties and seventy-four other municipalities, established the Centralina Council of Governments (the Council). The participating governments established the Council to coordinate various funding received from federal and State agencies. Each participating government appoints one member to the Council's governing board. The Town paid membership fees of \$1,189 to the Council during the fiscal year ended June 30, 2022.

V. Related Party Transactions

The Public Works Director works part-time for one of the Town's vendors. The vendor provides plumbing and electrical services for the Town. The Town paid \$15,102 in services during the fiscal year ended June 30, 2022. As of June 30, 2022, there were no outstanding amounts due to the vendor.

VI. Change in Accounting Principle

The Town implemented Governmental Accounting Standards Board (GASB) Statement No. 87, which gives guidance for accounting and reporting of all leases and is effective for the fiscal year beginning July 1, 2021. GASB 87 established a single model for lease accounting, substantially changing all prior lease accounting and financial statement footnote disclosures. The Town has implemented the guidance starting fiscal year ending June 30, 2022.

VII. Restatements

During the fiscal year ended June 30, 2022, the Town implemented a single employer defined benefit OPEB plan without a special funding situation where no assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 75. A prior period adjustment was made to reflect the implantation of the OPEB plan.

VIII. 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.

IX. Significant Effects of Subsequent Events

Management has evaluated subsequent events through November 22, 2022, 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.

The Town received its second disbursement of the American Rescue Plan Act Funds in the amount of \$764,396 in July 2022. Eligible uses of these funds are COVID response to public health and economic impact, revenue lost replacement, premium pay, and infrastructure investments

COVID-19 Pandemic

The spread of the Coronavirus Disease (COVID-19) has been deemed a worldwide pandemic. The COVID-19 pandemic has had significant effects on global economic markets, supply chains, businesses, and communities. As a result, domestic and international equity markets have experienced significant fluctuations. The impact on the Town of Dallas, North Carolina is not reflected in the financial statements for the year ended June 30, 2022, since the full impact of COVID-19 is unknown and cannot be reasonably estimated as of November 22, 2022.

X. Change in Accounting Principle

The Town implemented Governmental Standards Board (GASB) Statement No. 87, which gives guidance for accounting and reporting of all leases and is effective for the fiscal year beginning July 1, 2021. GASB 87 established a single model for lease accounting substantially changing all prior lease accounting and financial statement note disclosures. The Town has implemented the guidance starting fiscal year ending June 30, 2022.

REQUIRED SUPPLEMENTARY INFORMATION

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

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

TOWN OF DALLAS

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Town of Dallas' proportion of the net pension liability (asset) (%)	0.04462%	0.04468%	0.04379%	0.04507%	0.04380%	0.04282%	0.04216%	0.03938%	0.04030%
Town of Dallas' proportion of the net pension liability (asset) (\$)	\$ 684,291	\$1,596,607	\$1,195,871	\$1,069,215	\$ 669,143	\$ 908,784	\$ 189,212	\$(232,242)	\$ 485,770
Town of Dallas' covered payroll	\$2,891,209	\$2,937,722	\$2,787,616	\$2,726,848	\$,571,122	\$,435,404	\$,716,527	\$,724,960	\$,542,147
Town of Dallas' proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	23.67%	54.35%	42.90%	39.21%	26.03%	37.32%	11.02%	(13.46)%	31.50%
Plan fiduciary net position as a percentage of the total pension liability**	95.51%	88.61%	91.63%	94.18%	91.47%	98.09%	99.07%	102.64%	94.35%

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

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

TOWN OF DALLAS

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contributions	\$ 372,923	\$ 298,412	\$ 269,655	\$ 217,988	\$ 205,057	\$ 187,034	\$ 159,467	\$ 163,404	\$ 163,396
Contributions in relation to the contractually required contributions	<u>372,923</u>	<u>298,412</u>	<u>269,655</u>	<u>217,988</u>	<u>205,057</u>	<u>187,034</u>	<u>159,467</u>	<u>163,404</u>	<u>163,396</u>
Contribution deficiency (excess)	<u>\$ -</u>								
Town of Dallas' covered-employee payroll	\$3,233,436	\$2,891,209	\$2,937,722	\$2,787,616	\$2,726,848	\$2,571,122	\$2,435,404	\$1,716,527	\$1,724,960
Contributions as a percentage of covered employee payroll	11.53%	10.32%	9.18%	7.82%	7.52%	7.27%	6.55%	9.52%	9.47%

TOWN OF DALLAS, NORTH CAROLINA

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Beginning balance	\$496,720	\$367,852	\$390,041	\$466,520	\$418,375	\$412,459
Service cost	38,353	23,892	14,630	19,987	16,223	19,207
Interest on the total pension liability	9,129	11,377	13,769	14,370	15,695	14,397
Changes of benefit terms	-	-	-	-	-	-
Differences between expected and actual experience in the measurement of the total pension liability	94,638	23,503	(36,068)	(72,872)	15,851	-
Changes of assumptions or other inputs	(17,769)	107,831	9,019	(13,525)	23,915	(9,350)
Benefit payments	(47,467)	(37,735)	(23,539)	(23,539)	(23,539)	(18,338)
Other changes	-	-	-	-	-	-
Ending balance of the total pension liability	<u>\$573,604</u>	<u>\$496,720</u>	<u>\$367,852</u>	<u>\$390,941</u>	<u>\$466,520</u>	<u>\$418,375</u>

