

Publication No. 117-34
(Revised October 2009)

Illustrative Financial Statements
for a City
in North Carolina

State and Local Government Finance Division
North Carolina Department of State Treasurer

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City of Dogwood, North Carolina
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June 30, 2009

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FINANCIAL SECTION

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LETTERHEAD OF INDEPENDENT AUDITOR

Independent Auditor's Report

To the Honorable Mayor
and Members of the City Council
Dogwood, North Carolina

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Dogwood, North Carolina, as of and for the year ended June 30, 2009 which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Dogwood's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the City of Dogwood ABC Board. Those financial statements were audited by another auditor whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the City of Dogwood ABC Board, is based solely on the report of another auditor.

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 basic financial statements are free of material misstatement. The financial statements of the City of Dogwood ABC Board were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Dogwood, North Carolina as of June 30, 2009, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the General Fund and the Emergency 911 Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated [date of report] on our consideration of City of Dogwood's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations,

contracts and grants. The purpose the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and the Law Enforcement Officers' Special Separation Allowance's and the Other Postemployment Benefits' Schedules of Funding Progress and Schedules of Employer Contributions on pages 13 through 23 and 81 through 86 respectively, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit this information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements of the City of Dogwood, North Carolina. The combining, and individual nonmajor fund financial statements and schedules, as well as the accompanying schedule of expenditures of federal and State awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and the accompanying schedule of expenditures of federal and State awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

[Signature]

[Date]

Note to preparer: See Section 27-A of the *Audit Manual for Governmental Audits in North Carolina* for various opinion letter examples. Please note that the opinion letter above was adjusted for the City of Dogwood which has one discretely presented component unit (100% of opined unit) audited by another auditor. However if less than 100% of an opined unit was audited by another auditor and the auditor chooses not to take responsibility of that opinion, then an additional sentence should be added to the introductory paragraph defining the percent of the other auditor's opined unit as compared to the total opined unit(s) of the municipality.

Management Discussion and Analysis

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Management's Discussion and Analysis

As management of the City of Dogwood, we offer readers of the City of Dogwood's financial statements this narrative overview and analysis of the financial activities of the City of Dogwood for the fiscal year ended June 30, 2009. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the City's financial statements, which follow this narrative.

Financial Highlights

- The assets of the City of Dogwood exceeded its liabilities at the close of the fiscal year by \$15,320,645 (*net assets*).
- The government's total net assets increased by \$2,317,636, primarily due to increases in the business-type activities net assets.
- As of the close of the current fiscal year, the City of Dogwood's governmental funds reported combined ending fund balances of \$479,746 with a net change of \$44,127 in fund balance. Approximately 72.12 percent of this total amount, or \$345,982, is available for spending at the government's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$317,167, or 14.72 percent of total general fund expenditures for the fiscal year.
- The City of Dogwood experienced a record breaking flood and the collapse of the Cardinal Point Dam on July 2, 2008. The wastewater aerating facility was severely damaged and the Tar Heel Municipal Building was damaged as well. After repair costs and insurance recovery, the City recognized an extraordinary gain of \$1,281,046 and reported miscellaneous revenue of \$63,686.
- The City of Dogwood's total debt increased by \$564,686 (13.76%) during the current fiscal year. The key factor in this increase was the issuance of bond anticipation notes of \$675,000 for Water and Sewer improvements and \$200,000 in certificates of participation for parking improvements at Municipal Park.
- The City of Dogwood maintained its AAA bond rating for the 10th consecutive year.

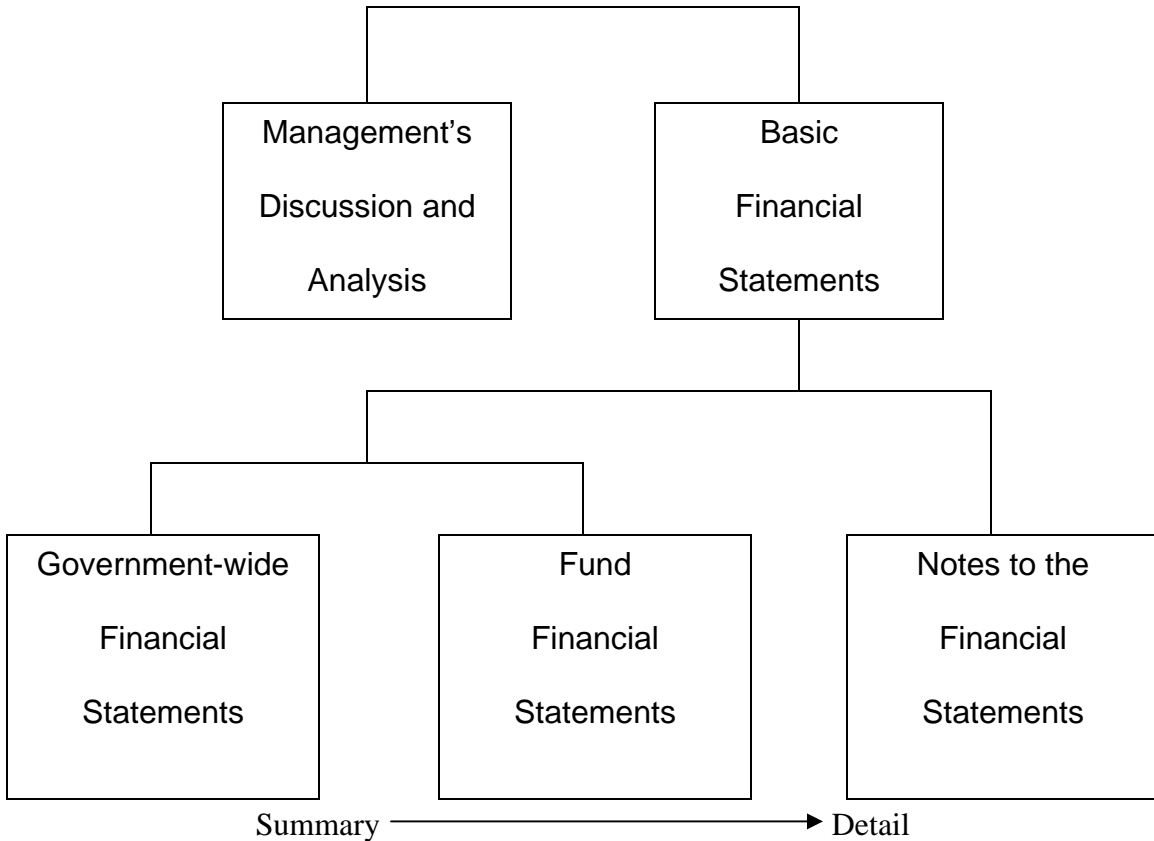
Note to preparer: Continue to list any other significant financial highlights here.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to City of Dogwood's basic financial statements. The City'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 City 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 City of Dogwood.

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

The first two statements (Exhibits 1 and 2) in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the City's financial status.

The next statements (Exhibits 3 through 9) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the City'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; 3) the proprietary fund statements; and 4) the fiduciary 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 City'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 City'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 City's financial status as a whole.

The two government-wide statements report the City's net assets and how they have changed. Net assets are the difference between the City's total assets and total liabilities. Measuring net assets is one way to gauge the City's financial condition.

The government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) component units. The governmental activities include most of the City'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 City charges customers to provide. These include the water and sewer and electric services offered by the City of Dogwood. The final category is the component unit. Although legally separate from the City, the ABC Board is important to the City because the City exercises control over the Board by appointing its members and because the Board is required to distribute its profits to the City.

The government-wide financial statements are on Exhibits 1 and 2 of this report.

Fund Financial Statements

The fund financial statements (see Figure 1) provide a more detailed look at the City'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 City of Dogwood, 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 City's budget ordinance. All of the funds of City of Dogwood can be divided into three categories: governmental funds, proprietary funds, and fiduciary 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 City'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 City's programs. The relationship between government activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The City of Dogwood 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 City, the

Management Discussion and Analysis
City of Dogwood

management of the City, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the City to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the City complied with the budget ordinance and whether or not the City 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 – City of Dogwood has two different kinds of proprietary funds. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. City of Dogwood 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 Assets and the Statement of Activities. *Internal Service Funds* are an accounting device used to accumulate and allocate costs internally among the functions of City of Dogwood. The City uses an internal service fund to account for one activity – its central garage operations. Because this operation benefits predominantly governmental rather than business-type activities, the internal service fund has been included within the governmental activities in the government-wide financial statements.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. City of Dogwood has one fiduciary fund, which is an agency fund.

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 35-I-43 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the City of Dogwood's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 35-I-81 of this report.

Government-Wide Financial Analysis

City of Dogwood’s Net Assets

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Current and other assets	\$ 728,036	\$ 755,340	\$ 2,295,852	\$ 2,535,436	\$ 3,023,888	\$ 3,290,776
Capital assets	4,376,858	3,759,973	13,557,677	11,138,121	17,934,535	14,898,094
Total assets	5,104,894	4,515,313	15,853,529	13,673,557	20,958,423	18,188,870
Long-term liabilities outstanding	535,763	238,295	4,495,992	4,089,087	5,031,755	4,327,382
Other liabilities	152,464	224,210	453,559	735,136	606,023	959,346
Total liabilities	688,227	462,505	4,949,551	4,824,223	5,637,778	5,286,728
Net assets:						
Invested in capital assets, net of related debt	4,092,481	3,682,621	10,832,879	7,112,859	14,925,360	10,795,480
Restricted	44,555	25,351	-	-	44,555	25,351
Unrestricted	279,631	344,836	71,099	1,736,475	350,730	2,081,311
Total net assets	\$ 4,416,667	\$ 4,052,808	\$ 10,903,978	\$ 8,849,334	\$ 15,320,645	\$ 12,902,142

As noted earlier, net assets may serve over time as one useful indicator of a government’s financial condition. The assets of the City of Dogwood exceeded liabilities by \$15,320,645 as of June 30, 2009. The City’s net assets increased by \$2,317,636 for the fiscal year ended June 30, 2009. However, the largest portion (97.42%) reflects the City’s investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt still outstanding that was issued to acquire those items. The City of Dogwood uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Dogwood’s investment in its 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 City of Dogwood’s net assets \$44,555 (0.29%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$350,730 is unrestricted.

Several particular aspects of the City’s financial operations positively influenced the total unrestricted governmental net assets:

Note to preparer - List here anything you wish to highlight – fee revenue or tax revenue increases due to annexation and/or economic growth, reductions in spending, savings from debt refundings, new operating grants received, etc. The following is an example based on the City of Dogwood.

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 96.54%, which is comparable to the statewide average of 97.41%.
- Increased sales tax revenues of approximately \$75,000 due to economic growth in the City.
- Continued low cost of debt due to the City’s high bond rating.

Management Discussion and Analysis
City of Dogwood

City of Dogwood's Changes in Net Assets
Figure 3

	Governmental Activities		Business Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Revenues:						
Program revenues:						
Charges for services	\$ 40,333	\$ 39,946	\$ 3,950,299	\$ 3,867,371	\$ 3,990,632	\$ 3,907,317
Operating grants and contributions	1,040,148	225,987	12,154	23,956	1,052,302	249,943
Capital grants and contributions	231,598	280,532	127,948	145,000	359,546	425,532
General revenues:						
Property taxes	828,259	827,483	-	-	828,259	827,483
Other taxes	53,314	799,546	-	-	53,314	799,546
Grants and contributions not restricted to specific programs	702,269	697,356	-	-	702,269	697,356
Other	97,942	40,046	39,350	38,267	137,292	78,313
Total revenues	2,993,863	2,910,896	4,129,751	4,074,594	7,123,614	6,985,490
Expenses:						
General government	187,099	441,682	-	-	187,099	441,682
Public safety	1,352,817	1,299,741	-	-	1,352,817	1,299,741
Transportation	520,016	505,547	-	-	520,016	505,547
Environmental protection	280,694	274,438	-	-	280,694	274,438
Economic and physical development	117,218	114,874	-	-	117,218	114,874
Cultural and recreation	79,430	77,318	-	-	79,430	77,318
Interest on long-term debt	6,143	6,019	-	-	6,143	6,019
Water and sewer	-	-	727,328	699,451	727,328	699,451
Electric	-	-	2,816,279	2,683,539	2,816,279	2,683,539
Total expenses	2,543,417	2,719,619	3,543,607	3,382,990	6,087,024	6,102,609
Increase in net assets before transfers	450,446	191,277	586,144	691,604	1,036,590	882,881
Transfers	(86,587)	(73,946)	86,587	73,946	-	-
Extraordinary item: gain on insurance recovery	-	-	1,281,046	-	1,281,046	-
Increase in net assets	363,859	117,331	1,953,777	765,550	2,317,636	882,881
Net assets, July 1	4,052,808	3,935,477	8,950,201	8,184,651	13,003,009	12,120,128
Net assets, June 30	\$ 4,416,667	\$ 4,052,808	\$ 10,903,978	\$ 8,950,201	\$ 15,320,645	\$ 13,003,009

(continued on next page)

Governmental activities. Governmental activities increased the City's net assets by \$363,859, thereby accounting for 15.70% of the total growth in the net assets of the City of Dogwood. Key elements of this increase are as follows:

Note to preparer - List here anything you wish to highlight with regards to governmental activities as a factor in increasing your net assets. The following is an example based on the City of Dogwood.

- Grant revenues in the cultural and recreational area and in the economic development area were used to construct capital assets.
- Tax revenues remained steady.

Business-type activities. Business-type activities increased the City of Dogwood's net assets by \$1,953,777, accounting for 84.30% of the total growth in the government's net assets. Key elements of this increase are as follows:

- The City recognized an extraordinary gain on insurance recovery of \$1,281,046 due to the collapse of the Cardinal Point Dam and subsequent flooding of the wastewater aeration facility. The City received \$3,650,000 in insurance recovery to offset the asset impairment loss of \$2,368,954 resulting in an extraordinary gain of \$1,281,046. Restoration cost of \$3,800,000 has been capitalized in the Water and Sewer Fund.
- The City recognized a change in net assets of \$1,953,777 in the Proprietary Funds, primarily due to rate increases and cost-saving measures taken to reduce operating costs in both the Electric and Water and Sewer Funds, as well as a \$127,948 capital contribution.

Note to preparer - List here anything you wish to highlight with regards to business-type activities as reasons for increases in net assets.

Financial Analysis of the City's Funds

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

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

The general fund is the chief operating fund of the City of Dogwood. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$317,167, while total fund balance reached \$425,875. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 14.72 percent of total General Fund expenditures, while total fund balance represents 19.76 percent of that same amount.

Management Discussion and Analysis
City of Dogwood

At June 30, 2009, the governmental funds of City of Dogwood reported a combined fund balance of \$479,746 with a net increase in fund balance of \$44,127. Included in this change in fund balance are increases in fund balance in both the General and Capital Projects Funds.

General Fund Budgetary Highlights. During the fiscal year, the City revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services.

Note to preparer - Insert here a brief discussion here about differences between budgeted and actual numbers and why this occurs. The following is an example based on City of Dogwood.

Revenues were more than the budgeted amounts primarily because the City did not expect to receive some of the unrestricted intergovernmental funds that became available. Expenditures were held in check to comply with its budgetary requirements.

Proprietary Funds. The City of Dogwood's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net assets of the Water and Sewer Fund at the end of the fiscal year amounted to \$40,705, and those for the Electric Fund amounted to \$30,094. The total change in net assets for both funds was \$1,941,525 and \$11,952 respectively. The change in net assets in the Water and Sewer Fund is a result of the gain from insurance proceeds as a result of the collapse in the Cardinal Point Dam and subsequent damage to the wastewater aerating facility.

