

**TOWN OF DALLAS  
NORTH CAROLINA**

**BASIC FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2025**



# **TOWN OF DALLAS, NORTH CAROLINA**

## **GOVERNANCE**

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

Hayley Beaty, Mayor

Sam Martin, Mayor Pro Tem

Jerry Cearley

E. Hoyle Withers

Alan Cloaninger

Frank Milton

### **Town Administration**

Jonathan Newton, Town Manager

J. Thomas Hunn, Town Attorney

Sarah Ballard, HR

Lindsey Tysinger, Town Clerk

Robert Walls, Police Chief

Bill Trudnak, Public Works Director

Earl Withers, Fire Chief

Alex Wallace, Recreation Director

Lanny Smith, Electric Director

Anthony Smith, Development Services Director



# TOWN OF DALLAS, NORTH CAROLINA

## BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2025

### TABLE OF CONTENTS

<b><u>Exhibit</u></b>		<b><u>Page</u></b>
	<b>Independent Auditor's Report</b>	1-3
	<b>Management's Discussion and Analysis</b>	4-13
	<b>Basic Financial Statements:</b>	
	<b>Government-Wide Financial Statements:</b>	
A	Statement of Net Position	14-15
B	Statement of Activities	16-17
	<b>Fund Financial Statements:</b>	
C	Balance Sheet - Governmental Funds	18-19
D	Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	20-21
E	General Fund - Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	22
F	Statement of Net Position - Proprietary Funds	23-24
G	Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds	25
H	Statement of Cash Flows - Proprietary Funds	26-27
	<b>Notes to the Financial Statements</b>	28-66
<b><u>Schedule</u></b>		
	<b>Required Supplemental Information:</b>	
A-1	Law Enforcement Officers' Special Separation Allowance Schedule of Changes in Total Pension Liability	67-68
A-2	Law Enforcement Officers' Special Separation Allowance Schedule of Total Pension Liability as a Percentage of Covered Employee Payroll	69-70
A-3	Local Governmental Employees' Retirement System - Town's Proportionate Share of Net Pension Liability (Asset)	71-72

# TOWN OF DALLAS, NORTH CAROLINA

## BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2025

### TABLE OF CONTENTS

<u>Schedule</u>		<u>Page</u>
	<b>Required Supplemental Information (continued):</b>	
A-4	Local Governmental Employees' Retirement System - Town of Dallas' Contributions	73-74
A-5	Other Post-Employment Benefits - Schedule of Changes in the Total OPEB Liability and Related Ratios	75
	<b>Supplemental Financial Data:</b>	
1	General Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	76-79
2	Capital Reserve Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	80
3	Combining Balance Sheet - Nonmajor Governmental Funds	81-82
4	Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds	83-84
5	Stormwater Fund - Schedule of Revenues and Expenditures, and Changes in Fund Balance - Budget and Actual	85
6	T.O.P. T.I.E.R. Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	86
7	CDBG Grant Fund - Schedule of Revenues and Expenditures, and Changes in Fund Balance - Budget and Actual	87
8	SCIF Grant Fund - Schedule of Revenues and Expenditures, and Changes in Fund Balance - Budget and Actual	88
9	Stormwater Capital Project Fund - Schedule of Revenues and and Changes in Fund Balance - Budget and Actual	89
10	Electric Fund - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	90-91
11	Water and Sewer Fund - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	92-93

# TOWN OF DALLAS, NORTH CAROLINA

## BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2025

### TABLE OF CONTENTS

<u>Schedule</u>		<u>Page</u>
	<b>Supplemental Financial Data (continued):</b>	
12	Water and Sewer Capital Project Fund - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	94
	<b>Other Supplemental Data:</b>	
13	General Fund - Schedule of Ad Valorem Taxes Receivable	95
14	Analysis of Current Tax Levy Town-Wide Levy	96
	<b>Compliance Section:</b>	
	Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	97-98
	Schedule of Findings and Responses	99
	Schedule of Prior Year Audit Findings	100

*This page left blank intentionally.*

## **Financial Section**

---

- Independent Auditor's Report
  - Management's Discussion and Analysis
  - Basic Financial Statements
  - Notes to the Financial Statements
  - Required Supplementary Information
  - Combining and Individual Fund Statements and Schedules
-

*This page left blank intentionally.*

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

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

## **Independent Auditor's Report**

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

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

#### ***Opinions***

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Dallas, North Carolina, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Dallas, North Carolina, as of June 30, 2025, and the respective changes in financial position and, where applicable, cash flows, thereof, and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

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

#### ***Change in Accounting Principle***

As discussed in Note 6 to the financial statements, in 2025 the Town adopted new accounting guidance, GASB Statement No. 101, *Compensated Absences*. Our opinion is not modified with respect to this matter.

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

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

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

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

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

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

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

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

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

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

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

### ***Supplementary Information***

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

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2025 on our consideration of the Town of Dallas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Dallas' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Dallas' internal control over financial reporting and compliance.

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

Martin Starnes & Associates, CPAs, P.A.  
Hickory, North Carolina  
October 31, 2025

*This page left blank intentionally.*

## Management's Discussion and Analysis

As management of the Town of Dallas, we offer the readers of the Town of Dallas' financial statements this narrative overview and analysis of the financial activities of the Town of Dallas for the fiscal year ended June 30, 2025. We encourage readers to read the information presented here in conjunction with the additional information that we have furnished in the Town's financial statements, which follow this narrative.

### Financial Highlights

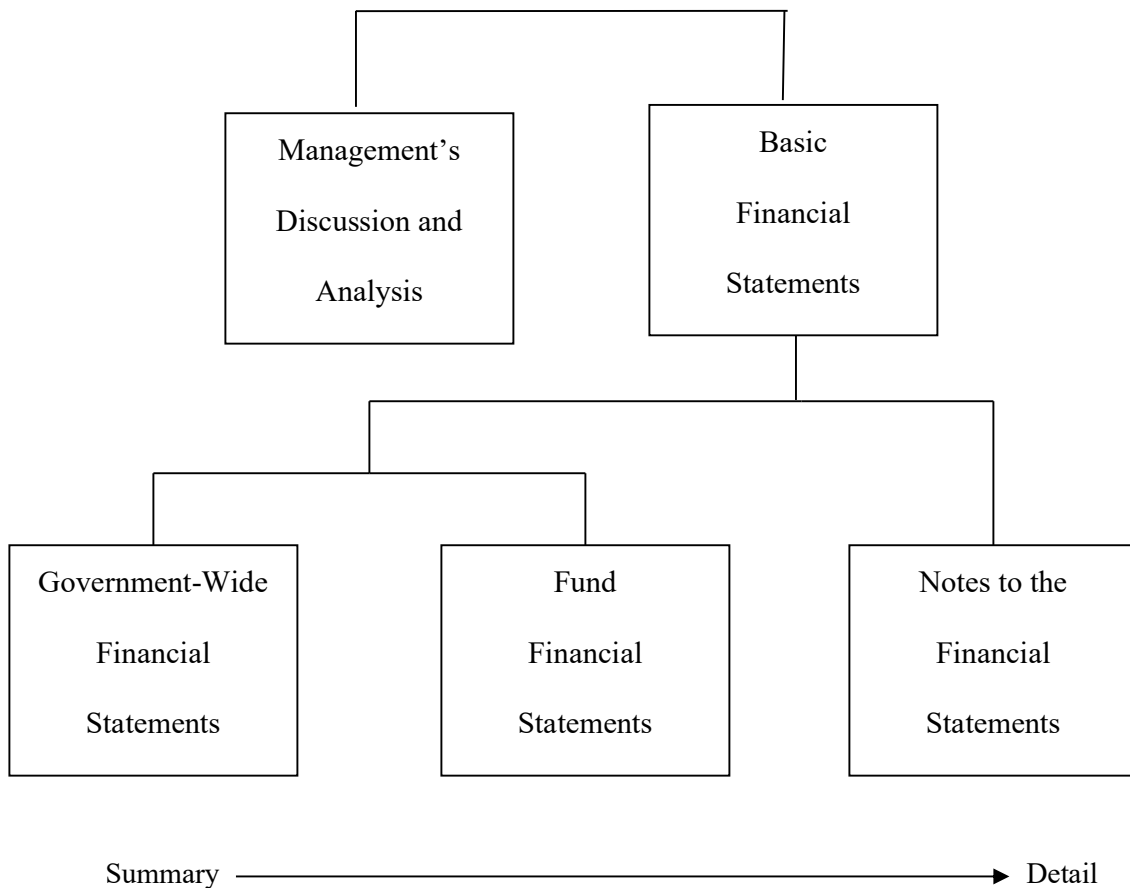
- The assets and deferred outflows of resources of the Town of Dallas exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$33,793,168 (*net position*).
- The government's total net position increased by \$1,931,673, primarily due to increases in the business-type activities net position and a reduction in overall liabilities within business-type activities.
- As of the close of the current fiscal year, the Town of Dallas' governmental funds reported combined ending fund balances of \$10,312,252 with a net increase of \$2,097,289 in fund balance. Approximately 53.8% of this total amount, or \$5,547,952, is non-spendable, restricted, or assigned.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$4,794,600, or 85.82%, of total General Fund expenditures (\$5,587,003) for the fiscal year.
- The Town of Dallas' total debt decreased by \$154,802 (2.1%) during the current fiscal year. The key factors in this were changes in lease liabilities and pension liability.
- The Town's total capital assets (net of accumulated depreciation) decreased by \$808,911 (3.96%) during the current fiscal year. The key factor in this was due to spending cuts.

### Overview of the Financial Statements

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

## Required Components of Annual Financial Report

Figure 1



### Basic Financial Statements

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

The next statements (Exhibit C through H) are the **fund financial statements**. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than the government-wide statements. There are four parts to the Fund Financial Statements: 1) the governmental fund statements, 2) the budgetary comparison statements, 3) the proprietary fund statements, and 4) the fiduciary fund statements. The Town of Dallas has no fiduciary funds, so this part of the Fund Financial Statements is omitted.

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

## Government-Wide Financial Statements

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

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

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

The government-wide financial statements are on Exhibits A and B of this report.

## Fund Financial Statements

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

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

The Town of Dallas adopts an annual budget for the General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the Town, the management of the Town, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the Town to obtain funds from identified sources to finance the current period activities. The budgetary statement provided for the General Fund demonstrates how well the Town complied with the budget ordinance and whether or not the Town succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented in the same format, language and classifications as the legal budget

document. The statement shows four columns: 1) the original budget as adopted by the Board of Aldermen 2) the final budget as amended by the Board of Aldermen 3) the actual resources, charges to appropriations, and ending balances in the General Fund, and 4) the differences or variance between the final budget and actual resources and charges.

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

**Notes to the Financial Statements.** The notes provide additional information that is essential to the full understanding of data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 28 of this report.

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

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

## Town of Dallas' Net Position

Figure 2

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2025</b>	<b>2024</b>	<b>2025</b>	<b>2024</b>	<b>2025</b>	<b>2024</b>
<b>Assets and Deferred</b>						
<b>Outflows of Resources:</b>						
Current and other assets	\$ 10,720,802	\$ 8,548,304	\$ 10,418,112	\$ 9,852,810	\$ 21,138,914	\$ 18,401,114
Capital assets	5,872,241	6,115,009	13,770,844	14,336,987	19,643,085	20,451,996
Deferred outflows of resources	838,818	984,378	907,681	1,054,366	1,746,499	2,038,744
Total assets and deferred outflows of resources	<u>17,431,861</u>	<u>15,647,691</u>	<u>25,096,637</u>	<u>25,244,163</u>	<u>42,528,498</u>	<u>40,891,854</u>
<b>Liabilities and Deferred</b>						
<b>Inflows of Resources:</b>						
Long-term liabilities	3,063,436	3,075,282	3,514,323	3,741,629	6,577,759	6,816,911
Other liabilities	519,042	597,154	1,352,465	1,258,815	1,871,507	1,855,969
Deferred inflows of resources	189,478	169,333	96,586	47,219	286,064	216,552
Total liabilities and deferred inflows of resources	<u>3,771,956</u>	<u>3,841,769</u>	<u>4,963,374</u>	<u>5,047,663</u>	<u>8,735,330</u>	<u>8,889,432</u>
<b>Net Assets:</b>						
Net investment in capital assets	4,702,191	4,883,142	11,998,883	12,353,529	16,701,074	17,236,671
Restricted	1,154,200	984,854	-	-	1,154,200	984,854
Unrestricted	7,803,514	5,937,926	8,134,380	7,842,971	15,937,894	13,780,897
Total net position	<u>\$ 13,659,905</u>	<u>\$ 11,805,922</u>	<u>\$ 20,133,263</u>	<u>\$ 20,196,500</u>	<u>\$ 33,793,168</u>	<u>\$ 32,002,422</u>

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of resources of the Town exceeded liabilities and deferred inflows by \$33,793,168 as of June 30, 2025. The Town's net position increased by \$1,931,673 for the fiscal year ended June 30, 2025. However, the largest portion, \$16,701,074, or (49.4%), reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Dallas' net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town's net position, \$1,154,200, or 3.4%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$15,937,894 is unrestricted.

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

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

## Town of Dallas' Changes in Net Position

**Figure 3**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2025</b>	<b>2024</b>	<b>2025</b>	<b>2024</b>	<b>2025</b>	<b>2024</b>
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 1,005,316	\$ 816,794	\$ 13,699,960	\$ 13,479,951	\$ 14,705,276	\$ 14,296,745
Operating grants and contributions	221,589	1,163,429	45,000	-	266,589	1,163,429
Capital grants and contributions	535,443	42,000	5,000	89,883	540,443	131,883
General revenues:						
Property taxes	2,453,354	2,349,243	-	-	2,453,354	2,349,243
Other taxes	1,401,023	1,086,034	-	-	1,401,023	1,086,034
Unrestricted investment earnings	650,294	649,173	4,358	4,760	654,652	653,933
Other	269,644	215,539	152,820	157,500	422,464	373,039
Total revenues	<u>6,536,663</u>	<u>6,322,212</u>	<u>13,907,138</u>	<u>13,732,094</u>	<u>20,443,801</u>	<u>20,054,306</u>
<b>Expenses:</b>						
General government	994,194	915,343	-	-	994,194	915,343
Public safety	3,108,643	2,652,468	-	-	3,108,643	2,652,468
Transportation	550,695	586,382	-	-	550,695	586,382
Economic and physical development	25,519	62,216	-	-	25,519	62,216
Environmental protection	955,652	545,574	-	-	955,652	545,574
Cultural and recreational	592,022	448,537	-	-	592,022	448,537
Interest on long-term debt	65,300	58,625	-	-	65,300	58,625
Water and sewer	-	-	3,944,036	3,631,495	3,944,036	3,631,495
Electric	-	-	8,276,067	8,459,320	8,276,067	8,459,320
Total expenses	<u>6,292,025</u>	<u>5,269,145</u>	<u>12,220,103</u>	<u>12,090,815</u>	<u>18,512,128</u>	<u>17,359,960</u>
Change in net position before transfers	244,638	1,053,067	1,687,035	1,641,279	1,931,673	2,694,346
Transfers	<u>1,661,179</u>	<u>59,179</u>	<u>(1,661,179)</u>	<u>(59,179)</u>	<u>-</u>	<u>-</u>
Change in net position	<u>1,905,817</u>	<u>1,112,246</u>	<u>25,856</u>	<u>1,582,100</u>	<u>1,931,673</u>	<u>2,694,346</u>
<b>Net Position:</b>						
Beginning of year, July 1	11,805,922	10,693,676	20,196,500	18,614,400	32,002,422	29,308,076
Restatement	<u>(51,834)</u>	<u>-</u>	<u>(89,093)</u>	<u>-</u>	<u>(140,927)</u>	<u>-</u>
Beginning of year, July 1, as restated	<u>11,754,088</u>	<u>10,693,676</u>	<u>20,107,407</u>	<u>18,614,400</u>	<u>31,861,495</u>	<u>29,308,076</u>
End of year, June 30	<u>\$ 13,659,905</u>	<u>\$ 11,805,922</u>	<u>\$ 20,133,263</u>	<u>\$ 20,196,500</u>	<u>\$ 33,793,168</u>	<u>\$ 32,002,422</u>

**Governmental Activities.** Governmental activities increased the Town's net position by \$1,905,817, accounting for 99% of the increase. Key elements of this increase are as follows:

- increased local option sales taxes and investment earnings
- increased expenses by only 19% over the prior year
- increase to solid waste services

**Business-Type Activities.** Business-type activities increased the Town’s net position by \$25,856, accounting for 1% of the total increase in the government’s net position. Key elements of this increase are as follows:

- 1% increase in operating revenues
- one-time operating transfer from the General Fund
- increases in salary and benefits costs
- overall increase in operating expenses

### **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 \$10,312,252 which is higher than last year's total of \$8,214,963. Included in this change in fund balance is an increase in the General Fund balance of \$1,111,259. The primary reasons for the increase mirror the governmental activities analysis are highlighted below.