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

TOWN OF DALLAS, NORTH CAROLINA

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total pension liability	\$573,604	\$496,720	\$367,852	\$390,041	\$466,520	\$418,375
Covered payroll	790,368	737,438	581,161	674,988	623,345	666,556
Total pension liability as a percentage of covered payroll	72.57%	67.36%	63.30%	57.78%	74.84%	62.77%

Notes to the schedules:

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

GOVERNMENTAL ACTIVITIES

GENERAL FUND

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

CORONAVIRUS STATE LOCAL FISCAL RECOVERY FUNDS CFR 21.027 (ARPA FUNDS)

The Coronavirus State Local Fiscal Recovery Funds CFR 21.027 (ARPA Funds) is used to account for transactions related to the American Rescue Plan Fund.

TOWN OF DALLAS, NORTH CAROLINA

**Schedule of Changes in Total OPEB
Liability and Related Ratios
Last One Fiscal Year**

	<u>2022</u>
Service cost	\$ 24,651
Interest on the total OPEB liability	5,246
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions or other inputs	40,519
Benefit payments	-
Net change in total OPEB liability	<u>70,416</u>
Total OPEB liability - beginning	<u>212,717</u>
Total OPEB liability - ending	<u>\$ 283,133</u>
Covered employee payroll	\$ 2,712,191
Total OPEB liability as a percentage of covered payroll	10.44%

Notes to schedule:

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

<u>Fiscal year</u>	<u>Rate</u>
2022	2.16%

TOWN OF DALLAS

Page 1 of 6

**General Fund
Schedule of Revenues, Expenditures and Changes
In Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2022**

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2021)

	<u>2022</u>		Variance Positive (Negative)	2021 Actual
	<u>Budget</u>	<u>Actual</u>		
Revenues:				
Ad valorem taxes:				
Current year	\$1,483,133	\$1,492,400	\$ 9,267	\$1,408,493
Prior years	-	15,300	15,300	23,288
State board assessed	21,500	-	(21,500)	-
Interest and penalties	5,456	7,674	2,218	7,226
Total	<u>1,510,089</u>	<u>1,515,374</u>	<u>5,285</u>	<u>1,439,007</u>
Other taxes and licenses:				
Privilege licenses	3,100	2,335	(765)	3,124
Motor vehicle licenses	40,056	40,240	184	40,730
Alcohol beverage tax	22,220	23,595	1,375	20,653
Total	<u>65,376</u>	<u>66,170</u>	<u>794</u>	<u>64,507</u>
Unrestricted intergovernmental revenues:				
Local option sales tax	554,357	649,728	95,371	561,863
Hold harmless distribution	-	-	-	8,875
Utility franchise tax	150,969	159,252	8,283	156,775
Excise tax on piped natural gas	8,898	20,900	12,002	17,976
Sales tax on telecommunications	22,263	28,044	5,781	37,801
Sales tax on video programming	27,546	17,883	(9,663)	15,038
Solid waste disposal tax	3,682	4,363	681	3,656
Total	<u>767,715</u>	<u>880,171</u>	<u>112,456</u>	<u>801,984</u>
Restricted intergovernmental revenues:				
Powell Bill street aid allocation	154,790	168,940	14,150	125,066
Covid-19 grant funds	-	-	-	9,836
Drug forfeiture revenue	-	838	838	13,499
Grant revenue	22,211	81,140	58,929	24,924
Federal and state grants	41,350	10,000	(31,350)	-
Public safety grant	1,635	-	(1,635)	-
Total	<u>219,986</u>	<u>260,918</u>	<u>40,932</u>	<u>173,325</u>

cont.

General Fund
Schedule of Revenues, Expenditures and Changes
In Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2022
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2021)

	<u>2022</u>		Variance Positive (Negative)	2021 Actual
	<u>Budget</u>	<u>Actual</u>		
Revenues (continued):				
Permits and fees:				
Zoning fees	\$ 20,240	\$ 17,902	\$ (2,338)	\$ 20,807
Sales and services:				
Arrest fees	2,470	2,409	(61)	2,198
Refuse collection fees	384,297	413,249	28,952	392,567
Recreation fees and concessions	48,300	61,749	13,449	22,525
Other	13,150	16,248	3,098	574
Total	<u>448,217</u>	<u>493,655</u>	<u>45,438</u>	<u>417,864</u>
Investment earnings	<u>2,057</u>	<u>13,217</u>	<u>11,160</u>	<u>1,758</u>
Miscellaneous:				
Sale of property	1,000	-	(1,000)	12,712
Returned check revenue	1,450	1,327	(123)	(56)
Customer billed charges	1,450	15,407	13,957	3,851
ABC wholesale distribution	28,681	43,885	15,204	25,894
Other	124,405	85,306	(39,099)	13,195
Total	<u>156,986</u>	<u>145,925</u>	<u>(11,061)</u>	<u>55,597</u>
Total revenues	<u>3,190,666</u>	<u>3,393,332</u>	<u>202,666</u>	<u>2,974,848</u> cont.