Capital Asset and Debt Administration

Capital assets. The City of Dogwood's investment in capital assets for its governmental and business-type activities as of June 30, 2009, totals \$17,934,535 (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:

Note to preparer - List major activities, including demolitions or impairments. The following is an example based on the City of Dogwood.

- Construction in progress for water and sewer capital assets of \$1,147,613.
- Construction in progress of \$590,000 in governmental-type activities for park improvement projects and new parking facilities at Municipal Park
- Damage done to the wastewater aeration facility caused by the collapse of the Cardinal Point Dam resulted in an asset impairment of \$2,368,954. Subsequent rebuilding of the facility resulted in an increase in capital assets of \$3,800,000.

**City of Dogwood's Capital Assets
 (net of depreciation)**

Figure 4

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Land	\$ 176,770	\$ 164,770	\$ 615,900	\$ 615,900	\$ 792,670	\$ 780,670
Buildings and system	1,498,839	1,394,492	9,587,236	8,264,446	11,086,075	9,658,938
Improvements other than buildings	163,033	185,436	-	-	163,033	185,436
Substations, lines, and related equipment	-	-	537,219	476,088	537,219	476,088
Equipment and furniture	296,863	277,915	187,449	210,065	484,312	487,980
Infrastructure	1,401,959	1,456,811	-	-	1,401,959	1,456,811
Vehicles and motorized equipment	142,625	175,648	175,463	253,557	318,088	429,205
Computer equipment	4,129	6,668	2,361	13,629	6,490	20,297
Construction in progress	693,000	103,000	2,452,049	1,304,436	3,145,049	1,407,436
Total	\$ 4,377,218	\$ 3,764,740	\$ 13,557,677	\$ 11,138,121	\$ 17,934,895	\$ 14,902,861

Additional information on the City's capital assets can be found in Note III.A.4 of the Basic Financial Statements.

Long-term Debt. As of June 30, 2009, the City of Dogwood had total bonded debt outstanding of \$3,767,923. Of this, \$2,861,000 is debt backed by the full faith and credit of the City. The remainder of the City's debt represents bonds secured solely by specified revenue sources (e.g. revenue bonds).

General Obligation and Revenue Bonds
Figure 5

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
General obligation bonds	\$ 60,000	\$ 70,000	\$ 2,801,000	\$ 2,372,276	\$ 2,861,000	\$ 2,442,276
Revenue bonds	-	-	906,923	936,549	\$ 906,923	\$ 936,549
Total	\$ 60,000	\$ 70,000	\$ 3,707,923	\$ 3,308,825	\$ 3,767,923	\$ 3,378,825

City of Dogwood’s Outstanding Debt

The City of Dogwood’s total debt increased by \$546,686 (13.77%) during the past fiscal year, primarily due to the \$675,000 bond anticipation notes issued for water and sewer improvements. The government also issued \$200,000 in installment purchase financing to construct parking facilities for Municipal Park.

As mentioned in the financial highlights section of this document, the City of Dogwood maintained for the 10th consecutive year, its Aaa bond rating from Moody’s Investor Service and AAA rating from Standard and Poor’s Corporation and FitchRatings. This bond rating is a clear indication of the sound financial condition of City of Dogwood. The City of Dogwood is one of the few municipalities in the country that maintains the highest financial rating from all three major rating agencies. This achievement is a primary factor in keeping interest costs low on the City’s outstanding 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 that government’s boundaries. The legal debt margin for City of Dogwood is \$10,684,999. The City has \$1,000,000 in bonds authorized but un-issued at June 30, 2008.

Additional information regarding the City of Dogwood’s long-term debt can be found in Note III.B.6 beginning on page 35-I-69 of this report.

Economic Factors and Next Year’s Budgets and Rates

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

Note to preparer - List items such as number of new jobs created in unit, number of occupied square feet of business property, unemployment rate and how it compares to state average, total retail sales for the unit for the year, etc. The following is an example based on the City of Dogwood.

Management Discussion and Analysis
City of Dogwood

- Low unemployment. The City of Dogwood unemployment rate of 3.9% is well below the State average of 5.9%.
- New manufacturing jobs. The City added approximately 4,000 new jobs last year in the manufacturing sector with the opening of the Doohickey Factory.
- Occupancy rates on office and retail space. The City's occupancy rates are about 90% for the year, which is an increase from last year and higher than the area average of 85%.

Budget Highlights for the Fiscal Year Ending June 30, 2010

Governmental Activities: Property taxes (benefiting from the economic growth) and revenues from permits and fees are expected to lead the increase in budgeted revenue by 2.0 percent. The City will use these increases in revenues to finance programs currently in place.

Budgeted expenditures in the General Fund are expected to rise approximately 5% to \$1,953,103. The largest increments are in employee compensation, including funding compensation and benefits adjustments.

Note to preparer - Add here any other discussion about the General Fund budget for the new fiscal year that you wish to highlight.

Business-type Activities: The water and sewer rates in the City will increase by 5%, primarily to cover increased costs of operations. General operating expenses will increase by 2% to cover increased personnel costs, and 2.5% to cover increased costs of material, supplies, and other operating expenses. Rates for electricity will increase by an average of 4% to cover an equal increase in operating costs there, primarily in personnel costs and equipment maintenance expense.

Requests for Information

This report is designed to provide an overview of the City's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Director of Finance, City of Dogwood, 789 Government Drive, Dogwood, NC 00000.

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Basic Financial Statements

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City of Dogwood, North Carolina
Statement of Net Assets
June 30, 2009

	Primary Government			City of Dogwood ABC Board
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 541,143	\$ 109,994	\$ 651,137	\$ 80,838
Taxes receivables (net)	63,235	-	63,235	-
Accrued interest receivable on taxes	12,949	-	12,949	-
Accounts receivable (net)	5,664	314,979	320,643	-
Due from other governments	97,300	-	97,300	-
Due from component units	3,700	-	3,700	-
Internal balances	100	(100)	-	-
Inventories	3,945	205,659	209,604	89,692
Prepaid items	-	7,195	7,195	3,361
Restricted cash and cash equivalents	-	1,658,125	1,658,125	-
Total current assets	<u>728,036</u>	<u>2,295,852</u>	<u>3,023,888</u>	<u>173,891</u>
Non-current assets:				
Capital assets (Note 4):				
Land, non-depreciable improvements, and construction in progress	869,770	3,067,949	3,937,719	-
Other capital assets, net of depreciation	<u>3,507,088</u>	<u>10,489,728</u>	<u>13,996,816</u>	<u>87,375</u>
Total capital assets	<u>4,376,858</u>	<u>13,557,677</u>	<u>17,934,535</u>	<u>87,375</u>
Total assets	<u>\$ 5,104,894</u>	<u>\$ 15,853,529</u>	<u>\$ 20,958,423</u>	<u>\$ 261,266</u>
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 128,774	\$ 264,967	\$ 393,741	\$ 42,720
Unearned revenue	15,502	-	15,502	-
Accrued interest payable	2,133	-	2,133	-
Customer deposits	-	73,035	73,035	-
Due to primary government	-	-	-	3,700
Due to other governments	6,055	-	6,055	18,251
Current portion of long-term liabilities	66,184	1,131,339	1,197,523	4,560
Payable from restricted assets	-	115,557	115,557	-
Total current liabilities	<u>218,648</u>	<u>1,584,898</u>	<u>1,803,546</u>	<u>69,231</u>
Long-term liabilities:				
Due in more than one year	<u>469,579</u>	<u>3,364,653</u>	<u>3,834,232</u>	<u>-</u>
Total liabilities	<u>688,227</u>	<u>4,949,551</u>	<u>5,637,778</u>	<u>69,231</u>
NET ASSETS				
Invested in capital assets, net of related debt	4,092,481	10,832,879	14,925,360	87,375
Restricted for:				
Capital projects	10,000	-	10,000	-
Cemetary Perpetual Care	25,056	-	25,056	-
Other purposes	9,499	-	9,499	104,660
Unrestricted	<u>279,631</u>	<u>71,099</u>	<u>350,730</u>	<u>-</u>
Total net assets	<u>\$ 4,416,667</u>	<u>\$ 10,903,978</u>	<u>\$ 15,320,645</u>	<u>\$ 192,035</u>

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

City of Dogwood, North Carolina
Statement of Activities
For the Year Ended June 30, 2009

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental Activities:				
General government	\$ 187,099	\$ 330	\$ -	\$ -
Public safety	1,352,817	13,160	815,877	-
Transportation	520,016	-	132,457	-
Economic and physical development	117,218	-	88,402	26,598
Environmental protection	280,694	-	3,000	-
Cultural and recreation	79,430	26,843	412	205,000
Interest on long-term debt	6,143	-	-	-
Total governmental activities (See Note 1)	2,543,417	40,333	1,040,148	231,598
Business-type activities:				
Water and sewer	727,328	1,128,654	630	127,948
Electric	2,816,279	2,821,645	11,524	-
Total business-type activities	3,543,607	3,950,299	12,154	127,948
Total primary government	\$ 6,087,024	\$ 3,990,632	\$ 1,052,302	\$ 359,546
Component unit:				
ABC Board	\$ 874,676	\$ 875,074	\$ -	\$ -
Total component unit	\$ 874,676	\$ 875,074	\$ -	\$ -

General revenues:

Taxes:
Property taxes, levied for general purpose
Other taxes
Grants and contributions not restricted to specific programs
Unrestricted investment earnings
Miscellaneous
Extraordinary Item: Gain on insurance recovery
Transfers
Total general revenues and transfers
Change in net assets
Net assets, beginning
Net assets, ending

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

Exhibit 2

Net (Expense) Revenue and Changes in Net Assets				
Primary Government				
Governmental Activities	Business-type Activities	Total	City of Dogwood ABC Board	
\$ (186,769)	\$ -	\$ (186,769)	\$ -	-
(523,780)	-	(523,780)	-	-
(387,559)	-	(387,559)	-	-
(2,218)	-	(2,218)	-	-
(277,694)	-	(277,694)	-	-
152,825	-	152,825	-	-
(6,143)	-	(6,143)	-	-
(1,231,338)	-	(1,231,338)	-	-
-	\$ 529,904	529,904	-	-
-	16,890	16,890	-	-
-	546,794	546,794	-	-
(1,231,338)	546,794	(684,544)	-	-
-	-	-	-	398
\$ -	\$ -	\$ -	\$ -	398
828,259	-	828,259	-	-
53,314	-	53,314	-	-
702,269	-	702,269	-	-
24,504	39,350	63,854	1,226	-
73,438	-	73,438	-	-
-	1,281,046	1,281,046	-	-
(86,587)	86,587	-	-	-
1,595,197	1,406,983	3,002,180	1,226	-
363,859	1,953,777	2,317,636	1,624	-
4,052,808	8,950,201	13,003,009	190,411	-
\$ 4,416,667	\$ 10,903,978	\$ 15,320,645	\$ 192,035	-

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**City of Dogwood
Balance Sheet
Governmental Funds
June 30, 2009**

	Major Funds			Total Non-Major Funds	Total Governmental Funds
	General	Emergency Telephone System	Parking and Recreation		
ASSETS					
Cash and cash equivalents	\$ 459,332	\$ 8,000	\$ 23,400	\$ 24,681	\$ 515,413
Receivables, net:					
Taxes	63,235	-	-	-	63,235
Accounts	874	4,415	-	375	5,664
Due from other governments	82,300	10,000	-	5,000	97,300
Due from component unit	3,700	-	-	-	3,700
Inventories	1,245	-	-	-	1,245
Total assets	<u>\$ 610,686</u>	<u>\$ 22,415</u>	<u>\$ 23,400</u>	<u>\$ 30,056</u>	<u>\$ 686,557</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities	\$ 103,874	\$ 17,000	\$ -	\$ 5,000	\$ 125,874
Due to other funds	2,200	-	-	-	2,200
Due to other governments	6,055	-	-	-	6,055
Deferred revenue	57,180	-	-	-	57,180
Unearned revenue	15,502	-	-	-	15,502
Total liabilities	<u>184,811</u>	<u>17,000</u>	<u>-</u>	<u>5,000</u>	<u>206,811</u>
Fund balances:					
Reserved for:					
Inventories	1,245	-	-	-	1,245
Encumbrances	10,450	-	-	-	10,450
Perpetual maintenance	-	-	-	25,056	25,056
State statute	92,929	-	-	-	92,929
Streets-Powell bill	4,084	-	-	-	4,084
Unreserved, General Fund:					
Designated for subsequent year's expenditures	100,000	-	-	-	100,000
Undesignated	217,167	-	-	-	217,167
Unreserved, reported in:					
Special Revenue funds	-	5,415	-	-	5,415
Capital Projects Fund	-	-	23,400	-	23,400
Total fund balances	<u>425,875</u>	<u>5,415</u>	<u>23,400</u>	<u>25,056</u>	<u>479,746</u>
Total liabilities and fund balances	<u>\$ 610,686</u>	<u>\$ 22,415</u>	<u>\$ 23,400</u>	<u>\$ 30,056</u>	

Amounts reported for governmental activities in the statement of net assets (Exhibit 1) 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	\$ 7,852,895	
Accumulated depreciation	(3,471,270)	
Less Internal Service Fund's beginning net capital assets included as net assets below (include the addition to accumulated depreciation less capital outlays during the year)	(29,437)	4,352,188

Other long-term assets (accrued interest receivable from taxes) are not available to pay for current-period expenditures and therefore are deferred in the funds. 12,949

Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The assets and liabilities of certain internal service funds are included in governmental activities in the statement of net assets. 50,400

Consolidation adjustment for internal balances between the Internal Service Fund and the Governmental Funds (304) 50,096

Liabilities for earned but deferred revenues in fund statements. 57,180

Some liabilities, including bonds payable, accrued interest, pension and other postemployment benefits, and compensated absences are not due and payable in the current period and therefore are not reported in the funds. (535,492)

Net assets of governmental activities \$ 4,416,667

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

City of Dogwood
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2009

	Major Funds			Total Non-Major Funds	Total Governmental Funds
	General Fund	Emergency Telephone System	Parking and Recreation		
REVENUES					
Ad valorem taxes	\$ 829,577	\$ -	\$ -	\$ -	\$ 829,577
Other taxes and licenses	53,314	-	-	-	53,314
Unrestricted intergovernmental	702,269	-	-	-	702,269
Restricted intergovernmental	166,334	785,000	200,000	115,000	1,266,334
Permits and fees	13,160	-	-	-	13,160
Sales and services	22,007	-	-	4,836	26,843
Investment earnings	23,804	-	5,000	412	29,216
Miscellaneous	183	-	-	-	183
Total revenues	1,810,648	785,000	205,000	120,248	2,920,896
EXPENDITURES					
Current:					
General government	565,050	-	-	-	565,050
Public safety	524,736	785,038	-	-	1,309,774
Transportation	392,840	-	-	-	392,840
Economic and physical development	-	-	-	115,000	115,000
Environmental protection	257,918	-	-	-	257,918
Culture and recreation	91,260	-	-	-	91,260
Debt service:					
Principal	11,975	-	-	-	11,975
Interest and other charges	5,365	-	-	-	5,365
Capital outlay	-	-	590,000	-	590,000
Total expenditures	1,849,144	785,038	590,000	115,000	3,339,182
Excess (deficiency) of revenues over expenditures	(38,496)	(38)	(385,000)	5,248	(418,286)
OTHER FINANCING SOURCES (USES)					
Transfers from other funds	10,813	-	208,400	-	219,213
Transfers to other funds	(305,800)	-	-	-	(305,800)
Sales of capital assets	5,000	-	-	-	5,000
Insurance recovery	325,000	-	-	-	325,000
Installment purchase obligations issued	-	-	200,000	-	200,000
Capital lease obligations issued	19,000	-	-	-	19,000
Total other financing sources (uses)	54,013	-	408,400	-	462,413
Net change in fund balance	15,517	(38)	23,400	5,248	44,127
Fund balances, beginning as previously reported	342,909	5,453	-	19,808	368,170
Prior period adjustment (Note III.D.)	67,367	-	-	-	67,367
Fund balances, beginning as restated	410,276	5,453	-	19,808	435,537
Change in reserve for inventories	82	-	-	-	82
Fund balances, ending	\$ 425,875	\$ 5,415	\$ 23,400	\$ 25,056	\$ 479,746

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

**City of Dogwood
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2009**

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

Net changes in fund balances - total governmental funds	\$	44,127
Change in fund balance due to change in reserve for inventory		82

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

Capital outlay expenditures which were capitalized	\$ 1,113,939	
Depreciation expense for governmental assets	(236,544)	
Asset impairment loss	<u>(268,745)</u>	608,650

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

Amount of donated assets	12,000	
Change in deferred revenue for tax revenues	<u>(1,318)</u>	10,682

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

New long-term debt issued	(219,000)	
Principal payments on long-term debt	11,975	
Increase in accrued interest payable	<u>(778)</u>	(207,803)

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	(50,129)	
Net pension obligation	(6,636)	
Other postemployment benefits	<u>(37,040)</u>	(93,805)

Consolidation adjustment for internal balances between the Internal Service Fund and the Governmental Funds

	(400)	
Net revenue of internal service funds determined to be governmental-type.	<u>2,326</u>	<u>1,926</u>

Total changes in net assets of governmental activities	\$	<u><u>363,859</u></u>
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The notes to the financial statements are an integral part of this statement.