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

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

The General Fund is the chief operating fund of the Town of Dallas. At the end of the current fiscal year, the Town of Dallas’ fund balance available in the General Fund was \$5,606,028, while total fund balance reached \$6,096,359. The Governing Body of the Town of Dallas has determined that the Town should maintain an available fund balance of no less than 30%, with a target of 50%, of General Fund expenditures in case of unforeseen needs or opportunities, in addition to meeting the cash flow needs of the Town. The Town currently has an available fund balance of 100.34% of General Fund expenditures, while total fund balance represents 109.12% of that same amount.

The Capital Project Fund is used to account for capital projects for the Town’s governmental activities. During the year, fund balance increased from \$2,053,820 to \$2,958,605 due to transfers from the Electric Fund and Stormwater Fund for future projects. There were no capital project fund expenditures during the fiscal year.

At June 30, 2025, the governmental funds of the Town reported a combined fund balance of \$10,312,252, with a net increase in fund balance of \$2,097,289. Included in this change in fund balance are increases in fund balance in the General Fund and the Capital Project Fund.

General Fund:	
General Fund	\$ 1,111,259
Other Funds:	
Capital Project Fund	904,785
Nonmajor Funds	81,245
Total	<u>\$ 2,097,289</u>

### **Budgetary Highlights**

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

## **General Fund**

There were numerous budget amendments completed in the General Fund in Fiscal Year 2025 due to many scenarios. The Police Department had amendments to appropriate funds for an SRO position, and Public Safety Grant to reimburse costs for Bolo wraps, as well as to appropriate funds for a new IT Provider (New World) which allowed communication with Gaston County PD and other municipalities.

The Fire Department had multiple amendments which included appropriating funds for a Pumper Truck, and a new ladder truck together exceeding 2.9 million dollars.

Multiple amendments were completed for the recreation department to appropriate funds for an athletic grant, purchase of a safety gate, and appropriate funds for equipment for the new football program that began this FY.

## **Proprietary Funds**

In the Water Fund, the following amendments: (1) To appropriate funds for Wastewater Treatment Plant overtime (2) Water Treatment Plant drying bed cleanout (3) To appropriate funds for Sewer Force Main Grant

In the Electric Fund, there were budget amendments to appropriate anticipated Duke Power True-Up Revenues.

## **Other Funds**

Economic Development Fund – The Town appropriated funds for the sale of 208 N Holland St.

## **Change in Accounting Policy**

During fiscal year 2025, the Town implemented Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*. This standard requires governments to recognize a liability for certain types of compensated absences when the leave is earned, rather than when it is taken. The application of GASB 101 resulted in a restatement of \$51,833 and \$89,093 to the beginning net position of the governmental activities and business-type activities, respectively. As a result, amounts reported in Management's Discussion and Analysis for fiscal year 2025 are not comparable to those reported for fiscal year 2024, which have not been restated in the prior year comparative information. See Note 6 for additional information regarding the impact of this standard on the current year's financial statements.

## **Capital Asset and Debt Administration**

**Capital Assets.** The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2025 totals \$19,643,085 (net of accumulated depreciation). These assets include buildings, roads and bridges, land, machinery and equipment, park facilities, vehicles, leased assets and IT subscriptions.

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

- Police Department: Three Dodge Chargers as an addition to their fleet.
- Storm Water: Stream Bank Stabilization.
- Recreation: Gym Repairs made to Franklin Gym.
- Water Sewer: Dallas Stanley pump station upgrade.
- Fire Department: Mezzanine
- Electrical Department: Car Charging Station
- Electrical Department: Various infrastructure upgrades to multiple developments.

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

**Figure 4**

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
Land	\$ 450,222	\$ 450,222	\$ 189,069	\$ 189,069	\$ 639,291	\$ 639,291
Right of way	-	-	41,648	41,648	41,648	41,648
Buildings and improvements	2,726,937	2,862,382	512,709	542,596	3,239,646	3,404,978
Distribution systems	88,017	91,998	11,299,717	10,195,014	11,387,734	10,287,012
Infrastructure	621,749	659,008	-	-	621,749	659,008
Other improvements	1,082,442	928,932	-	-	1,082,442	928,932
Sewer Plant	-	-	732,398	776,884	732,398	776,884
Water Plant	-	-	274,780	330,118	274,780	330,118
Vehicles and equipment	478,624	749,629	715,224	887,853	1,193,848	1,637,482
Construction in progress	98,666	98,666	5,299	1,368,006	103,965	1,466,672
Leased assets	325,584	272,938	-	542	325,584	273,480
Subscriptions	-	1,234	-	5,257	-	6,491
Total	<u>\$ 5,872,241</u>	<u>\$ 6,115,009</u>	<u>\$ 13,770,844</u>	<u>\$ 14,336,987</u>	<u>\$ 19,643,085</u>	<u>\$ 20,451,996</u>

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

**Long-Term Debt.** As of June 30, 2025, the Town of Dallas had \$2,609,976 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	
	2025	2024	2025	2024	2025	2024
Direct placement and installment purchases	\$ 838,015	\$ 959,647	\$ 1,771,961	\$ 1,980,484	\$ 2,609,976	\$ 2,940,131
Lease liabilities	332,035	271,650	-	546	332,035	272,196
Subscription liabilities	-	570	-	2,428	-	2,998
Compensated absences	254,374	180,383	300,231	169,469	554,605	349,852
Total OPEB liability	101,788	100,963	308,802	306,328	410,590	407,291
Pension related debt (LGERS)	1,351,425	1,411,287	1,511,071	1,578,573	2,862,496	2,989,860
Pension related debt (LEO)	490,911	453,087	-	-	490,911	453,087
Total	<u>\$ 3,368,548</u>	<u>\$ 3,377,587</u>	<u>\$ 3,892,065</u>	<u>\$ 4,037,828</u>	<u>\$ 7,260,613</u>	<u>\$ 7,415,415</u>

## **Town of Dallas' Outstanding Debt**

The Town of Dallas' total debt decreased by \$154,802 (2.1%) during the past fiscal year, primarily due to an decrease in pension liabilities (LGERS) and direct placement and installment purchases.

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

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

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

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

- 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, 2026**

To maintain the integrity of the Town's core services, functions, and activities, Storm Water Fee and Property Tax rates increased by 02 cent/per \$100 valuation. Vehicle Tag increased from \$10 to \$20 per vehicle. The Town's residential coal ash recovery charge continues to be a passthrough to the customer. The Town has passed along banking fees due to credit card transactions to its citizens, along with a service fee of \$100 to vendors who require ACH payments. Utility Fees were increased slightly: Water & Sewer 5% increase for inside customers, new outside minimum sewer rates were also set, and Electric a \$2.50 base rate increase. Solid Waste was also increased by \$4.00, and outside sewer rates increased

The fiscal year 2026 budget funds the following ongoing and/or new initiatives or infrastructure upgrades:

### **General Fund:**

- Two Interceptors for Police Department.
- Recreation Department purchased a truck.
- Fire Department has received new ladder truck.

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

- Screw Press has been purchased

### **Electric Fund:**

- Bucket Truck has been ordered

## **Requests for Information**

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

## Basic Financial Statements

---

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

---

# **TOWN OF DALLAS, NORTH CAROLINA**

## **STATEMENT OF NET POSITION** **JUNE 30, 2025**

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>Assets:</b>			
Current assets:			
Cash and cash equivalents	\$ 9,374,070	\$ 6,670,876	\$ 16,044,946
Taxes receivables, net	33,246	-	33,246
Accounts receivable, net	72,447	2,584,084	2,656,531
Due from other governments	584,195	18,231	602,426
Inventories	312	823,047	823,359
Restricted cash and cash equivalents	656,532	321,874	978,406
Total current assets	<u>10,720,802</u>	<u>10,418,112</u>	<u>21,138,914</u>
Capital assets:			
Land and construction in progress	548,888	236,016	784,904
Other capital assets, net of depreciation	4,997,769	13,534,828	18,532,597
Right-to-use assets, net of amortization	325,584	-	325,584
Total capital assets	<u>5,872,241</u>	<u>13,770,844</u>	<u>19,643,085</u>
Total non-current assets	<u>5,872,241</u>	<u>13,770,844</u>	<u>19,643,085</u>
Total assets	<u>16,593,043</u>	<u>24,188,956</u>	<u>40,781,999</u>
<b>Deferred Outflows of Resources:</b>			
Pension deferrals	797,120	782,589	1,579,709
OPEB deferrals	41,698	125,092	166,790
Total deferred outflows of resources	<u>838,818</u>	<u>907,681</u>	<u>1,746,499</u>
<b>Liabilities:</b>			
Current liabilities:			
Accounts payable and accrued liabilities	201,430	652,849	854,279
Customer deposits - restricted	-	321,874	321,874
Advances from grantors	12,500	-	12,500
Current portion of long-term liabilities	305,112	377,742	682,854
Total current liabilities	<u>519,042</u>	<u>1,352,465</u>	<u>1,871,507</u>

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

# **TOWN OF DALLAS, NORTH CAROLINA**

## **STATEMENT OF NET POSITION** **JUNE 30, 2025**

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
Long-term liabilities:			
Accrued compensated absences	175,393	138,228	313,621
Net pension liability - LGERS	1,351,425	1,511,071	2,862,496
Total pension liability - LEOSSA	490,911	-	490,911
OPEB liability	101,788	308,802	410,590
Due in more than one year	943,919	1,556,222	2,500,141
Total long-term liabilities	<u>3,063,436</u>	<u>3,514,323</u>	<u>6,577,759</u>
 Total liabilities	 <u>3,582,478</u>	 <u>4,866,788</u>	 <u>8,449,266</u>
 <b>Deferred Inflows of Resources:</b>			
Pension deferrals	175,929	55,934	231,863
OPEB deferrals	13,549	40,652	54,201
Total deferred inflows of resources	<u>189,478</u>	<u>96,586</u>	<u>286,064</u>
 <b>Net Position:</b>			
Net investment in capital assets	4,702,191	11,998,883	16,701,074
Restricted for:			
Stabilization by state statute	510,168	-	510,168
Economic development	291,111	-	291,111
Streets - Powell Bill	328,212	-	328,212
Public safety	24,709	-	24,709
Unrestricted	7,803,514	8,134,380	15,937,894
Total net position	<u>\$ 13,659,905</u>	<u>\$ 20,133,263</u>	<u>\$ 33,793,168</u>

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

**TOWN OF DALLAS, NORTH CAROLINA**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2025**

		Program Revenues		
		Charges for	Operating	Capital
	Expenses	Services	Grants and	Grants and
			Contributions	Contributions
<b>Function / Programs</b>				
<b>Primary Government:</b>				
General government	\$ 994,194	\$ 838,460	\$ -	\$ 535,443
Public safety	3,108,643	3,023	179	-
Transportation	550,695	-	207,537	-
Economic and physical development	25,519	-	-	-
Environmental protection	955,652	-	13,873	-
Cultural and recreational	592,022	163,833	-	-
Interest on long-term debt	65,300	-	-	-
Total governmental activities	<u>6,292,025</u>	<u>1,005,316</u>	<u>221,589</u>	<u>535,443</u>
<b>Business-Type Activities:</b>				
Water and sewer	3,944,036	3,897,712	-	5,000
Electric	8,276,067	9,802,248	-	45,000
Total business-type activities	<u>12,220,103</u>	<u>13,699,960</u>	<u>-</u>	<u>50,000</u>
Total primary government	<u>\$ 18,512,128</u>	<u>\$ 14,705,276</u>	<u>\$ 221,589</u>	<u>\$ 585,443</u>

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

**TOWN OF DALLAS, NORTH CAROLINA**

**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2025**

	<b>Net (Expense) Revenue and Changes in Net Position</b>		
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>Function / Programs</b>			
<b>Primary Government:</b>			
General government	\$ 379,709	\$ -	\$ 379,709
Public safety	(3,105,441)	-	(3,105,441)
Transportation	(343,158)	-	(343,158)
Economic and physical development	(25,519)	-	(25,519)
Environmental protection	(941,779)	-	(941,779)
Cultural and recreational	(428,189)	-	(428,189)
Interest on long-term debt	(65,300)	-	(65,300)
Total governmental activities	<u>(4,529,677)</u>	<u>-</u>	<u>(4,529,677)</u>
<b>Business-Type Activities:</b>			
Water and sewer	-	(41,324)	(41,324)
Electric	-	1,571,181	1,571,181
Total business-type activities	<u>-</u>	<u>1,529,857</u>	<u>1,529,857</u>
Total primary government	<u>(4,529,677)</u>	<u>1,529,857</u>	<u>(2,999,820)</u>
<b>General Revenues:</b>			
Taxes:			
Ad valorem taxes	2,453,354	-	2,453,354
Local option sales tax	946,321	-	946,321
Other taxes and licenses	454,702	-	454,702
Investment earnings	650,294	4,358	654,652
Gain on sale of asset	74,468	-	74,468
Miscellaneous	195,176	152,820	347,996
Total general revenues, excluding transfers	4,774,315	157,178	4,931,493
Transfers	1,661,179	(1,661,179)	-
Total general revenues and transfers	<u>6,435,494</u>	<u>(1,504,001)</u>	<u>4,931,493</u>
Change in net position	<u>1,905,817</u>	<u>25,856</u>	<u>1,931,673</u>
<b>Net Position:</b>			
Beginning of year, July 1	11,805,922	20,196,500	32,002,422
Restatement	(51,834)	(89,093)	(140,927)
Beginning of year, July 1, restated	<u>11,754,088</u>	<u>20,107,407</u>	<u>31,861,495</u>
End of year, June 30	<u>\$ 13,659,905</u>	<u>\$ 20,133,263</u>	<u>\$ 33,793,168</u>

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

**TOWN OF DALLAS, NORTH CAROLINA**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2025**

	<b>Major</b>		<b>Nonmajor</b>	<b>Total</b>
	<b>General Fund</b>	<b>Capital Reserve Fund</b>	<b>Governmental Funds</b>	<b>Governmental Funds</b>
<b>Assets:</b>				
Cash and cash equivalents	\$ 5,436,381	\$ 2,958,605	\$ 979,084	\$ 9,374,070
Taxes receivable, net	33,246	-	-	33,246
Accounts receivable, net	52,298	-	20,149	72,447
Due from government agencies	553,895	-	30,300	584,195
Inventories	312	-	-	312
Due from other funds	14,900	-	-	14,900
Restricted cash	352,921	-	303,611	656,532
Total assets	<u>\$ 6,443,953</u>	<u>\$ 2,958,605</u>	<u>\$ 1,333,144</u>	<u>\$ 10,735,702</u>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable and accrued liabilities	\$ 183,274	\$ -	\$ 18,156	\$ 201,430
Due to other funds	-	-	14,900	14,900
Advances from grantors	-	-	12,500	12,500
Total liabilities	<u>183,274</u>	<u>-</u>	<u>45,556</u>	<u>228,830</u>
<b>Deferred Inflows of Resources:</b>				
Property taxes receivable	33,246	-	-	33,246
Other receivables	131,074	-	30,300	161,374
Total deferred inflows of resources	<u>164,320</u>	<u>-</u>	<u>30,300</u>	<u>194,620</u>
<b>Fund Balances:</b>				
Non-spendable:				
Inventories	312	-	-	312
Restricted:				
Stabilization by state statute	490,019	-	20,149	510,168
Economic development	-	-	291,111	291,111
Streets - Powell Bill	328,212	-	-	328,212
Public Safety	24,709	-	-	24,709
Assigned:				
Stormwater	-	-	586,383	586,383
Capital projects	-	2,958,605	-	2,958,605
T.O.P. T.I.E.R. Program	-	-	389,945	389,945
Subsequent year's expenditures	458,507	-	-	458,507
Unassigned	4,794,600	-	(30,300)	4,764,300
Total fund balances	<u>6,096,359</u>	<u>2,958,605</u>	<u>1,257,288</u>	<u>10,312,252</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 6,443,953</u>	<u>\$ 2,958,605</u>	<u>\$ 1,333,144</u>	<u>\$ 10,735,702</u>

