

TOWN OF DALLAS

Financial Statements, Supplemental Schedules,
Independent Auditors' Report and Compliance Report
For the Year Ended June 30, 2014

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

TOWN OF DALLAS, NORTH CAROLINA

Table of Contents For the Year Ended June 30, 2014

	<u>Page No.</u>
List of Principal Officials	1
Financial Section:	
<i>Independent Auditors' Report</i>	2-4
<i>Management's Discussion and Analysis</i>	5-13
<i>Basic Financial Statements:</i>	
Government-wide Financial Statements:	
Statement of Net Position	14
Statement of Activities	15-16
Fund Financial Statements:	
Balance Sheet - Governmental Funds	17
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	18
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	19
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	20
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	21
Statement of Fund Net Position - Proprietary Funds	22
Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds	23
Statement of Cash Flows - Proprietary Funds	24-25
Notes to the Financial Statements	26-49

TOWN OF DALLAS, NORTH CAROLINA

Table of Contents - Continued For the Year Ended June 30, 2014

Page No.

Financial Section (continued):

Required Supplementary Information:

Law Enforcement Officers' Special Separation Allowance - Required Supplementary Information - Schedule of Funding Progress	50
---	----

Law Enforcement Officers' Special Separation Allowance - Required Supplementary Information - Schedule of Employer Contributions and Notes to Required Schedules	51
--	----

Combining and Individual Fund Statements and Schedules:

Governmental Activities:

General Fund:

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual	52-57
--	-------

Non-Major Funds:

Combining Balance Sheet	58
-------------------------	----

Combining Statement of Revenues, Expenditures and Changes in Fund Balance	59
---	----

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

LESA Fund	60
Storm Water Fund	61
Capital Project Fund	62
Enhancement Grant Capital Project	63
Jaggers Park Capital Project	64
Police Station Capital Project Fund	65
Town Hall Capital Project Fund	66

Business-Type Activities:

Enterprise Funds:

Water and Sewer Fund: Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	67-68
---	-------

Water and Sewer Capital Projects Fund - Phases I, II and III: Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	69
---	----

Water and Sewer Capital Projects Fund - Phase IV: Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	70
---	----

TOWN OF DALLAS, NORTH CAROLINA

Table of Contents - Continued For the Year Ended June 30, 2014

	<u>Page No.</u>
Financial Section (continued):	
Electric Fund:	
Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	71-72
<i>Other Schedules:</i>	
Schedule of Ad Valorem Taxes Receivable	73
Analysis of Current Tax Levy	74
Compliance Section:	
Independent Auditors' Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit Of Financial Statements Performed In Accordance With <u>Government Auditing Standards</u>	75-76
Schedule of Findings and Responses	77-78

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TOWN OF DALLAS, NORTH CAROLINA

List of Principal Officials June 30, 2014

Mayor & Board of Aldermen

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

Town Administration

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

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

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Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Dallas, North Carolina, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Dallas, North Carolina, as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and Law Enforcement Officers' Special Separation Allowance on pages 5 through 13, and 50 through 51 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Dallas, North Carolina's basic financial statements. The individual and combining fund financial statements, budgetary schedules and other schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The individual and combining fund financial statements, budgetary schedules and other schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the individual and combining 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 December 15, 2014, on our consideration of the Town of Dallas, North Carolina's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Town of Dallas, North Carolina's internal control over financial reporting and compliance.

Lawrence Smith Hunt & Co.

Morganton, North Carolina
December 15, 2014

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Management's Discussion and Analysis

As management of the Town of Dallas, we offer the readers of the Town of Dallas' financial statements this narrative overview and analysis of the financial activities of the Town of Dallas for the fiscal year ended June 30, 2014. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

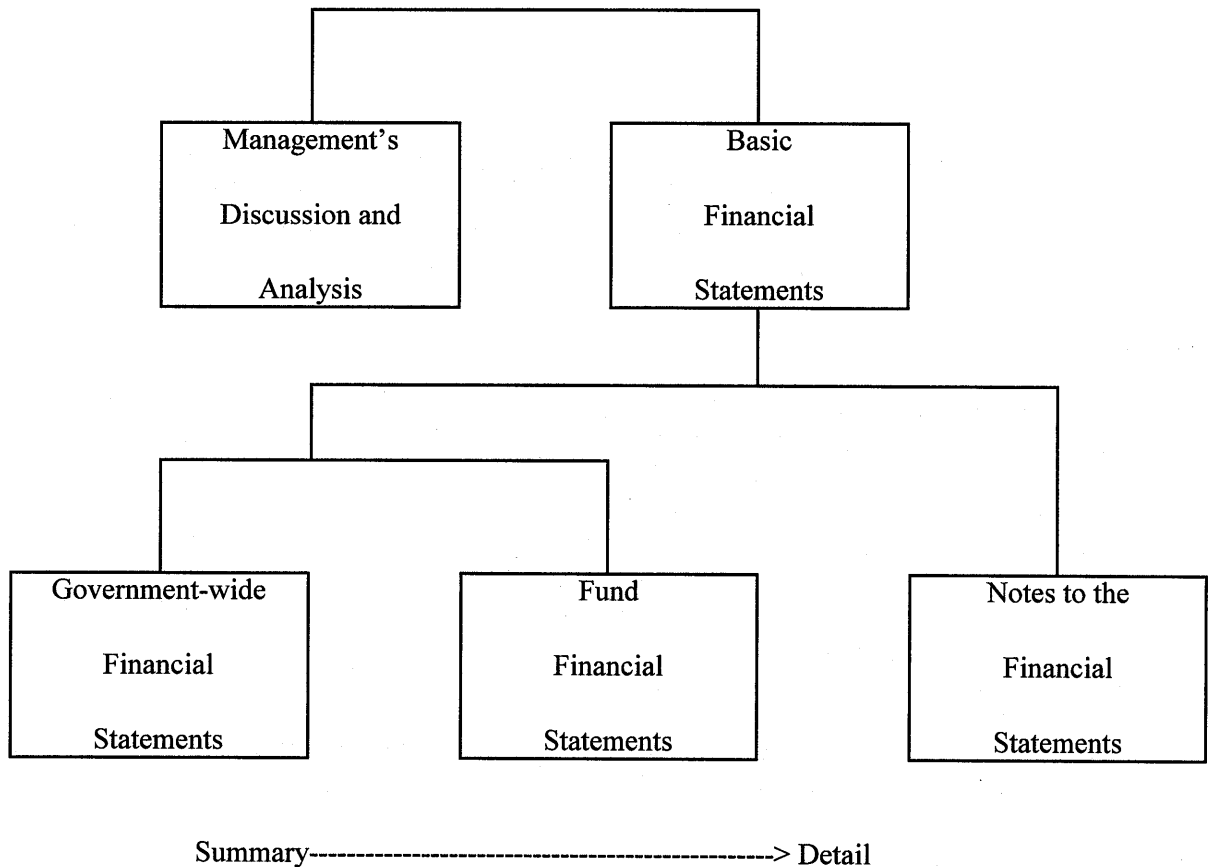
Financial Highlights

- The assets and deferred outflows of resources of the Town of Dallas exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$18,752,816 (net position).
- The Town's total net position increased by \$350,894.
- As of the close of the current fiscal year, the Town of Dallas' governmental funds reported combined ending fund balances of \$2,193,895, with a net increase of \$20,286 in fund balance. Approximately .78 percent of this total amount, or \$17,109, is nonspendable.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$931,503 or 23.90 percent of total general fund expenditures for the fiscal year.
- The Town of Dallas' total debt increased by \$326,793 (6.4%) during the current fiscal year. The key factor in this increase was the issuance of new debt.
- The Town's total capital assets increased by \$3,674,184 (31.8%) during the current fiscal year. The key factor in this increase is the purchase and construction of new assets.

Overview of the Financial Statements

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

Required Components of Annual Financial Report
Figure 1



Basic Financial Statements

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

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

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

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

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

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

Notes to the Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 26 of this report.

Other Information - In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town of Dallas's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 50 of this report.

The individual fund statements and schedules are presented immediately following the required supplementary information on pensions. Individual fund statements and schedules can be found beginning on page 52 of this report.

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

Government-Wide Financial Analysis

The Town of Dallas, Net Position						
	Governmental		Business-type		Total	
	Activities		Activities			
	2014	2013	2014	2013	2014	2013
Current and other assets	\$2,642,692	\$2,608,034	\$ 7,919,415	\$10,904,850	\$10,562,107	\$13,512,884
Capital assets	4,154,407	3,129,686	11,063,678	8,414,215	15,218,085	11,543,901
Deferred outflows of resources	-	-	-	-	-	-
Total assets and deferred outflows of resources	<u>\$6,797,099</u>	<u>\$5,737,720</u>	<u>\$18,983,093</u>	<u>\$19,319,065</u>	<u>\$25,780,192</u>	<u>\$25,056,785</u>
Long term liabilities outstanding	\$1,978,449	\$1,496,922	\$ 3,469,811	\$ 3,622,689	\$ 5,448,260	\$ 5,119,611
Other liabilities	513,905	156,740	1,065,210	1,064,939	1,579,115	1,221,679
Deferred inflows of resources	-	272,064	-	-	-	272,064
Total liabilities and deferred inflows of resources	<u>\$2,492,354</u>	<u>\$1,925,726</u>	<u>\$ 4,535,021</u>	<u>\$ 4,687,628</u>	<u>\$ 7,027,375</u>	<u>\$ 6,613,354</u>
Net position:						
Net investment in capital assets	\$2,488,245	\$1,751,342	\$ 8,505,551	\$ 4,673,065	\$10,993,796	\$ 6,424,407
Restricted	595,915	692,476	-	-	595,915	692,476
Unrestricted	<u>1,220,584</u>	<u>1,368,176</u>	<u>5,942,521</u>	<u>9,958,372</u>	<u>7,163,105</u>	<u>11,326,548</u>
Total net position	<u>\$4,304,744</u>	<u>\$3,811,994</u>	<u>\$14,448,072</u>	<u>\$14,631,437</u>	<u>\$18,752,816</u>	<u>\$18,443,431</u>

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the Town of Dallas exceeded liabilities and deferred inflows by \$18,752,816 as of June 30, 2014. The Town's net position increased by \$350,894 for the fiscal year ended June 30, 2014. However, a large portion of net position (58.62%) reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The Town of Dallas uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Dallas' net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Dallas' net position, \$595,915, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$7,163,105 is unrestricted.

Town of Dallas, Changes in Net Position						
	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program revenues:						
Charges for services	\$ 479,114	\$ 418,012	\$ 9,249,926	\$ 9,546,758	\$ 9,729,040	\$ 9,964,770
Operating grants and contributions	136,586	161,477	-	-	136,586	161,477
Capital grants and contributions	453,859	-	117,462	-	571,321	-
General revenues:						
Property taxes	1,077,616	1,006,742	-	-	1,077,616	1,006,742
Other taxes	763,859	778,189	-	-	763,859	778,189
Unrestricted investment earnings	4,338	8,257	722	297	5,060	8,554
Other	16,178	28,514	121,686	11,410	137,864	39,924
Total revenues	<u>2,931,550</u>	<u>2,401,191</u>	<u>9,489,796</u>	<u>9,558,465</u>	<u>12,421,346</u>	<u>11,959,656</u>
Expenses:						
General government	419,721	542,389	-	-	419,721	542,389
Public safety	1,370,952	1,357,807	-	-	1,370,952	1,357,807
Transportation	437,217	380,368	-	-	437,217	380,368
Economic and physical development	86,758	-	-	-	86,758	-
Environmental protection	371,535	432,335	-	-	371,535	432,335
Cultural and recreational	221,342	256,559	-	-	221,342	256,559
Interest on long-term debt	78,227	61,490	2,241	-	80,468	61,490
Water and sewer	-	-	2,195,839	2,245,494	2,195,839	2,245,494
Electric	-	-	6,886,620	6,387,362	6,886,620	6,387,362
Total expenses	<u>2,985,752</u>	<u>3,030,948</u>	<u>9,084,700</u>	<u>8,632,856</u>	<u>12,070,452</u>	<u>11,663,804</u>
Changes in net position before transfers	(54,202)	(629,757)	405,096	925,609	350,894	295,852
Transfers	528,462	801,000	(528,462)	(801,000)	-	-
Changes in net position	<u>\$ 474,260</u>	<u>\$ 171,243</u>	<u>\$ (123,365)</u>	<u>\$ 124,609</u>	<u>\$ 350,894</u>	<u>\$ 295,852</u>
Net position, beginning, as previously report	\$ 3,811,994	\$ 3,640,751	\$ 14,631,437	\$ 14,506,828	\$ 18,443,431	\$ 18,147,579
Prior period adjustment	18,490	-	(60,000)	-	(41,510)	-
Net position, beginning, as restated	3,830,484	3,640,751	14,571,437	14,506,828	18,401,921	18,147,579
Changes in net position	474,260	171,243	(123,365)	124,609	350,894	295,852
Net position, ending	<u>\$ 4,304,744</u>	<u>\$ 3,811,994</u>	<u>\$ 14,448,072</u>	<u>\$ 14,631,437</u>	<u>\$ 18,752,816</u>	<u>\$ 18,443,431</u>

Governmental Activities. Governmental activities increased the Town's net position by \$474,260. Key elements of this increase are as follows:

- Charges for services were up approximately \$61,000.
- Capital contributions of \$454,000.
- Increase in property taxes of \$71,000.
- Expenses remained relatively the same as the prior year.