Exhibit 6

City of Dogwood
General Fund and Annually Budgeted Major Special Revenue Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2009

<u>General Fund</u>				
	Original	Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:				
Ad valorem taxes	\$ 833,123	\$ 833,123	\$ 829,577	\$ (3,546)
Other taxes and licenses	54,000	52,000	53,314	1,314
Unrestricted intergovernmental	669,620	636,920	702,269	65,349
Restricted intergovernmental	180,250	175,380	166,334	(9,046)
Permits and fees	11,200	13,000	13,160	160
Sales and services	20,000	21,820	22,007	187
Investment earnings	19,000	18,080	23,804	5,724
Miscellaneous	-	2,000	183	(1,817)
Total revenues	1,787,193	1,752,323	1,810,648	58,325
Expenditures:				
Current:				
General government	169,452	560,000	565,050	(5,050)
Public safety	531,256	533,988	524,736	9,252
Transportation	397,000	393,101	392,840	261
Environmental protection	265,000	259,600	257,918	1,682
Cultural and recreation	140,000	91,309	91,260	49
Debt service:				
Principal retirement	12,500	12,500	11,975	525
Interest and other charges	5,600	5,600	5,365	235
Contingency	4,000	4,000	-	4,000
Total expenditures	1,524,808	1,860,098	1,849,144	10,954
Revenues over (under) expenditures	262,385	(107,775)	(38,496)	69,279
Other financing sources (uses):				
Transfers from other funds	10,000	10,813	10,813	-
Transfers to other funds	(296,385)	(327,038)	(305,800)	21,238
Sales of capital assets	5,000	5,000	5,000	-
Insurance recovery	-	325,000	325,000	-
Capital lease obligations issued	19,000	19,000	19,000	-
Total other financing sources (uses)	(262,385)	32,775	54,013	21,238
Fund balance appropriated	-	75,000	-	75,000
Net change in fund balance	\$ -	\$ -	15,517	\$ 15,517
Fund balances, beginning as previously reported			342,909	
Prior period adjustment			67,367	
Fund balances, beginning as restated			410,276	
Change in reserve for inventories			82	
Fund balances, ending			\$ 425,875	

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

**City of Dogwood
Statement of Net Assets
Proprietary Funds
June 30, 2009**

	Major Enterprise Funds			Internal Service Fund
	Electric Fund	Water and Sewer Fund	Total	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 23,232	\$ 86,762	\$ 109,994	\$ 25,730
Accounts receivable (net) - billed	160,909	78,336	239,245	-
Accounts receivable (net) - unbilled	54,262	21,472	75,734	-
Due from other funds	-	-	-	2,600
Inventories	95,378	110,281	205,659	2,700
Prepaid items	4,630	2,565	7,195	-
Restricted cash and cash equivalents	-	1,658,125	1,658,125	-
Total current assets	<u>338,411</u>	<u>1,957,541</u>	<u>2,295,952</u>	<u>31,030</u>
Noncurrent assets:				
Capital assets:				
Land and construction in progress	289,400	2,778,549	3,067,949	-
Other capital assets, net of depreciation	708,272	9,781,456	10,489,728	24,670
Capital assets	<u>997,672</u>	<u>12,560,005</u>	<u>13,557,677</u>	<u>24,670</u>
Total noncurrent assets	<u>997,672</u>	<u>12,560,005</u>	<u>13,557,677</u>	<u>24,670</u>
Total assets	<u>\$ 1,336,083</u>	<u>\$ 14,517,546</u>	<u>\$ 15,853,629</u>	<u>\$ 55,700</u>
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	202,957	62,010	264,967	2,900
Due to other funds	160	240	400	-
Customer deposits	56,105	16,930	73,035	-
Compensated absences - current	12,000	9,000	21,000	-
General obligation bonds payable- current	-	401,000	401,000	-
Revenue bond payable - current	-	34,339	34,339	-
Bond anticipation notes payable	-	675,000	675,000	-
Liabilities payable from restricted assets:				
Accounts payable	-	115,557	115,557	-
Total current liabilities	<u>271,222</u>	<u>1,314,076</u>	<u>1,585,298</u>	<u>2,900</u>
Noncurrent liabilities:				
Other noncurrent liabilities:				
Other postemployment benefits	10,895	13,074	23,969	-
Compensated absences	26,200	41,900	68,100	2,400
General obligation bonds payable-noncurrent (net)	-	2,400,000	2,400,000	-
Revenue bond payable - noncurrent	-	872,584	872,584	-
Total noncurrent liabilities	<u>37,095</u>	<u>3,327,558</u>	<u>3,364,653</u>	<u>2,400</u>
Total liabilities	<u>308,317</u>	<u>4,641,634</u>	<u>4,949,951</u>	<u>5,300</u>
NET ASSETS				
Invested in capital assets, net of related debt	997,672	9,835,207	10,832,879	-
Unrestricted	30,094	40,705	70,799	50,400
Total net assets	<u>\$ 1,027,766</u>	<u>\$ 9,875,912</u>	<u>10,903,678</u>	<u>\$ 50,400</u>

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.

300

Net assets of business-type activities

\$ 10,903,978

NOTE TO PREPARER: The consolidation of the internal service fund activities related to the enterprise fund is shown for illustrative purposes only. The amount shown here is clearly immaterial and should be allocated back the primary user of the internal service fund (in Dogwood, the General Fund) instead of consolidated with the enterprise fund. However, we chose to leave the allocation here for illustrative purposes so that the user could see how this consolidation, if material, should be treated.

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

City of Dogwood
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2009

	Major Enterprise Funds			Internal Service Fund
	Electric Fund	Water and Sewer Fund	Total	
OPERATING REVENUES				
Charges for services	\$ 2,821,645	\$ 1,116,554	\$ 3,938,199	\$ 31,930
Water and sewer taps	-	12,100	12,100	-
Other operating revenues	11,524	630	12,154	-
Total operating revenues	2,833,169	1,129,284	3,962,453	31,930
OPERATING EXPENSES				
Administration	51,455	143,922	195,377	-
Finance	54,323	30,996	85,319	-
Electric operations	153,288	-	153,288	-
Electric power purchases	2,379,120	-	2,379,120	-
Water treatment and distribution	-	146,587	146,587	-
Waste collection and treatment	-	66,353	66,353	-
Garage operations	-	-	-	25,234
Depreciation	178,273	251,204	429,477	4,766
Total operating expenses	2,816,459	639,062	3,455,521	30,000
Operating income (loss)	16,710	490,222	506,932	1,930
NONOPERATING REVENUES (EXPENSES)				
Investment earnings	1,228	38,122	39,350	700
Interest and other charges	-	(78,386)	(78,386)	-
Bond issuance costs	-	(10,000)	(10,000)	-
Total nonoperating revenue (expenses)	1,228	(50,264)	(49,036)	700
Income (loss) before contributions and transfers	17,938	439,958	457,896	2,630
Capital contributions	-	127,948	127,948	-
Extraordinary item: gain on insurance recovery	-	1,281,046	1,281,046	-
Transfers from other funds	-	97,400	97,400	-
Transfers to other funds	(5,986)	(4,827)	(10,813)	-
Change in net assets	11,952	1,941,525	1,953,477	2,630
Total net assets, beginning	1,015,814	7,934,387		47,770
Total net assets, ending	\$ 1,027,766	\$ 9,875,912		\$ 50,400
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.			300	
Change in net assets - business-type activities			<u>\$ 1,953,777</u>	

NOTE TO PREPARER: The consolidation of the internal service fund activities related to the enterprise fund is shown for illustrative purposes only. The amount shown here is clearly immaterial and should be allocated back the primary user of the internal service fund (in Dogwood, the General Fund) instead of consolidated with the enterprise fund. However, we chose to leave the allocation here for illustrative purposes so that the user could see how this consolidation, if material, should be treated.

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

**City of Dogwood
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2009**

	<u>Major Enterprise Funds</u>			<u>Internal Service Fund</u>
	<u>Electric Fund</u>	<u>Water and Sewer Fund</u>	<u>Total</u>	
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 2,818,627	\$ 1,135,249	\$ 3,953,876	\$ 31,830
Cash paid for goods and services	(2,589,522)	(204,925)	(2,794,447)	(4,400)
Cash paid to or on behalf of employees for services	(131,305)	(243,622)	(374,927)	(18,000)
Customer deposits received	10,000	5,290	15,290	-
Customer deposits returned	(30,129)	(8,473)	(38,602)	-
Other operating revenues	11,524	630	12,154	-
Net cash provided (used) by operating activities	<u>89,195</u>	<u>684,149</u>	<u>773,344</u>	<u>9,430</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Due to (from) other funds	(20)	(10)	(30)	100
Transfers from other funds	-	97,400	97,400	-
Transfers to other funds	(5,986)	(4,827)	(10,813)	-
Total cash flows from noncapital financing activities	<u>(6,006)</u>	<u>92,563</u>	<u>86,557</u>	<u>100</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Bond anticipation notes issued	-	675,000	675,000	-
Acquisition and construction of capital assets	(100,010)	(5,082,309)	(5,182,319)	(1,000)
Principal paid on bond maturities and equipment contracts	-	(317,339)	(317,339)	-
Bond issuance costs	-	(10,000)	(10,000)	-
Interest paid on bond maturities and equipment contracts	-	(83,098)	(83,098)	-
Insurance recovery	-	3,650,000	3,650,000	-
Capital contributions-State grant	-	57,948	57,948	-
Capital contributions-federal grant	-	70,000	70,000	-
Net cash provided (used) by capital and related financing activities	<u>(100,010)</u>	<u>(1,039,798)</u>	<u>(1,139,808)</u>	<u>(1,000)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest and dividends	1,228	38,122	39,350	700
Net increase (decrease) in cash and cash equivalents	(15,593)	(224,964)	(240,557)	9,130
Balances, beginning	38,825	1,969,851	2,008,676	16,600
Balances, ending	<u>\$ 23,232</u>	<u>\$ 1,744,887</u>	<u>\$ 1,768,119</u>	<u>\$ 25,730</u>

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

(continued)

**City of Dogwood
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2009**

(continued)

	Major Enterprise Funds			Internal Service Fund
	Electric Fund	Water and Sewer Fund	Totals	
Reconciliation of operating income to net cash provided by operating activities				
Operating income	\$ 16,710	\$ 490,222	\$ 506,932	\$ 1,930
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	178,273	251,204	429,477	4,766
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable	(3,108)	6,258	3,150	-
Increase (decrease) in allowance for doubtful accounts	90	(153)	(63)	-
(Increase) decrease in inventory	(5,605)	1,840	(3,765)	1,800
Increase in prepaid items	(125)	(260)	(385)	-
Increase (decrease) in accounts payable and accrued liabilities	(103,081)	(84,853)	(187,934)	100
Increase in customer deposits	(20,129)	(3,183)	(23,312)	-
Increase in accrued vacation pay	15,275	10,000	25,275	834
Increase in accrued OPEB liability	10,895	13,074	23,969	-
Total adjustments	72,485	193,927	266,412	7,500
Net cash provided by operating activities	<u>\$ 89,195</u>	<u>\$ 684,149</u>	<u>\$ 773,344</u>	<u>\$ 9,430</u>

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

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**City of Dogwood, North Carolina
Statement of Fiduciary Net Assets
Fiduciary Fund
For the Year Ended June 30, 2009**

	Agency Fund
Assets	
Cash and cash equivalents	\$ 570
Liabilities	
Liabilities:	
Intergovernmental payable	570
Total liabilities	\$ 570

Note to preparer: A recent NC Supreme Court ruling and later interpretation of that ruling indicate that penalties assessed by local governments are in fact, property of the LEA. It is our belief that this interpretation applies to late listing and failure to list penalties, NSF fees, and red light camera fees. Under the State Constitution, units may withhold 10% of the funds to cover administrative costs. Memorandum #1060 provides additional discussion on this subject.

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

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City of Dogwood, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2009

I. Summary of Significant Accounting Policies

The accounting policies of the City of Dogwood and its discretely presented component unit 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 City of Dogwood is a municipal corporation that is governed by an elected mayor and a five-member council. As required by generally accepted accounting principles, these financial statements present the City and its component unit, a legally separate entity for which the City is financially accountable. The discretely presented component unit presented below is reported in a separate column in the City's financial statements in order to emphasize that it is legally separate from the City.

City of Dogwood ABC Board

The members of the ABC Board's governing board are appointed by the City. In addition, the ABC Board is required by State statute to distribute its surpluses to the General Fund of the City. The ABC Board, which has a June 30 year-end, is presented as if it were a proprietary fund (discrete presentation). Complete financial statements for the ABC Board may be obtained from the entity's administrative offices at City of Dogwood ABC Board, 456 Party Avenue, Dogwood, NC 00000.

Note to preparer: The ABC Board is considered immaterial relative to the primary government. In this example, the notes relative to the ABC Board have been streamlined to include only the material items to the Board of cash, inventory, and capital assets disclosures. This satisfies reporting required by GASB Statement No. 14, as amended by GASB Statement No. 39.

B. Basis of Presentation

Government-wide Statements: The statement of net assets and the statement of activities display information about the primary government and its component unit. 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 City. 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 City and for each function of the City'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 City's funds, including fiduciary fund. Separate statements for each fund category – *governmental, proprietary, and fiduciary* – 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.

The City reports the following major governmental funds:

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

Emergency Telephone System Special Revenue Fund. This fund is used to account for 911 revenues received by the State 911 Board to enhance the State' 911 system.

Parking and Recreation Capital Projects Fund. This fund is used to account for the construction of a new city park and parking facilities.

The City reports the following non-major governmental funds:

Grant Project Special Revenue Fund. This fund is used to account for grant funds that are restricted for use for a particular purpose.