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

**TOWN OF DALLAS, NORTH CAROLINA**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2025**

		<b>Total Governmental Funds</b>
Total fund balances		\$ 10,312,252
Amounts reported for governmental activities in the Statement of Net Position (Exhibit A) are different because:		
Capital assets and right to use assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:		
Gross capital assets at historical cost	\$ 11,200,695	
Accumulated depreciation	<u>(5,654,038)</u>	5,546,657
Right-to-use assets	521,953	
Accumulated amortization	<u>(196,369)</u>	325,584
Deferred outflows of resources related to pensions and OPEB are not reported in the funds		838,818
Liabilities for earned revenues considered deferred inflows of resources in fund statements.		194,620
Long-term liabilities used in governmental activities are not financial uses and, therefore, are not reported in the funds:		
Compensated absences		(254,374)
Installment purchases, leases, and subscription payable		(1,170,050)
LEO separation allowance		(490,911)
Net pension liability		(1,351,425)
Other post-employment benefits		(101,788)
Deferred inflows of resources related to pensions and OPEB are not reported in the funds.		<u>(189,478)</u>
Net position of the governmental activities		<u><u>\$ 13,659,905</u></u>

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

**TOWN OF DALLAS, NORTH CAROLINA**

**STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2025**

	<b>Major</b>		<b>Nonmajor</b>	<b>Total</b>
	<b>General Fund</b>	<b>Capital Reserve Fund</b>	<b>Governmental Funds</b>	<b>Governmental Funds</b>
<b>Revenues:</b>				
Ad valorem taxes	\$ 2,452,100	\$ -	\$ -	\$ 2,452,100
Other taxes and licenses	68,740	-	-	68,740
Unrestricted intergovernmental revenues	1,245,746	-	-	1,245,746
Restricted intergovernmental revenues	235,722	-	452,973	688,695
Permits and fees	45,659	-	-	45,659
Sales and services	736,232	-	-	736,232
Investment earnings	552,567	93,606	4,121	650,294
Miscellaneous	195,176	-	-	195,176
Storm water fees	-	-	223,425	223,425
Total revenues	<u>5,531,942</u>	<u>93,606</u>	<u>680,519</u>	<u>6,306,067</u>
<b>Expenditures:</b>				
Current:				
General government	859,296	-	-	859,296
Public safety	2,853,260	-	-	2,853,260
Transportation	490,848	-	-	490,848
Economic and physical development	-	-	25,519	25,519
Environmental protection	443,966	-	515,223	959,189
Cultural and recreational	629,196	-	-	629,196
Debt service:				
Principal	245,137	-	-	245,137
Interest	65,300	-	-	65,300
Total expenditures	<u>5,587,003</u>	<u>-</u>	<u>540,742</u>	<u>6,127,745</u>
Revenues over (under) expenditures	<u>(55,061)</u>	<u>93,606</u>	<u>139,777</u>	<u>178,322</u>
<b>Other Financing Sources (Uses):</b>				
Lease liabilities issued	183,320	-	-	183,320
Sale of capital asset	-	-	74,468	74,468
Transfers in	983,000	911,179	-	1,894,179
Transfers out	-	(100,000)	(133,000)	(233,000)
Total other financing sources (uses)	<u>1,166,320</u>	<u>811,179</u>	<u>(58,532)</u>	<u>1,918,967</u>
Net change in fund balance	1,111,259	904,785	81,245	2,097,289
<b>Fund Balances:</b>				
Beginning of year, July 1	<u>4,985,100</u>	<u>2,053,820</u>	<u>1,176,043</u>	<u>8,214,963</u>
End of year, June 30	<u>\$ 6,096,359</u>	<u>\$ 2,958,605</u>	<u>\$ 1,257,288</u>	<u>\$ 10,312,252</u>

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

**TOWN OF DALLAS, NORTH CAROLINA**

**STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2025**

	<b>Total Governmental Funds</b>
Amounts reported for governmental activities in the Statement of Activities are different because:	
Net changes in fund balances - total governmental funds	\$ 2,097,289
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation and amortization expense.	
Capital outlay expenditures, which were capitalized	411,670
Depreciation expense for governmental assets	(417,548)
Amortization expense for right to use assets	(126,481)
Loss on disposal of assets	(110,409)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	
Change in unavailable revenue for tax and grant revenues	156,128
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. transaction has any affect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.	
New long-term debt, leases, and subscriptions issued	(183,320)
Principal payments on long-term debt, leases, and subscriptions	245,137
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Change in compensated absences	(22,157)
Change in LGERS pension expense:	
Changes in net pension assets	
Changes in deferred outflows	(120,395)
Changes in net pension liability	59,862
Changes in deferred inflows	(39,233)
Change in LEO separation allowance expense:	
Change in deferred outflows	(21,526)
Change in total pension liability	(37,824)
Change in deferred inflows	20,795
Change in OPEB expense:	
Change in deferred outflows	(3,639)
Change in total OPEB liability	(825)
Change in deferred inflows	(1,707)
Total changes in net position of governmental activities	<u>\$ 1,905,817</u>

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

## TOWN OF DALLAS, NORTH CAROLINA

**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2025**

	<b>Budget</b>			<b>Variance with Final budget Over/Under</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>Revenues:</b>				
Ad valorem taxes	\$ 2,327,205	\$ 2,327,204	\$ 2,452,100	\$ 124,896
Other taxes and licenses	69,110	69,110	68,740	(370)
Unrestricted intergovernmental	952,117	952,117	1,245,746	293,629
Restricted intergovernmental	254,387	282,393	235,722	(46,671)
Permits and fees	34,500	34,500	45,659	11,159
Sales and services	603,139	603,139	736,232	133,093
Investment earnings	459,450	459,450	552,567	93,117
Miscellaneous	159,306	166,791	195,176	28,385
Total revenues	<u>4,859,214</u>	<u>4,894,704</u>	<u>5,531,942</u>	<u>637,238</u>
<b>Expenditures:</b>				
Current:				
General government	925,562	966,227	859,296	106,931
Public safety	3,540,166	6,704,424	2,853,260	3,851,164
Transportation	584,573	592,187	490,848	101,339
Environmental protection	559,180	535,973	443,966	92,007
Cultural and recreational	645,101	674,560	629,196	45,364
Debt service:				
Principal	288,672	301,277	245,137	56,140
Interest	53,004	54,816	65,300	(10,484)
Total expenditures	<u>6,596,258</u>	<u>9,829,464</u>	<u>5,587,003</u>	<u>4,242,461</u>
Revenues over (under) expenditures	<u>(1,737,044)</u>	<u>(4,934,760)</u>	<u>(55,061)</u>	<u>4,879,699</u>
<b>Other Financing Sources (Uses):</b>				
Lease liabilities issued	-	-	183,320	183,320
Sale of capital asset	2,000	2,000	-	(2,000)
Proceeds from capital financing	210,000	3,156,599	-	(3,156,599)
Appropriated fund balance	529,544	780,661	-	(780,661)
Transfers in	995,500	995,500	983,000	(12,500)
Total other financing sources (uses)	<u>1,737,044</u>	<u>4,934,760</u>	<u>1,166,320</u>	<u>(3,768,440)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	1,111,259	<u>\$ 1,111,259</u>
<b>Fund Balance:</b>				
Beginning of year, July 1			<u>4,985,100</u>	
End of year, June 30			<u>\$ 6,096,359</u>	

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

# **TOWN OF DALLAS, NORTH CAROLINA**

## **STATEMENT OF NET POSITION PROPRIETARY FUNDS JUNE 30, 2025**

	<b>Major Enterprise Funds</b>		
	<b>Water and Sewer Fund</b>	<b>Electric Fund</b>	<b>Total</b>
<b>Assets:</b>			
Current assets:			
Cash and cash equivalents	\$ 3,312,352	\$ 3,358,524	\$ 6,670,876
Accounts receivable (net)	530,224	2,072,091	2,602,315
Inventories	249,274	573,773	823,047
Restricted cash and cash equivalents	91,022	230,852	321,874
Total current assets	<u>4,182,872</u>	<u>6,235,240</u>	<u>10,418,112</u>
Non-current assets:			
Capital assets:			
Land, CIP, and other non-depreciable assets	158,909	77,107	236,016
Capital assets, net of depreciation	<u>8,894,481</u>	<u>4,640,347</u>	<u>13,534,828</u>
Total non-current assets	<u>9,053,390</u>	<u>4,717,454</u>	<u>13,770,844</u>
Total assets	<u>13,236,262</u>	<u>10,952,694</u>	<u>24,188,956</u>
<b>Deferred Outflows of Resources:</b>			
Pension deferrals	394,155	388,434	782,589
OPEB deferrals	<u>73,387</u>	<u>51,705</u>	<u>125,092</u>
Total deferred outflows of resources	<u>467,542</u>	<u>440,139</u>	<u>907,681</u>
<b>Liabilities:</b>			
Current liabilities:			
Accounts payable and accrued expenses	117,518	535,331	652,849
Compensated absences - current	62,553	99,450	162,003
Customer deposits - restricted	91,022	230,852	321,874
Long-term debt payable - current	<u>192,585</u>	<u>23,154</u>	<u>215,739</u>
Total current liabilities	<u>463,678</u>	<u>888,787</u>	<u>1,352,465</u>

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

# **TOWN OF DALLAS, NORTH CAROLINA**

## **STATEMENT OF NET POSITION PROPRIETARY FUNDS JUNE 30, 2025**

	<b>Major Enterprise Funds</b>		
	<b>Water and Sewer Fund</b>	<b>Electric Fund</b>	<b>Total</b>
Non-current liabilities:			
Long-term debt payable	1,556,222	-	1,556,222
Accrued compensated absences	67,779	70,449	138,228
Net pension liability	766,763	744,308	1,511,071
Net OPEB liability	179,783	129,019	308,802
Total non-current liabilities	<u>2,570,547</u>	<u>943,776</u>	<u>3,514,323</u>
 Total liabilities	 <u>3,034,225</u>	 <u>1,832,563</u>	 <u>4,866,788</u>
 <b>Deferred Inflows of Resources:</b>			
Pension deferrals	23,997	31,937	55,934
OPEB deferrals	23,850	16,802	40,652
Total deferred inflows of resources	<u>47,847</u>	<u>48,739</u>	<u>96,586</u>
 <b>Net Position:</b>			
Net investment in capital assets	7,304,583	4,694,300	11,998,883
Unrestricted	3,317,149	4,817,231	8,134,380
Total net position	<u>\$ 10,621,732</u>	<u>\$ 9,511,531</u>	<u>\$ 20,133,263</u>

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

## TOWN OF DALLAS, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES  
IN FUND NET POSITION - PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2025

	Major Enterprise Funds		
	Water and Sewer Fund	Electric Fund	Total
<b>Operating Revenues:</b>			
Electricity sales	\$ -	\$ 9,675,760	\$ 9,675,760
Water sales	2,320,226	-	2,320,226
Sewer charges	1,369,974	-	1,369,974
Water and sewer taps	51,147	-	51,147
Other operating revenues	156,365	126,488	282,853
Total operating revenues	<u>3,897,712</u>	<u>9,802,248</u>	<u>13,699,960</u>
<b>Operating Expenses:</b>			
Electrical operations	-	2,758,549	2,758,549
Electrical power purchases	-	5,080,300	5,080,300
Water and sewer operations	2,000,263	-	2,000,263
Water treatment and distribution	870,987	-	870,987
Waste collection and treatment	563,908	-	563,908
Depreciation and amortization	433,637	436,124	869,761
Total operating expenses	<u>3,868,795</u>	<u>8,274,973</u>	<u>12,143,768</u>
Operating income (loss)	<u>28,917</u>	<u>1,527,275</u>	<u>1,556,192</u>
<b>Non-Operating Revenues (Expenses):</b>			
Investment earnings	-	4,358	4,358
Rental income	46,257	-	46,257
Grant revenue	5,000	45,000	50,000
Non-operating grant	225,334	-	225,334
Other non-operating expense	(225,334)	-	(225,334)
Coal ash recovery revenue	-	106,563	106,563
Interest on long-term debt	(75,241)	(1,094)	(76,335)
Total non-operating revenues (expenses)	<u>(23,984)</u>	<u>154,827</u>	<u>130,843</u>
Income (loss) before transfers	<u>4,933</u>	<u>1,682,102</u>	<u>1,687,035</u>
Transfers from (to) other funds:			
General Fund	100,000	(850,000)	(750,000)
Capital Reserve Fund	-	(911,179)	(911,179)
Total transfers	<u>100,000</u>	<u>(1,761,179)</u>	<u>(1,661,179)</u>
Change in net position	<u>104,933</u>	<u>(79,077)</u>	<u>25,856</u>
<b>Net Position:</b>			
Beginning of year, July 1	10,553,786	9,642,714	20,196,500
Restatement	(36,987)	(52,106)	(89,093)
Beginning of year, as restated	<u>10,516,799</u>	<u>9,590,608</u>	<u>20,107,407</u>
End of year, June 30	<u>\$ 10,621,732</u>	<u>\$ 9,511,531</u>	<u>\$ 20,133,263</u>

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

# **TOWN OF DALLAS, NORTH CAROLINA**

## **STATEMENT OF CASH FLOWS PROPRIETARY FUNDS FOR THE YEAR ENDED JUNE 30, 2025**

	<b>Major Enterprise Funds</b>		
	<b>Water and Sewer Fund</b>	<b>Electric Fund</b>	<b>Total</b>
<b>Cash Flows from Operating Activities:</b>			
Cash received from customers	\$ 3,931,367	\$ 9,685,011	\$ 13,616,378
Cash paid for goods and services	(1,920,422)	(5,026,711)	(6,947,133)
Cash paid to or on behalf of employees for services	(1,465,505)	(2,661,319)	(4,126,824)
Net cash provided (used) by operating activities	<u>545,440</u>	<u>1,996,981</u>	<u>2,542,421</u>
<b>Cash Flows from Non-Capital Financing Activities:</b>			
Transfers (from) to other funds	100,000	(1,761,179)	(1,661,179)
Other non-operating expense	(225,334)	-	(225,334)
Non-operating grant	<u>225,334</u>	<u>-</u>	<u>225,334</u>
Net cash provided (used) by non-capital financing activities	<u>100,000</u>	<u>(1,761,179)</u>	<u>(1,661,179)</u>
<b>Cash from Capital and Related Financing Activities:</b>			
Acquisition and construction of capital assets	(183,303)	(120,315)	(303,618)
Proceeds from sale of assets	-	45,000	45,000
Grant revenues	5,000	-	5,000
Payment of coal ash - net of receipts	-	106,563	106,563
Principal paid on long-term debt	(187,475)	(24,022)	(211,497)
Interest paid on long-term debt	<u>(75,241)</u>	<u>(1,094)</u>	<u>(76,335)</u>
Net cash provided (used) by capital and related financing activities	<u>(441,019)</u>	<u>6,132</u>	<u>(434,887)</u>
<b>Cash Flows from Investing Activities:</b>			
Rental income	46,257	-	46,257
Investment earnings	<u>-</u>	<u>4,358</u>	<u>4,358</u>
Net cash provided (used) by investment activities	<u>46,257</u>	<u>4,358</u>	<u>50,615</u>
Net increase (decrease) in cash and cash equivalents	250,678	246,292	496,970
<b>Cash and Cash Equivalents:</b>			
Beginning of year, July 1	<u>3,152,696</u>	<u>3,343,084</u>	<u>6,495,780</u>
End of year, June 30	<u>\$ 3,403,374</u>	<u>\$ 3,589,376</u>	<u>\$ 6,992,750</u>

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

**TOWN OF DALLAS, NORTH CAROLINA**

**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2025**

	<b>Major Enterprise Funds</b>		
	<b>Water and Sewer Fund</b>	<b>Electric Fund</b>	<b>Total</b>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>			
Operating income (loss)	\$ 28,917	\$ 1,527,275	\$ 1,556,192
<b>Adjustments to Reconcile Net Operating Income to Net Cash Provided by Operating Activities:</b>			
Amortization	2,749	3,050	5,799
Depreciation	430,888	433,074	863,962
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	31,945	(115,191)	(83,246)
(Increase) decrease in inventory	42,860	(27,946)	14,914
(Increase) decrease in deferred outflows - pensions	69,163	66,602	135,765
(Increase) decrease in deferred outflows - OPEB	6,407	4,513	10,920
Increase (decrease) in net pension liability	(34,388)	(33,114)	(67,502)
Increase (decrease) in net OPEB liability	1,452	1,022	2,474
Increase (decrease) in accounts payable and accrued liabilities	(69,092)	81,535	12,443
Increase (decrease) in accrued vacation pay	7,283	34,386	41,669
Increase (decrease) in customer deposits	1,710	(2,046)	(336)
Increase (decrease) in deferred inflows - pensions	22,537	21,703	44,240
Increase (decrease) in deferred inflows - OPEB	3,009	2,118	5,127
Total adjustments	516,523	469,706	986,229
Net cash provided (used) by operating activities	\$ 545,440	\$ 1,996,981	\$ 2,542,421

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

*This page left blank intentionally.*

# TOWN OF DALLAS, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2025

### 1. Summary of Significant Accounting Policies

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

#### A. Reporting Entity

The Town of Dallas is located in Gaston County, which is in the Piedmont area of North Carolina. The Town has a population of approximately 6,084. The Town provides electric, water and sewer services to its residents.