Business-type Activities. Business-type activities decreased the Town of Dallas' net position by \$123,365. Key elements of this decrease are as follows:

- Charges for services were down \$297,000.
- Expenses were increased \$452,000.

Financial Analysis of the Town's Funds

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

Governmental Funds. The focus of the Town of Dallas' governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Town of Dallas' financing requirements. 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 \$931,503, while total fund balance reached \$1,875,887. The Town currently has an available fund balance of 23.9 percent of General Fund expenditures while total fund balance represents 48.1 percent of that same amount.

At June 30, 2014, the governmental funds of the Town of Dallas reported a combined fund balance of \$2,193,895, with a net increase in fund balance of \$20,286. Included in this change in fund balance are the following increases (decreases):

General Fund:	
General Fund	\$ 83,813
Other funds:	
Non-Major Funds	<u>(63,527)</u>
	<u>\$ 20,286</u>

Budgetary Highlights

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

General Fund

There were several amendments to small, capital projects to reflect final adjusted costs; and there was an amendment to the personnel cost line-items within the Police Department Budget to account for classification-equity adjustments. Also, the budget for the Courthouse renovation project was updated to reflect both the final, adjusted costs while also accounting for the contributions from the Electric Fund.

Proprietary Funds:

Within the Electric Fund, an amendment was made to account for the additional revenues received as a “true-up” to the wholesale purchase power agreement with Duke Energy; and, in turn, the subsequent contribution of said funds, along with additional contribution of undesignated fund balance, was transferred to the Courthouse renovation project. Further, within the Electric Fund, an amendment allowing for the “speed-up” of expenditures on the Electric Substation project construction was accomplished as well. Within the Water/Sewer Fund Budget, amendments were made to reflect the final project cost numbers, as well as change-orders, to the multi-phase, multi-year water-line reconstruction project.

Capital Asset and Debt Administration

Capital Assets. The Town of Dallas' investment in capital assets for its governmental and business type activities as of June 30, 2014, totals \$15,218,085 (net of accumulated depreciation). These assets include buildings, roads and bridges, land, machinery and equipment, park facilities, and vehicles.

Major capital asset transactions during the year include the following:

- Major additions in the General Fund included a fire truck (\$363,042), a garbage truck (\$256,047), courthouse renovation (\$463,161) and various other vehicles, equipment and infrastructure.
- The Electric Fund had approximately \$576,000 in current year additions for a tree truck (\$75,000), ball field lighting (\$130,052), substation (\$88,461), Long Creek Apartments infrastructure (\$111,063) and various other equipment.
- The Water and Sewer Fund had approximately \$2,705,000 of new additions consisting mostly of construction in progress related to Water and Sewer Capital Project.

Town of Dallas's Capital Assets						
Figure 4						
	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land	\$ 96,518	\$ 96,518	\$ 189,069	\$ 230,717	\$ 285,587	\$ 327,235
Right of way	-	-	41,648	-	41,648	-
Buildings and improvements	2,273,918	2,300,805	396,481	1,744,726	2,670,399	4,045,531
Distribution systems	-	-	4,389,699	4,389,699	4,389,699	4,389,699
Infrastructure	171,540	178,869	-	-	171,540	178,869
Other improvements	100,605	77,710	-	-	100,605	77,710
Sewer plant	-	-	544,439	-	544,439	-
Water plant	-	-	685,201	-	685,201	-
Vehicles and equipment	967,203	404,248	1,013,648	1,082,754	1,980,851	1,487,002
Construction in progress	<u>544,622</u>	<u>71,536</u>	<u>3,803,494</u>	<u>966,319</u>	<u>4,348,116</u>	<u>1,037,855</u>
Total	<u>\$4,154,407</u>	<u>\$3,129,686</u>	<u>\$11,063,678</u>	<u>\$8,414,215</u>	<u>\$15,218,085</u>	<u>\$11,543,901</u>

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

Long-term Debt. As of June 30, 2014, the Town of Dallas had total outstanding debt of \$5,446,285.

Town of Dallas's Outstanding Debt					
Figure 5					
	Governmental Activities		Business-type Activities		Total
	2014	2013	2014	2013	
Loans payable	<u>\$1,901,184</u>	<u>\$1,378,343</u>	<u>\$3,545,101</u>	<u>\$3,741,149</u>	<u>\$5,446,285</u> <u>\$5,119,492</u>

The Town of Dallas' total debt increased by \$326,793 (6.4%) during the fiscal year, primarily due to issuance of new debt.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within the government's boundaries. The legal debt margin for Town of Dallas is \$16,754,745. The Town has no bonds authorized but un-issued at June 30, 2014.

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

Economic Factors and Next Year's Budgets and Rates

The following key economic indicators reflect the growth and prosperity of the Town.

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

- Both Utility and Tax Revenues have stabilized following the recession and some limited growth has become evident in the multi-family and commercial/retail areas.
- Unemployment in the area is trending down. The larger employers have begun to add to their respective workforces.
- 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, 2015

Overall, the Budget comfortably maintains the complete integrity of the Town's core services, functions, and activities, while actually increasing, by one, authorized, full-time-equivalent positions. At the same time, the Budget serves to either continue or complete a number of high-impact, high-profile capital improvement or re-investment projects which have been determined to be of the highest priority for the Town. Specifically, in the Electric Fund, the completion of the \$3.6 Million construction of the Substation; funding the complete upgrade of the two Trade Street intersection improvements contemplated by the new Town Center Plan; and, completing the storage and meter office building which is Phase I of the Public Utilities/Warehouse upgrade Plan.

In what is now a stand-alone Department of the General Fund, titled "Courthouse", there is the completion of the contracted, \$850,000 plus renovation and historic preservation of the Courthouse building as a Community Center; purchasing and installing all the required new furniture, fixtures, and equipment; and, covering the operating expenditures of its future ongoing use as a public meeting and gathering space and election polling site.

In Community Development, there is funding of what is expected to be the full cost of acquiring the land, and demolishing the dilapidated structures thereon, identified as necessary to construct the new public parking lot behind Trade Street - also described within the Town Center Plan.

In Recreation, there is the comprehensive upgrade of each of the Town's Parks, Fields and/or recreation facilities by fully-funding the Jagers Park PARTF Grant improvements project; completing minor upgrades at the Dennis Franklin Gym; and, receiving Electric Fund support in finalizing installation of outdoor lighting upgrades at Wooten and Cudd fields at Carr School, as well as Gingles field at Jagers Park.

Finally, there are the two, large-scale, Town-wide, water-main replacement projects - being the Phases I, II, and III, non-grant, and the CDBG-financed, Phase IV, water-main replacement projects. These were budgeted for in the multi-year, Special "Project Fund" Budgets for each. We do expect that the water-main projects will be fully completed within fiscal year 2015.

Also, we are completing the design for the waste-water interconnect line that would link the sewer collection system to the Gastonia Long Creek wastewater treatment plant.

Requests for Information

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

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TOWN OF DALLAS

Statement of Net Position June 30, 2014

	Primary Government		
	Governmental Activities	Business - type Activities	Total
<u>Assets</u>			
Current assets:			
Cash and cash equivalents	\$ 1,599,456	\$ 4,725,399	\$ 6,324,855
Taxes receivable, net	37,440	-	37,440
Accounts receivable, net	37,957	1,379,244	1,417,201
Due from other government agencies	303,502	-	303,502
Accrued interest receivable	14,964	-	14,964
Mortgage receivable	230,000	-	230,000
Inventories	17,109	573,235	590,344
Prepaid items	-	26,976	26,976
Total current assets	<u>2,240,428</u>	<u>6,704,854</u>	<u>8,945,282</u>
Noncurrent assets:			
Restricted cash	<u>402,264</u>	<u>1,214,561</u>	<u>1,616,825</u>
Capital assets:			
Land and nondepreciable assets	641,140	4,034,211	4,675,351
Other capital assets, net of accumulated depreciation	<u>3,513,267</u>	<u>7,029,467</u>	<u>10,542,734</u>
Total capital assets	<u>4,154,407</u>	<u>11,063,678</u>	<u>15,218,085</u>
Total assets	<u>6,797,099</u>	<u>18,983,093</u>	<u>25,780,192</u>
<u>Liabilities</u>			
Accounts payable and accrued liabilities	96,267	625,741	722,008
Accrued interest payable	17,364	-	17,364
Customer deposits	-	227,586	227,586
Unearned revenues	315,089	-	315,089
Current portion of long-term liabilities	<u>85,185</u>	<u>211,883</u>	<u>297,068</u>
Total current liabilities	<u>513,905</u>	<u>1,065,210</u>	<u>1,579,115</u>
Long-term liabilities:			
Due in more than one year	<u>1,978,449</u>	<u>3,469,811</u>	<u>5,448,260</u>
Total liabilities	<u>2,492,354</u>	<u>4,535,021</u>	<u>7,027,375</u>
<u>Net Position</u>			
Net investment in capital assets	2,488,245	8,505,551	10,993,796
Restricted for:			
Stabilization by State Statute	303,502	-	303,502
Streets - Powell Bill	167,241	-	167,241
Public safety	125,172	-	125,172
Unrestricted	<u>1,220,584</u>	<u>5,942,521</u>	<u>7,163,105</u>
Total net position	<u>\$ 4,304,744</u>	<u>\$14,448,072</u>	<u>\$18,752,816</u>

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

TOWN OF DALLAS

Page 1 of 2

Statement of Activities For the Year Ended June 30, 2014

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary Government:							
Governmental activities:							
General government	\$ 419,721	\$ 2,694	\$ -	\$ 416,952	\$ (75)	\$ -	\$ (75)
Public safety	1,370,952	677	1,250	36,907	(1,332,118)	-	(1,332,118)
Transportation	437,217	-	128,453	-	(308,764)	-	(308,764)
Economic and physical development	86,758	3,295	6,883	-	(76,580)	-	(76,580)
Environmental protection	371,535	410,669	-	-	39,134	-	39,134
Cultural and recreational	221,342	61,779	-	-	(159,563)	-	(159,563)
Interest on long-term debt	78,227	-	-	-	(78,227)	-	(78,227)
Total governmental activities	2,985,752	479,114	136,586	453,859	(1,916,193)	-	(1,916,193)
Business-type activities:							
Water and sewer	2,195,839	2,121,425	-	117,462	-	43,048	43,048
Electric	6,888,861	7,128,501	-	-	-	239,640	239,640
Total business-type activities	9,084,700	9,249,926	-	117,462	-	282,688	282,688
Total primary government	\$ 12,070,452	\$ 9,729,040	\$ 136,586	\$ 571,321	(1,916,193)	282,688	(1,633,505)

cont.

TOWN OF DALLAS

Page 2 of 2, cont.

Statement of Activities For the Year Ended June 30, 2014

Net (Expense) Revenue and Changes in Net Position			
	Primary Government		
	Governmental Activities	Business-type Activities	Total
General revenues:			
Ad valorem taxes	\$ 1,077,616	\$ -	\$ 1,077,616
Local option sales tax	315,441	-	315,441
Franchise tax	106,996	-	106,996
Other taxes and licenses	341,422	-	341,422
Unrestricted investment earnings	4,338	722	5,060
Miscellaneous	16,178	112,360	128,538
Gain on sale of capital assets	-	9,326	9,326
Transfers	528,462	(528,462)	-
Total general revenues and transfers	2,390,453	(406,054)	1,984,399
Changes in net position	\$ 474,260	\$ (123,365)	\$ 350,894
Net position - beginning, as previously reported	\$ 3,811,994	\$ 14,631,437	\$ 18,443,431
Prior period adjustment	18,490	(60,000)	(41,510)
Net position - beginning, as restated	3,830,484	14,571,437	18,401,921
Changes in net position	474,260	(123,365)	350,894
Net position - ending	\$ 4,304,744	\$ 14,448,072	\$ 18,752,816

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

TOWN OF DALLAS

Balance Sheet Governmental Funds June 30, 2014

	Major Funds		Total	Total
	General	CDBG Grant	Non-Major	Governmental
<u>Assets</u>	<u>Fund</u>	<u>Fund</u>	<u>Funds</u>	<u>Funds</u>
Cash and cash equivalents	\$1,242,392	\$ 37,200	\$ 319,864	\$ 1,599,456
Taxes receivable, net	37,440	-	-	37,440
Accounts receivable, net	32,925	-	5,032	37,957
Due from government agencies	303,502	-	-	303,502
Accrued interest receivable	-	14,964	-	14,964
Inventories	17,109	-	-	17,109
Mortgage receivable	-	230,000	-	230,000
Restricted cash	402,264	-	-	402,264
Total assets	<u>\$2,035,632</u>	<u>\$ 282,164</u>	<u>\$ 324,895</u>	<u>\$ 2,642,691</u>
<u>Liabilities</u>				
Accounts payable and accrued liabilities	\$ 89,380	\$ -	\$ 6,887	\$ 96,267
Total liabilities	<u>89,380</u>	<u>-</u>	<u>6,887</u>	<u>96,267</u>
<u>Deferred Inflows of Resources</u>				
Property taxes receivable	37,440	-	-	37,440
Unearned mortgage revenue	-	282,164	-	282,164
Other fees receivable	32,926	-	-	32,926
Total deferred inflows of resources	<u>70,365</u>	<u>282,164</u>	<u>-</u>	<u>352,529</u>
<u>Fund Balances</u>				
Nonspendable:				
Inventories	17,109	-	-	17,109
Restricted:	-	-	-	-
Stabilization by State Statute	303,502	-	-	303,502
Streets - Powell Bill	167,241	-	-	167,241
Public safety	-	-	125,172	125,172
Assigned:				
Storm Water	-	-	104,421	104,421
Capital Project	-	-	90,915	90,915
Subsequent year's expenditures	456,532	-	-	456,532
Unassigned	931,503	-	(2,500)	929,003
Total fund balances	<u>1,875,887</u>	<u>-</u>	<u>318,008</u>	<u>2,193,895</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$2,035,632</u>	<u>\$ 282,164</u>	<u>\$ 324,895</u>	<u>\$ 2,642,691</u>

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

TOWN OF DALLAS

**Reconciliation of the Governmental Funds Balance Sheet
To the Statement of Net Position
June 30, 2014**

Total Fund Balances, Governmental Fund \$ 2,193,895

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

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

Gross capital assets at historical cost	\$7,550,684	
Accumulated depreciation	<u>(3,396,278)</u>	4,154,406

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

Property taxes receivable	37,440
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Long-term liabilities used in governmental activities are not
financial uses and therefore are not reported in the funds

Accrued interest on long-term debt	(17,364)
Long-term debt	(1,901,185)
Compensated absences	(107,274)
Law enforcement officers' separation allowance	<u>(55,176)</u>

Net position of governmental activities	<u>\$ 4,304,744</u>
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The notes to the financial statements are an integral part of this statement.