Cemetery Permanent Fund. This fund is used to account for perpetual care of the municipal cemetery.

The City reports the following major enterprise funds:

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

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

The City reports the following fund types:

Internal Service Fund. The Central Garage Fund is used to account for the accumulation and allocation of costs associated with the City's central garage.

Agency Fund. Agency funds are custodial in nature and do not involve the measurement of operating results. An agency fund is used to account for assets the City holds on behalf of others. The City maintains the Fines and Forfeitures Fund, which accounts for various legal fines and forfeitures that the City is required to remit to the Carolina County Board of Education.

C. Measurement Focus and Basis of Accounting

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

Government-wide, Proprietary, and Fiduciary Fund Financial Statements. The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide proprietary, and fiduciary 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 City 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 City enterprise funds are charges to customers for sales and services. The City 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 City 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 a revenue because the amount is not susceptible to accrual. At June 30, taxes receivable are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of January 1, 1993, 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, Carolina County is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts in the County, including the City of Dogwood. For motor vehicles registered under the staggered system, property taxes are due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due. Therefore, the City's vehicle taxes for vehicles registered in Carolina County from March 2008 through February 2009 apply to the fiscal year ended June 30, 2009. Uncollected taxes that were billed during this period are shown as a receivable in these financial statements and are offset by deferred revenues.

<p>Note to preparer: Any motor vehicle property taxes collected by the county for municipalities or special tax districts prior to June 30th which are not remitted to those governmental entities until after the fiscal year end should be reported as collected property taxes at year-end by those entities. The amounts of tax moneys due from the county should be reported as an intergovernmental receivable.</p>

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax, collected and held by the State at year-end on behalf of the City 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. Grant revenues which are unearned at year-end are recorded as unearned revenues. Under the terms of grant agreements, the City 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 assets available to finance the program. It is the City's policy to first apply cost-reimbursement

grant resources to such programs, followed by categorical block grants, and then by general revenues.

As permitted by generally accepted accounting principles, the City has elected to apply only applicable FASB Statements and Interpretations issued on or before November 30, 1989 that do not contradict GASB pronouncements in its accounting and reporting practices for its proprietary operations.

D. Budgetary Data

The City's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund, the Emergency Telephone Special Revenue Fund and the Enterprise Funds. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the Grant Projects Special Revenue Fund, the Parking and Recreation Capital Projects Fund, the Enterprise Capital Projects Funds, and the Electric Rate Stabilization Fund. The enterprise fund projects are consolidated with their respective operating fund for reporting purposes. The City's Central Garage Fund, an internal service fund, operates under a financial plan that was adopted by the governing board at the time the City's budget ordinance was approved, as is required by the General Statutes. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the object level for the multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations by more than \$2,500. All amendments must be approved by the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted. The Cemetery Permanent Fund is not required to be budgeted.

Note to preparer: Please adjust the Budgetary Data note based on how your local government adopted their budget. This note along with stewardship and Budget to Actual statements will be used by our office to verify budgetary compliance. According to G.S. 159-13(a), local governments shall make appropriations by department, function, or project. However, your local government's Board may impose a more detailed level.

E. Assets, Liabilities, and Fund Equity

1. Deposits and Investments

All deposits of the City and the ABC Board are made in board-designated official depositories and are secured as required by State law [G.S. 159-31]. The City and the ABC Board may designate, as an official depository, and bank or savings association whose principal office is located in North Carolina. Also, the City and the ABC Board 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 City and the ABC Board to invest in obligations of the United State or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT). The City's and the ABC Board's investments 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.

Note to preparer: Use of amortized cost for money market instruments is an option under GASB Statement No. 31. The following statement should be made if amortized cost is used. "Money market investments that have a remaining maturity at the time of purchase of one year or less are reported at amortized cost."

In accordance with State law, the City has invested in securities which are callable and which provide for periodic interest rate increases in specific increments until maturity. These investments are reported at fair value as determined by quoted market prices.

2. Cash and Cash Equivalents

The City pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents. The ABC Board considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash and cash equivalents.

3. Restricted Assets

The unexpended bond proceeds of Water and Sewer Fund serial bonds issued by the City are classified as restricted assets for the enterprise fund because their use is completely restricted to the purpose for which the bonds were originally issued. Customer deposits held by the City before any services are supplied are restricted to the service for which the deposit was collected.

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the City levies ad valorem taxes on property other than motor vehicles on July 1st, 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, 2008. As allowed by State law, the City has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the City's General Fund, ad valorem tax revenues are reported net of such discounts.

5. Allowances for Doubtful Accounts

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

6. Inventory and Prepaid Items

The inventories of the city and the ABC Board are valued at cost (first-in, first-out), which approximates market. The City's General Fund inventory consists of expendable supplies that are recorded as expenditures as used rather than when purchased.

The inventories of the City's enterprise funds and those of the ABC Board consist of materials and supplies held for subsequent use. The cost of these inventories is expensed when consumed rather than when purchased.

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

7. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are as follows: land, \$10,000; buildings, improvements, substations, lines, and other plant and distribution systems, \$15,000; infrastructure, \$20,000; equipment and furniture, \$5,000; vehicles and motorized equipment, \$10,000; and computer equipment \$500. 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:

Asset Class	Estimated Useful Lives
Buildings and system	30
Infrastructure	50
Equipment and furniture	10
Vehicles and motorized equipment	6
Computer equipment	3
Substations, lines and related equipment	40
Other improvements	25

Property, plant, and equipment of the ABC Board are depreciated over their useful lives on a straight-line basis as follows:

Asset Class	Estimated Useful Lives
Buildings	20
Equipment and furniture	10
Vehicles	3-5
Computers	3

8. 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 assets. Bond premiums and discounts, as well as issuance costs, 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 are reported as deferred charges and amortized over the term of the related 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.

9. Compensated Absences

The vacation policy of the City provide for the accumulation of up to thirty days earned vacation leave with such leave being fully vested when earned. For the City'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 City 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 designated as a current liability in the government-wide financial statements.

The City's sick leave policy provide 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 City does not have any obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

10. Net Assets/Fund Balances

Net Assets

Net assets in government-wide and proprietary fund financial statements are classified as invested in capital assets, net of related debt; restricted; and unrestricted. Restricted net assets represent 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, reservations of fund balance represent amounts that cannot be appropriated or are legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

State law [G.S. 159-13(b)(16)] restricts appropriation of fund balance for the subsequent year's budget to an amount not to exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts as those amounts stand at the close of the fiscal year preceding the budget year.

The governmental fund types classify fund balances as follows:

Reserved:

Reserved for inventories - portion of fund balance that is not available for appropriation because it represents the year-end fund balance of ending inventories, which are not expendable, available resources.

Reserved for encumbrances - portion of fund balance available to pay for commitments related to purchase orders or contracts which remain unperformed at year-end.

Reserved by State statute - portion of fund balance, in addition to reserves for encumbrances and reserves for inventories, which is not available for appropriation under State law [G.S. 159-8(a)]. This amount is usually comprised of accounts receivable and interfund receivables, which have not been offset by deferred revenues.

Reserved for streets - Powell Bill - portion of fund balance that is available for appropriation but legally segregated for street construction and maintenance expenditures. This amount represents the balance of the total unexpended Powell Bill funds.

Unreserved:

Designated for subsequent year's expenditures - portion of the total fund balance available for appropriation that has been designated for the adopted 2009 - 2010 budget ordinance.

Undesignated - portion of total fund balance available for appropriation that is uncommitted at year-end.

II. Stewardship, Compliance, and Accountability

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

1. Noncompliance with North Carolina General Statutes

The City's repurchase agreement is not in accordance with State law [G.S. 159-30(c)(12)]. State law requires that the security be delivered to the City or its safekeeping agent other than the provider of the repurchase agreement and that the security must be in the City's name. The underlying security is held by the financial institution providing the transaction and is not in the City's name. The City will establish a custodial agreement with a separate financial institution that will hold the security in the City's name.

Note to preparer: Other significant instances of noncompliance with the fiscal and budgetary requirements of the General Statutes should be disclosed in this section along with a corrective action plan. Items such as the following should be disclosed- failure to adopt an annual balanced budget for an enterprise fund, a less than \$50,000 performance bond for the Finance Officer, or material instances of budgetary noncompliance in any funds based on the legal level of budgetary control. Immaterial instances of noncompliance could be disclosed in the management letter. Section 15 of the Audit Manual contains a listing of the major statutory references that are applicable to units of local government.

2. Contractual Violations

Note to preparer: For those governmental units with outstanding revenue bonds, any failures of the unit to comply with reserve levels, coverage ratio requirements, or other terms of the bond documents should be disclosed. Any other material violations of various contractual agreements should also be disclosed. **A corrective action plan should be included for each violation.**

B. Deficit in Fund Balance or Net Assets of Individual Funds

Note to preparer: Any individual funds with deficits in fund balances or net assets should be disclosed **along with a corrective action plan.**

C. Excess of Expenditures over Appropriations

For the fiscal year ended June 30, 2009, the expenditures made in the City's General Fund exceeded the authorized appropriations made by the governing board for general government activities by \$5,050. This over-expenditure occurred because of unplanned payroll expenditures for temporary help needed due to staff illnesses in the administration department. Management and the Board will more closely review the budget reports to ensure compliance in future years.

Note to preparer: Any excess expenditure(s) over appropriation(s) should be disclosed, **along with a corrective action plan for any material variances.**

III. Detail Notes on All Funds

A. Assets

1. Deposits

All the deposits of the City and the ABC Board 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 City's or the ABC Board's agents in these units' names. 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 City and the ABC Board, these deposits are considered to be held by the City's and the ABC Board's agents in their names. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the City, the ABC Board, or the escrow agent. Because of the inability

to measure the exact amounts of collateral pledged for the City and the ABC Board under the Pooling Method, the potential exists for under-collateralization, and 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 City 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 City complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured. The ABC Board has no formal policy regarding custodial credit risk for deposits.

At June 30, 2009, the City's deposits had a carrying amount of \$184,511 and a bank balance of \$288,102. Of the bank balance, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. The carrying amount of deposits for the ABC Board was \$39,612 and the bank balance was \$50,000. All of the bank balance was covered by federal depository insurance. At June 30, 2009, the City's petty cash fund totaled \$1,030.

Note to preparer: The unit should disclose whether or not their Board has adopted a formal policy for any of the different deposit and investments risks it encounters. In addition, the unit may include whether its management follows any internal practices to avoid applicable risks. Please see Memorandum #1056 for additional information. See *Note III.A.1* of Carolina County for an example for a formal policy and *Note III.A.1* of Carolina County Board of Education for an example when the Board has not formally adopted a policy, nor does management have an internal policy.

Please note in the above Deposit note, the City of Dogwood is presented as only using pooling method banks. If your government uses dedicated method banks, then additional information may need to be added.

2. Investments

Note to preparer: For units whose only investments are with the North Carolina Capital Management Trust Cash Portfolio, the following statement is all that is required for GASB 40 disclosure: "At June 30, 2009, the City of Dogwood had \$556,592 invested with the North Carolina Capital Management Trust's Cash Portfolio which carried a credit rating of AAAM by Standard and Poor's. The City has no policy regarding credit risk."

Note to preparer: City of Dogwood demonstrates the specific identification method requiring that each security be listed. If the segmented time distribution method is preferred, please see Carolina County. *The duration of the NC Capital Management term portfolio will be provided each year in a late summer memo.*

At June 30, 2009, the City's investment balances were as follows:

Investment Type	Fair Value	Maturity	Rating
Repurchase Agreement	\$ 300,000	Daily	N/A
US Treasuries	158,938	August 30, 2008	AAA
Federal Home Loan Bank ^a	212,348	December 31, 2009	AAA
NC Capital Management Trust – Cash Portfolio	556,592	N/A	AAAm
NC Capital Management Trust – Term Portfolio	896,413	____years ^b	Unrated
Total:	\$ 2,124,291		

^a October 1, 2009 is the bond's call date.

^b This is the duration for the Term Portfolio.

Interest Rate Risk. The City has no formal investment policy regarding interest rate risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's internal investment policy limits at least half of the City's investment portfolio to maturities of less than 12 months. Also, the City's internal management policy requires purchases of securities to be laddered with staggered maturity dates and limits all securities to a final maturity of no more than two years.

Note to preparer: The investment policy used by the unit to manage interest rate risk should be included above. If the unit does not have a Board approved policy, a statement to the effect that "the unit does not have a formal investment policy" should be made. See Carolina County Board of Education for an example.

Credit risk. The City has no formal policy regarding credit risk, but has internal management procedures that limits the City'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 investment in the Federal Home Loan Bank is rated AAA by Standard and Poor's and Aaa by Moody's Investors Service. The City's investment in the NC Capital Management Trust Cash Portfolio carried a credit rating of AAAM by Standard & Poor's as of June 30, 2009. The City'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.

Note to preparer: Credit risk must be disclosed for the North Carolina Capital Management Trust for both the Cash and the Term Portfolio. If the unit does not have any investment in the Term Portfolio, those respective sentences should be omitted. Repos are omitted because underlying securities (Treasuries & GNMA) are exempt. Treasuries are also exempt from credit risk disclosure. See Carolina County for an example of a formal policy.

Custodial credit risk. For an investment, the custodial risk is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's \$300,000 investments in repurchase agreements are uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department but not in the City's name. The City has no formal policy on custodial credit risk, but management procedures are that the City shall utilize a third party custodial agent for book entry transactions, all of which shall be held in the City's name.

Note to preparer: Only Category 3 custodial risk should be disclosed. If there are none, then the paragraph above should be omitted. Negative disclosures are not acceptable. Proceeds from installment financing held in escrow by a bank or its trust department will be a Category 3 investment if the trust department /escrow agent purchases and holds the securities, which is often common with these financing arrangements. This is not a new situation but it will meet the exception standard of disclosing Category 3 investments for custodial credit risk under GASB Statement 40. If the unit has custodial credit risk, then it will need to disclose whether it has a formal policy or internal management policy. See Carolina County for an example of a formal policy.

Concentration of Credit Risk. The City's Board places no limit on the amount that the City may invest in any one issuer. More than 5 percent of the City's investments are in Federal Home Loan Bank securities. This investment is 10% of the City's total investments.

Note to preparer: Concentration risk is only included if one of the issuers is 5% or greater of the total investment portfolio (excludes deposits). It should be omitted if no holdings meet the 5 % rule. Treasuries and the NCCMT do not qualify for this disclosure. Repurchase agreements in NC are limited to Treasuries and GNMA; therefore, no concentration risk disclosure is required. However, if a unit holds repurchase agreements in other securities, the concentration risk is based on the underlying security. If the unit has a concentration of credit risk, then it will need to disclose whether it has a formal policy or internal management policy. See Carolina County for an example of a formal policy.

At June 30, 2009, the ABC Board had \$41,226 invested with the North Carolina Capital Management Trust's Cash Portfolio which carried a credit rating of AAAM by Standard and Poor's. The ABC Board has no formal policy regarding credit risk of its investments.

Note to preparer: The above statement is the minimum disclosure required for a unit having investments only in the NCCMT Cash Portfolio.

3. Receivables - Allowances for Doubtful Accounts

Note to preparer: See *Note III.A.4 – Receivables* in Carolina County for an example of the detailed note required for units that choose not to disaggregate accounts receivable on the face of their financial statements.

The amount of taxes receivable presented in the Balance Sheet and the Statement of Net Assets includes penalties levied and outstanding in the amount of \$6,055.