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

#### B. Basis of Presentation

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

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

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

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

## TOWN OF DALLAS, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2025

The Town reports the following major governmental funds:

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

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

The Town reports the following nonmajor governmental funds:

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

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

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

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

**Stormwater Grant Fund.** This fund is used to account for various stormwater grant projects.

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. The Water and Sewer Capital Project Fund is a separately budgeted, which is consolidated within the Water and Sewer Fund for financial reporting purposes.

**Electric Fund.** This fund is used to account for the Town's electric operations. The Electric Capital Project Fund is separately budgeted, which is consolidated within the Electric Fund for financial reporting purposes.

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

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

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

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2025**

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and the producing and delivering of goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town enterprise funds are charges to customers for sales and services. The Town also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water and sewer system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation/amortization 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 leases and IT subscriptions are reported as other financial sources.

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

# **TOWN OF DALLAS, NORTH CAROLINA**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2025**

Sales taxes and certain intergovernmental revenues, such as the beer and wine tax, collected and held by the state at year-end on behalf of the Town are recognized as revenue. Sales taxes are considered a shared revenue for the Town because the tax is levied by 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 is both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then general revenues.

### **D. Budgetary Data**

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

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

#### **Deposits and Investments**

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

State law [G.S. 159-31] authorizes the Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States, obligations of the state of North Carolina, bonds and notes of any North Carolina local government or public authority, obligations of certain non-guaranteed federal agencies, certain high-quality issues of commercial paper and bankers' acceptances, and mutual fund shares when the mutual fund is certified by the Local Government Commission. The Town's investments are generally reported at fair value. North Carolina Capital Management Trust (NCCMT) Government Portfolio is a SEC-registered money market mutual fund that is certified by the Local Government Commission under the provisions of G.S. 159-30(c)(8) and the North Carolina Administrative Code. The

## TOWN OF DALLAS, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2025

Government Portfolio is a 2a7 fund that invests in treasuries, government agencies, and repurchase agreements collateralized by treasuries. It is rated AAA-m by S&P and AAA-mf by Moody's Investor Services and is reported at fair value.

#### Cash and Cash Equivalents

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

#### Restricted Assets

Customer deposits held by the Town before any services are supplied are restricted to the service for which the deposit was collected. Powell Bill funds are also classified as restricted cash because they can be expended only for the purposes of maintaining, repairing, constructing, reconstructing or widening of local streets per G.S. 136-41.1 through 136-41.4. Federal Asset Seizure Funds are also classified as restricted cash, because they can only be expended for the purposes of the expenses associated with forfeited operations or used to finance general investigative expenses. Unspent SCIF, and CDBG funds are also classified as restricted cash, because they can only be expended for the purposes of the expenses associated with these specific funds.

#### Governmental Activities:

Streets - Powell Bill	\$ 328,212
Public Safety	24,709
Unspent SCIF grant funds	12,500
CDBG funds	<u>291,111</u>
Total governmental activities	<u>656,532</u>

#### Business-Type Activities:

Water Fund:	
Customer deposits	91,022
Electric Fund:	
Customer deposits	<u>230,852</u>
Total business-type activities	<u>321,874</u>

Total restricted cash	<u><u>\$ 978,406</u></u>
-----------------------	--------------------------

#### Ad Valorem Taxes Receivable

In accordance with state law (G.S. 105-347 and G.S. 159-13(a)), the Town levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2024.

# **TOWN OF DALLAS, NORTH CAROLINA**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2025**

### **Allowances for Doubtful Accounts**

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

### **Inventories and Prepaid Items**

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

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

### **Capital Assets**

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are as follows: land, \$5,000; buildings, improvements, substations, lines, and other plant and distribution systems, \$5,000; infrastructure, \$20,000; furniture and equipment, \$5,000; and vehicles, \$5,000. Donated capital assets received prior to June 30, 2015, are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 30, 2015, are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. General infrastructure assets acquired prior to July 1, 2003, consist of the road network and water and sewer system assets that were acquired or that received substantial improvements after July 1, 1980, and are reported at estimated historical cost using deflated replacement costs. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

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

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

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2025**

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

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

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

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

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net assets that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has two items that meets this criterion, pension deferrals and OPEB deferrals for the 2025 fiscal year. In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net assets that applies to a future period and so will not be recognized as revenue until then. The Town has two items that meet the criteria for this category - pension deferrals and OPEB deferrals as presented on the Statement of Net Position, and property taxes and other receivables additionally reported on the Balance Sheet – Governmental Funds.

#### **Long-Term Obligations**

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statements of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance cost, except for prepaid insurance costs are expensed over the life of the debt. In fund financial statements, the governmental fund type recognizes bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual net proceeds received, are reported as debt service expenditures.

## TOWN OF DALLAS, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2025

#### Compensated Absences

The Town recognizes a liability for compensated absences for leave time that (1) has been earned for services previously rendered by employees, (2) accumulates and is allowed to be carried over to subsequent years, and (3) is more likely than not to be used as time off or settled (for example paid in cash to the employee or payment to an employee flex spending account) during or upon separation from employment. Based on the criteria listed, two types of leave qualify for liability recognition for compensated absences - *vacation* and *sick leave*. The liability for compensated absences is reported as incurred in the government-wide and proprietary fund financial statements. A liability for compensated absences is recorded in the governmental funds only if the liability has matured because of employee resignations or retirements. The liability for compensated absences includes salary-related benefits, where applicable.

#### Vacation

The Town's policy permits employees to accumulate earned but unused vacation benefits, which are eligible for payment at the employee's current pay rate upon separation from employment.

#### Sick Leave

The Town's policy permits employees to accumulate earned but unused sick leave. All sick leave lapses when employees leave the employ of the Town and, upon separation from service, no monetary obligation exists. However, a liability for estimated value of sick leave that will be used by employees as time off is included in the liability for compensated absences.

#### Net Position / Fund Balances

##### Net Position

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

##### Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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

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

## TOWN OF DALLAS, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2025

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

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

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

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

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

*Assigned for Stormwater* – the portion of fund balance that has been budgeted by the Board for maintenance of stormwater.

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

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

# TOWN OF DALLAS, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2025

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

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

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

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

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

<b>Total Fund Balance - General Fund</b>	<b>\$ 6,096,359</b>
Less:	
Inventories	312
Stabilization by state statute	490,019
Total available fund balance	<u><u>\$ 5,606,028</u></u>

At June 30, 2025, the Town had no outstanding encumbrances in the General Fund.

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

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Local Governmental Employees' Retirement System (LERS) and additions to/deductions from LERS' fiduciary net position have been determined on the same basis as they are reported by LERS. 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 LERS. Investments are reported at fair value.

# **TOWN OF DALLAS, NORTH CAROLINA**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2025**

### **Estimates**

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

## **2. Detail Notes on All Funds**

### **A. Assets**

#### **Deposits**

All the deposits of the Town are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's agents in the Town's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, these deposits are considered to be held by the Town's agent in their name. The amount of the pledged collateral is based on an approved averaging method for non-interest-bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town under the Pooling Method, the potential exists for under collateralization. This risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town has no formal policy regarding custodial credit risk for deposits but relies on the State Treasurer to enforce standards of minimum capitalization for all Pooling Method financial institutions and to monitor them for compliance. The Town complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2025, the Town's deposits had a carrying amount of \$1,759,839 and a bank balance of \$1,950,386. The bank balances of the Town were covered by \$250,000 of federal depository insurance. The remaining balance of deposits is collateralized under the Pooling Method as enumerated above. At June 30, 2025, the Town's petty cash fund totaled \$1,155.

#### **Investments**

At June 30, 2025, the Town had \$15,262,358 invested with the North Carolina Capital Management Trust's (NCCMT) Government Portfolio, which carried a credit rating of AAAm by Standard and Poor's and AAA-mf by Moody's Investor Service. The Town has no policy regarding credit risk.

# **TOWN OF DALLAS, NORTH CAROLINA**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2025**

### **Receivables – Allowances for Doubtful Accounts**

The amounts presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2025 are net of the following allowances for doubtful accounts:

#### **General Fund:**

Taxes receivable	\$ 12,772
Accounts receivable	6,545
Storm Water Fund - accounts receivable	190
	<u>19,507</u>

#### **Enterprise Funds:**

Electric Fund - accounts receivable	74,435
Water and Sewer Fund - accounts receivable	431,857
	<u>506,292</u>
Total	<u>\$ 525,799</u>

### **Due from Other Governments**

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

#### **Governmental Activities:**

Local option sales tax	\$ 167,478
Sales tax refund receivable	107,269
Other	309,448
	<u>\$ 584,195</u>

#### **Business-Type Activities:**

Grants	<u>\$ 18,231</u>
--------	------------------

# TOWN OF DALLAS, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2025

### Capital Assets

Capital asset activity for the primary government for the year ended June 30, 2025 is as follows:

	<b>Balance July 1, 2024</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance June 30, 2025</b>
<b>Governmental Activities:</b>				
<b>Non-Depreciable Capital Assets:</b>				
Land	\$ 450,222	\$ -	\$ -	\$ 450,222
Construction in progress	98,666	-	-	98,666
Total non-depreciable assets	<u>548,888</u>	<u>-</u>	<u>-</u>	<u>548,888</u>
<b>Depreciable Capital Assets:</b>				
Buildings	4,724,360	-	-	4,724,360
Distribution	115,707	-	-	115,707
Other improvements	1,442,723	222,360	-	1,665,083
Vehicles and equipment	3,347,949	5,990	(160,805)	3,193,134
Infrastructure	953,523	-	-	953,523
Total depreciable assets	<u>10,584,262</u>	<u>228,350</u>	<u>(160,805)</u>	<u>10,651,807</u>
<b>Right to Use Leased Assets:</b>				
Leased vehicles	460,089	183,320	(139,628)	503,781
Leased equipment	18,172	-	-	18,172
Subscriptions	6,336	-	(6,336)	-
Total right to use leased assets	<u>484,597</u>	<u>183,320</u>	<u>(145,964)</u>	<u>521,953</u>
<b>Less Accumulated Depreciation:</b>				
Buildings	1,861,978	135,445	-	1,997,423
Distribution	23,709	3,981	-	27,690
Other Improvements	513,791	68,850	-	582,641
Vehicles and equipment	2,598,320	172,013	(55,823)	2,714,510
Infrastructure	294,515	37,259	-	331,774
Total accumulated depreciation	<u>5,292,313</u>	<u>417,548</u>	<u>(55,823)</u>	<u>5,654,038</u>
<b>Less Accumulated Amortization:</b>				
Leased vehicles	200,389	119,327	(134,201)	185,515
Leased equipment	4,934	5,920	-	10,854
Subscriptions	5,102	1,234	(6,336)	-
Total accumulated amortization	<u>210,425</u>	<u>126,481</u>	<u>(140,537)</u>	<u>196,369</u>
Governmental activities capital assets, net	<u>\$ 6,115,009</u>			<u>\$ 5,872,241</u>

# **TOWN OF DALLAS, NORTH CAROLINA**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2025**

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

### **Governmental Activities:**

General government	\$	121,343
Public safety		264,494
Environmental protection		44,849
Culture and recreation		64,184
Streets		49,159
Total	\$	<u>544,029</u>

# TOWN OF DALLAS, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2025

Capital asset activity for the business-type activities for the year ended June 30, 2025 is as follows:

	Balance July 1, 2024	Increases	Decreases	Transfers	Balance June 30, 2025
<b>Business-Type Activities:</b>					
<b>Water and Sewer Fund:</b>					
<b>Non-Depreciable Capital Assets:</b>					
Land	\$ 117,261	\$ -	\$ -	\$ -	\$ 117,261
Construction in progress	1,368,006	183,303	-	(1,551,309)	-
Right of way	41,648	-	-	-	41,648
Total non-depreciable capital assets	<u>1,526,915</u>	<u>183,303</u>	<u>-</u>	<u>(1,551,309)</u>	<u>158,909</u>
<b>Depreciable Capital Assets:</b>					
Buildings	300,869	-	-	-	300,869
Distribution systems	11,596,550	-	-	1,551,309	13,147,859
Equipment	1,201,249	-	-	-	1,201,249
Sewer plant	2,098,048	-	-	-	2,098,048
Water plant	2,140,330	-	-	-	2,140,330
Total depreciable capital assets	<u>17,337,046</u>	<u>-</u>	<u>-</u>	<u>1,551,309</u>	<u>18,888,355</u>
<b>Right to Use Leased Assets:</b>					
Leased vehicles	20,066	-	(20,066)	-	-
Subscriptions	11,337	-	(11,337)	-	-
Total right to use leased assets	<u>31,403</u>	<u>-</u>	<u>(31,403)</u>	<u>-</u>	<u>-</u>
<b>Less Accumulated Depreciation:</b>					
Buildings	163,093	7,137	-	-	170,230
Distribution systems	5,259,267	284,428	-	-	5,543,695
Equipment	1,009,250	39,499	-	-	1,048,749
Sewer plant	1,321,164	44,486	-	-	1,365,650
Water plant	1,810,212	55,338	-	-	1,865,550
Total accumulated depreciation	<u>9,562,986</u>	<u>430,888</u>	<u>-</u>	<u>-</u>	<u>9,993,874</u>
<b>Less Accumulated Amortization:</b>					
Leased vehicles	19,524	542	(20,066)	-	-
Subscriptions	9,130	2,207	(11,337)	-	-
Total accumulated amortization	<u>28,654</u>	<u>2,749</u>	<u>(31,403)</u>	<u>-</u>	<u>-</u>
Total depreciable capital assets, net	<u>7,776,809</u>				<u>8,894,481</u>
Water and Sewer Fund capital assets, net	<u>\$ 9,303,724</u>				<u>\$ 9,053,390</u>

# TOWN OF DALLAS, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2025

	Balance July 1, 2024	Increases	Decreases	Balance June 30, 2025
<b>Electric Fund:</b>				
<b>Non-Depreciable Capital Assets:</b>				
Land	\$ 71,808	\$ -	\$ -	\$ 71,808
Construction in progress	-	5,299	-	5,299
Total non-depreciable capital assets	<u>71,808</u>	<u>5,299</u>	<u>-</u>	<u>77,107</u>
<b>Depreciable Capital Assets:</b>				
Buildings	701,898	-	-	701,898
Distribution system	8,272,102	46,000	-	8,318,102
Equipment	3,205,096	69,016	-	3,274,112
Total depreciable capital assets	<u>12,179,096</u>	<u>115,016</u>	<u>-</u>	<u>12,294,112</u>
<b>Right to Use Assets:</b>				
Subscriptions	<u>15,672</u>	<u>-</u>	<u>(15,672)</u>	<u>-</u>
<b>Less Accumulated Depreciation:</b>				
Buildings	297,078	22,750	-	319,828
Distribution system	4,414,371	208,178	-	4,622,549
Equipment	2,509,242	202,146	-	2,711,388
Total accumulated depreciation	<u>7,220,691</u>	<u>433,074</u>	<u>-</u>	<u>7,653,765</u>
<b>Less Accumulated Amortization:</b>				
Subscriptions	<u>12,622</u>	<u>3,050</u>	<u>(15,672)</u>	<u>-</u>
Total depreciable capital assets, net	<u>4,961,455</u>			<u>4,640,347</u>
Electric Fund capital assets, net	<u>\$ 5,033,263</u>			<u>\$ 4,717,454</u>
Business-type capital assets, net	<u>\$ 14,336,987</u>			<u>\$ 13,770,844</u>

## TOWN OF DALLAS, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2025

#### B. Liabilities

##### Payables

Payables at the government-wide level at June 30, 2025 were as follows:

	<u>Vendors</u>	<u>Salaries &amp; Benefits</u>	<u>Total</u>
<b>Governmental Activities:</b>			
General	<u>\$ 105,622</u>	<u>\$ 95,808</u>	<u>\$ 201,430</u>
<b>Business-Type Activities:</b>			
Electric Fund	<u>\$ 486,170</u>	<u>\$ 49,161</u>	<u>\$ 535,331</u>
Water & Sewer Fund	<u>69,239</u>	<u>48,279</u>	<u>117,518</u>
Total - business-type activities	<u>\$ 555,409</u>	<u>\$ 97,440</u>	<u>\$ 652,849</u>

##### Pension Plan Obligations

##### Local Governmental Employees' Retirement System

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

**Benefits Provided.** LGERS provides retirement, disability 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. General employee plan members are eligible to retire with unreduced 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. General employee plan members are eligible to retire with reduced 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 and rescue squad workers). Disabled members may qualify for disability benefits at earlier ages. Survivor benefits are available to eligible beneficiaries of general employee plan

## TOWN OF DALLAS, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2025

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 workers 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 in lieu of the return of the member's contributions that is generally available to beneficiaries of deceased members. The plan does not provide for automatic post-retirement benefit increases. Cost of living benefit increases are contingent upon investment gains of the plan at the discretion of the LGERS Board of Trustees, except as authorized by the General Assembly.