TOWN OF DALLAS

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

For the Year Ended June 30, 2014

	Major Funds		Total	Total
	General	CDBG Grant	Non-Major	Governmental
	<u>Fund</u>	<u>Fund</u>	<u>Funds</u>	<u>Funds</u>
Revenues:				
Ad valorem taxes	\$ 1,082,878	\$ -	\$ -	\$ 1,082,878
Other taxes and licenses	36,720	-	-	36,720
Unrestricted intergovernmental revenues	726,241	-	-	726,241
Restricted intergovernmental revenues	166,812	-	-	166,812
Permits and fees	3,295	-	-	3,295
Sales and services	384,871	-	-	384,871
Grant revenue	-	-	6,883	6,883
Other operating revenues	-	-	65	65
Investment earnings	4,298	-	20	4,318
Miscellaneous	435,981	-	467	436,448
Storm water fees	-	-	88,281	88,281
Total revenues	<u>2,841,096</u>	<u>-</u>	<u>95,716</u>	<u>2,936,812</u>
Expenditures:				
General government	819,338	-	-	819,338
Public safety	1,676,976	-	-	1,676,976
Transportation	401,059	-	-	401,059
Economic and physical development	-	-	132,419	132,419
Environmental protection	629,124	-	-	629,124
Cultural and recreational	235,408	-	-	235,408
Debt service:				
Principal retirement	62,103	-	-	62,103
Interest and other charges	73,505	-	-	73,505
Total expenditures	<u>3,897,513</u>	<u>-</u>	<u>132,419</u>	<u>4,029,932</u>
Revenues over (under) expenditures	<u>(1,056,417)</u>	<u>-</u>	<u>(36,703)</u>	<u>(1,093,120)</u>
Other Financing Sources (Uses):				
Proceeds from capital financing	584,944	-	-	584,944
Transfers - in	577,882	-	35,735	613,617
Transfers - out	<u>(22,596)</u>	<u>-</u>	<u>(62,559)</u>	<u>(85,155)</u>
Total other financing sources (uses)	<u>1,140,230</u>	<u>-</u>	<u>(26,824)</u>	<u>1,113,406</u>
Net changes in fund balances	<u>83,813</u>	<u>-</u>	<u>(63,527)</u>	<u>20,286</u>
Fund balances, beginning, as previously reported	1,773,584	-	381,535	2,155,119
Prior period adjustment	18,490	-	-	18,490
Fund balances, beginning, as restated	<u>1,792,074</u>	<u>-</u>	<u>381,535</u>	<u>2,173,609</u>
Fund balances, ending	<u>\$ 1,875,887</u>	<u>\$ -</u>	<u>\$ 318,008</u>	<u>\$ 2,193,895</u>

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

TOWN OF DALLAS

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the Year Ended June 30, 2014

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

Net change in fund balances - total governmental funds	\$ 20,286
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Governmental funds report capital outlays as expenditures. However, in the
the Statement of Activities, the cost of those assets is allocated over their
estimated useful lives and reported as depreciation expense. This is the amount
by which capital outlays exceeded depreciation in the current period.

Capital outlay	1,245,836
Depreciation expense	(216,945)

Revenues in the statement of activities that do not provide current
financial resources are not reported as revenues in the funds.

Change in deferred revenue for tax purposes	(5,262)
Change in other deferred revenues	(42,468)

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

New long-term debt issued	(584,944)
Principal payments on long-term debt	62,103
Change in accrued interest payable	(4,722)

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

Compensated absences	6,351
Net pension obligation	<u>(5,975)</u>

Change in net position of governmental activities	<u>\$ 474,260</u>
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The notes to the financial statements are an integral part of this statement.

TOWN OF DALLAS

Statement of Revenues, Expenditures and Changes in Fund Balance Budget and Actual - General Fund For the Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues:				
Ad valorem taxes	\$ 1,007,500	\$ 1,007,500	\$ 1,082,878	\$ 75,378
Other taxes and licenses	38,632	38,632	36,720	(1,912)
Unrestricted intergovernmental revenues	727,014	727,014	726,241	(773)
Restricted intergovernmental revenues	130,231	134,031	166,812	32,781
Permits and fees	3,800	3,800	3,295	(505)
Sales and services	395,940	397,940	384,879	(13,061)
Investment earnings	3,750	3,750	4,298	548
Miscellaneous	24,100	774,050	435,973	(338,077)
Total revenues	<u>2,330,967</u>	<u>3,086,717</u>	<u>2,841,096</u>	<u>(245,621)</u>
Expenditures:				
General government	304,703	1,090,813	819,338	271,475
Public safety	1,499,878	1,389,574	1,676,976	(287,402)
Transportation	495,336	452,836	401,059	51,777
Environmental protection	382,698	673,898	629,124	44,774
Cultural and recreational	226,234	274,974	235,408	39,566
Debt service:				
Principal retirement	-	62,168	62,103	65
Interest and other charges	-	73,516	73,505	11
Total expenditures	<u>2,908,849</u>	<u>4,017,779</u>	<u>3,897,513</u>	<u>120,266</u>
Revenues over (under) expenditures	<u>(577,882)</u>	<u>(931,062)</u>	<u>(1,056,417)</u>	<u>(125,355)</u>
Other Financing Sources (Uses):				
Proceeds from capital financing	-	235,000	584,944	349,944
Appropriated fund balance	-	129,180	-	(129,180)
Transfers in	577,882	577,882	577,882	-
Transfer out	-	(11,000)	(22,596)	(11,596)
Total other financing sources (uses)	<u>577,882</u>	<u>931,062</u>	<u>1,140,230</u>	<u>209,168</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>83,813</u>	<u>\$ 83,813</u>
Fund balance, beginning as previously reported			1,773,584	
Prior period adjustment			18,490	
Fund balances, beginning as restated			<u>1,792,074</u>	
Fund balance, ending			<u>\$ 1,875,887</u>	

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

TOWN OF DALLAS

Statement of Fund Net Position Proprietary Funds June 30, 2014

	Business-type Activities		
	Enterprise Funds		
	Water and Sewer Fund	Electric Fund	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 1,134,943	\$ 3,590,456	\$ 4,725,399
Accounts receivable (net)	284,652	1,094,592	1,379,244
Prepaid expense	-	26,976	26,976
Inventories	168,343	404,892	573,235
Total current assets	<u>1,587,938</u>	<u>5,116,917</u>	<u>6,704,854</u>
Noncurrent assets:			
Restricted cash and cash equivalents	1,052,427	162,134	1,214,561
Land and other non-depreciable assets	3,729,482	304,729	4,034,211
Capital assets, net of accumulated depreciation	4,263,692	2,765,774	7,029,466
Total noncurrent assets	<u>9,045,601</u>	<u>3,232,637</u>	<u>12,278,238</u>
Total assets	<u>10,633,538</u>	<u>8,349,554</u>	<u>18,983,092</u>
Liabilities			
Current liabilities:			
Accounts payable and accrued liabilities	202,159	423,582	625,741
Customer deposits	65,452	162,134	227,586
Settlement agreement - current	10,000	-	10,000
Loans payable - current	130,655	71,228	201,883
Total current liabilities	<u>408,266</u>	<u>656,945</u>	<u>1,065,210</u>
Noncurrent liabilities:			
Settlement agreement	40,000	-	40,000
Loans payable	3,343,218	-	3,343,218
Accrued compensated absences	46,131	40,462	86,593
Total noncurrent liabilities	<u>3,429,349</u>	<u>40,462</u>	<u>3,469,811</u>
Total liabilities	<u>3,837,615</u>	<u>697,407</u>	<u>4,535,020</u>
Net Position			
Net investment in capital assets	5,506,276	2,999,275	8,505,551
Assigned:			
Subsequent year's expenditures	24,300	1,192,017	1,216,317
Unrestricted	<u>1,265,347</u>	<u>3,460,856</u>	<u>4,726,203</u>
Total net position	<u>\$ 6,795,924</u>	<u>\$ 7,652,147</u>	<u>\$ 14,448,072</u>

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

TOWN OF DALLAS

Statement of Revenues, Expenses and Changes in Fund Net Position Proprietary Funds For the Year Ended June 30, 2014

	Business-type Activities Enterprise Funds		
	Water and Sewer Fund	Electric Fund	Total
Operating Revenues:			
Electricity sales	\$ -	\$ 7,087,362	\$ 7,087,362
Water charges	1,319,145	-	1,319,145
Sewer charges	701,850	-	701,850
Water and sewer taps	15,200	-	15,200
Other operating revenues	85,230	93,715	178,945
Total operating revenues	<u>2,121,425</u>	<u>7,181,077</u>	<u>9,302,502</u>
Operating Expenses:			
Electrical operations	-	1,474,415	1,474,415
Electrical power purchases	-	4,582,731	4,582,731
Water and sewer operations	1,154,540	-	1,154,540
Water treatment and distribution	480,102	-	480,102
Waste collection and treatment	309,214	-	309,214
Depreciation	251,983	326,535	578,518
Total operating expenses	<u>2,195,839</u>	<u>6,383,681</u>	<u>8,579,520</u>
Operating income (loss)	<u>(74,414)</u>	<u>797,396</u>	<u>722,982</u>
Nonoperating Revenues (Expenses):			
Investment earnings	707	15	722
Interest and other charges	-	(2,241)	(2,241)
Gain (loss) on disposal of capital assets	9,326	(52,576)	(43,250)
Rental income	112,360	-	112,360
Total nonoperating revenues (expenses)	<u>122,393</u>	<u>(54,801)</u>	<u>67,592</u>
Income (loss) before transfers and capital contributions	47,979	742,595	790,574
Transfers (to) from other funds:			
General Fund-payment in lieu of taxes	-	(492,727)	(492,727)
General Fund-Town Hall project	(35,735)	-	(35,735)
Contribution to Downtown Historic Foundation	-	(502,939)	(502,939)
Capital contributions	<u>117,462</u>	<u>-</u>	<u>117,462</u>
Changes in net position	<u>129,706</u>	<u>(253,072)</u>	<u>(123,365)</u>
Total net position - beginning, as previously reported	6,726,218	7,905,219	14,631,437
Prior period adjustment	<u>(60,000)</u>	<u>-</u>	<u>(60,000)</u>
Total net position - beginning, as restated	<u>6,666,218</u>	<u>7,905,219</u>	<u>14,571,437</u>
Total net position - ending	<u>\$ 6,795,924</u>	<u>\$ 7,652,147</u>	<u>\$ 14,448,072</u>

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

TOWN OF DALLAS

Page 1 of 2

**Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2014**

	Business-type Activities		
	Enterprise Funds		
	Water and Sewer Fund	Electric Fund	Total
Cash Flows From Operating Activities:			
Cash received from customers	\$2,140,136	\$7,388,971	\$ 9,529,107
Cash paid for goods and services	(1,129,990)	(5,314,799)	(6,444,789)
Cash paid to or on behalf of employees for services	(845,936)	(849,292)	(1,695,228)
Net cash provided (used) by operating activities	<u>164,210</u>	<u>1,224,880</u>	<u>1,389,090</u>
Cash Flows From Non-Capital Financing Activities:			
Transfers - in (out)	(35,735)	(492,727)	(528,462)
Net cash provided (used) by non-capital financing activities	<u>(35,735)</u>	<u>(492,727)</u>	<u>(528,462)</u>
Cash Flows From Capital and Related Financing Activities:			
Acquisition and construction of capital assets	(2,705,022)	(575,565)	(3,280,587)
Proceeds from sale of capital assets	9,326	-	9,326
Capital contributions - federal grant	117,462	-	117,462
Contribution to Downtown Historic Foundation	-	(502,939)	(502,939)
Payment on settlement agreement	(10,000)	-	(10,000)
Principal paid on long-term debt	(126,127)	(69,921)	(196,048)
Interest paid on long-term debt	-	(2,241)	(2,241)
Net cash provided (used) by capital and related financing activities	<u>(2,714,361)</u>	<u>(1,150,666)</u>	<u>(3,865,027)</u>
Cash Flows From Investing Activities:			
Lease income	112,360	-	112,360
Investment earnings	707	15	722
Net cash provided (used) by investing activities	<u>113,067</u>	<u>15</u>	<u>113,082</u>
Net increase (decrease) in cash and cash equivalents	(2,472,819)	(418,498)	(2,891,317)
Cash and cash equivalents, beginning of year	<u>4,660,189</u>	<u>4,171,088</u>	<u>8,831,277</u>
Cash and cash equivalents, end of year	<u>\$2,187,370</u>	<u>\$3,752,590</u>	<u>\$ 5,939,959</u>

cont.