The amounts presented in the Balance Sheet and the Statement of Net Assets for the year ended June 30, 2009 are net of the following allowances for doubtful accounts:

General Fund:			
Taxes receivable	\$	20,032	
Accounts receivable		318	
Total		20,350	
Enterprise Funds			6,001
Total	\$	26,351	

4. Capital Assets

Primary Government

Capital asset activity for the Primary Government for the year ended June 30, 2009, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 164,770	\$ 12,000	\$ -	\$ 176,770
Construction in progress	103,000	590,000	-	693,000
Total capital assets not being depreciated	267,770	602,000	-	869,770
Capital assets being depreciated:				
Buildings	2,477,086	395,240	268,745	2,603,581
Other improvements	599,494	-	-	599,494
Equipment and furniture	774,517	89,499	21,350	842,666
Vehicles and motorized equipment	455,526	35,720	42,695	448,551
Computer equipment	26,489	4,480	-	30,969
Infrastructure	2,457,863	-	-	2,457,863
Total capital assets being depreciated	6,790,975	524,939	332,790	6,983,124
Less accumulated depreciation for:				
Buildings	1,082,594	22,148	-	1,104,742
Other improvements	414,058	22,403	-	436,461
Equipment and furniture	496,602	65,785	16,584	545,803
Vehicles and motorized equipment	279,878	68,743	42,695	305,926
Computer equipment	19,821	7,379	-	27,200
Infrastructure	1,001,052	54,852	-	1,055,904
Total accumulated depreciation	3,294,005	241,310	59,279	3,476,036
Total capital assets being depreciated, net	3,496,970			3,507,088
Governmental activity capital assets, net	\$ 3,764,740			\$ 4,376,858

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

General government	\$	21,065
Public safety		21,651
Transportation		120,888
Environmental protection		58,199
Cultural and recreational		14,740
Depreciation on capital assets held in the City's internal service fund charged to functions based on usage		4,767
Total depreciation expense	<u>\$</u>	<u>241,310</u>

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
<i>Electric Fund</i>				
Capital assets not being depreciated:				
Land	\$ 289,400	\$ -	\$ -	\$ 289,400
Capital assets being depreciated:				
Substations, lines, and related equipment	1,290,611	145,010	-	1,435,621
Equipment and furnitures	125,666	-	-	125,666
Vehicles and mortorized equipment	240,406	-	-	240,406
Computer equipment	23,974	-	-	23,974
Total capital assets being depreciated	<u>1,680,657</u>	<u>145,010</u>	<u>-</u>	<u>1,825,667</u>
Less accumulated depreciation for:				
Substations, lines, and related equipment	814,523	83,879	-	898,402
Equipment and furnitures	46,613	15,080	-	61,693
Vehicles and mortorized equipment	63,270	72,170	-	135,440
Computer equipment	14,716	7,144	-	21,860
Total accumulated depreciation	<u>939,122</u>	<u>178,273</u>	<u>-</u>	<u>1,117,395</u>
Total capital assets being depreciated, net	<u>741,535</u>			<u>708,272</u>
Electric fund capital assets, net	<u>1,030,935</u>			<u>997,672</u>

(continued on next page)

	Beginning Balances	Increases	Decreases	Ending Balances
Water and Sewer Fund				
Capital assets not being depreciated:				
Land	326,500	-	-	326,500
Construction in progress	1,304,436	1,147,613	-	2,452,049
Total capital assets not being depreciated	1,630,936	1,147,613	-	2,778,549
Capital assets being depreciated:				
Plant and distribution systems	11,685,364	3,925,364	2,368,954	13,241,774
Equipment and furniture	197,377	-	-	197,377
Vehicles and motorized equipment	155,632	-	-	155,632
Computer equipment	17,838	-	-	17,838
Total capital assets being depreciated	12,056,211	3,925,364	2,368,954	13,612,621
Less accumulated depreciation for:				
Plant and distribution systems	3,420,918	233,620	-	3,654,538
Equipment and furniture	66,365	7,536	-	73,901
Vehicles and motorized equipment	79,211	5,924	-	85,135
Computer equipment	13,467	4,124	-	17,591
Total accumulated depreciation	3,579,961	251,204	-	3,831,165
Total capital assets being depreciated, net	8,476,250			9,781,456
Water and Sewer fund capital assets, net	10,107,186			12,560,005
Business-type activities capital assets, net	\$ 11,138,121			\$ 13,557,677

Construction commitments

The government has active construction projects as of June 30, 2009. At year-end, the government's commitments with contractors are as follows:

Project	Spent-to-date	Remaining Commitment
Recreational facilities	\$ 298,000	\$ 12,000
Parking deck	395,000	40,000
Water and sewer treatment facilities	2,452,049	2,356,501
Total	<u>\$ 3,145,049</u>	<u>\$ 2,408,501</u>

(continued on next page)

Discretely presented component unit

Activity for the ABC Board for the year ended June 30, 2009, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets being depreciated:				
Buildings	\$ 135,950	\$ -	\$ -	\$ 135,950
Furniture and equipment	8,214	4,536	-	12,750
Vehicles	65,000	-	-	65,000
Computers	15,950	-	-	15,950
Total capital assets being depreciated	225,114	4,536	-	229,650
Less accumulated depreciation for:				
Buildings	78,570	6,795	-	85,365
Furniture and equipment	6,547	566	-	7,113
Vehicles	36,666	3,171	-	39,837
Computers	9,167	793	-	9,960
Total accumulated depreciation	130,950	11,325	-	142,275
ABC capital assets, net	\$ 94,164			\$ 87,375

B. Liabilities

Note to preparer: See *Note III.B.1 – Payables* in Carolina County for an example of the detailed note required for units that choose not to disaggregate accounts payable on the face of their financial statements.

1. Pension Plan and Postemployment Obligations

a. Local Governmental Employees' Retirement System

Plan Description. The City of Dogwood contributes 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. 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. Plan members are required to contribute six percent of their annual covered salary. The City is required to contribute at an actuarially determined rate. For the City, the current rate for employees not engaged in law enforcement and for law enforcement officers is ____% and ____%, respectively, of annual covered payroll. The

contribution requirements of members and of the City of Dogwood is established and may be amended by the North Carolina General Assembly. The City's contributions to LGERS for the years ended June 30, 2009, 2008, and 2007 were \$_____, \$_____, and \$_____, respectively. The contributions made by the City equaled the required contributions for each year.

b. Law Enforcement Officers Special Separation Allowance

1. *Plan Description.*

The City of Dogwood administers a public employee retirement system (the "Separation Allowance"), a single-employer defined benefit pension plan that provides retirement benefits to the City's qualified sworn law enforcement officers. The Separation Allowance is equal to .85 percent 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 City are covered by the Separation Allowance. At December 31, 2007, the Separation Allowance's membership consisted of:

Retirees receiving benefits	4
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>6</u>
Total	<u><u>10</u></u>

A separate report was not issued for the plan.

2. *Summary of Significant Accounting Policies:*

Basis of Accounting. The City 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. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

3. *Contributions.*

The City 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 City'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, 2007 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 7.5% investment rate of return (net of administrative expenses) and (b) projected salary increases of 6.5% per year. Both (a) and (b) included an inflation component of 5.0%. The assumptions did not include post-employment benefit increases.

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

Annual required contribution	\$ 9,320
Interest on net pension obligation	2,856
Adjustment to annual required contribution	<u>(3,440)</u>
Annual pension cost	8,736
Contributions made	<u>(2,100)</u>
Increase (decrease) in net pension obligation	6,636
Net pension obligation beginning of year	38,083
Net pension obligation end of year	<u><u>\$ 44,719</u></u>

3 Year Trend Information				
For Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation	
2007	\$ 7,292	23.9%	\$	32,012
2008	7,987	23.9		38,083
2009	8,736	24.0		44,719

4. Funded Status and Funding Progress.

As of December 31 2007, 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 \$50,700. The covered payroll (annual payroll of active employees covered by the plan) was \$147,000, and the ratio of the UAAL to the covered payroll was 34.5 percent.

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.

Note to preparer: Units that fund the Separation Allowance based on actuarial valuations should use the format as presented for Carolina County's fiduciary statements and note disclosures. Units that pay as they go should use the format as presented in the City of Dogwood's note disclosures. Please note, fiduciary statements will not be applicable under the pay as they go method.

Note to preparer: Units planning to participate in the GFOA's Certificate of Achievement for Excellence in Financial Reporting certification program must have an actuarial study performed on the special separation allowance. The results of that study should be disclosed, even if the liability is considered immaterial.

c. Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description. The City 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 City. 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 City 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, 2009 were \$_____, which consisted of \$_____ from the City and \$_____ from the law enforcement officers.

Note to preparer: If a local government or public authority has elected to contribute to the Supplemental Retirement Income Plan for general employees as well as for law enforcement officers, that information should be disclosed here.

d. Firemen's and Rescue Squad Workers' Pension Fund

Plan Description. The State of North Carolina contributes, on behalf of the City of Dogwood, to the Firemen's and Rescue Squad Workers' Pension Fund (Fund), a cost-sharing multiple-employer defined benefit pension plan with a special funding situation administered by the State of North Carolina. The Fund provides pension benefits for eligible fire and rescue squad workers that have elected to become members of the fund.

Article 86 of G.S. Chapter 58 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Firemen's and Rescue Squad Workers' Pension Fund 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 the Firemen's and Rescue Squad Workers' Pension Fund. 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. Plan members are required to contribute \$10 per month to the Fund. The State, a non-employer contributor, funds the plan through appropriations. The City does not contribute to the Fund. Contribution requirements of plan members and the State of North Carolina are established and may be amended by the North Carolina General Assembly.

Note to preparer: Units that are required to recognize on-behalf payments in accordance with GASB Statement 24, *Accounting and Financial Reporting for Certain Grants and Other Financial Assistance*, will need to disclose this special funding situation here and also in a separate note under Revenues, Expenditures, and Expenses.

e. Other Postemployment Benefit

Healthcare Benefits

Note to preparer: The following note disclosure presents City of Dogwood's pay-as-you-go funded single-employer defined benefit postemployment healthcare plan. Each local government has unique parameters, based on its Board-approved benefits; the participation by its members; the plan's funding; etc. Therefore, it is highly unlikely to have duplicates between North Carolina local governments. Therefore, it must be tailored for the unique criteria of each local government's plan. For those governments who fund their postemployment benefits, please refer to Carolina County.

Plan Description. Under the terms of a City resolution, the City administers a single-employer defined benefit Healthcare Benefits Plan (the HCB Plan). As of July 1, 2006, this plan provides postemployment healthcare benefits to retirees of the City, provided they participate in the North Carolina Local Governmental Employees' Retirement System (System) and have at least twenty years of creditable service with the City. Prior to July 1, 2007, employees qualified for similar level benefits after at least five years of creditable service with the City. The City pays the full cost of coverage for these benefits through private insurers. Also, the City's retirees can purchase coverage for their dependents at the City's group rates. The City Council may amend the benefit provisions. A separate report was not issued for the plan.

Membership of the HCB Plan consisted of the following at December 31, 2008, the date of the latest actuarial valuation:

	General Employees:	Law Enforcement Officers:
Retirees and dependents receiving benefits	1	4
Terminated plan members entitled to but not yet receiving benefits	3	0
Active plan members	14	6
Total	18	10

Funding Policy. The City pays the full cost of coverage for the healthcare benefits paid to qualified retirees under a City resolution that can be amended by City Council. The City's members pay \$125 per month for dependent coverage. The City has chosen to fund the healthcare benefits on a pay as you go basis.

The current ARC rate is 3.2% of annual covered payroll. For the current year, the City contributed \$15,000 or 2.6% of annual covered payroll. The City obtains healthcare coverage through private insurers. The City's required contributions, under a City resolution, for employees not engaged in law enforcement and for law enforcement officers represented 0.3% and 0.03% of covered payroll, respectively. There were no contributions made by employees, except for dependent coverage in the amount of \$2,750. The City's obligation to contribute to HCB Plan is established and may be amended by the City Council.

Summary of Significant Accounting Policies. Postemployment expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

Annual OPEB Cost and Net OPEB Obligation. The City's annual OPEB cost (expense) is calculated based on the *annual required contribution of the employer* (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation for the healthcare benefits:

Annual required contribution	\$ 76,013
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost (expense)	76,013
Contributions made	(15,000)
Increase (decrease) in net OPEB obligation	61,013
Net OPEB obligation, beginning of year	-
Net OPEB obligation, end of year	<u>\$ 61,013</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2009 were as follows:

For Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2009	\$ 76,013	19.7%	\$ 61,013

Note to preparer: In the year of transition, one year of information is usually available. In the subsequent year(s), add information in the table above when determined until three years of information is presented, as required by GASB Statement 45, paragraph 25(c).

Funded Status and Funding Progress. As of December 31, 2007, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and, thus, the unfunded actuarial accrued liability (UAAL) was \$120,456. The covered payroll (annual payroll of active employees covered by the plan) was \$584,740, and the ratio of the UAAL to the covered payroll was 20.6 percent. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. 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 is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members at that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial

accrued liabilities and the actuarial value assets, consistent with the long-term perspective of the calculations.

In the December 31, 2007 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.00 percent investment rate of return (net of administrative expenses), which is the expected long-term investment returns on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual medical cost trend increase of 12.00 to 6.00 percent annually. The investment rate included a 3.75 percent inflation assumption. The actuarial value of assets, if any, was determined using techniques that spread the effects of short-term volatility in the market value of investments over a 5 year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2007, was 30 years.

Note to preparer: Units that fund their OPEB healthcare benefits based on actuarial valuations should use the format as presented for Carolina County's fiduciary statements and note disclosures. Units that pay-as-you-go should use the format as presented in the City of Dogwood's note disclosures. Please note, fiduciary statements will not be applicable under the pay-as-you-go method.

2. Other Employment Benefits

The City 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 or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000 or be less than \$25,000. All death benefit payments are made from the Death Benefit Plan. The City 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. The City considers these contributions to be immaterial.

Note to preparer: In the disclosure above, the Local Government Employees' Retirement System (LGERS) was the only group-term life insurance provided to an employee. This insurance has a maximum limit of \$50,000.

If your unit provides additional group-term life insurance, please include a description of the policy in the above note. In addition, please note that the benefits in excess of \$50,000 are considered taxable to the employee as a fringe benefit. Please see Memorandum #1048 for further discussion.

3. Deferred / Unearned Revenues

The balance in deferred / unearned revenues at year-end is composed of the following

	Deferred Revenue	Unearned Revenue
Prepaid taxes (General Fund)	\$ -	\$ 15,502
Taxes receivable (General Fund), less penalties	57,180	-
Total	<u>\$ 57,180</u>	<u>\$ 15,502</u>

Note to preparer: The deferred revenue based on the taxes receivable amount does not include the portion related to penalties levied on the ad valorem taxes. As a reminder, penalties should be turned over to the local educational agency (LEA). In addition, these penalties will not be due to the LEA until received. Therefore, they should not be considered a deferred revenue. When cash is finally received for these penalties, it will immediately be set aside for the LEA in the Fines and Forfeitures Agency Fund. Please refer to Memorandum #1060 for more background.

4. Risk Management

Note to preparer: This section concerning risk and insurance pools should be in compliance with GASB 10 and provide details relevant to your government. Coverages will vary between governments.