LGERS plan members who are LEOs are eligible to retire with unreduced 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 reduced retirement benefits at age 50 with 15 years of creditable service as an officer. LEOs who complete 25 years of creditable service with 15 years as an officer are eligible to retire with reduced retirement benefits. 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 in lieu of the return of the member's contributions that is generally available to beneficiaries of deceased members.

**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, 2025, was 15.04% of compensation for law enforcement officers and 13.60% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Dallas were \$592,943 for the year ended June 30, 2025.

*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 include interest (currently 4% per year) regardless of the number of years of retirement service credit or for the reason for separation from service. State law requires a 60-day waiting period after service termination before the refund may be paid. The acceptance of a refund payment cancels the individual's right to employer contributions, or any other benefit provided by LGERS.

# TOWN OF DALLAS, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2025

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

At June 30, 2025, the Town reported a liability of \$2,862,496 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2023. The total pension liability was then rolled forward to the measurement date of June 30, 2024 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, 2024 (measurement date), the Town's proportion was 0.04246%, which was a decrease of 0.00268% from its proportion measured as of June 30, 2023.

For the year ended June 30, 2025, the Town recognized pension expense of \$805,213. At June 30, 2025, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 501,618	\$ 3,373
Net difference between projected and actual earnings on pension plan investments	389,155	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	9,928	119,124
Town contributions subsequent to the measurement date	592,943	-
Total	<u>\$ 1,493,644</u>	<u>\$ 122,497</u>

\$592,943 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ending June 30, 2026. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ending June 30</b>	<b>Total</b>
2026	\$ 234,147
2027	527,558
2028	60,501
2029	(44,002)
Total	<u>\$ 778,204</u>

# TOWN OF DALLAS, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2025

**Actuarial Assumptions.** The total pension liability in the December 31, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary increases	3.25 to 8.25 percent, including inflation and productivity factor
Investment rate of return	6.50 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions and methods used in the December 31, 2023 actuarial valuation were based on the results of an actuarial experience study prepared as of December 31, 2019 and adopted by the Board of Trustees on January 28, 2021.

Future and ad hoc cost of living adjustment amounts are not considered to be substantively automatic and are therefore not included in the measurement.

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2024 are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Fixed income	33.0%	2.4%
Global equity	38.0%	6.9%
Real estate	8.0%	6.0%
Alternatives	8.0%	8.6%
Opportunistic fixed income	7.0%	5.3%
Inflation sensitive	6.0%	4.3%
Total	<u>100.00%</u>	

## TOWN OF DALLAS, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2025

The information above is based on 30-year expectations developed with an investment consulting firm. 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 2.38%. Return projections do not include any excess return expectations over benchmark averages for public markets. All rates of return and inflation are annualized.

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

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

	<b>1% Decrease (5.50%)</b>	<b>Discount Rate (6.50%)</b>	<b>1% Increase (7.50%)</b>
Town's proportionate share of the net pension liability (asset)	<u>\$ 5,072,427</u>	<u>\$ 2,862,496</u>	<u>\$ 1,044,524</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.

#### **Law Enforcement Officers Special Allowance**

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

## TOWN OF DALLAS, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2025

All full-time law enforcement officers of the Town are covered by the Separation Allowance. At December 31, 2023, the Separation Allowance's membership consisted of:

Retirees receiving benefits	2
Active plan members	<u>16</u>
Total	<u><u>18</u></u>

#### Summary of Significant Accounting Policies

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

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

**Actuarial Assumptions.** The entry age normal actuarial cost method was used in the December 31, 2023 valuation. The total pension liability in the December 31, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary increases	3.25 to 7.75 percent, including inflation and real wage growth
Discount rate	4.28 percent

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

The actuarial assumptions used in the December 31, 2023 valuation were based on the results of an experience study completed by the Actuary for the Local Governmental Employees' Retirement System for the five-year period ended December 31, 2019.

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

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

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

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

# TOWN OF DALLAS, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2025

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

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

**Contributions.** The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay-as-you-go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The Town paid \$21,054 as benefits came due for the reporting period.

At June 30, 2025, the Town reported a total pension liability of \$490,911. The total pension liability was measured as of December 31, 2024 based on a December 31, 2023 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2024 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2025, the Town recognized pension expense of \$60,881.

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 51,565	\$ 40,443
Changes of assumptions	23,881	68,923
Town benefit payments and plan administrative expense made subsequent to the measurement date	10,619	-
Total	<u>\$ 86,065</u>	<u>\$ 109,366</u>

\$10,619 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ending June 30, 2026. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ending June 30</b>	<b>Amount</b>
2026	\$ 9,324
2027	(11,967)
2028	(22,456)
2029	(7,160)
2030	(2,739)
Thereafter	1,078
Total	<u>\$ (33,920)</u>

# TOWN OF DALLAS, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2025

*Sensitivity of the Town's Total Pension Liability to Changes in the Discount Rate.* The following presents the Town's total pension liability calculated using the discount rate of 4.28%, as well as what the Town's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.28%) or 1-percentage-point higher (5.28%) than the current rate:

	<b>1% Decrease (3.28%)</b>	<b>Discount Rate (4.28%)</b>	<b>1% Increase (5.28%)</b>
Total pension liability	\$ 539,746	\$ 490,911	\$ 447,448

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

	<b>2025</b>
Beginning balance	\$ 453,087
Service cost	32,016
Interest on the total pension liability	17,702
Differences between expected and actual experience	22,269
Changes of assumptions or other inputs	(13,109)
Benefit payments	(21,054)
Ending balance of the total pension liability	\$ 490,911

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

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

	<b>LGERS</b>	<b>LEOSSA</b>	<b>Total</b>
Pension expense	\$ 805,213	\$ 60,881	\$ 866,094
Pension liability	2,862,496	490,911	3,353,407
Proportion of the net pension liability	0.04246%	NA	-

# TOWN OF DALLAS, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2025

At June 30, 2025, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>LGERS</u>	<u>LEOSSA</u>	<u>Total</u>
<b>Deferred Outflows of Resources:</b>			
Differences between expected and actual experience	\$ 501,618	\$ 51,565	\$ 553,183
Changes of assumptions	-	23,881	23,881
Net difference between projected and actual earnings on pension plan investments	389,155	-	389,155
Changes in proportion and differences between Town contributions and proportionate share of contributions	9,928	-	9,928
Town contributions (LGERS) and benefit payments and administration costs (LEOSSA) subsequent to the measurement date	592,943	10,619	603,562
Total	<u>\$ 1,493,644</u>	<u>\$ 86,065</u>	<u>\$ 1,579,709</u>
<b>Deferred Inflows of Resources:</b>			
Differences between expected and actual experience	\$ 3,373	\$ 40,443	\$ 43,816
Changes of assumptions	-	68,923	68,923
Changes in proportion and differences between Town contributions and proportionate share of contributions	119,124	-	119,124
Total	<u>\$ 122,497</u>	<u>\$ 109,366</u>	<u>\$ 231,863</u>

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

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

**Funding Policy.** Article 12E of GS Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officer's salary and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. The Town made contributions of \$37,650 for the reporting year. No amounts were forfeited.

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

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2025**

The Town contributes each month an amount equal to five percent of other employees' salaries, and all amounts contributed are vested immediately. Also, the other employees may make voluntary contributions to the plan. The Town made contributions of \$51,723 for the reporting year. No amounts were forfeited.

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

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

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

The Town made contributions of \$140,665 for the reporting year. No amounts were forfeited.

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

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

**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.

## TOWN OF DALLAS, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2025

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

Membership of the HCB Plan consisted of the following on June 30, 2023, the date of the last actuarial valuation:

	<u>Employees</u>
Retirees receiving benefits	4
Active plan members	<u>60</u>
Total	<u><u>64</u></u>

#### Total OPEB Liability

The Town's total OPEB liability of \$410,590 was measured as of June 30, 2024 and was determined by an actuarial valuation as June 30, 2023. Actuarial assumptions and other inputs. The total OPEB liability in the June 30, 2023 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.5 percent
Real wage growth	0.75 percent
Wage inflation	3.25 percent
Salary increases, including wage inflation	
General employees	3.25 - 8.41 percent
Law Enforcement Officers	3.25 - 7.90 percent
Municipal Bond Index Rate	
Prior measurement date	3.65 percent
Measurement date	3.93 percent
Healthcare cost trend rates	
Pre-Medicare medical and prescription drug	7.00 percent for 2023 decreasing to an ultimate rate of 4.50 percent by 2033

# TOWN OF DALLAS, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2025

### Changes in the Total OPEB Liability

	<b>Total OPEB Liability</b>
<b>Balance at July 1, 2023</b>	<u>\$ 407,291</u>
Changes for the year	
Service cost	23,393
Interest	15,334
Differences between expected and actual experience	(1,779)
Changes in assumptions or other inputs	(12,301)
Benefit payments	<u>(21,348)</u>
Net changes	<u>3,299</u>
<b>Balance at June 30, 2024</b>	<u><u>\$ 410,590</u></u>

Changes in assumptions and other inputs reflect a change in the discount rate of from 3.65% to 3.93% and changes in the medical trend.

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

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

The demographic actuarial assumptions for retirement, disability incidence, withdrawal and salary increases used in the June 30, 2023 valuation were based on the results of an actuarial experience study for the period January 1, 2015 through December 31, 2019, adopted by the LGERS Board.

*Sensitivity of the Total OPEB Liability to Changes in the Discount Rate.* The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.93 percent) or 1-percentage-point higher (4.93 percent) than the current discount rate:

	<b>1% Decrease (2.93%)</b>	<b>Discount Rate (3.93%)</b>	<b>1% Increase (4.93%)</b>
Total OPEB liability	<u>\$ 456,689</u>	<u>\$ 410,590</u>	<u>\$ 370,198</u>

# TOWN OF DALLAS, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2025

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

	<b>1% Decrease</b>	<b>Discount Rate</b>	<b>1% Increase</b>
Total OPEB liability	\$ 360,652	\$ 410,590	\$ 470,512

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

For the year ended June 30, 2025, the Town recognized OPEB expense of \$56,124. At June 30, 2025, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 102,109	\$ 1,589
Changes of assumptions	31,801	52,612
Town benefit payments and plan administrative expense made subsequent to the measurement date	32,880	-
Total	<u>\$ 166,790</u>	<u>\$ 54,201</u>

\$32,880 reported as deferred outflows of resources related to OPEB resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total OPEB liability in the year ending June 30, 2026. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ending June 30</b>	<b>Amount</b>
2026	\$ 11,729
2027	11,729
2028	11,729
2029	11,729
2030	11,729
Thereafter	21,064
Total	<u>\$ 79,709</u>

# TOWN OF DALLAS, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2025

### Other Employment Benefits

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

### Deferred Outflows and Inflows of Resources

Deferred outflows of resources are comprised of the following:

<u>Source</u>	<u>Amount</u>
Deferred outflows - LGERS	\$ 1,493,644
Deferred outflows - LEOSSA	86,065
Deferred outflows - OPEB	166,790
Total	<u>\$ 1,746,499</u>

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

	<u>Statement of Net Position</u>	<u>Governmental Balance Sheet</u>
Taxes receivable, net (General Fund)	\$ -	\$ 33,246
Other receivables	-	161,374
Deferred inflows - LGERS	122,497	-
Deferred inflows - LEOSSA	109,366	-
Deferred inflows - OPEB	54,201	-
Total	<u>\$ 286,064</u>	<u>\$ 194,620</u>

### Commitments

In 2008, the Town entered into a (20) twenty-year agreement with Duke Energy for the purchase of wholesale electric power, which the Town then distributes to individual residential, commercial, and industrial retail accounts. Rates charged to the Town under the terms of the

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

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2025**

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 \$106,500 for the year ended June 30, 2025, The coal ash recovery charge was \$159,000 for the year ended June 30, 2025.

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

#### **Long-Term Obligations**

##### **Lease Liabilities**

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

On July 1, 2021, the Town entered into a 49-month lease for the use of a vehicle. An initial lease liability of \$24,279 was recorded at the present value of future minimum lease payments using the Town's incremental borrowing rate 0.560%. At June 30, 2025, the value of the lease liability

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

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2025**

was \$501. The Town is required to make monthly fixed payments of \$567. The related right-to-use asset has a value of \$24,279 with accumulated amortization of \$23,783. The lease has a guaranteed residual value payment of \$8,100.

On December 1, 2022, the Town entered into a 60-month lease for the use of a vehicle. An initial lease liability of \$52,045 was recorded at the present value of future minimum lease payments using the Town's incremental borrowing rate 3.445%. At June 30, 2025, the value of the lease liability was \$26,723. The Town is required to make monthly fixed payments of \$993. The related right-to-use asset has a value of \$53,557 with accumulated amortization of \$27,218. The lease has a guaranteed residual value payment of \$4,416.

On March 31, 2023, the Town entered into a 60-month lease for the use of a vehicle. An initial lease liability of \$47,400 was recorded at the present value of future minimum lease payments using the Town's incremental borrowing rate 2.822%. At June 30, 2025, the value of the lease liability was \$26,856. The Town is required to make monthly fixed payments of \$916. The related right-to-use asset has a value of \$49,127 with accumulated amortization of \$22,122. The lease has a guaranteed residual value payment of \$4,595.

On March 31, 2023, the Town entered into a 60-month lease for the use of a vehicle. An initial lease liability of \$47,400 was recorded at the present value of future minimum lease payments using the Town's incremental borrowing rate 2.822%. At June 30, 2025, the value of the lease liability was \$26,856. The Town is required to make monthly fixed payments of \$916. The related right-to-use asset has a value of \$49,127 with accumulated amortization of \$22,122. The lease has a guaranteed residual value payment of \$4,595.

On September 1, 2023, the Town entered into a 36-month lease for the use of equipment. An initial lease liability of \$7,315 was recorded at the present value of future minimum lease payments using the Town's incremental borrowing rate 0.308%. At June 30, 2025, the value of the lease liability was \$2,973. The Town is required to make monthly fixed payments of \$199.

The related right-to use asset has a value of \$7,315 with accumulated amortization of \$4,369.

On September 1, 2023, the Town entered into a 36-month lease for the use of equipment. An initial lease liability of \$10,857 was recorded at the present value of future minimum lease payments using the Town's incremental borrowing rate 0.308%. At June 30, 2025, the value of the lease liability was \$4,413. The Town is required to make monthly fixed payments of \$295. The related right-to use asset has a value of \$10,857 with accumulated amortization of \$6,485.

On July 17, 2023, the Town entered into a 60-month lease for the use of a vehicle. An initial lease liability of \$66,722 was recorded at the present value of future minimum lease payments using the Town's incremental borrowing rate 2.822%. At June 30, 2025, the value of the lease liability was \$43,171. The Town is required to make monthly fixed payments of \$1,295. The related right-to use asset has a value of \$68,260 with accumulated amortization of \$26,476. The lease has a guaranteed residual value payment of \$7,062.

On July 17, 2023, the Town entered into a 60-month lease for the use of a vehicle. An initial lease liability of \$72,346 was recorded at the present value of future minimum lease payments using the Town's incremental borrowing rate 2.822%. At June 30, 2025, the value of the lease liability was \$46,826. The Town is required to make monthly fixed payments of \$1,392. The related right-to use asset has a value of \$76,111 with accumulated amortization of \$29,522. The lease has a guaranteed residual value payment of \$7,062.