TOWN OF DALLAS

Page 2 of 2, cont.

**Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2014**

	Business-type Activities Enterprise Funds		
	Water and Sewer Fund	Electric Fund	Total
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	\$ (74,414)	\$ 797,396	\$ 722,982
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	251,983	326,535	578,518
Change in assets and liabilities:			
(Increase) decrease in accounts receivable	17,813	213,524	231,337
(Increase) decrease in inventory	(51,818)	(58,394)	(110,212)
(Increase) decrease in prepaid expense	-	(26,976)	(26,976)
Increase (decrease) in accounts payable and other accrued liabilities	14,144	(24,944)	(10,800)
Increase (decrease) in accrued vacation pay	5,636	3,369	9,005
Increase (decrease) in customer deposits	866	(5,630)	(4,764)
Net cash provided (used) by operating activities	<u>\$ 164,210</u>	<u>\$1,224,880</u>	<u>\$ 1,389,090</u>

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

TOWN OF DALLAS, NORTH CAROLINA

Notes to the Financial Statements June 30, 2014

I. Summary of Significant Accounting Policies

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

A. Reporting Entity

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

B. Basis of Presentation - Fund Accounting

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

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

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

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

TOWN OF DALLAS, NORTH CAROLINA

Notes to the Financial Statements

June 30, 2014

The Town reports the following major governmental funds:

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

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

The Town reports the following non-major governmental funds:

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

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

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

Enhancement Capital Project Fund. This fund is used to account for the beautification project for the Courthouse Square.

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

Police Station Capital Project Fund. This fund is used to account for the renovation of the former fire station into the new police station.

Town Hall Capital Project Fund. This fund is used to account for renovations at Town Hall.

The Town reports the following major enterprise funds:

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

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

C. Measurement Focus and Basis of Accounting

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

TOWN OF DALLAS, NORTH CAROLINA

Notes to the Financial Statements June 30, 2014

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

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

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

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

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

TOWN OF DALLAS, NORTH CAROLINA

Notes to the Financial Statements

June 30, 2014

Sales taxes and certain intergovernmental revenues, such as utilities franchise tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

D. Budgetary Data

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

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

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

1. Deposits and Investments

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

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

TOWN OF DALLAS, NORTH CAROLINA

Notes to the Financial Statements June 30, 2014

2. Cash and Cash Equivalents

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

3. Restricted Assets

The unexpended loan proceeds of the General Fund and Water and Sewer Fund are classified as Restricted Assets for the enterprise fund because their use is completely restricted to the purpose for which the loan was originally issued. Customer deposits held by the Town before any services are supplied are restricted to the service for which the deposit was collected. Powell Bill funds are also classified as restricted cash because they can be expended only for the purposes of maintaining, repairing, constructing, reconstructing or widening of local streets per G.S. 136-41.1 through 136-41.4.

Governmental activities	
General Fund	
Unexpended loan proceeds	\$ 235,023
Streets	<u>167,241</u>
	<u>402,264</u>
Business-type activities	
Water and sewer fund	
Unexpended loan proceeds	986,975
Customer deposits	65,452
Electric fund	
Customer deposits	<u>162,134</u>
Total business-type activities	<u>1,214,561</u>
Total restricted cash	<u>\$1,616,825</u>

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2013. As allowed by State law, the Town has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the Town's General Fund, ad valorem tax revenues are reported net of such discounts.

TOWN OF DALLAS, NORTH CAROLINA

Notes to the Financial Statements June 30, 2014

5. Allowances for Doubtful Accounts

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

6. Inventories and Prepaid Items

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

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

7. Capital Assets

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

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

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

TOWN OF DALLAS, NORTH CAROLINA

Notes to the Financial Statements June 30, 2014

8. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, Deferred Outflows of Resources, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditures until then. The Town does not have any items that meet this criterion. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, Deferred Inflows of Resources, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has only three items that meet the criterion for this category - property taxes receivable, unearned mortgage revenue, and other fees receivable.

9. Long-Term Obligations

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

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

10. Compensated Absences

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

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

TOWN OF DALLAS, NORTH CAROLINA

Notes to the Financial Statements June 30, 2014

11. Net Position/Fund Balances

Net Position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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

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

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

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

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

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

Restricted for Cultural and Recreational - portion of fund balance Restricted by Revenue Source for park development.

Committed Fund Balance - portion of fund balance that can only be used for specific purposes determined by a formal action of the government's highest level of decision-making authority. The Board of Aldermen is the highest level of decision-making authority for the government that 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.

TOWN OF DALLAS, NORTH CAROLINA

Notes to the Financial Statements June 30, 2014

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

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

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

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

F. Other

Management Estimates

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

II. Stewardship Compliance Accountability

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

1. Noncompliance with North Carolina General Statutes

Prior Period Adjustment

Two prior period adjustments were required. Inventory in the General Fund was not recorded. The beginning fund balance was adjusted by \$18,490 to include the beginning inventory. In the Water and Sewer Fund, a civil penalty assessed by the North Carolina Department of Environment and Natural Resources was not recorded as a liability. Beginning fund balance was adjusted by \$60,000 to include the liability at the beginning of the year.

TOWN OF DALLAS, NORTH CAROLINA

Notes to the Financial Statements June 30, 2014

Excess Expenditures Over Appropriations

G.S. 159-9(a) states that all moneys received and expended by a local government or public authority should be included in the budget ordinance. Funds were spent that exceeded the authorized appropriations in the General Fund. Public safety was over spent by \$287,402 due to the purchase of a fire truck. This item was not included in the budget.

Lack of a Project Ordinance

G.S.159-13.2. (c) states that: "If a local government or public authority intends to authorize a capital project or a grant project by a project ordinance, it shall not begin the project until it has adopted a balanced project ordinance for the life of the project." The Jagers Park Capital Project was began in the current year, however, a project ordinance was not adopted until after year end.

Deficit in Fund Balance or Net Position of Individual Funds

The Jagers Park Capital Project Fund has a deficit fund balance of \$2,500. The project budget was adopted in the 2014-2015 year, however, expenses were incurred for the year ended June 30, 2014. The Town will transfer funds from the General Fund and/or Electric Fund to prevent a deficit fund balance in the future.

Powell Bill Report Materially Incorrect

G.S.136-41.3(b) states that: "On or before the first day of August each year, the treasurer, auditor, or other responsible official of each municipality receiving funds by virtue of G.S. 136-41.1 and 136-41.2 shall file a statement under oath with the Secretary of Transportation showing in detail the expenditure of funds received by virtue of G.S. 136-41.1 and 136-41.2 during the preceding year and the balance on hand." The Town's Powell Bill Expenditures Report balance on hand was materially incorrect as a result of the discovery of pre-2006, unspent revenues.

III. Detail Notes on All Funds

A. Assets

1. Deposits

All the deposits of the Town are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's agents in the Town's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town these deposits are considered to be held by the Town's agent in their name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the

TOWN OF DALLAS, NORTH CAROLINA

Notes to the Financial Statements

June 30, 2014

adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town under the Pooling Method, the potential exists for undercollateralization. This risk may increase in periods of high cash flows.

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

At June 30, 2014, the Town's deposits had a carrying amount of \$2,221,331 and a bank balance of \$3,090,240. Of the bank balance, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2014, the Town's petty cash fund totaled \$1,820.

2. Investments

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity</u>	<u>Rating</u>
NC Capital Management Trust			
Cash Portfolio	\$1,705,495	N/A	AAAm
Term Portfolio	<u>4,013,034</u>	0.23 years	Unrated
Total	<u>\$5,718,529</u>		

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

Credit Risk. The Town has no formal policy regarding credit risk, but has internal management procedures that limit the Town's investments to the provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. The Town's investments in the NC Capital Management Trust Cash Portfolio carried a credit rating of AAAm by Standard and Poor's as of June 30, 2014. The Town's investment in the NC Capital Management Trust Term Portfolio is unrated. The Term Portfolio is authorized to invest in obligations of the U.S. government and agencies, and in high grade money market instruments as permitted under North Carolina General Statutes 159-30 as amended.

TOWN OF DALLAS, NORTH CAROLINA

Notes to the Financial Statements June 30, 2014

3. Receivables - Allowance for Doubtful Accounts

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

General Fund:	
Taxes receivable	\$ 33,637
Accounts receivable	268
Storm Water Fund-accounts receivable	<u>66</u>
	33,971
Enterprise Funds:	
Electric Fund-accounts receivable	62,953
Water and Sewer Fund-accounts receivable	<u>12,216</u>
	75,169
Total	<u>\$109,140</u>

4. Mortgage Receivable

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

TOWN OF DALLAS, NORTH CAROLINA

Notes to the Financial Statements June 30, 2014

5. Capital Assets

Primary Government

Capital asset activity for the primary government for the year ended June 30, 2014, was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 96,518	\$ -	\$ -	\$ 96,518
Construction in progress	<u>71,536</u>	<u>473,086</u>	<u>-</u>	<u>544,622</u>
Total capital assets not being depreciated	<u>168,054</u>	<u>473,086</u>	<u>-</u>	<u>641,140</u>
Capital assets being depreciated:				
Building	2,969,569	49,689	-	3,019,258
Other improvements	224,818	27,108	-	251,926
Vehicles and equipment	2,726,712	691,783	-	3,418,495
Infrastructure	<u>219,865</u>	<u>-</u>	<u>-</u>	<u>219,865</u>
Total capital assets being depreciated	<u>6,140,964</u>	<u>768,580</u>	<u>-</u>	<u>6,909,544</u>
Less accumulated depreciated for:				
Buildings	668,764	76,576	-	745,340
Other improvements	147,108	4,213	-	151,321
Vehicles and equipment	2,322,464	128,828	-	2,451,292
Infrastructure	<u>40,996</u>	<u>7,329</u>	<u>-</u>	<u>48,325</u>
Total accumulated depreciation	<u>3,179,332</u>	<u>\$216,945</u>	<u>\$ -</u>	<u>3,396,277</u>
Total capital assets being depreciated, net	<u>2,961,633</u>			<u>3,513,267</u>
Governmental activity capital assets, net	<u>\$3,129,686</u>			<u>\$4,154,407</u>

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

General government	\$ 21,233
Public safety	130,452
Public works	44,344
Environmental protection	9,487
Cultural and recreational	<u>11,430</u>
Total depreciation expense	<u>\$216,945</u>

TOWN OF DALLAS, NORTH CAROLINA

Notes to the Financial Statements

June 30, 2014

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Business-type Activities:				
Electric Fund:				
Capital assets, not being depreciated:				
Land	\$ 71,808	\$ -	\$ -	\$ 71,808
Construction in progress	<u>-</u>	<u>232,921</u>	<u>-</u>	<u>232,921</u>
Total capital assets not being depreciated	<u>71,808</u>	<u>\$ 232,921</u>	<u>\$ -</u>	<u>304,729</u>
Capital assets being depreciated:				
Buildings	351,329	\$ 76,672	\$122,956	305,046
Distribution system	4,313,584	113,674	5,000	4,422,258
Equipment	<u>2,248,980</u>	<u>152,298</u>	<u>598,744</u>	<u>1,802,534</u>
Total capital assets being depreciated	<u>6,913,893</u>	<u>342,645</u>	<u>726,700</u>	<u>6,529,838</u>
Less accumulated depreciation for:				
Buildings	200,614	12,185	93,903	118,896
Distribution system	2,567,074	105,673	5,000	2,667,747
Equipment	<u>1,343,964</u>	<u>208,677</u>	<u>575,222</u>	<u>977,419</u>
Total accumulated depreciation	<u>4,111,652</u>	<u>\$ 326,535</u>	<u>\$674,124</u>	<u>3,764,063</u>
Total capital assets being depreciated, net	<u>2,802,242</u>			<u>2,765,775</u>
Electric Fund capital assets, net	<u>2,874,049</u>			<u>3,070,503</u>
 Water and Sewer Fund:				
Capital assets not being depreciated:				
Land	117,261	\$ -	\$ -	117,261
Construction in progress	966,319	2,604,254		3,570,573
Right of way	<u>41,648</u>	<u>-</u>	<u>-</u>	<u>41,648</u>
Total capital assets not being depreciated	<u>1,125,228</u>	<u>2,604,254</u>	<u>-</u>	<u>3,729,482</u>
Capital assets being depreciated:				
Buildings	276,411	12,909	-	289,320
Distribution system	5,455,768	36,212	-	5,491,980
Equipment	1,008,325	51,646	-	1,059,971
Sewer plant	1,558,767	-	-	1,558,767
Water plant	<u>2,079,335</u>	<u>-</u>	<u>-</u>	<u>2,079,335</u>
Total capital assets being depreciated	<u>10,378,606</u>	<u>100,768</u>	<u>-</u>	<u>10,479,374</u>

TOWN OF DALLAS, NORTH CAROLINA

Notes to the Financial Statements

June 30, 2014

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Business-type Activities:				
Less accumulated depreciation for:				
Buildings	\$ 70,314	\$ 8,675	\$ -	\$ 78,989
Distribution system	2,742,538	114,254	-	2,856,792
Equipment	830,587	40,851	-	871,438
Sewer plant	976,939	37,389	-	1,014,328
Water plant	1,343,290	50,844	-	1,394,134
Total accumulated depreciation	<u>5,963,668</u>	<u>\$ 252,013</u>	<u>\$ -</u>	<u>6,215,681</u>
Total capital assets being depreciated, net	<u>4,414,939</u>			<u>4,263,693</u>
Water and Sewer Fund capital assets, net	<u>5,540,166</u>			<u>7,993,174</u>
Business-type activities capital assets, net	<u>\$ 8,414,215</u>			<u>\$11,063,678</u>

The Town has active construction projects as of June 30, 2014. At year-end, the Town's commitments with contractors are as follows:

	<u>Spent-to-date</u>	<u>Remaining Commitment</u>
Courthouse renovation	\$ 419,982	\$541,225
Electric substation	88,461	950,100
Water system improvements (Phase I, II, III)	3,200,915	851,790
(Phase IV-CDBG)	218,488	587,133

B. Liabilities

1. Pension Plan and Postemployment Obligations

a. Local Governmental Employees' Retirement System

Plan Description - The Town of Dallas and the ABC Board contribute to the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS provides retirement and disability benefits to plan members and beneficiaries. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. The State's CAFR 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.