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City participates in three self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the City obtains general liability and auto liability coverage of \$1 million per occurrence, property coverage up to the total insurance values of the property policy, workers' compensation coverage up to statutory limits, and employee health coverage up to a \$2 million lifetime limit. The pools are reinsured through commercial companies for single occurrence claims against general liability, auto liability and property in excess of \$500,000 and \$300,000 up to statutory limits for workers' compensation. The pools are reinsured for annual employee health claims in excess of \$150,000. The property liability pool has an aggregate limit for the total property losses in a single year, with the reinsurance limit based upon a percentage of the total insurance values.

The City carries commercial coverage for all other risks of loss. There have been 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 City carries flood insurance through the National Flood Insurance Plan (NFIP). Because the City is in an area of the State that has been mapped and designated an “A” area (an area close to a river, lake or stream) by the Federal Emergency Management Agency, the City is eligible to purchase coverage of \$500,000 per structure through the NFIP. The City also is eligible to and has purchased commercial flood insurance for another \$1,500,000 of coverage per structure.

Note to preparer: The carrying of flood insurance by the unit to avoid possible significant loss should be included in the note disclosure above. If the unit does not hold any flood insurance, a statement to that effect should be noted. The unit may then add a statement explaining their position for not securing the flood insurance.

In accordance with G.S. 159-29, the City’s employees that have access to \$100 or more at any given time of the City’s funds are performance bonded through a commercial surety bond. The finance officer and tax collector are each individually bonded for \$500,000 each. The remaining employees that have access to funds are bonded under a blanket bond for \$250,000.

Note to preparer: The carrying of a performance bond of the Finance Officer’s position and a blanket bond for all others who have access to the local government’s assets in excess of \$100 is required by G.S. 159-29. Please disclosure the amounts of the fidelity bond and blanket bond separately.

5. Claims, Judgments and Contingent Liabilities

At June 30, 2009, the City was a defendant to various lawsuits. In the opinion of the City's management and the City attorney, the ultimate effect of these legal matters will not have a material adverse effect on the City's financial position.

6. Long-Term Obligations

a. Capital Leases

The City has entered into agreements to lease certain equipment. The lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception.

The first agreement was executed on June 1, 2006 to lease street maintenance equipment and requires 48 monthly payments of \$417. The second agreement was executed on July 1, 2007 to lease a copy machine and requires 59 monthly payments of \$403. In both agreements, title passes to the City at the end of the lease term.

The following is an analysis of the assets recorded under capital leases at June 30, 2009:

Classes of Property	Cost	Accumulated Depreciation	Net Book Value
Equipment	\$ 19,000	\$ 1,900	\$ 17,100
Vehicles and motorized equipment	16,000	5,556	10,444
Total	<u>\$ 35,000</u>	<u>\$ 7,456</u>	<u>\$ 27,544</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2009 were as follows:

Year Ending June 30	
2010	\$ 9,840
2011	9,423
2012	4,836
2013	4,433
Total minimum lease payments	<u>28,532</u>
Less: amount representing interest	<u>4,155</u>
Present value of the minimum lease payments	<u>\$ 24,377</u>

b. Installment Purchase

In January 2008, the City entered into \$200,000 in certificates of participation to finance parking improvements for a municipal park. The financing contract requires principal payments beginning in the fiscal year 2010 with interest rates ranging from 4.50 to 4.95 percent.

Annual debt service payments of the installment purchase as of June 30, 2009, including \$89,400 of interest, are as follows:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2010	\$ 10,000	\$ 8,475
2011	10,000	7,625
2012	10,000	6,775
2013	10,000	5,925
2014	10,000	5,075
2014-2019	50,000	22,025
2020-2024	50,000	18,750
2025-2029	50,000	14,750
Total	<u>\$ 200,000</u>	<u>\$ 89,400</u>

c. General Obligation Indebtedness

The City's general obligation bonds serviced by the governmental funds were issued for the acquisition of public safety equipment. Those general obligation bonds issued to finance the construction of facilities utilized in the operations of the water and sewer system and which are being retired by its resources are reported as long-term debt in the Water and Sewer Fund. All general obligation bonds are collateralized by the full faith, credit, and taxing power of the City. Principal and interest requirements are appropriated when due.

Bonds payable at June 30, 2009 are comprised of the following individual issues:

General Obligation Bonds

Serviced by the General Fund:

\$100,000, 2002 Public Safety serial bonds due on January 1 and July 1 in installments of \$5,000 plus interest through July 1, 2015; interest at 4.00 percent. \$ 60,000

Serviced by the Water and Sewer Fund:

\$3,301,450, 1981 USDA-Water and Sewer serial bonds due in annual installments of \$109,725 plus interest through January 1, 2000 and \$149,022 plus interest from January 1, 2001 through January 1, 2017; interest is at 3.5%. 1,908,614

\$1,350,000, 2008 Water and Sewer Refunding bonds due on June 30 and December 31 in installments of \$150,000 through December 31, 2013; interest at 3.00 percent. The amount shown is net of the unamortized deferred loss on the defeasance of \$157,614. 892,386
2,801,000

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

Year Ending June 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2010	\$ 10,000	\$ 2,300	\$ 401,000	\$ 101,494
2011	10,000	1,900	402,000	82,500
2012	10,000	1,500	403,000	69,930
2013	10,000	1,100	255,000	57,325
2014	10,000	700	110,000	46,900
2015-2019	10,000	300	630,000	173,250
2020-2023			600,000	52,500
Total	\$ 60,000	\$ 7,800	\$ 2,801,000	\$ 583,899

At June 30, 2009, the City of Dogwood had bonds authorized but unissued of \$1,000,000 and a legal debt margin of \$9,809,999.

Bond Anticipation Notes

\$675,000 Water and Sewer Notes issued on June 29, 2009, and due on November 30, 2009; interest at 3.00 percent. The notes will be repaid from a \$750,000 bond issue expected to be sold in the next fiscal year.

\$675,000

Year Ending June 30	Principal	Interest
2010	675,000	-
Total	\$ 675,000	\$ -

d. Revenue Bond

\$1,000,000 Water and Sewer Revenue Bonds, Series 1991, issued for water and sewer system improvements. Principal installments are due annually on June 1 with semiannual interest payments due on December 1 and June 1, at an annual interest rate of 5.25%.

\$906,923

The future payments of the revenue bond for the years ending June 30, 2009 are as follows:

Year Ending June 30	Principal	Interest
2010	\$ 34,339	\$ 47,613
2011	36,142	45,810
2012	38,039	43,913
2013	40,036	41,916
2014	42,138	39,814
2015-2019	233,666	92,119
2020-2024	238,743	89,067
2025-2029	243,820	86,015
Total	\$ 906,923	\$ 486,267

The City has been in compliance with the covenants as to rates, fees, rentals and charges in Section 704 of the Bond Order, authorizing the issuance of the Water and Sewer Revenue Bonds, Series 1991, since its adoption in 1991. Section 704(a) of the Bond Order requires the debt service coverage ratio to be no less than 125%. The debt service coverage ratio calculation for the year ended June 30, 2009, is as follows:

Operating revenues	\$1,129,284
Operating expenses*	387,858
Operating income	741,426
Nonoperating revenues (expenses)**	(938)
Income available for debt service	740,488
Debt service, principal and interest paid (Revenue bond only)	\$ 75,952
Debt service coverage ratio	975%

* Per rate covenants, this does not include the depreciation expense of \$251,204.

** Per rate covenants, this does not include revenue bond interest paid of \$49,326.

Note to preparer: Revenue bond rate covenants are subject to variability. The above calculation is presented for illustrative purposes only. Consult a copy of the bond order or other documents for the exact covenants and the associated reporting requirements.

The City has pledged future water and sewer customer revenues, net of specified operating expenses, to repay \$1 million in water and sewer system revenue bonds issued in December 1991. Proceeds from the bonds provided financing for the extension to the second water and sewer plant on Cardinal Lane. The bonds are payable solely from water and sewer customer net revenues and are payable through 2029. Annual principal and interest payments on the bonds are expected to require less than 6 percent of net

revenues. The total principal and interest remaining to be paid on the bonds is \$1,393,190. Principal and interest paid for the current year and total customer net revenues were \$57,479 and \$99,808, respectively.

e. Advance Refunding

On July 1, 2006, the City defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. On June 30, 2009, \$1,000,000 of bonds outstanding are considered defeased.

f. Changes in Long-Term Liabilities

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion of Balance
Governmental activities:					
Installment purchase	\$ -	\$ 200,000	\$ -	\$ 200,000	\$ 10,000
General obligation bonds	70,000	-	10,000	60,000	10,000
Capitalized leases	7,352	19,000	1,975	24,377	8,434
Compensated absences	122,860	85,224	38,461	169,623	37,750
Other postemployment benefits	-	37,044	-	37,044	-
Net pension obligation	38,083	6,636	-	44,719	-
Governmental activity long-term liabilities	\$ 238,295	\$ 347,904	\$ 50,436	\$ 535,763	\$ 66,184
Business-type activities:					
General obligation bonds	\$ 3,288,713	\$ -	\$ 330,099	\$ 2,958,614	\$ 449,022
Less deferred amount for loss on defeasance	200,000	-	42,386	157,614	48,022
Total general obligation bonds	3,088,713	-	287,713	2,801,000	401,000
Revenue bonds	936,549	-	29,626	906,923	34,339
Bond anticipation notes	-	675,000	-	675,000	675,000
Other postemployment benefits	-	23,969	-	23,969	-
Compensated absences	63,825	50,550	25,275	89,100	21,000
Business-type activity long-term liabilities	\$ 4,089,087	\$ 749,519	\$ 342,614	\$ 4,495,992	\$ 1,131,339

Compensated absences for governmental activities has typically been liquidated in the General Fund.

Note to preparer: All installment purchase agreements that are used to finance the acquisition of capital assets for general government use are to be included as debt on the Statement of Net Assets. A continuing contract for which there is no formal financing should be included in the commitments note.

C. Interfund Balances and Activity

Balances due to/from other funds at June 30, 2009, consist of the following:

Due to the Central Garage Fund for the allocation of costs from the City's Central Garage from:	
Water and Sewer Fund	\$ 240
Electric Fund	160
General Fund	2,200
Total	<u>\$ 2,600</u>
Due from the Central Garage Fund for its activity allocation to the Proprietary Funds	\$ 300

The interfund balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Note to preparer: All interfund balances are considered essential to fair presentation at the basic financial statement level and should be included in the notes to the financial statements. For interfund balances, amounts due from other funds by individual major fund, nonmajor governmental funds in the aggregate, nonmajor enterprise funds in the aggregate, internal service funds in the aggregate, and fiduciary fund type; the purpose for those balances; and any amounts that are not expected to be repaid within one year should be disclosed in the notes.

Transfers to/from other funds at June 30, 2009, consist of the following:

From the General Fund to the Parking and Recreation Fund	\$ 208,400
From the General Fund to the Water and Sewer Capital Projects Fund	97,400
From the Electric Fund to the General Fund – payment in lieu of taxes	5,986
From the Water and Sewer Fund to the General Fund – payment in lieu of taxes	4,827
Total	<u>\$ 316,613</u>

Transfers are used to move unrestricted revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided matching funds for various grant programs.

During the 2008 fiscal year, the City made a one-time transfer from the General Fund of \$208,400 to the Parking and Recreation Fund as per the terms of a matching grant and of \$97,400 to the Water and Sewer Capital Projects Fund for expansion of water and sewer lines in the new construction of the City's park.

Note to preparer: All interfund transactions throughout the year are considered essential to fair presentation at the basic financial statement level and should be included in the notes to the financial statements. For interfund transfers, amounts transferred from other funds by individual major fund, nonmajor governmental funds in the aggregate, nonmajor enterprise funds in the aggregate, internal service funds in the aggregate, and fiduciary fund type; a general description of the principal purposes of interfund transfers; and purposes for and amounts of non-routine transfers and/or transfers inconsistent with the activities of the fund making the transfers should be disclosed in the notes. These provisions should be applied only to *material* items.

D. Prior Period Adjustment

During the fiscal year ended June 30, 2009, the City determined that certain unrestricted intergovernmental revenues that were subject to accrual in the General Fund as of June 30, 2008, on a modified accrual basis of accounting, had been omitted. Therefore, an adjustment to beginning fund balance has been recorded to account for those accruals, the net effect of which increased beginning fund balance by \$67,367. These revenues were properly accrued in the government-wide statements, therefore beginning net assets were not effected.

E. Extraordinary Event

On July 2, 2008 the City experienced a record breaking flood and the collapse of the Cardinal Point Dam. The wastewater aerating facility was severely damaged. For the Water and Sewer operation, the city received \$3,650,000 in insurance recovery to offset the asset impairment loss of \$2,368,954 resulting in an extraordinary gain of \$1,281,046. Restoration cost of \$3,800,000 has been capitalized in the Water and Sewer Fund. Also, the Tarheel Municipal Building was damaged. The city received \$325,000 in insurance recovery to offset the asset impairment loss of \$268,745 resulting in an increase to miscellaneous revenue of \$56,255. Restoration cost of \$395,240 has been capitalized for governmental activities.

Note to preparer: The impairment loss and resulting insurance gain for governmental activities has not been shown as an extraordinary item in the Statement of Activities due to *immateriality*.

F. On-Behalf Payments for Fringe Benefits and Salaries

For the fiscal year ended June 30, 2009, the City of Dogwood has recognized on-behalf payments for pension contributions made by the state as a revenue and an expenditure of \$1,930 for the ___ volunteer firemen and the ___ employed fireman who perform firefighting duties for the town's fire department and on-behalf payments of \$733 as a revenue and an expenditure for the ___ eligible volunteers who staff the City's rescue squad. The volunteers and employees elected to be members of the Firemen and Rescue Worker's Pension Fund, a cost sharing, multiple employer public employee retirement system established and administered by the State of North Carolina. The Plan is funded by a \$10 monthly contribution paid by each member, investment income, and a State appropriation.

Note to preparer: Each year the Fiscal Management Section will provide the State's contribution per member. Depending upon the number of eligible members a local government with a governmental fire and/or rescue squad has, the government will need to recognize a revenue and a related expense/expenditure as required by GASB Statement No. 24, Accounting and Financial Reporting for Certain Grants and Other Financial Assistance. Under the guidance provided in the Statement, the State's contributions for those firemen and rescue squad workers who are employees or volunteers of a legally-separate entity do not represent on-behalf payments to the local government that contracts fire and rescue services with the legally-separate entity.

Note to preparer: Units that are required to recognize on-behalf payments in accordance with GASB Statement 24, Accounting and Financial Reporting for Certain Grants and Other Financial Assistance, will need to disclose this special funding situation here and also in a separate note under Pension Plan Obligations (see Note III.B.1.d).

Also, the City has recognized as a revenue and an expenditure on-behalf payments for fringe benefits and salaries of \$1,540 for the salary supplement and stipend benefits paid to eligible firemen by the local board of trustees of the Firemen's Relief Fund during the fiscal year ended June 30, 2009. Under State law the local board of trustees for the Fund receives an amount each year, which the board may use at its own discretion for eligible firemen or their departments.

Note to preparer: For employees and volunteers of governmental fire departments, the independent auditor may have to contact the local board of trustees to determine the amount of money the board has paid out for salary supplements and stipends.

IV. Segment Information

Note to preparer: Be alert if a non-major proprietary fund has revenue-backed debt. Segment information is only required for enterprise funds with revenue-backed debt outstanding if the fund is not presented as major or when the segment does not encompass the entire fund. In disclosing segment information, present the type of goods or services; a condensed statement of net assets; condensed statement of revenues, expenses, and changes in net assets; and a condensed statement of cash flows. See paragraph 122 of GASB Statement number 34 for more details.