General Fund
Schedule of Revenues, Expenditures and Changes
In Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2022
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2021)

	<u>2022</u>		Variance Positive (Negative)	2021 Actual
	<u>Budget</u>	<u>Actual</u>		
Expenditures:				
General government:				
Governing body:				
Salaries and employee benefits	\$ 64,849	\$ 64,271	\$ 578	\$ 61,837
Other operating expenditures	<u>12,429</u>	<u>4,949</u>	<u>7,480</u>	<u>5,998</u>
	<u>77,278</u>	<u>69,220</u>	<u>8,058</u>	<u>67,835</u>
Administrative:				
Salaries and employee benefits	98,223	90,644	7,579	75,626
Professional services	25,158	24,930	228	15,355
Maintenance and repairs	24,080	16,564	7,516	18,592
Other operating expenditures	218,297	196,422	21,875	104,703
Capital outlay	-	-	-	8,150
	<u>365,758</u>	<u>328,560</u>	<u>37,198</u>	<u>222,426</u>
Public buildings:				
Community development:				
Salaries and employee benefits	149,813	126,885	22,928	81,967
Other operating expenditures	<u>87,359</u>	<u>63,512</u>	<u>23,847</u>	<u>33,582</u>
	<u>237,172</u>	<u>190,397</u>	<u>46,775</u>	<u>115,549</u>
Courthouse:				
Professional services	4,190	3,071	1,119	6,674
Maintenance and repairs	18,800	16,571	2,229	17,745
Other operating expenditures	<u>45,114</u>	<u>37,850</u>	<u>7,264</u>	<u>33,463</u>
	<u>68,104</u>	<u>57,492</u>	<u>10,612</u>	<u>57,883</u>
Total general government	<u>748,312</u>	<u>645,669</u>	<u>102,643</u>	<u>463,693</u>

cont.

TOWN OF DALLAS

**General Fund
Schedule of Revenues, Expenditures and Changes
In Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2022**

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2021)

	<u>2022</u>		Variance Positive (Negative)	2021 Actual
	<u>Budget</u>	<u>Actual</u>		
Expenditures (continued):				
Police:				
Salaries and employee benefits	\$ 1,436,181	\$ 1,361,438	\$ 74,743	\$ 1,163,354
Maintenance and repairs	57,235	55,096	2,139	45,688
Other operating expenditures	195,119	189,445	5,674	132,168
Capital outlay	218,782	56,850	161,932	20,650
	<u>1,907,317</u>	<u>1,662,829</u>	<u>244,488</u>	<u>1,361,860</u>
Fire:				
Salaries and employee benefits	177,676	166,480	11,196	160,749
Maintenance and repairs	122,214	120,163	2,051	51,854
Other operating expenditures	96,945	89,639	7,306	76,760
Capital outlay	30,980	24,924	6,056	159,997
	<u>427,815</u>	<u>401,206</u>	<u>26,609</u>	<u>449,360</u>
Total public safety	<u>2,335,132</u>	<u>2,064,035</u>	<u>271,097</u>	<u>1,811,220</u>
Transportation:				
Street maintenance				
Salaries and employee benefits	214,492	166,569	47,923	154,424
Maintenance and repairs	28,600	25,972	2,628	11,831
Street lights	33,543	33,631	(88)	32,948
Contracted services	24,649	4,117	20,532	2,215
Other operating expenditures	38,220	35,158	3,062	10,801
Capital outlay	51,610	51,609	1	-
Powell Bill expenditures	154,790	129,749	25,041	101,366
	<u>545,904</u>	<u>446,805</u>	<u>99,099</u>	<u>313,586</u>
Environmental protection:				
Solid waste:				
Salaries and employee benefits	208,121	184,799	23,322	136,806
Maintenance and repairs	56,600	52,822	3,778	58,485
Other operating expenditures	35,011	21,554	13,457	27,566
Tipping fees	101,400	92,096	9,304	101,680
	<u>401,132</u>	<u>351,272</u>	<u>49,860</u>	<u>324,538</u>

cont.