TOWN OF DALLAS, NORTH CAROLINA

Notes to the Financial Statements June 30, 2014

Funding Policy - Plan members are required to contribute six percent of their annual covered salary. The Town is required to contribute at an actuarially determined rate. For the Town, the current rate for employees not engaged in law enforcement and for law enforcement officers is 7.07% and 7.55%, respectively, of annual covered payroll. The contribution requirements of members and of the Town are established and may be amended by the North Carolina General Assembly. The Town's contributions to LGERS for the years ended June 30, 2014, 2013, and 2012 were \$163,396, \$140,738, and \$135,336, respectively. The contributions made by the Town equaled the required contributions for each year.

A separate report was not issued for the plan.

b. Law Enforcement Officers Special Separation Allowance

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

All full-time law enforcement officers of the Town are covered by the Separation Allowance. At December 31, 2012, the Separation Allowance's membership consisted of:

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

A separate report was not issued for the plan.

Summary of Significant Accounting Policies

Basis of Accounting - The Town has chosen to fund the Separation Allowance on a pay as you go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting.

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

TOWN OF DALLAS, NORTH CAROLINA

Notes to the Financial Statements June 30, 2014

Contributions

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

The annual required contribution for the current year was determined as part of the December 31, 2012 actuarial valuation using the projected unit credit actuarial cost method. The amortization method used was the level percent of pay closed. The plan has a remaining amortization period of 18 years. The actuarial assumptions included (a) 5.00% investment rate of return (net of administrative expenses) and (b) projected salary increases ranging from 4.25%-7.85% per year. Both (a) and (b) included an inflation component of 3.00%. The assumptions did not include postretirement benefit increases. Market value is used to determine the actuarial value of assets.

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

Annual required contribution	\$ 17,337
Interest on net pension obligation	2,460
Adjustment to annual required contribution	<u>(2,822)</u>
Annual pension cost	16,975
Contributions made	<u>11,000</u>
Increase (decrease) in net pension obligation	5,975
Net pension obligation, beginning of year	<u>49,201</u>
Net pension obligation, end of year	<u>\$ 55,176</u>

3 Year Trend Information

<u>For Year Ended June 30,</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2012	\$14,940	123.15%	\$45,345
2013	\$14,856	74.04%	\$49,201
2014	\$16,975	64.80%	\$55,176

The Town has set aside amounts in a separate fund, which has a balance of \$125,172 at June 30, 2014, but this fund is not legally restricted to this purpose.

TOWN OF DALLAS, NORTH CAROLINA

Notes to the Financial Statements

June 30, 2014

Funded Status and Funding Progress

As of December 31, 2012, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and the unfunded actuarial accrued liability (UAAL) was \$86,259. The covered payroll (annual payroll of active employees covered by the plan) was \$540,178, and the ratio of the UAAL to the covered payroll was 15.97%.

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

c. Supplemental Retirement Income Plan for Law Enforcement Officers

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

Funding Policy - Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2014 were \$49,980, which consisted of \$28,310 from the Town and \$21,670 from the law enforcement officers.

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

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

Funding Policy - The Town voluntarily contributes each month an amount equal to four percent of each employee's salary, and all amounts contributed are vested immediately. Also, the employees may make voluntary contributions to the plan. Contributions for the year ended June 30, 2014 were \$82,601, which consisted of \$65,968 from the Town and \$16,633 from the employees.

TOWN OF DALLAS, NORTH CAROLINA

Notes to the Financial Statements

June 30, 2014

e. Other Employment Benefits

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

For the fiscal year ended June 30, 2014, the Town made contributions to the State for death benefits of \$0. The Town's required contributions for employees not engaged in law enforcement and for law enforcement officers represented 0.00% and 0.00% of covered payroll, respectively.

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

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

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

TOWN OF DALLAS, NORTH CAROLINA

Notes to the Financial Statements June 30, 2014

2. Deferred Outflows and Inflows of Resources

Deferred outflows of resources is the deferred amount for loss of defeasance of debt.

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

	Unavailable Revenue	Unearned Revenue
General Fund:		
Taxes receivable	\$ 37,440	\$ -
Vehicle tag receivable	6,549	-
Tipping fee receivable	26,376	-
CDBG Grant Fund		
Mortgage receivable	<u>282,164</u>	<u>282,164</u>
	<u>\$352,529</u>	<u>\$282,164</u>

3. Commitments

In 2008, the Town entered into a (20) twenty-year agreement with Duke Energy for the purchase of wholesale electric power, which the Town then distributes to individual and retail accounts. Rates charged to the Town under the terms of this agreement are determined each year, in advance, based on market forces and on Duke's overall expenses incurred in generating said electric power. Historically, this has resulted in incremental yearly increases closely matching or slightly exceeding the rate of inflation. This trend is likely to continue throughout the life of the agreement.

4. Risk Management

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

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

TOWN OF DALLAS, NORTH CAROLINA

Notes to the Financial Statements

June 30, 2014

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

5. Claims, Judgments and Contingent Liabilities

In May 2010, the Town entered into a settlement agreement with the Division of Water Quality of the North Carolina Department of Environment and Natural Resources (NCDENR) for violations related to the operation of the Town's Wastewater Treatment Plant. The Town was assessed a civil penalty and a settlement agreement was reached in the amount of \$101,289 for civil penalties and investigative costs. The agreement calls for one payment of \$11,289 and nine annual payments of \$10,000, beginning on June 15, 2010, to satisfy this penalty. The unpaid balance remaining of this settlement will be forgiven by NCDENR if, prior to January 15, 2019, the Town irrevocably conveys ownership and operation of its waste water treatment plant to an unrelated third party, or submits a request to terminate its permit to operate that plant. The balance owed at June 30, 2014 was \$50,000.

6. Long-Term Obligations

Loans payable consist of the following at June 30, 2014:

Serviced by the General Fund:

\$1,500,000 loan for a fire station, with principal and interest payments of \$51,141, due semi-annually in April and October, at an annual interest rate of 4.33%, through 2033.	\$1,334,136
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\$349,944 loan for a fire truck, with principal and interest payments of \$31,325, due annually in July, at an annual interest rate of 3.914%, through 2028.	332,048
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\$235,000 loan for a solid waste truck, with principal and interest payments of \$27,171, due annually in September, at an annual interest rate of 2.73%, through 2023.	<u>235,000</u>
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Total serviced by the General Fund	1,901,184
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Serviced by the Electric Fund:

\$209,787 loan for a truck, with principal and interest payments of \$72,560, due annually in March, at an annual interest rate of 1.87%, through 2015.	71,228
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Serviced by the Water and Sewer Fund:

\$3,600,000 loan for water and sewer capital projects, with principal and interest payments of \$225,367, due annually in June, at an annual interest rate of 3.59% through 2033.	<u>3,473,873</u>
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Total loans payable	<u><u>\$5,446,285</u></u>
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TOWN OF DALLAS, NORTH CAROLINA

Notes to the Financial Statements June 30, 2014

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

	Loans Payable	
	<u>Principal</u>	<u>Interest</u>
Governmental activities:		
2015	\$ 85,185	\$ 77,594
2016	88,370	74,409
2017	91,987	70,792
2018	95,598	67,180
2019	99,356	63,422
2020-2024	558,464	255,430
2025-2029	503,482	143,232
2030-2034	<u>378,742</u>	<u>38,385</u>
Total governmental activities	<u>1,901,184</u>	<u>790,446</u>
Business-type activities:		
2015	201,883	126,044
2016	135,346	120,022
2017	140,204	115,163
2018	145,238	110,129
2019	150,452	104,915
2020-2024	837,261	439,574
2025-2029	998,735	278,100
2030-2034	<u>935,983</u>	<u>85,485</u>
Total business-type activities	<u>3,545,101</u>	<u>1,379,433</u>
Total	<u>\$5,446,285</u>	<u>\$2,169,878</u>

At June 30, 2014, the Town's legal debt margin is \$16,754,745.

Changes in Long-Term Liabilities

	<u>Balance July 1, 2013</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2014</u>	<u>Current Portion of Balance</u>
Governmental activities:					
Compensated absences	\$ 113,625	\$ -	\$ 6,351	\$ 107,274	\$ -
Net pension obligation	49,201	5,975	-	55,176	-
Loans payable	<u>1,378,343</u>	<u>584,944</u>	<u>62,103</u>	<u>1,901,184</u>	<u>85,185</u>
Total governmental activities	<u>\$1,541,169</u>	<u>\$590,919</u>	<u>\$ 68,454</u>	<u>\$2,063,634</u>	<u>\$ 85,185</u>
Business-type activities:					
Compensated absences	\$ 77,588	\$ 9,005	\$ -	\$ 86,593	\$ -
Settlement payable	60,000	-	10,000	50,000	10,000
Loans payable	<u>3,741,149</u>	<u>-</u>	<u>196,048</u>	<u>3,545,101</u>	<u>201,883</u>
Total business-type activities	<u>\$3,878,737</u>	<u>\$ 9,005</u>	<u>\$206,048</u>	<u>\$3,681,694</u>	<u>\$211,883</u>

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

TOWN OF DALLAS, NORTH CAROLINA

Notes to the Financial Statements June 30, 2014

C. Interfund Balances and Activity

From the General Fund to Jagers Park Capital Project - park construction	\$ 11,596
From the General Fund to LESA Fund - to fund LESA	11,000
From the Electric Fund to the General Fund - payment in lieu of taxes	492,727
From the Police Station Capital Project to the General Fund - to close the project	18,991
From the Water and Sewer Capital Project Fund-Phase I, II and III to the Town Hall Project Fund - reimbursement of expenses	35,735
From the Enhancement Grant Capital Project to the General Fund - reimbursement of expenses	16,870
From the Capital Project Fund to the General Fund - reimbursement of expenses	<u>49,294</u>
	<u>\$636,213</u>

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

D. Net Investment in Capital Assets

	<u>Governmental</u>	<u>Business-type</u>
Capital assets	\$ 4,154,406	\$ 11,063,678
Less: long-term debt	(1,901,184)	(3,545,100)
Add: Unspent debt proceeds	<u>235,023</u>	<u>986,975</u>
	<u>\$ 2,488,245</u>	<u>\$ 8,505,551</u>

E. Fund Balance

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

Total fund balance-General Fund	\$1,875,887
Less:	
Inventories	17,109
Stabilization by State Statute	303,502
Streets-Powell Bill	167,241
Appropriated Fund Balance in 2015 budget	456,532
Remaining Fund Balance	931,503

F. Prior Period Adjustment

During the fiscal year ended June 30, 2014, an adjustment was made to beginning fund balance in the General Fund due to beginning inventory of \$18,490 being omitted and in the Water and Sewer Fund due to a liability of \$60,000 for a civil penalty being omitted.

TOWN OF DALLAS, NORTH CAROLINA

Notes to the Financial Statements June 30, 2014

III. Jointly Governed Organizations

The Town, in conjunction with nine counties and seventy-four other municipalities established the Centralina Council of Governments (Council). The participating governments established the Council to coordinate various funding received from federal and State agencies. Each participating government appoints one member to the Council's governing board. The Town paid membership fees of \$1,077 to the Council during the fiscal year ended June 30, 2014.

IV. Related Organization

The Dallas Historic Courthouse Foundation, a 501(c)(3) organization was organized to solicit, provide and manage resources and support for the preservation, protection, renovation, improvement, upkeep, maintenance and operations of the Historic Dallas Courthouse and surrounding public square, which is owned by the Town of Dallas. The Town of Dallas contributed \$602,939 to the Foundation and the Foundation contributed \$416,957 back to the Town of Dallas for renovations to the courthouse.

V. Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

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

VI. Significant Effects of Subsequent Events

Management has evaluated subsequent events through December 15, 2014, the date on which the financial statements were available to be issued. During the period from the end of the year and through this date, no circumstances occurred that require recognition or disclosure in these financial statements.

The Town was awarded a Clean Fuel Advanced Technology Grant administered by the NC Department of Transportation in the amount of \$30,839 for the purchase of two publically accessible electric charging stations and two electric vehicles for the Town use.

TOWN OF DALLAS

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

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

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

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

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

Notes to Required Schedules:

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

Valuation date	12/31/12
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay, closed
Remaining amortization period	18 years
Asset valuation method	Market value of assets
Actuarial assumptions:	
Investment rate of return*	5.00%
Projected salary increases	4.25% - 7.85%
*Includes inflation at	3.00%
Cost of living adjustments	N/A

TOWN OF DALLAS

Page 1 of 6

**General Fund
Schedule of Revenues, Expenditures and Changes
In Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2014
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2013)**

	<u>2014</u>		<u>Variance Positive (Negative)</u>	<u>2013 Actual</u>
	<u>Budget</u>	<u>Actual</u>		
Revenues:				
Ad valorem taxes:				
Current year	\$ 953,000	\$ 972,654	\$ 19,654	\$ 965,721
Prior years	35,700	81,895	46,195	32,481
State board assessed	18,800	19,846	1,046	-
Interest and penalties	-	8,484	8,484	7,295
Total	<u>1,007,500</u>	<u>1,082,878</u>	<u>75,378</u>	<u>1,005,497</u>
Other taxes and licenses:				
Privilege licenses	3,750	5,488	1,738	4,478
Motor vehicle licenses	15,360	11,093	(4,267)	15,854
Alcohol beverage tax	19,522	20,139	617	18,346
Total	<u>38,632</u>	<u>36,720</u>	<u>(1,912)</u>	<u>38,678</u>
Unrestricted intergovernmental revenues:				
Local option sales tax	304,756	315,441	10,685	301,416
Hold harmless distribution	194,470	190,704	(3,766)	219,210
Utility franchise tax	112,676	106,996	(5,680)	108,335
Excise tax on riped natural gas	15,461	23,236	7,775	21,240
Sales tax on telecommunications	79,196	69,910	(9,286)	72,186
Sales tax on video programming	17,580	17,371	(209)	17,453
Solid waste disposal tax	2,875	2,583	(292)	2,850
Total	<u>727,014</u>	<u>726,241</u>	<u>(773)</u>	<u>742,690</u>
Restricted intergovernmental revenues:				
Powell Bill street aid allocation	124,356	128,453	4,097	125,909
Powell Bill investment earnings	125	23	(102)	-
Drug forfeiture revenue	800	179	(621)	-
Grant revenue	3,000	-	(3,000)	-
State grant - fire department	5,000	36,907	31,907	-
Public safety grant	750	1,250	500	11,412
Total	<u>134,031</u>	<u>166,812</u>	<u>32,781</u>	<u>137,321</u>
				cont.

TOWN OF DALLAS

Page 2 of 6

General Fund
Schedule of Revenues, Expenditures and Changes
In Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2014
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2013)

	<u>2014</u>		<u>Variance</u>	<u>2013</u>
	<u>Budget</u>	<u>Actual</u>	<u>Positive</u> <u>(Negative)</u>	<u>Actual</u>
Revenues (continued):				
Permits and fees:				
Zoning fees	\$ 3,800	\$ 3,295	\$ (505)	\$ 3,493
Sales and services:				
Arrest fees	850	498	(352)	4,884
Refuse collection fees	332,190	322,388	(9,802)	275,865
Recreation fees and concessions	64,100	61,779	(2,321)	60,284
Other	800	214	(586)	-
Total	<u>397,940</u>	<u>384,879</u>	<u>(13,061)</u>	<u>341,033</u>
Investment earnings	<u>3,750</u>	<u>4,298</u>	<u>548</u>	<u>8,313</u>
Miscellaneous:				
Sale of property	6,000	26,358	20,358	-
Returned check revenue	2,800	1,901	(899)	2,965
Customer billed charges	4,400	2,694	(1,706)	7,970
ABC wholesale distribution	600	898	298	857
Contribution to Courthouse Foundation	755,750	416,952	(338,798)	-
Other	4,500	(12,830)	(17,330)	9,731
Total	<u>774,050</u>	<u>435,973</u>	<u>(338,077)</u>	<u>21,523</u>
Total revenues	<u>3,086,717</u>	<u>2,841,096</u>	<u>(245,621)</u>	<u>2,298,548</u>
				cont.

TOWN OF DALLAS

Page 3 of 6

**General Fund
Schedule of Revenues, Expenditures and Changes
In Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2014
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2013)**

	<u>2014</u>		<u>Variance Positive (Negative)</u>	<u>2013 Actual</u>
	<u>Budget</u>	<u>Actual</u>		
Expenditures:				
General government:				
Administrative:				
Salaries and employee benefits	\$ 83,633	\$ 81,433	\$ 2,200	\$ 78,212
Professional services	23,500	23,376	124	14,385
Maintenance and repairs	300	215	85	-
Other operating expenditures	<u>105,495</u>	<u>91,699</u>	<u>13,796</u>	<u>285,129</u>
	<u>212,928</u>	<u>196,722</u>	<u>16,206</u>	<u>377,726</u>
Public buildings:				
Professional services	17,940	15,583	2,357	-
Maintenance and repairs	51,400	44,351	7,049	51,619
Other operating expenditures	<u>21,525</u>	<u>20,204</u>	<u>1,321</u>	<u>93,380</u>
	<u>90,865</u>	<u>80,139</u>	<u>10,726</u>	<u>144,999</u>
Community development:				
Salaries and employee benefits	56,490	55,190	1,300	40,800
Other operating expenditures	<u>35,485</u>	<u>24,127</u>	<u>11,358</u>	<u>20,102</u>
	<u>91,975</u>	<u>79,316</u>	<u>12,659</u>	<u>60,902</u>
Courthouse:				
Professional services	28,750	21,237	7,513	-
Other operating expenditures	2,000	-	2,000	-
Capital outlay	<u>664,295</u>	<u>441,924</u>	<u>222,371</u>	<u>-</u>
	<u>695,045</u>	<u>463,161</u>	<u>231,884</u>	<u>-</u>
Total general government	<u>1,090,813</u>	<u>819,338</u>	<u>271,475</u>	<u>583,627</u>
Public safety:				
Police:				
Salaries and employee benefits	968,759	930,749	38,010	916,388
Maintenance and repairs	32,200	28,383	3,817	33,494
Contributions to LESA trustee	-	-	-	11,000
Other operating expenditures	89,910	88,911	999	88,540
Capital outlay	<u>71,625</u>	<u>68,043</u>	<u>3,582</u>	<u>42,058</u>
	<u>1,162,494</u>	<u>1,116,087</u>	<u>46,407</u>	<u>1,091,480</u>

cont.

TOWN OF DALLAS

Page 4 of 6

**General Fund
Schedule of Revenues, Expenditures and Changes
In Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2014
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2013)**

	2014		Variance Positive (Negative)	2013 Actual
	<u>Budget</u>	<u>Actual</u>		
Expenditures (continued):				
Fire:				
Salaries and employee benefits	\$ 104,530	\$ 97,529	\$ 7,001	\$ 92,935
Maintenance and repairs	37,600	34,265	3,335	28,649
Other operating expenditures	60,950	56,153	4,797	69,454
Capital outlay	<u>24,000</u>	<u>372,942</u>	<u>(348,942)</u>	<u>103,080</u>
	<u>227,080</u>	<u>560,889</u>	<u>(333,809)</u>	<u>294,118</u>
 Total public safety	 <u>1,389,574</u>	 <u>1,676,976</u>	 <u>(287,402)</u>	 <u>1,385,598</u>
 Transportation:				
Street maintenance				
Salaries and employee benefits	157,271	144,692	12,580	180,638
Maintenance and repairs	167,715	155,266	12,449	58,643
Street lights	31,500	29,758	1,742	32,934
Contracted services	37,800	35,981	1,819	3,174
Other operating expenditures	34,550	29,300	5,250	54,366
Capital outlay	<u>24,000</u>	<u>6,062</u>	<u>17,938</u>	<u>135,043</u>
	<u>452,836</u>	<u>401,059</u>	<u>51,777</u>	<u>464,798</u>
 Environmental protection:				
Solid waste:				
Salaries and employee benefits	146,458	142,374	4,084	123,324
Maintenance and repairs	73,500	68,868	4,632	53,434
Other operating expenditures	69,855	61,254	8,601	35,246
Capital outlay	266,700	266,471	229	-
Tipping fees	<u>117,385</u>	<u>90,158</u>	<u>27,227</u>	<u>90,729</u>
	<u>673,898</u>	<u>629,124</u>	<u>44,774</u>	<u>302,733</u>

cont.

TOWN OF DALLAS

Page 5 of 6

**General Fund
Schedule of Revenues, Expenditures and Changes
In Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2014**

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2013)

	2014		Variance Positive (Negative)	2013 Actual
	<u>Budget</u>	<u>Actual</u>		
Expenditures (continued):				
Cultural and recreational:				
Parks and recreation:				
Salaries and employee benefits	\$ 86,089	\$ 79,414	\$ 6,675	\$ 79,977
Maintenance and repairs	22,800	20,676	2,124	35,954
Operating expenditures	127,285	111,175	16,110	131,592
Capital outlay	38,800	24,143	14,657	89,604
	<u>274,974</u>	<u>235,408</u>	<u>39,566</u>	<u>337,127</u>
Debt service:				
Debt service - principal	62,168	62,103	65	42,395
Debt service - interest	73,516	73,505	11	61,888
	<u>135,684</u>	<u>135,608</u>	<u>76</u>	<u>104,283</u>
 Total expenditures	 <u>4,017,779</u>	 <u>3,897,513</u>	 <u>120,266</u>	 <u>3,178,166</u>
 Revenues over (under) expenditures	 <u>(931,062)</u>	 <u>(1,056,417)</u>	 <u>(125,355)</u>	 <u>(879,618)</u>
 Other Financing Sources (Uses):				
Proceeds from capital financing	235,000	584,944	349,944	-
Appropriated fund balance	129,180	-	(129,180)	-
Transfers (to) from other funds:				
Police Station capital project	18,991	18,991	-	-
Enhancement grant capital project	16,870	16,870	-	-
Capital Reserve Fund	49,294	49,294	-	-
LESA Fund	(11,000)	(11,000)	-	-
Jaggers Park capital project	-	(11,596)	(11,596)	-
Fire Station capital project	-	-	-	53,207
Electric Fund	492,727	492,727	-	801,000
 Total other financing sources (uses)	 <u>931,062</u>	 <u>1,140,230</u>	 <u>209,169</u>	 <u>854,207</u>

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TOWN OF DALLAS**Page 6 of 6, cont.**

General Fund
Schedule of Revenues, Expenditures and Changes
In Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2014
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2013)

	<u>2014</u>		<u>Variance Positive (Negative)</u>	<u>2013 Actual</u>
	<u>Budget</u>	<u>Actual</u>		
Revenues and other financing sources over (under)				
expenditures and other financing uses	<u>\$ -</u>	<u>\$ 83,813</u>	<u>\$ 83,813</u>	<u>\$ (25,411)</u>
Fund balances, beginning as previously reported		1,773,584		1,798,995
Prior period adjustment		<u>18,490</u>		<u>-</u>
Fund balances, beginning as restated		<u>1,792,074</u>		<u>1,798,995</u>
Fund balances, ending		<u>\$1,875,887</u>		<u>\$1,773,584</u>

TOWN OF DALLAS

Combining Balance Sheet Non-Major Governmental Funds For the Year Ended June 30, 2014

	LESA Fund	Storm Water Fund	Capital Project Fund	Enhancement Grant Capital Project	Jaggers Park Capital Project	Police Station Capital Project Fund	Town Hall Capital Project Fund	Total Nonmajor Governmental Funds
Assets:								
Cash and cash equivalents	\$125,172	\$ 99,926	\$ 90,915	\$ -	\$ -	\$ -	\$ 3,850	\$ 319,863
Accounts receivable, net	-	5,033	-	-	-	-	-	5,033
Total assets	<u>\$125,172</u>	<u>\$104,958</u>	<u>\$ 90,915</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,850</u>	<u>\$ 324,895</u>
Liabilities and Fund Balances:								
Accounts payable and accrued expenses	\$ -	\$ 537	\$ -	\$ -	\$ 2,500	\$ -	\$ 3,850	\$ 6,887
Total liabilities	-	<u>537</u>	-	-	<u>2,500</u>	-	<u>3,850</u>	<u>6,887</u>
Fund balances:								
Restricted:								
Public safety	125,172	-	-	-	-	-	-	125,172
Assigned:								
Storm Water	-	104,421	-	-	-	-	-	104,421
Capital Project	-	-	90,915	-	-	-	-	90,915
Unassigned	-	-	-	-	(2,500)	-	-	(2,500)
Total fund balances	<u>125,172</u>	<u>104,421</u>	<u>90,915</u>	<u>-</u>	<u>(2,500)</u>	<u>-</u>	<u>-</u>	<u>318,008</u>
Total liabilities and fund balances	<u>\$125,172</u>	<u>\$104,958</u>	<u>\$ 90,915</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,850</u>	<u>\$ 324,895</u>