## TOWN OF DALLAS, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2025

On July 23, 2024, the Town entered into a 60-month lease for the use of a vehicle. An initial lease liability of \$57,075 was recorded at the present value of future minimum lease payments using the Town's incremental borrowing rate 3.179%. At June 30, 2025, the value of the lease liability was \$47,845. The Town is required to make monthly fixed payments of \$1,042. The related right-to-use asset has a value of \$57,075 with accumulated amortization of \$10,670.

On July 23, 2024, the Town entered into a 60-month lease for the use of a vehicle. An initial lease liability of \$62,980 was recorded at the present value of future minimum lease payments using the Town's incremental borrowing rate 3.179%. At June 30, 2025, the value of the lease liability was \$52,816. The Town is required to make monthly fixed payments of \$1,151. The related right-to-use asset has a value of \$62,980 with accumulated amortization of \$11,774.

On July 23, 2024, the Town entered into a 60-month lease for the use of a vehicle. An initial lease liability of \$63,265 was recorded at the present value of future minimum lease payments using the Town's incremental borrowing rate 3.179%. At June 30, 2025, the value of the lease liability was \$53,055. The Town is required to make monthly fixed payments of \$1,156. The related right-to-use asset has a value of \$63,265 with accumulated amortization of \$11,826.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2025 are as follows:

<b>Year Ending June 30</b>	<b>Governmental Activities</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2026	\$ 99,254	\$ 8,595	\$ 107,849
2027	97,178	5,729	102,907
2028	87,921	2,840	90,761
2029	44,343	805	45,148
2030	3,339	9	3,348
Total	<u>\$ 332,035</u>	<u>\$ 17,978</u>	<u>\$ 350,013</u>

# TOWN OF DALLAS, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2025

Installment purchases consist of the following at June 30, 2025:

**Serviced by the General Fund:**

\$1,500,000 loan for a fire station, with principal and interest payments of \$52,141, due semi-annually in April and October, at the annual interest rate of 4.33%, through 2033, secured by the fire station building. \$ 690,913

\$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. 120,992

\$146,597 loan for a sanitation truck, with principal and interest payments \$26,517, due annually in October, at an annual interest of 2.39% through 2025, secured by a sanitation truck. 26,110

Total serviced by the General Fund 838,015

**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. 1,748,807

**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. 23,154

Total installment purchases \$ 2,609,976

The future minimum payments of governmental activities installment purchases as of June 30, 2025 are as follows:

Year Ending June 30	Principal	Interest	Total
2026	\$ 126,877	\$ 37,228	\$ 164,105
2027	105,631	31,740	137,371
2028	110,674	26,698	137,372
2029	122,232	19,434	141,666
2030	88,614	15,668	104,282
2031-2033	283,987	22,720	306,707
Total	<u><u>\$ 838,015</u></u>	<u><u>\$ 153,488</u></u>	<u><u>\$ 991,503</u></u>

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

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2025**

The future minimum payments of business-type activities installment purchase as of June 30, 2025 are as follows:

<b>Year Ending</b>				
<b>June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>	
2026	\$ 215,739	\$ 63,335	\$ 279,074	
2027	199,499	55,868	255,367	
2028	206,661	48,706	255,367	
2029	214,080	41,287	255,367	
2030	221,765	33,602	255,367	
2031-2033	714,217	51,884	766,101	
Total	<u>\$ 1,771,961</u>	<u>\$ 294,682</u>	<u>\$ 2,066,643</u>	

# TOWN OF DALLAS, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2025

At June 30, 2025, the Town's legal debt margin is \$44,042,191.

A summary of changes in long-term obligations follows:

	Restated July 1, 2024	Increases	Decreases	Balance June 30, 2025	Current Portion of Balance
<b>Governmental Activities:</b>					
Compensated absences	\$ 232,217	\$ 22,157	\$ -	\$ 254,374	\$ 78,981
Net pension liability - LEOSSA	453,087	37,824	-	490,911	-
Net pension liability - LGERS	1,411,287	-	59,862	1,351,425	-
Net OPEB liability	100,963	825	-	101,788	-
Direct placement installment purchases	959,647	-	121,632	838,015	126,877
Lease liabilities	271,650	183,320	122,935	332,035	99,254
Subscription liabilities	570	-	570	-	-
Total governmental activities	<u>\$ 3,429,421</u>	<u>\$ 244,126</u>	<u>\$ 304,999</u>	<u>\$ 3,368,548</u>	<u>\$ 305,112</u>
<b>Business-Type Activities:</b>					
Water and Sewer Fund:					
Compensated absences	\$ 123,049	\$ 7,283	\$ -	\$ 130,332	\$ 62,553
Net pension liability - LGERS	801,151	-	34,388	766,763	-
Net OPEB liability	178,331	1,452	-	179,783	-
Direct placement installment purchases	1,934,717	-	185,910	1,748,807	192,585
Lease liabilities	546	-	546	-	-
Subscription liabilities	1,019	-	1,019	-	-
Water and Sewer Fund long-term liabilities	<u>3,038,813</u>	<u>8,735</u>	<u>221,863</u>	<u>2,825,685</u>	<u>255,138</u>
Electric Fund:					
Compensated absences	135,513	34,386	-	169,899	99,450
Net pension liability - LGERS	777,422	-	33,114	744,308	-
Net OPEB liability	127,997	1,022	-	129,019	-
Direct placement installment purchases	45,767	-	22,613	23,154	23,154
Subscription liabilities	1,409	-	1,409	-	-
Electric Fund long-term liabilities	<u>1,088,108</u>	<u>35,408</u>	<u>57,136</u>	<u>1,066,380</u>	<u>122,604</u>
Business-type activity long-term liabilities	<u>\$ 4,126,921</u>	<u>\$ 44,143</u>	<u>\$ 278,999</u>	<u>\$ 3,892,065</u>	<u>\$ 377,742</u>

Pensions and other post-employment benefits liabilities have typically been liquidated in the General Fund.

# TOWN OF DALLAS, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2025

### C. Interfund Balances and Activity

Transfers to / from funds for the year ended June 30, 2025 consist of the following:

#### Governmental Activities:

<u>From:</u>	<u>To:</u>	<u>Purpose</u>	<u>Amount</u>
SCIF Fund	General Fund	SCIF grant expenditures	\$ 133,000
Capital Reserve Fund	Water & Sewer Fund	Unexpected clean out expenses	100,000
			<u>\$ 233,000</u>

#### Business-Type Activities:

<u>From:</u>	<u>To:</u>	<u>Purpose</u>	<u>Amount</u>
Electric Fund	General Fund	Payment in lieu of taxes	\$ 850,000
Electric Fund	Capital Reserve Fund	Excess funds for future capital	911,179
			<u>\$ 1,761,179</u>

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

### D. Net Investment in Capital Assets

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Capital assets, net	\$ 5,872,241	\$ 13,770,844
Less:		
Long-term debt	(1,170,050)	(1,771,961)
Net investment in capital assets	<u>\$ 4,702,191</u>	<u>\$ 11,998,883</u>

### 3. Jointly Governed Organization

The Town, in conjunction with nine counties and seventy-four other municipalities, established the Centralina Council of Governments (the Council). The participating governments established the Council to coordinate various funding received from federal and state agencies. Each participating government appoints one member to the Council's governing board. The Town paid membership fees of \$1,563 to the Council during the fiscal year ended June 30, 2025.

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

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2025**

#### **4. Related Party Transactions**

##### **North Gaston Service Company**

North Gaston Service Company is a company that provides heating and air conditioning services and installation to its customers. A member of the Town's Board of Aldermen has ownership over a third of the North Gaston Service Company and has been made aware of the Town's conflict of interest policies. The related party-board member recuse themselves from voting on actions that involve the North Gaston Service Company.

The payments made to North Gaston Service Company during FY25 were \$5,112.

##### **The Country Kitchen**

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

The payments made to The Country Kitchen during FY25 were \$2,693.

#### **5. 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.

# TOWN OF DALLAS, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2025

### 6. Adjustments and Restatements of Beginning Balances

During the current year, the Town of Dallas implemented GASB Statement No. 101, *Compensated Absences*. In addition to the value of unused vacation time owed to employees upon separation of employment, the Town of Dallas now recognizes an estimated amount of sick leave earned as of year-end that will be used by employees as time off in future years as part of the liability for compensated absences. The effects of the change in accounting principle are summarized below in the "Restatement - GASB 101 implementation" column in the table below.

	Net Position/Fund Balance 6/30/2024 as Previously Reported	Restatement GASB 101 Implementation	Net Position/Fund Balance 6/30/2024 as Restated/ Adjusted
<b>Government-Wide:</b>			
Government activities	\$ 11,805,922	\$ (51,834)	\$ 11,754,088
Business-type activities	20,196,500	(89,093)	20,107,407
<b>Total Government-Wide</b>	<u>\$ 32,002,422</u>	<u>\$ (140,927)</u>	<u>\$ 31,861,495</u>
<b>Proprietary Funds:</b>			
<b>Enterprise Funds</b>			
Major Funds:			
Water and Sewer Fund	\$ 10,553,786	\$ (36,987)	\$ 10,516,799
Electric Fund	9,642,714	(52,106)	9,590,608
<b>Total enterprise funds</b>	<u>\$ 20,196,500</u>	<u>\$ (89,093)</u>	<u>\$ 20,107,407</u>

### 7. Stewardship, Compliance, and Accountability

#### Deficit Fund Balance

At year end, the Town report deficit fund balance in the following fund:

	Amount
Stormwater Capital Project Fund	<u>\$ (30,300)</u>

The Stormwater Capital Project Fund will be funded through grant revenue, of which the Town expects to receive in fiscal year 2026.

*This page left blank intentionally.*

## Required Supplemental Financial Data

---

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

***Law Enforcement Officers’  
Special Separation Allowance –***

Schedule of Changes in Total Pension Liability and  
Schedule of Total Pension Liability as a  
Percentage of Covered-Employee Payroll

***Local Governmental Employees’ Retirement System –***

Schedule of Proportionate Share of  
Net Pension Liability (Asset) and  
Schedule of Town Contributions

***Other Post-Employment Benefits –***

Schedule of Changes in the Total OPEB  
Liability and Related Ratios

---

**TOWN OF DALLAS, NORTH CAROLINA**

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

	<b>Law Enforcement Officers' Special Separation Allowance</b>			
	<b>2025</b>	<b>2024</b>	<b>2023</b>	<b>2022</b>
Beginning balance	\$ 453,087	\$ 468,205	\$ 573,604	\$ 496,720
Service cost on total pension liability	32,016	26,434	34,511	38,353
Interest	17,702	19,643	12,471	9,129
Differences between expected and actual experience in the measurement of the total pension liability	22,269	(48,654)	(12,033)	94,638
Changes of assumptions or other inputs	(13,109)	12,342	(101,695)	(17,769)
Benefit payments	(21,054)	(24,883)	(38,653)	(47,467)
Ending balance of the total pension liability	<u>\$ 490,911</u>	<u>\$ 453,087</u>	<u>\$ 468,205</u>	<u>\$ 573,604</u>

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

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

**TOWN OF DALLAS, NORTH CAROLINA**

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

	<b>Law Enforcement Officers' Special Separation Allowance</b>				
	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
Beginning balance	\$ 367,852	\$ 390,041	\$ 466,520	\$ 418,375	\$ 412,459
Service cost interest on total pension liability	23,892	14,630	19,987	16,223	19,207
Interest	11,377	13,769	14,370	15,695	14,397
Differences between expected and actual experience in the measurement of the total pension liability	23,503	(36,068)	(72,872)	15,851	-
Changes of assumptions or other inputs	107,831	9,019	(14,425)	23,915	(9,350)
Benefit payments	(37,735)	(23,539)	(23,539)	(23,539)	(18,338)
Ending balance of the total pension liability	<u>\$ 496,720</u>	<u>\$ 367,852</u>	<u>\$ 390,041</u>	<u>\$ 466,520</u>	<u>\$ 418,375</u>

**TOWN OF DALLAS, NORTH CAROLINA**

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

	<b>Law Enforcement Officers' Special Separation Allowance</b>			
	<b>2025</b>	<b>2024</b>	<b>2023</b>	<b>2022</b>
Total pension liability	\$ 490,911	\$ 453,087	\$ 468,205	\$ 573,604
Covered-employee payroll	1,001,675	904,476	786,575	790,368
Total pension liability as a percentage of covered-employee payroll	49.01%	50.09%	59.52%	72.57%

**Notes to the Schedules:**

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

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

**TOWN OF DALLAS, NORTH CAROLINA**

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

	<b>Law Enforcement Officers' Special Separation Allowance</b>				
	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
Total pension liability	\$ 496,720	\$ 367,852	\$ 390,041	\$ 466,520	\$ 418,375
Covered-employee payroll	737,438	581,161	674,988	623,345	666,556
Total pension liability as a percentage of covered-employee payroll	67.36%	63.30%	57.78%	74.84%	62.77%

**TOWN OF DALLAS, NORTH CAROLINA**

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

	<b>Local Governmental Employees' Retirement System</b>				
	<b>2025</b>	<b>2024</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>
Dallas' proportion of the net pension liability (asset) (%)	0.04246%	0.04514%	0.04448%	0.04462%	0.04468%
Dallas' proportion of the net pension liability (asset) (\$)	\$ 2,862,496	\$ 2,989,860	\$ 2,509,307	\$ 684,291	\$ 1,596,607
Dallas' covered payroll	\$ 3,779,270	\$ 3,558,068	\$ 3,233,436	\$ 2,891,209	\$ 2,937,722
Dallas' proportionate share of the net pension liability (asset) as a percentage of its covered payroll	75.74%	84.03%	77.60%	23.67%	54.35%
Plan fiduciary net position as a percentage of the total pension liability**	83.30%	82.49%	84.14%	95.51%	88.61%

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

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

**TOWN OF DALLAS, NORTH CAROLINA**

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

	<b>Local Governmental Employees' Retirement System</b>				
	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
Dallas' proportion of the net pension liability (asset) (%)	0.04379%	0.04507%	0.04380%	0.04282%	0.04216%
Dallas' proportion of the net pension liability (asset) (\$)	\$ 1,195,871	\$ 1,069,215	\$ 669,143	\$ 908,784	\$ 189,212
Dallas' covered payroll	\$ 2,787,616	\$ 2,726,848	\$ 2,571,122	\$ 2,435,404	\$ 1,716,527
Dallas' proportionate share of the net pension liability (asset) as a percentage of its covered payroll	42.90%	39.21%	26.03%	37.32%	11.02%
Plan fiduciary net position as a percentage of the total pension liability**	90.86%	91.63%	91.47%	98.09%	99.07%

**TOWN OF DALLAS, NORTH CAROLINA**

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

	<b>Local Governmental Employees' Retirement System</b>				
	<b>2025</b>	<b>2024</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>
Contractually required contribution	\$ 592,943	\$ 489,376	\$ 439,276	\$ 372,923	\$ 298,412
Contributions in relation to the contractually required contribution	<u>592,943</u>	<u>489,376</u>	<u>439,276</u>	<u>372,923</u>	<u>298,412</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Dallas' covered payroll	\$ 4,240,694	\$ 3,779,270	\$ 3,558,068	\$ 3,233,436	\$ 2,891,209
Contributions as a percentage of covered payroll	13.98%	12.95%	12.35%	11.53%	10.32%

**TOWN OF DALLAS, NORTH CAROLINA**

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

<b>Local Governmental Employees' Retirement System</b>					
	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
Contractually required contribution	\$ 269,655	\$ 217,988	\$ 205,057	\$ 187,034	\$ 159,467
Contributions in relation to the contractually required contribution	<u>269,655</u>	<u>217,988</u>	<u>205,057</u>	<u>187,034</u>	<u>159,467</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Dallas' covered payroll	\$ 2,937,722	\$ 2,787,616	\$ 2,726,848	\$ 2,571,122	\$ 2,435,404
Contributions as a percentage of covered payroll	9.18%	7.82%	7.52%	7.27%	6.55%

**TOWN OF DALLAS, NORTH CAROLINA****OTHER POST-EMPLOYMENT BENEFITS****REQUIRED SUPPLEMENTARY INFORMATION****SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS****LAST FOUR FISCAL YEARS**

	<b>Other Post-Employment Benefits</b>			
	<b>2025</b>	<b>2024</b>	<b>2023</b>	<b>2022</b>
Service cost	\$ 23,393	\$ 20,297	\$ 26,071	\$ 24,651
Interest	15,334	11,163	6,656	5,246
Differences between expected and actual experience	(1,779)	83,267	51,793	-
Changes of assumptions or other inputs	(12,301)	9,382	(58,851)	40,519
Benefit payments	(21,348)	(23,527)	(2,093)	-
Net change in total OPEB liability	3,299	100,582	23,576	70,416
Total OPEB liability - beginning	407,291	306,709	283,133	212,717
Total OPEB liability - ending	<u>\$ 410,590</u>	<u>\$ 407,291</u>	<u>\$ 306,709</u>	<u>\$ 283,133</u>
Covered-employee payroll	\$ 3,323,456	\$ 3,323,456	\$ 2,712,191	\$ 2,712,191
Total OPEB liability as a percentage of covered employee payroll	12.35%	12.26%	11.31%	10.44%

**Notes to the Required Schedules:**

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

<b>Fiscal Year</b>	<b>Rate</b>
2025	3.93%
2024	3.65%
2023	3.54%
2022	2.16%

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

## Governmental Activities Major Funds

---

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

The **Capital Reserve Fund** is used to accumulate resources for general capital projects for the Town's governmental activities.