General Fund
Schedule of Revenues, Expenditures and Changes
In Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2022
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2021)

	2022		Variance Positive (Negative)	2021 Actual
	Budget	Actual		
Expenditures (continued):				
Cultural and recreational:				
Parks and recreation:				
Salaries and employee benefits	\$ 166,147	\$ 154,559	\$ 11,588	\$ 128,035
Maintenance and repairs	44,324	42,596	1,728	34,457
Operating expenditures	152,022	139,422	12,600	74,506
Capital outlay	-	-	-	31,887
	<u>362,493</u>	<u>336,577</u>	<u>25,916</u>	<u>268,884</u>
Debt service:				
Debt service - principal	193,909	184,835	9,074	155,809
Debt service - interest	55,402	60,171	(4,769)	58,501
	<u>249,311</u>	<u>245,006</u>	<u>4,305</u>	<u>214,310</u>
 Total expenditures	 <u>4,642,284</u>	 <u>4,089,364</u>	 <u>552,920</u>	 <u>3,396,231</u>
 Revenues over (under) expenditures	 <u>(1,451,618)</u>	 <u>(696,032)</u>	 <u>755,586</u>	 <u>(421,383)</u>
 Other Financing Sources (Uses):				
Proceeds from capital financing	161,042	-	(161,042)	31,887
Appropriated fund balance	405,843	-	(405,843)	-
Transfers (to) from other funds:				
LESA Fund	(11,000)	-	11,000	-
Electric Fund	895,733	895,733	-	895,733
	<u>1,451,618</u>	<u>895,733</u>	<u>(555,885)</u>	<u>927,620</u>
 Total other financing sources (uses)	 <u>1,451,618</u>	 <u>895,733</u>	 <u>(555,885)</u>	 <u>927,620</u>

cont.

General Fund
Schedule of Revenues, Expenditures and Changes
In Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2022
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2021)

	<u>2022</u>		Variance Positive (Negative)	2021 Actual
	<u>Budget</u>	<u>Actual</u>		
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 199,701</u>	<u>\$ 199,701</u>	<u>\$ 506,238</u>
Fund balances, beginning, Revenues and other financing sources over (under) expenditures and other financing uses		<u>\$3,677,298</u>		<u>\$3,171,060</u>
		<u>199,701</u>		<u>506,238</u>
Fund balances, ending		<u>\$3,876,998</u>		<u>\$3,677,298</u>

TOWN OF DALLAS

**Coronavirus State Local Fiscal Recovery Funds CFR 21.027 (ARPA Funds)
 Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
 From Inception and for the Year Ended June 30, 2022**

	<u>Actual</u>				Variance Positive (Negative)
	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	
Revenues:					
ARP Funds	\$ 700,000	\$ -	\$ -	\$ -	\$(700,000)
Total revenues	700,000	-	-	-	(700,000)
Expenditures:					
Unassigned ARP expenditures	700,000	-	-	-	700,000
Revenues over (under) expenditures	-	-	-	-	-
Other Financing Sources (Uses):					
Transfer (to) from General Fund	-	-	-	-	-
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>	<u>\$ -</u>
Fund balance, July 1			-		
Fund balance, June 30			<u>\$ -</u>		

TOWN OF DALLAS

**Combining Balance Sheet
Non-Major Governmental Funds
For the Year Ended June 30, 2022**

	<u>Storm Water Fund</u>	<u>Capital Project Fund</u>	<u>T.O.P. T.I.E.R. Program</u>	<u>SCIF Grant Fund</u>	<u>Total Nonmajor Governmental Funds</u>
Assets:					
Cash and cash equivalents	\$ 485,347	\$ 1,654,656	\$ 335,393	\$ -	\$ 2,475,396
Restricted cash	-	-	-	100,000	100,000
Accounts receivable, net	<u>16,883</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,883</u>
 Total assets	 <u>\$ 502,230</u>	 <u>\$ 1,654,656</u>	 <u>\$ 335,393</u>	 <u>\$ 100,000</u>	 <u>\$ 2,592,278</u>
 Liabilities and Fund Balances:					
Accounts payable and accrued expenses	\$ 1,375	\$ -	\$ -	\$ -	\$ 1,375
Unearned revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>100,000</u>	<u>100,000</u>
 Total liabilities	 <u>1,375</u>	 <u>-</u>	 <u>-</u>	 <u>100,000</u>	 <u>101,375</u>
 Fund balances:					
Restricted:					
Assigned:					
Storm Water	500,855	-	-	-	500,855
Capital Project	-	1,654,656	-	-	1,654,656
Top Tier Program	<u>-</u>	<u>-</u>	<u>335,393</u>	<u>-</u>	<u>335,393</u>
 Total fund balances	 <u>500,855</u>	 <u>1,654,656</u>	 <u>335,393</u>	 <u>-</u>	 <u>2,490,903</u>
 Total liabilities and fund balances	 <u>\$ 502,230</u>	 <u>\$ 1,654,656</u>	 <u>\$ 335,393</u>	 <u>\$ 100,000</u>	 <u>\$ 2,592,278</u>

TOWN OF DALLAS

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
For the Year Ended June 30, 2022**