TOWN OF DALLAS

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
For the Year Ended June 30, 2014**

	LESA Fund	Storm Water Fund	Capital Project Fund	Enhancement Grant Capital Project	Jaguers Park Capital Project	Police Station Capital Project Fund	Town Hall Capital Project Fund	Total Nonmajor Governmental Funds
Revenues:								
Storm water fees	\$ -	\$ 88,281	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 88,281
Grant revenue	-	6,883	-	-	-	-	-	6,883
Other operating revenues	-	65	-	-	-	-	-	65
Miscellaneous	467	-	-	-	-	-	-	467
Investment earnings	12	-	8	-	-	-	-	20
Total revenues	479	95,229	8	-	-	-	-	95,716
Expenditures:								
Salaries and employee benefits	-	56,322	-	-	-	-	-	56,322
Professional services	-	-	-	-	14,096	-	500	14,596
Supplies	-	2,276	-	-	-	-	-	2,276
Contracted services	-	4,419	-	-	-	-	-	4,419
Repairs and maintenance	-	20,364	-	-	-	-	-	20,364
Other operating expenditures	-	3,377	-	-	-	-	-	3,377
Capital outlay	-	-	-	-	-	-	31,065	31,065
Total expenditures	-	86,758	-	-	14,096	-	31,565	132,419
Revenues over (under) expenditures	479	8,471	8	-	(14,096)	-	(31,565)	(36,702)
Other Financing Sources (Uses):								
Operating transfers in (out):								
General Fund	11,000	-	(49,294)	(16,870)	11,596	(18,991)	-	(62,559)
Water and Sewer Fund	-	-	-	-	-	-	35,735	35,735
Revenues and other financing sources over (under) expenditures and other financing (uses)	11,479	8,471	(49,286)	(16,870)	(2,500)	(18,991)	4,170	(63,527)
Fund balances, beginning	113,693	95,950	140,201	16,870	-	18,991	(4,170)	381,535
Fund balances, ending	\$125,172	\$104,421	\$ 90,915	\$ -	\$ (2,500)	\$ -	\$ -	\$ 318,008

TOWN OF DALLAS

LESA Fund

**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2014**

(With Comparative Actual Amounts for the Year Ended June 30, 2013)

	2014		Variance	2013
	<u>Budget</u>	<u>Actual</u>	<u>Positive (Negative)</u>	<u>Actual</u>
Revenues:				
Investment earnings	\$ -	\$ 12	\$ 12	\$ 48
Miscellaneous	-	467	467	-
Total revenues	-	479	479	48
Expenditures:	-	-	-	-
Revenues over (under) expenditures	-	479	479	48
Other Financing Sources (Uses):				
Transfer (to) from General Fund	-	11,000	11,000	11,000
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	11,479	<u>\$ 11,479</u>	11,048
Fund balance, beginning		113,693		102,645
Fund balance, ending		<u>\$ 125,172</u>		<u>\$ 113,693</u>

TOWN OF DALLAS

Storm Water Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual For the Year Ended June 30, 2014

(With Comparative Actual Amounts for the Year Ended June 30, 2013)

	2014		Variance	2013
	<u>Budget</u>	<u>Actual</u>	<u>Positive (Negative)</u>	<u>Actual</u>
Revenues:				
Operating revenues:				
Storm water fees	\$ 86,500	\$ 88,281	\$ 1,781	\$ 79,895
Grant revenue	-	6,883	6,883	24,016
Other operating revenues	-	65	65	-
Total revenues	<u>86,500</u>	<u>95,229</u>	<u>8,729</u>	<u>103,911</u>
Expenditures:				
Salaries and employee benefits	60,393	56,322	4,071	50,273
Supplies	4,000	2,276	1,724	-
Contracted services	17,180	4,419	12,761	-
Repairs and maintenance	22,600	20,364	2,236	-
Other operating expenditures	4,350	3,377	973	38,109
Capital outlay	<u>30,405</u>	-	<u>30,405</u>	<u>34,391</u>
Total operating expenditures	<u>138,928</u>	<u>86,758</u>	<u>52,170</u>	<u>122,773</u>
Revenues over (under) expenditures	(52,428)	8,471	60,899	(18,862)
Other Financing Sources (Uses):				
Appropriated fund balance	<u>52,428</u>	-	<u>(52,428)</u>	-
Revenues and other financing sources over (under) expenditures and other financing (uses)	<u>\$ -</u>	8,471	<u>\$ 8,471</u>	(18,862)
Fund balance, beginning		<u>95,950</u>		<u>114,812</u>
Fund balance, ending		<u>\$ 104,421</u>		<u>\$ 95,950</u>

TOWN OF DALLAS

Capital Project Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual For the Year Ended June 30, 2014

(With Comparative Actual Amounts for the Year Ended June 30, 2013)

	2014		Variance	2013
	<u>Budget</u>	<u>Actual</u>	<u>Positive (Negative)</u>	<u>Actual</u>
Revenues:				
Investment earnings	\$ 6,400	\$ 8	\$ (6,392)	\$ 36
Total revenues	6,400	8	(6,392)	36
Expenditures:	-	-	-	-
Revenues over (under) expenditures	6,400	8	(6,392)	36
Other Financing Sources (Uses):				
Appropriated fund balance	465,369	-	(465,369)	-
Operating transfers in (out):				
General Fund	21,010	(49,294)	(70,304)	-
Water and Sewer Fund	45,817	-	(45,817)	-
Capital project - Water and Sewer	(137,451)	-	137,451	-
Capital project - Police	(42,020)	-	42,020	-
Reserved for future use	(359,125)	-	359,125	-
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>(49,286)</u>	<u>\$ (49,286)</u>	36
Fund balance, beginning		<u>140,201</u>		<u>140,165</u>
Fund balance, ending		<u>\$ 90,915</u>		<u>\$ 140,201</u>

TOWN OF DALLAS

Enhancement Grant Capital Project
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
From Inception and for Year Ended June 30, 2014

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>
Revenues:				
Enhancement grant - phase B	\$ 106,400	\$ 226,400	\$ -	\$ 226,400
Expenditures:				
Capital outlay	<u>127,680</u>	<u>230,810</u>	<u>-</u>	<u>230,810</u>
Revenues over (under) expenditures	<u>(21,280)</u>	<u>(4,410)</u>	<u>-</u>	<u>(4,410)</u>
Other Financing Sources (Uses):				
Transfer from General Fund	-	-	(16,870)	(16,870)
Transfer from Water/Sewer Fund	<u>21,280</u>	<u>21,280</u>	<u>-</u>	<u>21,280</u>
Total other financing sources (uses)	<u>21,280</u>	<u>21,280</u>	<u>(16,870)</u>	<u>4,410</u>
Revenues and other financing sources (uses) over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 16,870</u>	(16,870)	<u>\$ -</u>
Fund balance, beginning			<u>16,870</u>	
Fund balance, ending			<u>\$ -</u>	
Project complete at June 30, 2014.				

TOWN OF DALLAS

Jaggers Park Capital Project
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
From Inception and for Year Ended June 30, 2014

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>
Expenditures:				
Professional services	\$ -	\$ -	\$ 14,096	\$ 14,096
Other Financing Sources (Uses):				
Transfer from General Fund	<u>-</u>	<u>-</u>	<u>11,596</u>	<u>11,596</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ -</u>	(2,500)	<u>\$ (2,500)</u>
Fund balance, beginning			<u>-</u>	
Fund balance, ending			<u>\$ (2,500)</u>	

TOWN OF DALLAS

Police Station Capital Project Fund Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual From Inception and for Year Ended June 30, 2014

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>
Expenditures:				
Professional services	\$ 10,000	\$ 14,629	\$ -	\$ 14,629
Capital outlay	489,930	473,689	-	473,689
Total expenditures	499,930	488,319	-	488,319
Revenues over (under) expenditures	(499,930)	(488,319)	-	(488,319)
Other Financing Sources (Uses):				
Contribution from Rescue Squad	-	7,380	-	7,380
Transfer from General Fund	424,930	424,930	(18,991)	405,939
Transfer from Capital Reserve Fund	75,000	75,000	-	75,000
Total other financing sources (uses)	499,930	507,310	(18,991)	488,319
Revenues and other financing sources (uses) over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 18,991</u>	(18,991)	<u>\$ -</u>
Fund balance, beginning			18,991	
Fund balance, ending			<u>\$ -</u>	

Project complete at June 30, 2014.

TOWN OF DALLAS

Town Hall Capital Project Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual From Inception and for Year Ended June 30, 2014

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>
Expenditures:				
Professional services	\$ 1,320	\$ 2,000	\$ 500	\$ 2,500
Miscellaneous	825	-	-	-
Title insurance	2,175	2,170	-	2,170
Capital outlay	<u>31,000</u>	<u>-</u>	<u>31,065</u>	<u>31,065</u>
Total expenditures	<u>35,320</u>	<u>4,170</u>	<u>31,565</u>	<u>35,735</u>
Revenues over (under) expenditures	<u>(35,320)</u>	<u>(4,170)</u>	<u>(31,565)</u>	<u>(35,735)</u>
Other Financing Sources (Uses):				
Proceeds from installment financing	30,000	-	-	-
Transfer from General Fund	3,145	-	-	-
Transfer from Water/Sewer Fund	<u>2,175</u>	<u>-</u>	<u>35,735</u>	<u>35,735</u>
Total other financing sources (uses)	<u>35,320</u>	<u>-</u>	<u>35,735</u>	<u>35,735</u>
Revenues and other financing sources (uses) over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ (4,170)</u>	4,170	<u>\$ -</u>
Fund balance, beginning			<u>(4,170)</u>	
Fund balance, ending			<u>\$ -</u>	

Project complete at June 30, 2014.

TOWN OF DALLAS

Page 1 of 2

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

Water and Sewer Fund

For the Year Ended June 30, 2014

(With Comparative Actual Amounts for the Year Ended June 30, 2013)

	2014		Variance	2013
	<u>Budget</u>	<u>Actual</u>	<u>Positive (Negative)</u>	<u>Actual</u>
Revenues:				
Operating revenues:				
Water charges	\$ 1,393,489	\$ 1,319,145	\$ (74,344)	\$ 1,332,386
Sewer charges	714,220	701,850	(12,370)	680,563
Water and sewer taps	20,500	15,200	(5,300)	17,400
Other	71,000	85,230	14,230	95,888
Total operating revenues	<u>2,199,209</u>	<u>2,121,425</u>	<u>(77,784)</u>	<u>2,126,237</u>
Nonoperating revenues:				
Rental income	69,750	112,360	42,610	68,360
Proceeds on disposal	-	9,326	9,326	-
Total nonoperating revenues	<u>69,750</u>	<u>121,686</u>	<u>51,936</u>	<u>68,360</u>
Total revenues	<u>2,268,959</u>	<u>2,243,111</u>	<u>(25,848)</u>	<u>2,194,597</u>
Expenditures:				
Operating expenditures:				
Water and sewer operations				
Salaries and employee benefits	614,893	594,322	20,571	563,381
Travel	7,650	6,774	876	4,704
Supplies	86,312	82,357	3,955	50,104
Insurance	39,100	36,598	2,502	35,486
Repairs and maintenance	312,850	295,251	17,599	250,528
Other operating expenditures	207,800	197,654	10,146	198,861
	<u>1,268,605</u>	<u>1,212,958</u>	<u>55,647</u>	<u>1,103,064</u>
Water treatment and distribution				
Salaries and employee benefits	220,754	215,270	5,484	203,086
Supplies	28,500	27,871	629	30,476
Chemicals	118,670	91,928	26,742	108,614
Other operating expenditures	161,435	142,828	18,607	150,359
	<u>529,359</u>	<u>477,897</u>	<u>51,462</u>	<u>492,535</u>
Waste collection and treatment				
Salaries and employee benefits	44,209	41,980	2,229	40,917
Chemicals	55,000	52,111	2,889	49,396
Supplies	12,500	12,143	357	3,267
Other operating expenditures	226,750	202,980	23,770	293,661
	<u>338,459</u>	<u>309,214</u>	<u>29,245</u>	<u>387,241</u>

cont.

TOWN OF DALLAS

Page 2 of 2, cont.