---

*This page left blank intentionally.*

**TOWN OF DALLAS, NORTH CAROLINA****GENERAL FUND****SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES****IN FUND BALANCE - BUDGET AND ACTUAL****FOR THE YEAR ENDED JUNE 30, 2025**

	<b>Budget</b>	<b>Actual</b>	<b>Variance Over/Under</b>
<b>Revenues:</b>			
<b>Ad Valorem Taxes:</b>			
Current year	\$ 2,294,343	\$ 2,444,554	\$ 150,211
State board assessed	27,405	-	(27,405)
Interest and penalties	5,456	7,546	2,090
Total	2,327,204	2,452,100	124,896
<b>Other Taxes and Licenses:</b>			
Privilege licenses	1,800	2,985	1,185
Motor vehicle licenses	39,950	40,820	870
Alcohol beverage tax	27,360	24,935	(2,425)
Total	69,110	68,740	(370)
<b>Unrestricted Intergovernmental Revenues:</b>			
Local option sales tax	728,977	946,321	217,344
Utility franchise tax	158,240	230,246	72,006
Excise tax on piped natural gas	13,862	23,469	9,607
Sales tax on telecommunications	28,934	25,731	(3,203)
Sales tax on video programming	17,209	14,005	(3,204)
Solid waste disposal tax	4,895	5,974	1,079
Total	952,117	1,245,746	293,629
<b>Restricted Intergovernmental Revenues:</b>			
Powell Bill street aid allocation	168,787	207,537	38,750
Drug forfeiture revenue	-	179	179
Grant revenue	28,006	28,006	-
Federal and state grants	85,600	-	(85,600)
Total	282,393	235,722	(46,671)
<b>Permits and Fees:</b>			
Zoning fees	34,500	45,659	11,159
<b>Sales and Services:</b>			
Arrest fees	3,154	3,023	(131)
Refuse collection fees	499,040	539,182	40,142
Recreation fees and concessions	79,545	163,833	84,288
Other	21,400	30,194	8,794
Total	603,139	736,232	133,093

**TOWN OF DALLAS, NORTH CAROLINA****GENERAL FUND****SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES****IN FUND BALANCE - BUDGET AND ACTUAL****FOR THE YEAR ENDED JUNE 30, 2025**

	<b>Budget</b>	<b>Actual</b>	<b>Variance Over/Under</b>
<b>Interest Earnings:</b>			
Investment earnings	450,000	541,117	91,117
Investment earnings - Powell	9,450	11,450	2,000
Total	459,450	552,567	93,117
<b>Miscellaneous:</b>			
ABC wholesale distribution	39,500	10,213	(29,287)
Other	127,291	184,963	57,672
Total	166,791	195,176	28,385
Total revenues	4,894,704	5,531,942	637,238
<b>Expenditures:</b>			
<b>General Government:</b>			
<b>Governing Body:</b>			
Salaries and employee benefits	64,850	64,088	762
Other operating expenditures	9,336	7,934	1,402
Total	74,186	72,022	2,164
<b>Administrative:</b>			
Salaries and employee benefits	140,616	129,239	11,377
Professional services	54,202	54,344	(142)
Maintenance and repairs	34,640	29,480	5,160
Other operating expenditures	295,371	277,449	17,922
Total	524,829	490,512	34,317
<b>Public Buildings:</b>			
Salaries and employee benefits	167,492	128,001	39,491
Professional services	115,056	96,499	18,557
Total	282,548	224,500	58,048
<b>Courthouse:</b>			
Professional services	13,350	13,453	(103)
Maintenance and repairs	28,030	20,629	7,401
Other operating expenditures	43,284	38,180	5,104
Total	84,664	72,262	12,402
Total general government	966,227	859,296	106,931

**TOWN OF DALLAS, NORTH CAROLINA****GENERAL FUND****SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES****IN FUND BALANCE - BUDGET AND ACTUAL****FOR THE YEAR ENDED JUNE 30, 2025**

	<b>Budget</b>	<b>Actual</b>	<b>Variance Over/Under</b>
<b>Public Safety:</b>			
<b>Police:</b>			
Salaries and employee benefits	2,232,959	1,808,286	424,673
Maintenance and repairs	60,064	54,302	5,762
Other operating expenditures	711,071	316,650	394,421
Capital outlay	287,000	195,896	91,104
Total	<u>3,291,094</u>	<u>2,375,134</u>	<u>915,960</u>
<b>Fire Department:</b>			
Salaries and employee benefits	245,424	234,374	11,050
Maintenance and repairs	81,724	77,409	4,315
Operating expenditures	128,593	115,380	13,213
Capital outlay	2,957,589	50,963	2,906,626
Total	<u>3,413,330</u>	<u>478,126</u>	<u>2,935,204</u>
Total public safety	<u>6,704,424</u>	<u>2,853,260</u>	<u>3,851,164</u>
<b>Transportation:</b>			
<b>Street Maintenance:</b>			
Salaries and employee benefits	360,673	303,288	57,385
Maintenance and repairs	16,104	11,438	4,666
Street lights	38,420	35,095	3,325
Contracted services	2,525	2,353	172
Other operating expenditures	47,995	36,173	11,822
Powell Bill expenditures	126,470	102,501	23,969
Total transportation	<u>592,187</u>	<u>490,848</u>	<u>101,339</u>
<b>Environmental Protection:</b>			
<b>Solid Waste:</b>			
Salaries and employee benefits	292,498	249,529	42,969
Maintenance and repairs	75,364	70,572	4,792
Other operating expenditures	59,025	33,790	25,235
Tipping fees	109,086	90,075	19,011
Total environmental protection	<u>535,973</u>	<u>443,966</u>	<u>92,007</u>

**TOWN OF DALLAS, NORTH CAROLINA****GENERAL FUND****SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2025**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Cultural and Recreational:</b>			
<b>Parks and Recreation:</b>			
Salaries and employee benefits	223,844	215,020	8,824
Maintenance and repairs	83,644	77,604	6,040
Operating expenditures	<u>367,072</u>	<u>336,572</u>	<u>30,500</u>
Total cultural and recreational	<u>674,560</u>	<u>629,196</u>	<u>45,364</u>
<b>Debt Service:</b>			
Principal retirement	301,277	245,137	56,140
Interest	<u>54,816</u>	<u>65,300</u>	<u>(10,484)</u>
Total debt service	<u>356,093</u>	<u>310,437</u>	<u>45,656</u>
Total expenditures	<u>9,829,464</u>	<u>5,587,003</u>	<u>4,242,461</u>
Revenues over (under) expenditures	<u>(4,934,760)</u>	<u>(55,061)</u>	<u>4,879,699</u>
<b>Other Financing Sources (Uses):</b>			
Lease liabilities issued	-	183,320	183,320
Sale of capital assets	2,000	-	(2,000)
Proceeds from capital financing	3,156,599	-	(3,156,599)
Appropriated fund balance	780,661	-	(780,661)
Transfers from (to) other funds:			
Electric Fund	850,000	850,000	-
SCIF Grant Fund	<u>145,500</u>	<u>133,000</u>	<u>(12,500)</u>
Total other financing sources (uses)	<u>4,934,760</u>	<u>1,166,320</u>	<u>(3,768,440)</u>
Net change in fund balance	<u>\$ -</u>	1,111,259	<u>\$ 1,111,259</u>
<b>Fund Balance:</b>			
Beginning of year, July 1		<u>4,985,100</u>	
End of year, June 30		<u>\$ 6,096,359</u>	

## TOWN OF DALLAS, NORTH CAROLINA

MAJOR CAPITAL PROJECT FUND - CAPITAL RESERVE FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCE - BUDGET AND ACTUAL  
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2025

		Actual			
	Project Authorization	Prior Years	Current Year	Total to Date	Variance Over/Under
<b>Revenues:</b>					
Investment earnings	\$ -	\$ 161,880	\$ 93,606	\$ 255,486	\$ 255,486
Revenues over (under) expenditures	-	161,880	93,606	255,486	255,486
<b>Other Financing Sources (Uses):</b>					
Transfers to other funds	(1,011,700)	-	(100,000)	(100,000)	911,700
Transfer from Storm Water Fund	-	89,097	-	89,097	89,097
Transfer from Electric Fund	911,700	1,456,955	911,179	2,368,134	1,456,434
Transfer from General Fund	-	345,888	-	345,888	345,888
Appropriated Fund Balance	100,000	-	-	-	(100,000)
Total other financing sources (uses)	-	1,891,940	811,179	2,703,119	2,703,119
Net change in fund balance	\$ -	\$ 2,053,820	\$ 904,785	\$ 2,958,605	\$ 2,958,605

*This page left blank intentionally.*

## **Nonmajor Funds**

---

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

The Town has the following Special Revenue Funds:

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

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

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

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

The Town has the following Capital Project Fund:

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

**Stormwater Capital Project Fund** – This fund is used to account for capital projects related to the Town’s stormwater activities.

---

## TOWN OF DALLAS, NORTH CAROLINA

COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2025

	Special Revenue Funds		
	Stormwater Fund	T.O.P. T.I.E.R. Program Fund	CDBG Grant Fund
<b>Assets:</b>			
Cash and cash equivalent	\$ 589,139	\$ 389,945	\$ -
Restricted cash	-	-	291,111
Accounts receivable (net)	20,149	-	-
Total assets	<u>\$ 609,288</u>	<u>\$ 389,945</u>	<u>\$ 291,111</u>
<b>Liabilities, Deferred Inflows, and Fund Balances:</b>			
<b>Liabilities:</b>			
Accounts payable and accrued liabilities	\$ 2,756	\$ -	\$ -
Due to other funds	-	-	-
Advance from grantors	-	-	-
Total liabilities	<u>2,756</u>	<u>-</u>	<u>-</u>
<b>Deferred Inflows of Resources:</b>			
Other receivables	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balances:</b>			
Restricted:			
Stabilization by state statute	20,149	-	-
Economic development	-	-	291,111
Assigned:			
Stormwater	586,383	-	-
T.O.P. T.I.E.R. program	-	389,945	-
Unassigned	-	-	-
Total fund balances	<u>606,532</u>	<u>389,945</u>	<u>291,111</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 609,288</u>	<u>\$ 389,945</u>	<u>\$ 291,111</u>

## TOWN OF DALLAS, NORTH CAROLINA

COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2025

	Capital Project Funds		
	SCIF Grant Fund	Stormwater Capital Project Fund	Nonmajor Governmental Funds
<b>Assets:</b>			
Cash and cash equivalent	\$ -	\$ -	\$ 979,084
Restricted cash	12,500	-	303,611
Accounts receivable (net)	-	30,300	50,449
Total assets	<u>\$ 12,500</u>	<u>\$ 30,300</u>	<u>\$ 1,333,144</u>
<b>Liabilities, Deferred Inflows, and Fund Balances:</b>			
<b>Liabilities:</b>			
Accounts payable and accrued liabilities	\$ -	\$ 15,400	\$ 18,156
Due to other funds	-	14,900	14,900
Advance from grantors	12,500	-	12,500
Total liabilities	<u>12,500</u>	<u>30,300</u>	<u>45,556</u>
<b>Deferred Inflows of Resources:</b>			
Other receivables	-	30,300	30,300
<b>Fund Balances:</b>			
Restricted:			
Stabilization by state statute	-	-	20,149
Economic development	-	-	291,111
Assigned:			
Stormwater	-	-	586,383
T.O.P. T.I.E.R. program	-	-	389,945
Unassigned	-	(30,300)	(30,300)
Total fund balances	<u>-</u>	<u>(30,300)</u>	<u>1,257,288</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 12,500</u>	<u>\$ 30,300</u>	<u>\$ 1,333,144</u>

**TOWN OF DALLAS, NORTH CAROLINA**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2025**

	Special Revenue Funds		
	Stormwater Fund	T.O.P. T.I.E.R Program Fund	CDBG Grant Fund
<b>Revenues:</b>			
Storm water fees	\$ 223,425	\$ -	\$ -
Restricted intergovernmental revenues	13,873	-	-
Investment earnings	-	-	4,121
Total revenues	<u>237,298</u>	<u>-</u>	<u>4,121</u>
<b>Expenditures:</b>			
Current:			
Salaries and employee benefits	87,645	-	-
Supplies	322	-	-
Contracted services	8,766	-	-
Repairs and maintenance	5,438	-	-
Other operating expenditures	3,766	25,519	-
Capital outlay	79,386	-	-
Total expenditures	<u>185,323</u>	<u>25,519</u>	<u>-</u>
Revenues over (under) expenditures	<u>51,975</u>	<u>(25,519)</u>	<u>4,121</u>
<b>Other Financing Sources (Uses):</b>			
Sale of capital asset	-	74,468	-
Transfers (to) from other funds	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>74,468</u>	<u>-</u>
Net change in fund balance	51,975	48,949	4,121
<b>Fund Balances:</b>			
Beginning of year, July 1	<u>554,557</u>	<u>340,996</u>	<u>286,990</u>
End of year, June 30	<u>\$ 606,532</u>	<u>\$ 389,945</u>	<u>\$ 291,111</u>

**TOWN OF DALLAS, NORTH CAROLINA**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2025**

	<b>Capital Project Funds</b>		
	<b>SCIF Grant Fund</b>	<b>Stormwater Capital Project Fund</b>	<b>Nonmajor Governmental Funds</b>
<b>Revenues:</b>			
Storm water fees	\$ -	\$ -	\$ 223,425
Restricted intergovernmental revenues	133,000	306,100	452,973
Investment earnings	-	-	4,121
Total revenues	<u>133,000</u>	<u>306,100</u>	<u>680,519</u>
<b>Expenditures:</b>			
Current:			
Salaries and employee benefits	-	-	87,645
Supplies	-	-	322
Contracted services	-	-	8,766
Repairs and maintenance	-	-	5,438
Other operating expenditures	-	329,900	359,185
Capital outlay	-	-	79,386
Total expenditures	<u>-</u>	<u>329,900</u>	<u>540,742</u>
Revenues over (under) expenditures	<u>133,000</u>	<u>(23,800)</u>	<u>139,777</u>
<b>Other Financing Sources (Uses):</b>			
Sale of capital asset	-	-	74,468
Transfers (to) from other funds	<u>(133,000)</u>	<u>-</u>	<u>(133,000)</u>
Total other financing sources (uses)	<u>(133,000)</u>	<u>-</u>	<u>(58,532)</u>
Net change in fund balance	-	(23,800)	81,245
<b>Fund Balances:</b>			
Beginning of year, July 1	<u>-</u>	<u>(6,500)</u>	<u>1,176,043</u>
End of year, June 30	<u>\$ -</u>	<u>\$ (30,300)</u>	<u>\$ 1,257,288</u>