V. Jointly Governed Organization

The City, in conjunction with twenty other local governments, is a member of the North Carolina City Electric Agency (Electric Agency). The Electric Agency was formed to enable municipalities that own electric distribution systems to finance, construct, own, operate, and maintain generation and transmission facilities. Each participating government appoints one commissioner to the Electric Agency's governing board. The twenty-one members, which receive power from the Electric Agency, have signed power sales agreements to purchase a specified share of the power generated by the Electric Agency. Except for the power sales purchase requirements, no local government participant has any obligation, entitlement, or residual interest. The City's purchases of power for the fiscal year ended June 30, 2009 were \$2,379,210.

The City, in conjunction with five counties and thirty-eight other municipalities, established the Red Bird 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 City paid membership fees of \$5,000 to the Council during the fiscal year ended June 30, 2009.

VI. Joint Ventures

The City, in conjunction with Carolina County, participates in a regional airport. Each participating government appoints three members to the six-member board. The Airport is a joint venture established to facilitate economic expansion within the County and improve the quality of life for its citizens. The Airport has been in existence for five years, but it is not yet self-sustaining. The City has an ongoing financial responsibility for the Airport because it and the County are legally obligated under the intergovernmental agreement that created the Airport to honor any deficiencies in the event that proceeds from other default remedies are insufficient. The City contributed \$51,876 to the Airport during the fiscal year ended June 30, 2009. The participating governments do not have any equity interest in the joint venture, so no equity interest has been reflected in the financial statements at June 30, 2009. Complete financial statements for the Airport can be obtained from the Airport's administrative offices at 0000 Runway Avenue, Dogwood, North Carolina 00000.

The City also participates in a joint venture to operate a regional library with five other local governments. Each participating government appoints one board member to the six-member board of the Library. The City has an ongoing financial responsibility for the joint venture because the Library's continued existence depends on the participating governments' continued funding. None of the participating governments have any equity interest in the Library, so no equity interest has been reflected in the financial statements at June 30, 2009. In accordance with the intergovernmental agreement between the participating governments, the City appropriated \$15,860 to the Library to supplement its activities. Complete financial statements for the Library can be obtained from the Library's offices at 0001 Periodical Road, Dogwood, North Carolina 00000.

The City and the members of the City's fire department each appoint two members to the five-member local board of trustees for the Firemen's Relief Fund. The State Insurance Commissioner appoints one additional member to the local board of trustees. The Firemen's Relief Fund is funded by a portion of the fire and lightening insurance premiums that insurers remit to the State. The State passes these moneys to the local board of the Firemen's Relief Fund. The funds are used to assist fire fighters in various ways. The City obtains an ongoing financial benefit from the Fund for the on-behalf of payments for salaries and fringe benefits made to members of the City's fire department by the board of trustees. During the fiscal year ended June 30, 2009, the City reported revenues and expenditures for the payments of \$1,540 made through the Firemen's Relief Fund. The participating governments do not have any equity interest in the joint venture, so no equity has been reflected in the financial statements at June 30, 2009. The Firemen's Relief Fund does not issue separate audited financial statements. Instead, the local board of trustees files an annual financial report with the State Firemen's Association. This report can be obtained from the Association at 323 West Jones Street, Suite 401, Raleigh, North Carolina 27603.

VII. Related Organization

The five-member board of the City of Dogwood Housing Authority is appointed by the mayor of the City of Dogwood. The City is accountable for the Housing Authority because it appoints the governing board; however, the City is not financially accountable for the Housing Authority. The City of Dogwood is also disclosed as a related organization in the notes to the financial statements for the City of Dogwood Housing Authority. Complete financial statements for the Housing Authority can be obtained from the Authority's offices at 789 Shelter Way, Dogwood, North Carolina 00000.

VIII. Related Party Transactions

<p>Note to preparer: Disclose significant transactions with elected officials, employees, discretely presented component units, and related organizations. Disclosures should include the nature of the relationship, a description and the dollar amount of any transaction, the amount(s) due to or from the related parties, and any other significant details.</p>

IX. Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

The City 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 moneys 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 moneys.

Note to preparer: The deregulation note has been intentionally deleted. The Study Commission has been terminated by legislation as of June 30, 2007. The ElectriCities of North Carolina deleted the deregulation note in their financial statements for the fiscal year ended June 30, 2008. Thus, our office has followed suit. At this time, the Local Government Commission plans to continue evaluating transfer activity with adopted electric transfer policies adopted by municipalities who are members of the ElectriCities of North Carolina.

X. Significant Effects of Subsequent Events

Note to preparer: Events that occur between the end of the period covered by the financial statements and the statement issuance date that had a significant effect on the unit should be disclosed. For a significant component unit with a different fiscal year-end, the auditor should disclose significant subsequent events between the component unit's fiscal year-end and the issuance date of the reporting entity's financial statements.

Required
Supplementary Financial Data

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

- Schedule of Funding Progress for the Law Enforcement Officers' Special Separation Allowance.
- Schedule of Employer Contributions for the Law Enforcement Officers' Special Separation Allowance.
- Notes to the Required Schedules for the Law Enforcement Officers' Special Separation Allowance.
- Schedule of Funding Progress for the Other Postemployment Benefits.
- Schedule of Employer Contributions for the Other Postemployment Benefits.
- Notes to the Required Schedules for the Other Postemployment Benefits.

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City of Dogwood, North Carolina
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)
12/31/02	-	\$26,457	\$ 26,457	0%	\$110,452	24.0%
12/31/03	-	29,938	29,938	0%	113,746	26.3%
12/31/04	-	36,960	36,960	0%	126,034	29.3%
12/31/05	-	41,067	41,067	0%	132,668	31.0%
12/31/06	-	45,630	45,630	0%	139,650	32.7%
12/31/07	-	50,700	50,700	0%	147,000	34.5%

**City of Dogwood, North Carolina
Law Enforcement Officers' Special Separation Allowance
Required Supplementary Information
Schedule of Employer Contributions**

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2004	\$4,562	23.9%
2005	5,419	24.3%
2006	6,002	24.0%
2007	6,665	24.6%
2008	9,301	23.1%
2009	9,320	22.5%

Notes to the Required Schedules:

The information presented in the required supplementary schedules was determined as part actuarial valuation follows:

Valuation date	12/31/2007
Actuarial cost method	Projected unit credit
Amortization method	Level percent closed
Remaining amortization period	13 Years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return*	7.5%
Projected salary increases*	6.5%
*Includes inflation at	5.0%
Cost-of living adjustments	None

Note to Preparer: Factors that would significantly affect the identification of trends in the amounts reported in the required schedules should be disclosed here (for example, in benefit provisions or the actuarial methods and assumptions used).

**City of Dogwood, North Carolina
Other Postemployment Benefits
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)
12/31/07	-	120,456	120,456	0%	584,740	20.6%

Note to preparer: Please note that it is assumed that the City of Dogwood implemented GASB Statement No. 45 for the fiscal year ended June 30, 2009. As the City has additional actuary valuations performed, previous years information will be added to this Schedule.

**City of Dogwood, North Carolina
Other Postemployment Benefits
Required Supplementary Information
Schedule of Employer Contributions**

<u>Year Ended June 30</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2009	76,013	19.7%

Note to preparer: Please note that it is assumed that the City of Dogwood implemented GASB Statement No. 45 for the fiscal year ended June 30, 2009. As the City has additional actuary valuations performed, previous years information will be added to this Schedule.

Notes to the Required Schedules:

The information presented in the required supplementary schedules was determined as part actuarial valuation follows:

Valuation date	12/31/2007
Actuarial cost method	Projected unit credit
Amortization method	Level percent open
Remaining amortization period	30 Years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return*	4.0%
Medical cost trend	12.00% - 6.00%
*Includes inflation at	3.8%
Cost-of living adjustments	None

Note to Preparer: Factors that would significantly affect the identification of trends in the amounts reported in the required schedules should be disclosed here (for example, in benefit provisions or the actuarial methods and assumptions used).

Supplementary Statements

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**City of Dogwood, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2009**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Ad valorem taxes:			
Taxes	\$	\$ 828,480	\$
Interest		1,097	
Total	<u>833,123</u>	<u>829,577</u>	<u>(3,546)</u>
Other taxes and licenses:			
Gross receipts tax on short-term rental property		17,177	
Animal taxes		6,950	
Privilege licenses		29,187	
Total	<u>52,000</u>	<u>53,314</u>	<u>1,314</u>
Unrestricted intergovernmental:			
Local option sales taxes		427,474	
Payments in lieu of taxes-outside sources		102,458	
Telecommunications sales tax		10,000	
Utility franchise tax		87,179	
Piped natural gas tax		24,295	
Video franchise fee		33,315	
Beer and wine tax		15,008	
ABC profit distribution		2,540	
Total	<u>636,920</u>	<u>702,269</u>	<u>65,349</u>
Restricted intergovernmental:			
Powell Bill allocation		132,457	
Controlled substance tax		14,649	
ABC Revenue for law enforcement		12,000	
On-behalf of payments - Fire and Rescue		4,228	
Solid waste disposal tax		3,000	
Total	<u>175,380</u>	<u>166,334</u>	<u>(9,046)</u>

cont.

**City of Dogwood, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2009**

	Budget	Actual	Variance Positive (Negative)
Permits and fees:			
Building permits		7,035	
Inspection fees		6,125	
Total	<u>13,000</u>	<u>13,160</u>	<u>160</u>
Sales and services:			
Recreation department fees	<u>21,820</u>	<u>22,007</u>	<u>187</u>
Investment earnings	<u>18,080</u>	<u>23,804</u>	<u>5,724</u>
Miscellaneous:			
Sale of materials	<u>2,000</u>	<u>183</u>	<u>(1,817)</u>
Total	<u>2,000</u>	<u>183</u>	<u>(1,817)</u>
Total revenues	<u>1,752,323</u>	<u>1,810,648</u>	<u>58,325</u>
Expenditures:			
General government:			
Salaries and employee benefits		7,440	
Professional services		10,414	
Membership dues		5,000	
Other operating expenditures		6,218	
Capital outlay		19,000	
Reimbursement - proprietary funds		<u>(21,195)</u>	
Total		<u>26,877</u>	
Administration:			
Salaries and employee benefits		86,826	
Other operating expenditures		2,733	
Capital outlay		2,030	
Reimbursement - proprietary funds		<u>(40,035)</u>	
Total		<u>51,554</u>	
Finance:			
Salaries and employee benefits		50,708	
Other operating expenditures		17,080	
Capital outlay		2,450	
Reimbursement - proprietary funds		<u>(30,615)</u>	
Total		<u>39,623</u>	

cont.

**City of Dogwood, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2009**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Taxes:			
Salaries and employee benefits		12,000	
Collection fees		1,275	
Other operating expenditures		2,850	
Total		<u>16,125</u>	
Legal:			
Contracted services		<u>5,000</u>	
Public buildings:			
Salaries and employee benefits		33,314	
Vehicle maintenance		600	
Other operating expenditures		20,457	
Capital outlay		397,404	
Reimbursement - proprietary funds		(25,904)	
Total		<u>425,871</u>	
Total general government	<u>560,000</u>	<u>565,050</u>	<u>(5,050)</u>
Public safety:			
Police:			
Salaries and employee benefits		209,994	
Vehicle maintenance		10,000	
Other operating expenditures		82,506	
Capital outlay		13,000	
Total		<u>315,500</u>	
Fire:			
Salaries and employee benefits		149,415	
Vehicle maintenance		6,000	
Other operating expenditures		13,149	
Capital outlay		9,209	
Total		<u>177,773</u>	
Inspections:			
Salaries and employee benefits		22,651	
Vehicle maintenance		1,000	
Other operating expenditures		3,032	
Capital outlay		3,780	
Total		<u>30,463</u>	

cont.

**City of Dogwood, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2009**

	Budget	Actual	Variance Positive (Negative)
Rescue units:			
Assistance to local rescue units		1,000	
Total public safety	533,988	524,736	9,252
Transportation:			
Streets and highways:			
Salaries and employee benefits		123,268	
Sidewalk construction		4,799	
Vehicle maintenance		3,000	
Street Lights		149,167	
Contracted services		16,574	
Other operating expenditures		35,459	
Capital outlay		8,697	
Total		340,964	
Contribution to regional airport		51,876	
Total transportation	393,101	392,840	261
Environmental protection:			
Solid waste:			
Salaries and employee benefits		167,544	
Vehicle maintenance		4,000	
Other operating expenditures		16,174	
Tipping fees		21,000	
Capital outlay		40,200	
Stormwater:			
Maps		3,000	
Land use study		6,000	
Total environmental protection	259,600	257,918	1,682
Culture and recreation:			
Parks and recreation:			
Salaries and employee benefits		33,753	
Vehicle maintenance		2,000	
Other operating expenditures		10,478	
Capital outlay		29,169	
Total		75,400	
Libraries:			
Contribution to regional library		15,860	
Total culture and recreation	91,309	91,260	49

cont.

**City of Dogwood, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2009**

	Budget	Actual	Variance Positive (Negative)
Debt service:			
Principal retirement	12,500	11,975	525
Interest and other charges	5,600	5,365	235
Total debt service	<u>18,100</u>	<u>17,340</u>	<u>760</u>
Contingency	4,000	-	4,000
Total expenditures	<u>1,860,098</u>	<u>1,849,144</u>	<u>10,954</u>
Revenues over (under) expenditures	<u>(116,383)</u>	<u>(38,496)</u>	<u>69,279</u>
Other financing sources (uses):			
Transfers from other funds:			
Enterprise Funds	10,813	10,813	-
Transfers to other funds:			
Capital Projects Fund	(229,038)	(208,400)	20,638
Enterprise Fund	(98,000)	(97,400)	600
Sale of capital assets	5,000	5,000	-
Insurance Recovery	325,000	325,000	-
Capital lease obligations issued	19,000	19,000	-
Total	<u>\$ 32,775</u>	<u>54,013</u>	<u>\$ 21,238</u>
Fund balance appropriated	75,000	-	75,000
Net change in fund balance	<u>\$ (8,608)</u>	15,517	<u>\$ 15,517</u>
Fund balances, beginning as previously reported		342,909	
Prior period adjustment		67,367	
Fund balances, beginning as restated		<u>410,276</u>	
Change in reserve for inventories		82	
Fund balances, ending		<u>\$ 425,875</u>	

**City of Dogwood
Combining Balance Sheet
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2009**

	Grant Project Fund	Cemetery Permanent Fund	Total Nonmajor Governmental Funds
Assets			
Cash and cash equivalents	\$ -	\$ 24,681	\$ 24,681
Accounts receivable, net	-	375	375
Due from other governments	5,000	-	5,000
Total assets	\$ 5,000	\$ 25,056	\$ 30,056
Liabilities and Fund Balances			
Liabilities:			
Accounts payable and accrued liabilities	\$ 5,000	\$ -	\$ 5,000
Fund balances:			
Reserved for perpetual maintenance	-	25,056	25,056
Total liabilities and fund balances	\$ 5,000	\$ 25,056	\$ 30,056

City of Dogwood
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2009

	Grant Project Fund	Cemetery Permanent Fund	Total Nonmajor Governmental Funds
Revenues:			
Restricted intergovernmental	\$ 115,000	\$ -	\$ 115,000
Sales and services	-	4,836	4,836
Investment earnings	-	412	412
Total revenues	115,000	5,248	120,248
Expenditures:			
Economic and physical development	115,000	-	115,000
Revenues over expenditures	-	5,248	5,248
Fund balance, beginning	-	19,808	19,808
Fund balance, ending	\$ -	\$ 25,056	\$ 25,056

City of Dogwood, North Carolina
Special Revenue Fund - Grant Project Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2009

	Project Author - ization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Restricted intergovernmental:					
Community Development Building Grant	\$ 320,000	\$ 205,000	\$ 115,000	\$ 320,000	\$ -
Expenditures:					
Current:					
Economic and physical development:					
Administration	5,100	3,241	1,859	5,100	-
Street improvements	80,600	54,002	26,598	80,600	-
Construction	156,500	94,001	62,499	156,500	-
Rehabilitation	71,900	48,196	23,704	71,900	-
Demolition	5,900	5,560	340	5,900	-
Total expenditures	<u>320,000</u>	<u>205,000</u>	<u>115,000</u>	<u>320,000</u>	<u>-</u>
Revenues over expenditures	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>	<u>\$ -</u>
Fund balance, beginning			-		
Fund balance, ending			<u>\$ -</u>		

Note to preparer: In order for the Department of Commerce to be able to track where the funding for each Community Development Block Grant ("CDBG") is spent, multiple grants should be distinguished. If a CDBG is primarily for a project that will benefit an enterprise fund, the grant should be shown as a capital project of the respective enterprise fund.