	Storm Water <u>Fund</u>	Capital Project <u>Fund</u>	T.O.P. T.I.E.R. <u>Program</u>	SCIF Grant <u>Fund</u>	Total Nonmajor Governmental <u>Funds</u>
Revenues:					
Storm water fees	\$ 212,738	\$ -	\$ -	\$ -	\$ 212,738
Investment earnings	-	2,167	-	-	2,167
Total revenues	<u>212,738</u>	<u>2,167</u>	<u>-</u>	<u>-</u>	<u>214,904</u>
Expenditures:					
Salaries and employee benefits	48,877	-	-	-	48,877
Supplies	-	-	10,359	-	10,359
Contracted services	1,120	-	4,154	-	5,274
Repairs and maintenance	4,846	-	-	-	4,846
Other operating expenditures	2,221	-	20,000	-	22,221
Capital outlay	<u>62,875</u>	<u>-</u>	<u>257,838</u>	<u>-</u>	<u>320,713</u>
Total expenditures	<u>119,939</u>	<u>-</u>	<u>292,351</u>	<u>-</u>	<u>412,290</u>
Revenues over (under) expenditures	92,799	2,167	(292,351)	-	(197,385)
Other Financing Sources (Uses):					
Operating transfers in (out):					
Electric Fund	-	394,206	137,336	-	531,542
Revenues and other financing sources over (under) expenditures and financing sources (uses)	<u>\$ 92,799</u>	<u>\$ 396,373</u>	<u>\$ (155,015)</u>	<u>\$ -</u>	<u>\$ 334,157</u>
Fund balances, beginning	\$ 408,056	\$ 1,258,283	\$ 490,408	\$ -	\$ 2,156,748
Revenues and other financing sources over (under) expenditures and financing sources (uses)	<u>92,799</u>	<u>396,373</u>	<u>(155,015)</u>	<u>-</u>	<u>334,157</u>
Fund balances, ending	<u>\$ 500,855</u>	<u>\$ 1,654,656</u>	<u>\$ 335,393</u>	<u>\$ -</u>	<u>\$ 2,490,903</u>

GOVERNMENTAL ACTIVITIES NON-MAJOR GOVERNMENTAL FUNDS

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

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

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

SCIF Grant Fund – This fund is used to account for transactions related to funds received from a State Capital and Infrastructure Fund (SCIF) Directed Grant.

BUSINESS - TYPE ACTIVITIES

ENTERPRISE FUNDS

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

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

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

TOWN OF DALLAS

Storm Water Fund

**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2022**

(With Comparative Actual Amounts for the Year Ended June 30, 2021)

	2022		Variance Positive (Negative)	2021 Actual
	Budget	Actual		
Revenues:				
Operating revenues:				
Storm water fees	\$ 203,901	\$ 212,738	\$ 8,837	\$ 210,911
Other operating revenues	-	-	-	212
Total revenues	<u>203,901</u>	<u>212,738</u>	<u>8,837</u>	<u>211,123</u>
Expenditures:				
Salaries and employee benefits	54,983	48,877	6,106	38,332
Supplies	14,000	-	14,000	6
Contracted services	11,155	1,120	10,035	4,666
Repairs and maintenance	19,706	4,846	14,860	597
Other operating expenditures	4,950	2,221	2,729	2,837
Capital outlay	100,000	62,875	37,125	12,450
Total operating expenditures	<u>204,794</u>	<u>119,939</u>	<u>84,855</u>	<u>58,889</u>
Revenues over (under) expenditures	<u>(893)</u>	<u>92,799</u>	<u>93,692</u>	<u>152,235</u>
Other Financing Sources (Uses):				
Appropriated fund balance	893	-	(893)	-
Operating transfers in (out):				
Capital Project Fund	-	-	-	(33,142)
Total other financing sources (uses)	<u>893</u>	<u>-</u>	<u>(893)</u>	<u>(33,142)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>92,799</u>	<u>\$ 92,799</u>	<u>119,093</u>
Fund balance, beginning		<u>408,056</u>		<u>288,963</u>
Fund balance, ending		<u>\$ 500,855</u>		<u>\$ 408,056</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, 2022

(With Comparative Actual Amounts for the Year Ended June 30, 2021)

	<u>2022</u>		Variance Positive (Negative)	2021 Actual
	<u>Budget</u>	<u>Actual</u>		
Revenues:				
Investment earnings	\$ -	\$ 2,167	\$ 2,167	\$ 53
Total revenues	<u>-</u>	<u>2,167</u>	<u>2,167</u>	<u>53</u>
Expenditures:				
Capital outlay	<u>499,330</u>	<u>-</u>	<u>499,330</u>	<u>-</u>
Revenues over (under) expenditures	<u>(499,330)</u>	<u>2,167</u>	<u>501,497</u>	<u>53</u>
Other Financing Sources (Uses):				
Transfer from (to) Storm Water Fund	-	-	-	33,142
Transfer from (to) Electric Fund	<u>499,330</u>	<u>394,206</u>	<u>(105,124)</u>	<u>996,437</u>
Total other financing sources (uses)	<u>499,330</u>	<u>394,206</u>	<u>(105,124)</u>	<u>1,029,579</u>
Revenues and other financing sources (uses) over (under) expenditures and other financing uses	<u>\$ -</u>	<u>396,373</u>	<u>\$ 396,373</u>	<u>\$1,029,632</u>
Fund balance, July 1		<u>1,258,283</u>		
Fund balance, June 30		<u>\$ 1,654,656</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, 2022