## TOWN OF DALLAS, NORTH CAROLINA

**STORMWATER FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2025**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Stormwater fees	\$ 213,993	\$ 223,425	\$ 9,432
Grant revenue	<u>49,500</u>	<u>13,873</u>	<u>(35,627)</u>
Total revenues	<u>263,493</u>	<u>237,298</u>	<u>(26,195)</u>
<b>Expenditures:</b>			
Salaries and employee benefits	90,921	87,645	3,276
Supplies	600	322	278
Contracted services	11,591	8,766	2,825
Repairs and maintenance	16,231	5,438	10,793
Other operating expenditures	6,071	3,766	2,305
Capital outlay	<u>110,000</u>	<u>79,386</u>	<u>30,614</u>
Total expenditures	<u>235,414</u>	<u>185,323</u>	<u>50,091</u>
Revenues over (under) expenditures	28,079	51,975	23,896
<b>Other Financing Sources (Uses):</b>			
Transfers to Capital Reserve Fund	<u>(28,079)</u>	<u>-</u>	<u>(28,079)</u>
Net change in fund balance	<u>\$ -</u>	<u>51,975</u>	<u>\$ 51,975</u>
<b>Fund Balance:</b>			
Beginning of year, July 1		<u>554,557</u>	
End of year, June 30		<u>\$ 606,532</u>	

**TOWN OF DALLAS, NORTH CAROLINA****T.O.P. T.I.E.R. FUND****SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES****IN FUND BALANCE - BUDGET AND ACTUAL****FOR THE YEAR ENDED JUNE 30, 2025**

	<b>Budget</b>	<b>Actual</b>	<b>Variance Over/Under</b>
<b>Expenditures:</b>			
Other operating expenditures	\$ 30,000	\$ 25,519	\$ 4,481
Capital outlay	75,000	-	75,000
Total expenditures	105,000	25,519	79,481
Revenues over (under) expenditures	(105,000)	(25,519)	79,481
<b>Other Financing Sources (Uses):</b>			
Sale of fixed asset	75,000	74,468	(532)
Appropriated fund balance	30,000	-	(30,000)
Total other financing sources (uses)	105,000	74,468	(30,532)
Net change in fund balance	\$ -	48,949	\$ 48,949
<b>Fund Balance:</b>			
Beginning of year, July 1		340,996	
End of year, June 30		\$ 389,945	

**TOWN OF DALLAS, NORTH CAROLINA****CDBG GRANT FUND****STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2025**

	<b>Budget</b>	<b>Actual</b>	<b>Variance Over/Under</b>
<b>Revenues:</b>			
Sales and services	\$ -	\$ 186,122	\$ 186,122
Grant revenue	230,000	-	(230,000)
Investment earnings	-	4,121	4,121
Total revenues	<u>230,000</u>	<u>190,243</u>	<u>(39,757)</u>
<b>Expenditures:</b>			
Historic preservation	<u>230,000</u>	<u>-</u>	<u>230,000</u>
Net change in fund balance	<u>\$ -</u>	<u>190,243</u>	<u>\$ 190,243</u>
<b>Reconciliation from Budgetary Basis to Modified Accrual Basis:</b>			
Current year loan repayments		<u>(186,122)</u>	
Net change in fund balance - modified accrual basis		4,121	
<b>Fund Balance:</b>			
Beginning of year, July 1		<u>286,990</u>	
End of year, June 30		<u>\$ 291,111</u>	

**TOWN OF DALLAS, NORTH CAROLINA**

**SCIF GRANT FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2025**

		<u>Actual</u>			
	<u>Project Authorization</u>	<u>Prior Year</u>	<u>Current Year</u>	<u>Total to Date</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>					
Restricted intergovernmental:					
Grant revenue - SCIF	\$ 180,000	\$ 34,500	\$ 133,000	\$ 167,500	\$ (12,500)
Revenues over (under) expenditures	180,000	34,500	133,000	167,500	(12,500)
<b>Other Financing Sources (Uses):</b>					
Transfer to General Fund	(180,000)	(34,500)	(133,000)	(167,500)	12,500
Net change in fund balance	\$ -	\$ -	\$ -	\$ -	\$ -

**TOWN OF DALLAS, NORTH CAROLINA**

**STORMWATER CAPITAL PROJECT FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2025**

		<u>Actual</u>			
	<u>Project Authorization</u>	<u>Prior Year</u>	<u>Current Year</u>	<u>Total to Date</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>					
Restricted intergovernmental:					
Grant revenue - LASII grant	\$ 400,000	\$ -	\$ 306,100	\$ 306,100	\$ (93,900)
<b>Expenditures:</b>					
Stormwater assessment and planning	400,000	6,500	329,900	336,400	63,600
Net change in fund balance	<u>\$ -</u>	<u>\$ (6,500)</u>	<u>\$ (23,800)</u>	<u>\$ (30,300)</u>	<u>\$ (30,300)</u>

## **Enterprise Funds**

---

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

The Town has the following Enterprise Funds:

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

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

---

*This page left blank intentionally.*

**TOWN OF DALLAS, NORTH CAROLINA****ELECTRIC FUND****SCHEDULE OF REVENUES AND EXPENDITURES -  
BUDGET AND ACTUAL (NON-GAAP)  
FOR THE YEAR ENDED JUNE 30, 2025**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Operating revenues:			
Electricity sales	\$ 10,779,429	\$ 9,675,760	\$ (1,103,669)
Other operating revenues	102,500	126,488	23,988
Total operating revenues	<u>10,881,929</u>	<u>9,802,248</u>	<u>(1,079,681)</u>
Non-operating revenues:			
Coal ash recovery revenue	135,000	106,563	(28,437)
Grant revenue	45,000	45,000	-
Investment earnings	<u>4,200</u>	<u>4,358</u>	<u>158</u>
Total non-operating revenues	<u>184,200</u>	<u>155,921</u>	<u>(28,279)</u>
Total revenues	<u>11,066,129</u>	<u>9,958,169</u>	<u>(1,107,960)</u>
<b>Expenditures:</b>			
Electrical operations:			
Salaries and employee benefits	1,661,425	1,570,479	90,946
Supplies	253,422	204,664	48,758
Contracted services	269,955	209,723	60,232
Insurance	183,938	181,040	2,898
Repairs and maintenance	360,191	245,123	115,068
Other operating expenditures	<u>357,369</u>	<u>250,289</u>	<u>107,080</u>
Total electrical operations	<u>3,086,300</u>	<u>2,661,318</u>	<u>424,982</u>
Purchased resources - electricity	<u>5,173,973</u>	<u>5,080,300</u>	<u>93,673</u>
Debt service:			
Principal retirement	24,022	24,022	-
Interest	<u>1,625</u>	<u>1,095</u>	<u>530</u>
Total debt service	<u>25,647</u>	<u>25,117</u>	<u>530</u>
Capital outlay	<u>1,419,400</u>	<u>120,315</u>	<u>1,299,085</u>
Total expenditures	<u>9,705,320</u>	<u>7,887,050</u>	<u>1,818,270</u>

**TOWN OF DALLAS, NORTH CAROLINA**

**ELECTRIC FUND  
SCHEDULE OF REVENUES AND EXPENDITURES -  
BUDGET AND ACTUAL (NON-GAAP)  
FOR THE YEAR ENDED JUNE 30, 2025**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues over (under) expenditures	<u>1,360,809</u>	<u>2,071,119</u>	<u>710,310</u>
<b>Other Financing Sources (Uses):</b>			
Transfers from (to) other funds:			
General Fund - payment in lieu of taxes	(850,000)	(850,000)	-
Capital Reserve Fund	(911,700)	(911,179)	521
Sale of surplus property	<u>5,000</u>	<u>-</u>	<u>(5,000)</u>
Total other financing sources (uses)	<u>(1,756,700)</u>	<u>(1,761,179)</u>	<u>(4,479)</u>
Appropriated fund balance	<u>395,891</u>	<u>-</u>	<u>(395,891)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 309,940</u>	<u>\$ 309,940</u>
<b>Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual:</b>			
Net change in fund balance		<u>\$ 309,940</u>	
Reconciling items:			
Capital outlay		120,315	
Compensated absences		(34,386)	
Payment of debt principal		24,022	
Pension expense		(55,191)	
OPEB expense		(7,653)	
Depreciation and amortization		<u>(436,124)</u>	
Total reconciling items		<u>(389,017)</u>	
Change in net position		<u>\$ (79,077)</u>	

**TOWN OF DALLAS, NORTH CAROLINA**

**WATER AND SEWER FUND**  
**SCHEDULE OF REVENUES AND EXPENDITURES -**  
**BUDGET AND ACTUAL (NON-GAAP)**  
**FOR THE YEAR ENDED JUNE 30, 2025**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Charges for services:			
Water sales	\$ 2,260,918	\$ 2,320,226	\$ 59,308
Water taps	22,500	26,587	4,087
Sewer sales	1,252,083	1,369,974	117,891
Sewer taps	15,200	24,560	9,360
System development fees	250,000	81,461	(168,539)
Other operating revenues	85,300	74,904	(10,396)
Total operating revenues	<u>3,886,001</u>	<u>3,897,712</u>	<u>11,711</u>
Non-operating revenues:			
Rental income	40,224	46,257	6,033
Sale of surplus property	2,000	-	(2,000)
Grant revenue	4,552	5,000	448
Total non-operating revenues	<u>46,776</u>	<u>51,257</u>	<u>4,481</u>
Total revenues	<u>3,932,777</u>	<u>3,948,969</u>	<u>16,192</u>
<b>Expenditures:</b>			
Operating expenditures			
Water and sewer operations:			
Salaries and employee benefits	1,043,792	896,819	146,973
Travel	14,500	14,276	224
Supplies	660,513	556,444	104,069
Insurance	140,420	140,411	9
Repairs and maintenance	183,338	149,571	33,767
Other operating expenditures	208,151	170,920	37,231
Total water and sewer operations	<u>2,250,714</u>	<u>1,928,441</u>	<u>322,273</u>
Water treatment and distribution:			
Salaries and employee benefits	486,587	466,979	19,608
Supplies	35,000	29,913	5,087
Chemicals	96,643	110,109	(13,466)
Other operating expenditures	293,068	260,345	32,723
Total water treatment and distribution	<u>911,298</u>	<u>867,346</u>	<u>43,952</u>
Waste collection and treatment:			
Salaries and employee benefits	210,710	177,170	33,540
Chemicals	64,000	59,120	4,880
Supplies	4,786	3,566	1,220
Other operating expenditures	339,126	324,052	15,074
Total waste collection and treatment	<u>618,622</u>	<u>563,908</u>	<u>54,714</u>

**TOWN OF DALLAS, NORTH CAROLINA**

**WATER AND SEWER FUND**  
**SCHEDULE OF REVENUES AND EXPENDITURES -**  
**BUDGET AND ACTUAL (NON-GAAP)**  
**FOR THE YEAR ENDED JUNE 30, 2025**

	<b>Budget</b>	<b>Actual</b>	<b>Variance Over/Under</b>
Debt service:			
Principal	192,411	187,475	4,936
Interest	70,652	75,242	(4,590)
Total debt service	263,063	262,717	346
Capital outlay:			
Water and sewer operations	184,212	183,303	909
Total capital outlay	184,212	183,303	909
Total expenditures	4,227,909	3,805,715	422,194
Revenues over (under) expenditures	(295,132)	143,254	438,386
<b>Other Financing Sources (Uses):</b>			
Transfer from Capital Reserve	100,000	100,000	-
Appropriated fund balance	195,132	-	(195,132)
Net change in fund balance	\$ -	\$ 243,254	\$ 243,254

**Reconciliation from Budgetary Basis**  
**(Modified Accrual) to Full Accrual:**

Net change in fund balance	\$ 243,254
Reconciling items:	
From Capital Project Fund:	
Grant revenues	225,334
Expenditures, not capitalized	(225,334)
Pension expense	(57,311)
OPEB expense	(10,868)
Capital outlay	183,303
Principal retirement	187,475
Change in compensated absences	(7,283)
Amortization	
Depreciation and amortization	(433,637)
Total reconciling items	(138,321)
Change in net position	\$ 104,933

## TOWN OF DALLAS, NORTH CAROLINA

WATER AND SEWER CAPITAL PROJECT FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP)  
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2025

		Actual			
	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>					
Restricted intergovernmental:					
Grant revenue - AIA	\$ 350,000	\$ 87,235	\$ 225,334	\$ 312,569	\$ (37,431)
Grant revenue - SL 2023-133	1,000,000	-	-	-	(1,000,000)
Grant revenue - Sewer Force Main	<u>1,239,451</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,239,451)</u>
Total revenues	<u>2,589,451</u>	<u>87,235</u>	<u>225,334</u>	<u>312,569</u>	<u>(2,276,882)</u>
<b>Expenditures:</b>					
Lead service line inventory	1,200,000	44,988	154,991	199,979	1,000,021
Wastewater asset inventory and assessment	150,000	42,247	70,343	112,590	37,410
Sewer force main	<u>1,239,451</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,239,451</u>
Total expenditures	<u>2,589,451</u>	<u>87,235</u>	<u>225,334</u>	<u>312,569</u>	<u>2,276,882</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

*This page left blank intentionally.*

## **Additional Financial Data**

---

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

### **Schedule of Ad Valorem Taxes Receivable**

### **Analysis of Current Tax Levy**

---

*This page left blank intentionally.*

**TOWN OF DALLAS, NORTH CAROLINA****GENERAL FUND****SCHEDULE OF AD VALOREM TAXES RECEIVABLE****JUNE 30, 2025**

<b>Fiscal Year</b>	<b>Uncollected Balance June 30, 2024</b>	<b>Additions</b>	<b>Collections and Credits</b>	<b>Uncollected Balance June 30, 2025</b>
2024-2025	\$ -	\$ 2,449,708	\$ 2,427,197	\$ 22,511
2023-2024	25,191	-	15,811	9,380
2022-2023	7,164	-	2,074	5,090
2021-2022	2,375	-	1,031	1,344
2020-2021	1,731	-	302	1,429
2019-2020	1,737	-	543	1,194
2018-2019	1,602	-	333	1,269
2017-2018	1,343	-	285	1,058
2016-2017	1,348	-	41	1,307
2015-2016	1,488	-	52	1,436
2014-2015	907	-	907	-
Total	<u>\$ 44,886</u>	<u>\$ 2,449,708</u>	<u>\$ 2,448,576</u>	<u>46,018</u>
Less: allowance for uncollectible taxes receivable				<u>(12,772)</u>
Ad valorem taxes receivable - net				<u>\$ 33,246</u>
<b>Reconciliation with Revenues:</b>				
Ad valorem taxes - General Fund				\$ 2,452,100
Reconciling items:				
Write-offs				907
Other adjustments				<u>(4,431)</u>
Total collections and credits				<u>\$ 2,448,576</u>

## TOWN OF DALLAS, NORTH CAROLINA

## ANALYSIS OF CURRENT TAX LEVY

## TOWN-WIDE LEVY

FOR THE YEAR ENDED JUNE 30, 2025

	Town-Wide			Tax Levy	
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
<b>Original Levy:</b>					
Property taxes	\$ 529,954,762	\$ 0.420	\$ 2,225,810	\$ 2,225,810	\$ -
Motor vehicles	51,926,905	0.420	218,093	-	218,093
Total	581,881,667		2,443,903	2,225,810	218,093
<b>Discoveries:</b>					
Current year taxes	2,664,762	0.420	11,192	11,192	-
Releases	(1,282,619)	0.420	(5,387)	(5,387)	-
Total	1,382,143		5,805	5,805	-
Total property valuation	\$ 583,263,810				
<b>Net Levy</b>			2,449,708	2,231,615	218,093
Uncollected taxes at June 30, 2025			(22,511)	(22,511)	-
<b>Current Year's Taxes Collected</b>			\$ 2,427,197	\$ 2,209,104	\$ 218,093
<b>Current Levy Collection Percentage</b>			99.08%	98.99%	100.00%

## Compliance Section

---

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

*This page left blank intentionally.*

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

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

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

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

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

We have audited, in accordance with 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 (*Government Auditing Standards*), 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, 2025, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated October 31, 2025.

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Town'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 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 the Town's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

### **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 Town's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Martin Starnes & Associates, CPAs, P.A.  
Hickory, North Carolina  
October 31, 2025

# TOWN OF DALLAS, NORTH CAROLINA

## SCHEDULE OF FINDINGS AND RESPONSES FOR THE YEAR ENDED JUNE 30, 2025

### 1. Summary of Auditor's Results

#### Financial Statements

Type of report the auditor issued on  
whether the financial statements audited  
were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_\_\_ Yes      X   No
- Significant deficiency(ies) identified? \_\_\_\_\_ Yes      X   None reported

Non-compliance material to financial  
statements noted?

\_\_\_\_\_ Yes      X   No

### 2. Financial Statement Findings

None reported

**TOWN OF DALLAS, NORTH CAROLINA**  
**SCHEDULE OF PRIOR YEAR AUDIT FINDINGS**  
**FOR THE YEAR ENDED JUNE 30, 2025**

None noted.