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

Water and Sewer Fund

For the Year Ended June 30, 2014

(With Comparative Actual Amounts for the Year Ended June 30, 2013)

	2014		Variance	2013
	<u>Budget</u>	<u>Actual</u>	<u>Positive</u> <u>(Negative)</u>	<u>Actual</u>
Total operating expenditures	\$ 2,136,423	\$ 2,000,069	\$ 136,354	\$ 1,982,840
Debt service:				
Principal retirement	126,128	126,127	1	-
Interest and fees	129,240	125,052	4,188	-
Total debt service	255,368	251,179	4,189	-
Capital outlay:				
Water sewer operations	54,300	49,042	5,258	60,250
Water treatment and distribution	36,000	34,357	1,643	20,583
Water collection and treatment	13,600	12,385	1,215	-
Total capital outlay	103,900	95,784	8,116	80,833
Total expenditures	2,495,691	2,347,032	148,659	2,063,673
Revenues over (under) expenditures	(226,732)	(103,921)	122,811	130,924
Other Financing Sources (Uses):				
Appropriated fund balance	226,732	-	(226,732)	-
Transfer to Phases I, II & III water and sewer project	-	-	-	(229,430)
Transfer to Phase IV water and sewer project	-	-	-	(95,621)
Total other financing sources	226,732	-	(226,732)	(325,051)
Revenues and other sources over (under) expenditures and other uses	\$ -	(103,921)	\$ (103,921)	(194,127)
Reconciliation From Budgetary Basis (Modified Accrual) to Full Accrual:				
Increase (decrease) in inventory		51,849		(6,796)
(Increase) decrease in accrued vacation pay		(5,636)		(5,573)
Increase (decrease) in accrued revenues		-		254
(Increase) decrease in doubtful accounts		-		10,475
Payment of debt principal		126,127		-
Interest earned in capital project fund		-		97
Fines and penalties		10,000		10,000
Transfers to capital project funds		-		325,051
Capital fund activity		82,434		-
Capitalized interest from capital project fund		125,052		-
Capital outlay		95,784		80,833
Depreciation		(251,983)		(250,286)
Change in net position		\$ 129,706		\$ (30,072)

TOWN OF DALLAS

Water and Sewer Capital Projects Fund - Phases I, II and III Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual From Inception and for Year Ended June 30, 2014

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>
Revenues:				
Investment earnings	\$ -	\$ 97	\$ 707	\$ 804
Expenditures:				
Professional services	405,870	294,391	84,794	379,185
Bond issuance costs	4,000	5,089	-	5,089
Capital outlay:				
Water line construction	3,315,760	568,229	2,271,541	2,839,770
Private lateral reimbursement	70,000	-	-	-
Total expenditures	<u>3,795,630</u>	<u>867,709</u>	<u>2,356,335</u>	<u>3,224,044</u>
Revenues over (under) expenditures	<u>(3,795,630)</u>	<u>(867,612)</u>	<u>(2,355,628)</u>	<u>(3,223,240)</u>
Other Financing Sources (Uses):				
Transfer from Water and Sewer Fund	229,430	229,430	-	229,430
Transfer to General Fund - Town Hall Projec	-	-	(35,735)	(35,735)
Proceeds from installment financing	<u>3,566,200</u>	<u>3,600,000</u>	<u>-</u>	<u>3,600,000</u>
Total other financing sources (uses)	<u>3,795,630</u>	<u>3,829,430</u>	<u>(35,735)</u>	<u>3,793,695</u>
Revenues and other financing sources (uses) over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 2,961,818</u>	<u>(2,391,363)</u>	<u>\$ 570,455</u>
Fund balance, beginning			<u>2,961,818</u>	
Fund balance, ending			<u>\$ 570,455</u>	

TOWN OF DALLAS

Water and Sewer Capital Projects Fund - Phase IV Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual From Inception and for Year Ended June 30, 2014

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>
Revenues:				
Restricted intergovernmental:				
Community Development Block Grant	\$ 750,000	\$ -	\$ 117,462	\$ 117,462
Expenditures:				
Professional services	160,261	15,867	122,866	138,733
Capital outlay:				
Construction of water lines	635,360	-	-	-
Private lateral reimbursement	50,000	-	-	-
Total expenditures	845,621	15,867	122,866	138,733
Revenues over (under) expenditures	(95,621)	(15,867)	(5,404)	(21,272)
Other Financing Sources (Uses):				
Transfer from Water and Sewer Fund	95,621	95,621	-	95,621
Total other financing sources (uses)	95,621	95,621	-	95,621
Revenues and other financing sources (uses) over (under) expenditures and other financing uses	\$ -	\$ 79,754	(5,404)	\$ 74,350
Fund balance, beginning			79,754	
Fund balance, ending			\$ 74,350	

TOWN OF DALLAS

Page 1 of 2

Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP) Electric Fund For the Year Ended June 30, 2014 (With Comparative Actual Amounts for the Year Ended June 30, 2013)

	2014		Variance	2013
	<u>Budget</u>	<u>Actual</u>	<u>Positive (Negative)</u>	<u>Actual</u>
Revenues:				
Operating revenues:				
Electricity sales	\$7,575,439	\$7,087,362	\$ (488,077)	\$7,065,786
Other operating revenues	94,225	41,139	(53,086)	290,891
Total operating revenues	<u>7,669,664</u>	<u>7,128,501</u>	<u>(541,163)</u>	<u>7,356,677</u>
Nonoperating revenues:				
Investment earnings	<u>24,110</u>	<u>15</u>	<u>(24,095)</u>	<u>200</u>
Total revenues	<u>7,693,774</u>	<u>7,128,516</u>	<u>(565,258)</u>	<u>7,356,877</u>
Expenditures:				
Salaries and employee benefits	887,522	852,661	34,861	754,282
Electrical power purchases	4,802,325	4,582,731	219,594	4,510,417
Supplies	193,000	123,761	69,239	8,859
Contracted services	167,600	129,234	38,366	46,423
Insurance	105,400	80,027	25,373	56,593
Repairs and maintenance	283,500	247,622	35,878	134,898
Other operating expenditures	110,000	96,136	13,864	606,296
Debt service - principal	76,100	69,921	6,179	68,637
Debt service - interest	-	2,241	(2,241)	3,923
Capital outlay	<u>1,338,500</u>	<u>575,565</u>	<u>762,935</u>	<u>655,007</u>
Total operating expenditures	<u>7,963,947</u>	<u>6,759,898</u>	<u>1,204,049</u>	<u>6,845,335</u>
Revenues over (under) expenditures	<u>(270,173)</u>	<u>368,618</u>	<u>638,791</u>	<u>511,542</u>
Other Financing Sources (Uses):				
Appropriated fund balance	1,265,839	-	(1,265,839)	-
Contribution to Downtown Historic Foundation	(502,939)	(502,939)	-	-
Transfers from (to):				
General Fund-payment in lieu of taxes	<u>(492,727)</u>	<u>(492,727)</u>	<u>-</u>	<u>(801,000)</u>
Total other financing sources (uses)	<u>270,173</u>	<u>(995,666)</u>	<u>(1,265,839)</u>	<u>(801,000)</u>

cont.

TOWN OF DALLAS

Page 2 of 2, cont.

Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)**Electric Fund****For the Year Ended June 30, 2014****(With Comparative Actual Amounts for the Year Ended June 30, 2013)**

	<u>2014</u>		<u>Variance</u>	
	<u>Budget</u>	<u>Actual</u>	<u>Positive</u>	<u>2013</u>
			<u>(Negative)</u>	<u>Actual</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	\$ (627,048)	<u>\$ (627,048)</u>	\$ (289,458)
Reconciliation From Budgetary Basis				
(Modified Accrual) to Full Accrual:				
Increase (decrease) in accrued revenues		-		913
Increase (decrease) in inventory		58,395		7,487
(Increase) decrease in doubtful accounts		-		(8,363)
(Increase) decrease in accrued vacation pay		(3,369)		(2,696)
(Increase) decrease in accrued interest		-		(824)
Capital outlays		575,565		655,007
Payment of debt principal		69,921		68,637
Depreciation		<u>(326,535)</u>		<u>(266,022)</u>
Changes in net position		<u>\$ (253,072)</u>		<u>\$ 164,681</u>

TOWN OF DALLAS

**Schedule of Ad Valorem Taxes Receivable
June 30, 2014**

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2013</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2014</u>
2013 - 2014	\$ -	\$1,054,548	\$1,027,675	\$ 26,873
2012 - 2013	37,799	-	25,344	12,455
2011 - 2012	10,133	-	2,553	7,580
2010 - 2011	7,667	-	1,774	5,893
2009 - 2010	6,869	-	1,733	5,136
2008 - 2009	4,036	-	529	3,507
2007 - 2008	3,224	-	303	2,921
2006 - 2007	3,015	-	-	3,079
2005 - 2006	2,162	-	(30)	2,192
2004 - 2005	1,429	-	(13)	1,442
2003 - 2004	2,172	-	2,172	-
Total	<u>\$ 78,506</u>	<u>\$1,054,548</u>	<u>\$1,062,040</u>	71,076
Less allowance for uncollectibles				<u>(33,637)</u>
Balance				<u>\$ 37,440</u>
Reconciliation With Revenue:				
Taxes - Ad valorem - General Fund				\$ 1,082,878
Adjustments, releases and discounts				(14,526)
Taxes written off				2,172
Interest collected				<u>(8,484)</u>
Total collections and credits				<u>\$ 1,062,040</u>

TOWN OF DALLAS

Analysis of Current Tax Levy June 30, 2014

	Town Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxes at current year's rate	\$ 250,075,534	0.38	\$ 950,287	\$ 950,287	\$ -
Motor vehicles taxed at current year rate	<u>28,496,292</u>	0.38	<u>108,286</u>	<u>-</u>	<u>108,286</u>
Total	<u>278,571,826</u>		<u>1,058,573</u>	<u>950,287</u>	<u>108,286</u>
Discoveries:					
Current year taxes	888,421		3,376	2,574	802
Adjustments	<u>(1,947,368)</u>		<u>(7,400)</u>	<u>(4,653)</u>	<u>(2,747)</u>
Total	<u>(1,058,947)</u>		<u>(4,024)</u>	<u>(2,079)</u>	<u>(1,945)</u>
Total property valuation	<u><u>\$ 277,512,879</u></u>				
Net levy			1,054,548	948,208	106,341
Less uncollected taxes at June 30, 2014			<u>(26,873)</u>	<u>(18,434)</u>	<u>(8,439)</u>
Current year's taxes collected			<u>\$ 1,027,675</u>	<u>\$ 929,774</u>	<u>\$ 97,902</u>
Current levy collection percentage			<u>97.45%</u>	<u>98.06%</u>	<u>92.06%</u>

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

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Dallas, North Carolina, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Town of Dallas, North Carolina's basic financial statements and have issued our report thereon dated December 15, 2014.

Internal Control over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses. See 2014-4, 2014-5, 2014-6 and 2014-7.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompany schedule of findings and responses to be significant deficiencies 2014-1, 2014-2 and 2014-3.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Dallas, North Carolina's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings and responses as items 2014-5, 2014-6 and 2014-7.

Town of Dallas, North Carolina's Response to Findings

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

Purpose of this Report

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

Lawrence Smith Church & Co.

Morganton, North Carolina
December 15, 2014

**Schedule of Findings and Responses
For the Year Ended June 30, 2014**

Significant Deficiencies:**Finding: 2014-1 Inadequate Segregation of Duties**

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

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

Response: Duties will be segregated as much as possible.

Finding: 2014-2 Preparation of the Financial Statements

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

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

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

Finding: 2014-3 Deficit in Fund Balance or Net Position of Individual Funds

Condition: The Jagers Park Capital Project Fund has a deficit fund balance of \$2,500. The project budget was adopted in the 2014-2015 year, however, expenses were incurred for the year ended June 30, 2014. The Town will transfer funds from the General Fund and/or Electric Fund to prevent a deficit fund balance in the future.

Effect: Funds were expended that exceeded revenues.

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

Material Weaknesses:**Finding: 2014-4 Prior Period Adjustment**

Condition: Two prior period adjustments were required. Inventory in the General Fund was not recorded. The beginning fund balance was adjusted by \$18,490 to include the beginning inventory. In the Water and Sewer Fund, a civil penalty assessed by the North Carolina Department of Environment and Natural Resources was not recorded as a liability. Beginning fund balance was adjusted by \$60,000 to include the liability at the beginning of the year.

Effect: The beginning fund balance in the General Fund was understated by \$18,490. The Water and Sewer Fund liabilities at the beginning of the year were understated by \$60,000.

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

Schedule of Findings and Responses
For the Year Ended June 30, 2014

Finding: 2014-5 Excess Expenditures Over Appropriations

Condition: G.S. 159-9(a) states that all moneys received and expended by a local government or public authority should be included in the budget ordinance, however, funds were spent that exceeded the authorized appropriations in the General Fund.

Effect: Public safety was over spent by \$287,402 due to the purchase of a fire truck. This item was not included in the budget.

Response: Budget amendments will be adopted when expenditures exceed the budget.

Finding: 2014-6 Lack of a Project Ordinance

Condition: G.S. 159-2(c) states that: "If a local government or public authority intends to authorize a capital project or a grant project by a project ordinance, it shall not begin the project until it has adopted a balanced project ordinance for the life of the project". The Jagers Park Capital Project began in the current year, however, a project ordinance was not adopted until after year end.

Effect: The Jagers Park Capital project was not in compliance with G.S. 159-2(c).

Response: A project ordinance will be adopted prior the actual beginning of any projects.

Finding: 2014-7 Powell Bill Report Materially Incorrect

Condition: G.S.136-41.3(b) states that: "On or before the first day of August each year, the treasurer, auditor, or other responsible official of each municipality receiving funds by virtue of G.S. 136-41.1 and 136-41.2 shall file a statement under oath with the Secretary of Transportation showing in detail the expenditure of funds received by virtue of G.S. 136-41.1 and 136-41.2 during the preceding year and the balance on hand." The Town's Powell Bill Expenditures Report balance on hand was materially incorrect as a result of the discovery of pre-2006, unspent revenues.

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

Response: The Powell Bill report will be reviewed and the balance on hand reconciled to the report.