(With Comparative Actual Amounts for the Year Ended June 30, 2021)

	2022		Variance Positive (Negative)	2021 Actual
	<u>Budget</u>	<u>Actual</u>		
Revenues:				
Grant revenue	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Top Tier grants	20,000	20,000	-	28,950
Professional services	15,000	4,154	10,846	22,337
Other expenses	10,360	10,359	1	-
Capital outlay	<u>524,840</u>	<u>257,838</u>	<u>267,002</u>	<u>231,468</u>
Total expenditures	<u>570,200</u>	<u>292,351</u>	<u>277,849</u>	<u>282,754</u>
Revenues over (under) expenditures	(570,200)	(292,351)	277,849	(282,754)
Other Financing Sources (Uses):				
Appropriated fund balance	307,964	-	(307,964)	-
Proceeds from sale	124,900	-	(124,900)	-
Transfer from Electric Fund	<u>137,336</u>	<u>137,336</u>	<u>-</u>	<u>123,612</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	(155,015)	<u>\$ (155,015)</u>	(159,142)
Fund balance, July 1		<u>490,408</u>		<u>649,550</u>
Fund balance, June 30		<u>\$ 335,393</u>		<u>\$ 490,408</u>

Parking lot improvements of \$257,838 complete at June 30, 2022.

TOWN OF DALLAS

SCIF Grant Fund

**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2022**

(With Comparative Actual Amounts for the Year Ended June 30, 2021)

	<u>2022</u>		Variance Positive (Negative)	2021 Actual
	<u>Budget</u>	<u>Actual</u>		
Revenues:				
Grant revenue	\$ 100,000	\$ -	\$ (100,000)	\$ -
Total revenues	100,000	-	(100,000)	-
Expenditures:				
Economic and physical development	100,000	-	100,000	-
Revenues over (under) expenditures	-	-	-	-
Other Financing Sources (Uses):				
Transfer (to) from General Fund	-	-	-	-
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	-	<u>\$ -</u>	-
Fund balance, July 1		-		-
Fund balance, June 30		<u>\$ -</u>		<u>\$ -</u>

TOWN OF DALLAS

**Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)
Water and Sewer Fund
For the Year Ended June 30, 2022
(With Comparative Actual Amounts for the Year Ended June 30, 2021)**

	2022		Variance Positive (Negative)	2021 Actual
	<u>Budget</u>	<u>Actual</u>		
Revenues:				
Operating revenues:				
Water charges	\$ 1,911,036	\$ 2,008,338	\$ 97,302	\$ 1,835,235
Sewer charges	1,034,024	1,121,557	87,533	952,364
Water and sewer taps	36,800	51,262	14,462	26,805
Other	<u>359,770</u>	<u>142,183</u>	<u>(217,587)</u>	<u>140,022</u>
Total operating revenues	<u>3,341,630</u>	<u>3,323,339</u>	<u>(18,291)</u>	<u>2,954,426</u>
Nonoperating revenues:				
Rental income	<u>63,629</u>	<u>27,600</u>	<u>(36,029)</u>	<u>95,793</u>
Total nonoperating revenues	<u>63,629</u>	<u>27,600</u>	<u>(36,029)</u>	<u>95,793</u>
Total revenues	<u>3,405,259</u>	<u>3,350,939</u>	<u>(54,320)</u>	<u>3,050,219</u>
Expenditures:				
Operating expenditures:				
Water and sewer operations				
Salaries and employee benefits	829,349	758,581	70,768	738,495
Travel	8,410	9,768	(1,358)	2,123
Supplies	355,575	458,559	(102,984)	136,420
Insurance	103,947	80,546	23,401	78,761
Repairs and maintenance	181,554	149,926	31,628	153,156
Other operating expenditures	<u>715,023</u>	<u>353,260</u>	<u>361,763</u>	<u>300,763</u>
	<u>2,193,858</u>	<u>1,810,640</u>	<u>383,218</u>	<u>1,409,719</u>
Water treatment and distribution				
Salaries and employee benefits	314,827	263,407	51,420	226,106
Supplies	20,200	18,311	1,889	18,056
Chemicals	86,800	86,678	122	72,558
Other operating expenditures	<u>160,128</u>	<u>143,070</u>	<u>17,058</u>	<u>119,413</u>
	<u>581,955</u>	<u>511,466</u>	<u>70,489</u>	<u>436,133</u>
Waste collection and treatment				
Salaries and employee benefits	164,392	140,343	24,049	100,390
Chemicals	53,000	51,981	1,019	43,939
Supplies	3,500	2,888	612	2,686
Other operating expenditures	<u>285,585</u>	<u>256,589</u>	<u>28,996</u>	<u>236,036</u>
	<u>506,477</u>	<u>451,801</u>	<u>54,676</u>	<u>383,051</u>

cont.

TOWN OF DALLAS

Page 2 of 3

**Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)
Water and Sewer Fund
For the Year Ended June 30, 2022
(With Comparative Actual Amounts for the Year Ended June 30, 2021)**

	2022		Variance Positive (Negative)	2021 Actual
	<u>Budget</u>	<u>Actual</u>		
Total operating expenditures	\$ 3,282,290	\$ 2,773,907	\$ 508,383	\$ 2,228,903
Debt service:				
Principal retirement	174,579	173,588	991	167,633
Interest and fees	88,123	88,627	(504)	94,582
Total debt service	<u>262,702</u>	<u>262,215</u>	<u>487</u>	<u>262,215</u>
Capital outlay:				
Water and sewer operations	280,000	21,075	258,925	62,386
Water treatment and distribution	26,500	12,855	13,645	12,010
Water collection and treatment	297,000	202,217	94,783	131,390
Total capital outlay	<u>603,500</u>	<u>236,148</u>	<u>367,352</u>	<u>205,786</u>
Total expenditures	<u>4,148,492</u>	<u>3,272,270</u>	<u>876,222</u>	<u>2,696,904</u>
Revenues over (under) expenditures	<u>(743,233)</u>	<u>78,669</u>	<u>821,902</u>	<u>353,315</u>
Other Financing Sources (Uses):				
Appropriated fund balance	297,233	-	(297,233)	-
Gain (loss) on disposal of capital assets	4,000	-	(4,000)	1,909
Proceeds from borrowing	-	-	-	35,692
Grant revenue	442,000	371,250	(70,750)	-
Total other financing sources	<u>743,233</u>	<u>371,250</u>	<u>(371,983)</u>	<u>37,601</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	449,919	<u>\$ 449,919</u>	390,916
Reconciliation From Budgetary Basis (Modified Accrual) to Full Accrual:				
Increase (decrease) in inventory		136,682		17,422
(Increase) decrease in accrued vacation pay		(9,877)		1,279
(Increase) decrease in accrued interest		317		306
Payment of debt principal		173,588		167,633
Proceeds from borrowing		-		(35,692)
Transfer in from Electric Fund to Water and Sewer				

cont.

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, 2022

(With Comparative Actual Amounts for the Year Ended June 30, 2021)

	<u>2022</u>		<u>Variance</u>	<u>2021</u>
	<u>Budget</u>	<u>Actual</u>	<u>Positive</u> <u>(Negative)</u>	<u>Actual</u>
Increase (decrease) in deferred outflows of resources - pensions		\$ 35,942		\$ 40,446
(Increase) decrease in net pension liability		257,126		(109,640)
(Increase) decrease in deferred inflows of resources - pensions		(259,815)		2,823
Increase (decrease) in deferred outflows of resources - OPEB		15,945		-
(Increase) decrease in net OPEB liability		(32,799)		-
Capital outlay		236,148		205,786
Depreciation and amortization		<u>(401,561)</u>		<u>(402,748)</u>
Change in net position		<u>\$ 601,615</u>		<u>\$ 278,532</u>

TOWN OF DALLAS

**Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)
Electric Fund
For the Year Ended June 30, 2022
(With Comparative Actual Amounts for the Year Ended June 30, 2021)**

	<u>2022</u>		Variance Positive (Negative)	2021 Actual
	<u>Budget</u>	<u>Actual</u>		
Revenues:				
Operating revenues:				
Electricity sales	\$ 8,921,715	\$ 8,012,759	\$ (908,956)	\$ 8,300,718
Other operating revenues	<u>237,530</u>	<u>210,199</u>	<u>(27,332)</u>	<u>342,178</u>
Total operating revenues	9,159,245	8,222,957	(936,288)	8,642,895
Nonoperating revenues:				
Investment earnings	<u>150</u>	<u>1,298</u>	<u>1,148</u>	<u>154</u>
Total revenues	<u>9,159,395</u>	<u>8,224,255</u>	<u>(935,140)</u>	<u>8,643,050</u>
Expenditures:				
Salaries and employee benefits	1,326,032	1,168,364	157,668	1,151,581
Electrical power purchases	5,591,939	4,634,680	957,259	4,525,195
Supplies	140,580	91,370	49,210	132,759
Contracted services	166,940	87,478	79,462	113,214
Insurance	134,243	105,279	28,964	100,652
Repairs and maintenance	229,000	173,039	55,961	279,701
Other operating expenditures	90,389	80,560	9,829	151,868
Debt service - principal	21,067	21,067	-	65,716
Debt service - interest	2,641	2,640	1	3,575
Capital outlay	<u>263,118</u>	<u>142,263</u>	<u>120,855</u>	<u>42,987</u>
Total operating expenditures	<u>7,965,949</u>	<u>6,506,741</u>	<u>1,459,208</u>	<u>6,567,247</u>
Revenues over (under) expenditures	<u>1,193,446</u>	<u>1,717,514</u>	<u>524,068</u>	<u>2,075,803</u>
Other Financing Sources (Uses):				
Appropriated fund balance	356,453	-	(356,453)	-
Gain (loss) on disposition of assets	10,000	-	(10,000)	35,855
Proceeds from borrowing	-	-	-	132,265
Coal ash recovery revenue	105,000	100,583	(4,417)	104,660
Coal ash recovery charge	(132,500)	(130,000)	2,500	(115,000)
Transfers from (to):				
Top Tier Program Fund	(137,336)	(137,336)	-	(123,612)
Capital Reserve Fund	(499,330)	(394,206)	105,124	(996,437)
General Fund-payment in lieu of taxes	<u>(895,733)</u>	<u>(895,733)</u>	<u>-</u>	<u>(895,733)</u>
Total other financing sources (uses)	<u>(1,193,446)</u>	<u>(1,456,692)</u>	<u>(263,246)</u>	<u>(1,858,002)</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, 2022
(With Comparative Actual Amounts for the Year Ended June 30, 2021)**

	<u>2022</u>		Variance Positive (Negative)	2021 Actual
	<u>Budget</u>	<u>Actual</u>		
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	\$ 260,822	<u>\$ 260,822</u>	\$ 217,801
Reconciliation From Budgetary Basis (Modified Accrual) to Full Accrual:				
Increase (decrease) in inventory		248,546		21,360
(Increase) decrease in accrued vacation pay		6,901		(345)
(Increase) decrease in accrued interest		338		(281)
(Increase) decrease in net pension liability		294,771		(141,472)
Increase (decrease) in deferred outflows of resources-pension		15,343		57,037
(Increase) decrease in deferred inflows of resources-pensions		(258,345)		2,485
(Increase) decrease in net OPEB liability		(23,732)		-
Increase (decrease) in deferred outflows of resources-OPEB		11,537		-
(Increase) decrease in deferred inflows of resources-OPEB		-		-
Capital outlay		142,263		42,987
Proceeds from borrowing		-		(132,265)
Payment of debt principal		21,067		65,716
Depreciation		<u>(397,570)</u>		<u>(401,062)</u>
Changes in net position		<u>\$ 321,939</u>		<u>\$ (268,039)</u>

OTHER SCHEDULES

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

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

TOWN OF DALLAS

**Schedule of Ad Valorem Taxes Receivable
June 30, 2022**

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2021</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2022</u>
2021 - 2022	\$ -	\$ 1,505,649	\$ 1,492,400	\$ 13,249
2020 - 2021	10,695	-	5,630	5,065
2019 - 2020	5,402	-	1,843	3,559
2018 - 2019	3,211	-	958	2,253
2017 - 2018	2,919	-	826	2,093
2016 - 2017	2,461	-	485	1,976
2015 - 2016	2,497	-	499	1,998
2014 - 2015	1,663	-	549	1,114
2013 - 2014	1,078	-	425	653
2012 - 2013	1,665	-	425	1,240
2011 - 2012	1,517	-	1,517	-
Total	<u>\$ 33,108</u>	<u>\$ 1,505,649</u>	<u>\$ 1,505,557</u>	33,200
Less allowance for uncollectibles				<u>(12,078)</u>
Balance				<u>\$ 21,123</u>
 Reconciliation With Revenue:				
Taxes - Ad valorem - General Fund				\$ 1,515,374
Adjustments, releases and discounts				(3,660)
Taxes written off				1,517
Interest collected				<u>(7,674)</u>
Total collections and credits				<u>\$ 1,505,557</u>

TOWN OF DALLAS

**Analysis of Current Tax Levy
June 30, 2022**

	Town Wide		Total Levy		
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
	Original levy:				
Property taxes at current year's rate	\$ 317,878,333	0.42	\$ 1,335,089	\$ 1,335,089	\$ -
Motor vehicles taxed at current year rate	<u>41,488,810</u>	0.42	<u>174,253</u>	<u>-</u>	<u>174,253</u>
Total	<u>359,367,143</u>		<u>1,509,342</u>	<u>1,335,089</u>	<u>174,253</u>
Discoveries - current and prior year taxes	301,788		1,207	664	-
Releases	<u>(1,224,895)</u>		<u>(4,900)</u>	<u>(3,367)</u>	<u>-</u>
Total	<u>(923,107)</u>		<u>(3,693)</u>	<u>(2,704)</u>	<u>-</u>
Total property valuation	<u>\$ 358,444,036</u>				
Net levy			1,505,649	1,332,385	174,253
Less uncollected taxes at June 30, 2022			<u>(13,249)</u>	<u>(13,249)</u>	<u>-</u>
Current year's taxes collected			<u>\$ 1,492,400</u>	<u>\$ 1,319,136</u>	<u>\$ 174,253</u>
Current levy collection percentage			<u>99.12%</u>	<u>99.01%</u>	<u>100.00%</u>

COMPLIANCE SECTION

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

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Dallas, North Carolina, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Town of Dallas, North Carolina's basic financial statements, and have issued our report thereon dated _____, 2022.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

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

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.

Lowman & Co., P.C.

Morganton, North Carolina
November 22, 2022