City of Dogwood, North Carolina
Capital Projects Fund - Parking and Recreation
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2009

	Project Author - ization	Prior Year	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues					
Recreation Project:					
Restricted intergovernmental:					
State grant	\$300,000	\$100,000	\$200,000	\$300,000	\$ -
Investment earnings	10,000	3,000	5,000	8,000	(2,000)
Total revenues	<u>310,000</u>	<u>103,000</u>	<u>205,000</u>	<u>308,000</u>	<u>(2,000)</u>
Expenditures					
Recreation Project:					
Capital outlay:	310,000	103,000	195,000	298,000	12,000
Parking Facility Project:					
Capital outlay:					
Culture and recreation	435,000	-	395,000	395,000	40,000
Total expenditures	<u>745,000</u>	<u>103,000</u>	<u>590,000</u>	<u>693,000</u>	<u>52,000</u>
Revenues under expenditures	<u>(435,000)</u>	<u>-</u>	<u>(385,000)</u>	<u>(385,000)</u>	<u>50,000</u>
Other Financing Sources					
Parking Facility Project :					
Transfers from other funds:					
General Fund	235,000	-	208,400	208,400	(26,600)
Installment purchase obligations issued	200,000	-	200,000	200,000	-
Total other financing sources	<u>435,000</u>	<u>-</u>	<u>408,400</u>	<u>408,400</u>	<u>(26,600)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	23,400	<u>\$ 23,400</u>	<u>\$23,400</u>
Fund balance, beginning			-		
Fund balance, ending			<u>\$ 23,400</u>		

City of Dogwood, North Carolina
Electric Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Fiscal Year Ended June 30, 2009

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Operating revenues:			
Residential		\$ 2,105,457	
Commercial and industrial		477,083	
Municipal usage		250,000	
Total	<u>\$ 2,820,000</u>	<u>2,832,540</u>	<u>\$ 12,540</u>
Other operating revenues	<u>10,000</u>	<u>11,524</u>	<u>1,524</u>
Total operating revenues	<u>2,830,000</u>	<u>2,844,064</u>	<u>14,064</u>
Nonoperating revenues:			
Interest		<u>1,228</u>	<u>1,228</u>
Total revenues	<u>2,830,000</u>	<u>2,845,292</u>	<u>15,292</u>
Expenditures:			
Administration:			
Salaries and employee benefits		15,000	
Supplies		387	
Insurance		4,800	
Other operating expenditures		13,238	
Utility service fee		42,861	
Total	<u>77,600</u>	<u>76,286</u>	<u>1,314</u>
Finance:			
Salaries and employee benefits		16,285	
Supplies		3,459	
Contracted services		12,333	
Other operating expenditures		7,351	
Utility service fee		21,431	
Total	<u>62,500</u>	<u>60,859</u>	<u>1,641</u>
Electrical operations:			
Salaries and employee benefits		68,292	
Contracted maintenance		17,469	
Vehicle maintenance		3,000	
Other operating expenditures		752	
Utility service fee		17,133	
Total	<u>107,414</u>	<u>106,646</u>	<u>768</u>
Electrical power purchases	<u>2,383,800</u>	<u>2,379,120</u>	<u>4,680</u>

(continued)

**City of Dogwood, North Carolina
Electric Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Fiscal Year Ended June 30, 2009**

(continued)

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Capital outlay:			
Equipment	145,700	145,010	690
Total expenditures	<u>2,777,014</u>	<u>2,767,921</u>	<u>9,093</u>
Revenues over expenditures	52,986	77,371	24,385
Other financing (uses):			
Transfers to other funds:			
General Fund (payment in lieu of taxes)	(5,986)	(5,986)	-
Rate Stabilization Fund	<u>(47,000)</u>	<u>(46,891)</u>	<u>109</u>
Total other financing (uses)	<u>(52,986)</u>	<u>(52,877)</u>	<u>109</u>
Revenues over expenditures and other financing (uses)	<u>\$ -</u>	<u>24,494</u>	<u>\$ 24,494</u>

**Reconciliation from budgetary basis
(modified accrual) to full accrual:**

Reconciling items:	
Transfer to Rate Stabilization Fund	46,891
Capital outlays	145,010
Depreciation	(178,273)
Increase in accrued vacation pay	(15,275)
Increase in accrued OPEB liability	<u>(10,895)</u>
Total	<u>(12,542)</u>
Change in net assets	<u>\$ 11,952</u>

City of Dogwood, North Carolina
Electric Rate Stabilization Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2009

			Actual		Variance Positive (Negative)
	Project Author- ization	Prior Years	Current year	Total to Date	
Revenues:					
Investment earnings	\$ 55,000	\$ -	\$ -	\$ -	\$ (55,000)
Other financing sources (uses):					
Transfers from other funds:					
Electric Operating Fund	250,000	-	46,891	46,891	(203,109)
Transfers to other funds:					
Electric Operating Fund	<u>(305,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>305,000</u>
Total other financing sources (uses)	<u>(55,000)</u>	<u>-</u>	<u>46,891</u>	<u>46,891</u>	<u>101,891</u>
Revenues over other financing sources (uses)	<u>\$ -</u>	<u>\$ -</u>	46,891	<u>\$ 46,891</u>	<u>\$ 46,891</u>
Fund balance, beginning			<u>-</u>		
Fund balance, ending			<u>\$ 46,891</u>		

Note to preparer: The transfer amounts presented in this exhibit should not be considered to be a recommendation by the State and Local Government Finance Division of the amounts which a local government should transfer from its Electric Operating Fund to the Rate Stabilization Fund. The amounts presented here are to be used for illustrative purposes only.

**City of Dogwood, North Carolina
Water and Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Fiscal Year Ended June 30, 2009**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Water sales:			
Residential		\$ 526,959	
Commercial and industrial		114,646	
Municipal usage		52,000	
Total	<u>\$ 682,647</u>	<u>693,605</u>	<u>\$ 10,958</u>
Sewer charges:			
Residential		325,808	
Commercial and industrial		110,215	
Total	<u>415,078</u>	<u>436,023</u>	<u>20,945</u>
Water and sewer taps	<u>8,500</u>	<u>12,100</u>	<u>3,600</u>
Other operating revenues	<u>500</u>	<u>630</u>	<u>130</u>
Total operating revenues	<u>1,106,725</u>	<u>1,142,358</u>	<u>35,633</u>
Nonoperating revenues:			
Interest earnings	<u>-</u>	<u>38,122</u>	<u>38,122</u>
Total revenues	<u>1,106,725</u>	<u>1,180,480</u>	<u>73,755</u>
Expenditures:			
Water and sewer administration:			
Salaries and employee benefits		74,619	
Travel		137	
Supplies		1,136	
Insurance		6,000	
Vehicle maintenance		2,000	
Other operating expenditures		42,668	
Utility service fees		18,099	
Total water and sewer administration	<u>146,550</u>	<u>144,659</u>	<u>1,891</u>
Finance:			
Salaries and employee benefits		13,005	
Travel		419	
Supplies		1,674	
Contracted services		1,807	
Other operating expenditures		4,251	
Utility service fee		9,184	
Total finance	<u>32,200</u>	<u>30,340</u>	<u>1,860</u>
			(continued)

**City of Dogwood, North Carolina
Water and Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Fiscal Year Ended June 30, 2009**

	<u>Budget</u>	<u>Actual</u>	(continued) <u>Variance Positive (Negative)</u>
Water treatment and distribution:			
Water treatment plant:			
Salaries and employee benefits		47,712	
Chemicals		12,857	
Supplies		3,358	
Maintenance		2,850	
Other operating expenditures		4,352	
Utility service fee		7,771	
Total	<u>79,070</u>	<u>78,900</u>	<u>170</u>
Raw water pump station:			
Salaries and employee benefits		5,435	
Electric power		15,158	
Supplies		125	
Maintenance		4,000	
Other operating expenditures		1,326	
Total	<u>27,660</u>	<u>26,044</u>	<u>1,616</u>
Water distribution:			
Salaries and employee benefits		11,933	
Supplies		8,593	
Meter replacements		3,368	
Maintenance		9,993	
Other operating expenditures		40	
Total	<u>50,923</u>	<u>33,927</u>	<u>16,996</u>
Total water treatment and distribution	<u>157,653</u>	<u>138,871</u>	<u>18,782</u>
Waste collection and treatment:			
Sewage collection system:			
Salaries and employee benefits		11,573	
Supplies		6,303	
Maintenance		8,000	
Other operating expenditures		4,295	
Total	<u>31,050</u>	<u>30,171</u>	<u>879</u>

(continued)

City of Dogwood, North Carolina
Water and Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Fiscal Year Ended June 30, 2009

	<u>Budget</u>	<u>Actual</u>	<u>(continued)</u> Variance Positive (Negative)
Primary waste treatment:			
Salaries and employee benefits		19,571	
Chemicals		2,931	
Supplies		3,520	
Maintenance		1,000	
Other operating expenditures		1,850	
Total	<u>32,850</u>	<u>28,872</u>	<u>3,978</u>
Secondary waste treatment:			
Salaries and employee benefits		3,387	
Supplies		445	
Maintenance		1,000	
Other operating expenditures		113	
Total	<u>5,700</u>	<u>4,945</u>	<u>755</u>
Total waste collection and treatment	<u>69,600</u>	<u>63,988</u>	<u>5,612</u>
Debt service:			
Bond issuance costs	10,000	10,000	-
Interest and other charges	142,500	142,206	294
Principal retirement	359,725	359,725	-
Total debt service	<u>512,225</u>	<u>511,931</u>	<u>294</u>
Capital outlay:			
Water extensions	43,210	38,576	4,634
Water taps	22,000	18,495	3,505
Miscellaneous water	21,625	17,310	4,315
Sewer extensions	72,100	32,594	39,506
Sewer taps	12,085	8,043	4,042
Miscellaneous sewer	12,650	10,346	2,304
Restoration of flood damage	3,800,000	3,800,000	-
Total capital outlay	<u>3,983,670</u>	<u>3,925,364</u>	<u>58,306</u>
Total expenditures	<u>4,901,898</u>	<u>4,815,153</u>	<u>86,745</u>
Revenues over(under) expenditures	(3,795,173)	(3,634,673)	(12,990)
Other financing sources (uses):			
Transfer to other fund:			
General Fund (payment in lieu of taxes)	(4,827)	(4,827)	-
Insurance recovery	<u>3,800,000</u>	<u>3,650,000</u>	<u>150,000</u>
Total other financing sources (uses)	<u>3,795,173</u>	<u>3,645,173</u>	<u>150,000</u>

(continued)

City of Dogwood, North Carolina
Water and Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Fiscal Year Ended June 30, 2009

	Budget	Actual	(continued) Variance Positive (Negative)
Revenues and other sources over expenditures and other uses	\$ -	10,500	\$ 10,500
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Revenues and other sources over expenditures and other uses		\$ 10,500	
Reconciling items:			
Principal retirement		359,725	
Capital outlay		3,925,364	
Impairment loss on waste aerating facility		(2,368,954)	
Decrease in bond interest accrued		4,712	
Increase in accrued vacation pay		(10,000)	
Increase in accrued OPEB liability		(13,074)	
Depreciation		(251,204)	
Amortization of deferred loss on refunding		(42,386)	
Capital contributions		127,948	
Interest income from Water and Sewer Capital Projects Fund		32,162	
Transfer in from General Fund to Water and Sewer Capital Projects Fund		97,400	
Capitalized interest on borrowings during construction:			
Interest costs		101,494	
Investment earnings on borrowed funds		(32,162)	
Total reconciling items		<u>1,931,025</u>	
Change in net assets		<u>\$ 1,941,525</u>	

City of Dogwood, North Carolina
Water and Sewer Capital Projects Fund
Schedule of Revenues and Expenditures - Budget and Actual (Non - GAAP)
From Inception and for the Fiscal Year Ended June 30, 2009

	Project Author - ization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues - Water Project :					
Restricted intergovernmental:					
Federal grant	\$ 265,000	\$ 501,100	\$ 12,900	\$ 514,000	\$ 249,000
State grant	35,000	-	35,000	35,000	-
Investment earnings	40,000	28,014	12,016	40,030	30
Total	<u>340,000</u>	<u>529,114</u>	<u>59,916</u>	<u>589,030</u>	<u>249,030</u>
Revenues - Sewer Project:					
Restricted intergovernmental:					
Federal grant	265,000	-	45,048	45,048	(219,952)
State grant	35,000	-	35,000	35,000	-
Local option sales tax	100,000	100,000	-	100,000	-
Investment earnings	50,000	-	20,146	20,146	(29,854)
Total	<u>450,000</u>	<u>100,000</u>	<u>100,194</u>	<u>200,194</u>	<u>(249,806)</u>
Total revenues	<u>790,000</u>	<u>629,114</u>	<u>160,110</u>	<u>789,224</u>	<u>(776)</u>
Expenditures - Water Project:					
Engineering	135,500	127,500	8,000	135,500	-
Construction	1,604,500	1,176,936	424,064	1,601,000	3,500
Total	<u>1,740,000</u>	<u>1,304,436</u>	<u>432,064</u>	<u>1,736,500</u>	<u>3,500</u>
Expenditures - Sewer Project:					
Engineering	195,000	-	87,814	87,814	107,186
Land	90,000	-	90,000	90,000	-
Construction	2,783,550	-	537,735	537,735	2,245,815
Total	<u>3,068,550</u>	<u>-</u>	<u>715,549</u>	<u>715,549</u>	<u>2,353,001</u>
Total expenditures	<u>4,808,550</u>	<u>1,304,436</u>	<u>1,147,613</u>	<u>2,452,049</u>	<u>2,356,501</u>
Revenues under expenditures	<u>(4,018,550)</u>	<u>(675,322)</u>	<u>(987,503)</u>	<u>(1,662,825)</u>	<u>(2,355,725)</u>
Other financing sources :					
Transfers from other funds:					
From General Fund	500,000	30,000	97,400	127,400	(372,600)
General obligation bonds issued	2,518,550	1,518,550	-	1,518,550	(1,000,000)
Revenue bonds issued	1,000,000	1,000,000	-	1,000,000	-
Total other sources	<u>4,018,550</u>	<u>2,548,550</u>	<u>97,400</u>	<u>2,645,950</u>	<u>(1,372,600)</u>
Revenues and other sources over (under) expenditures	<u>\$ -</u>	<u>\$ 1,873,228</u>	<u>\$ (890,103)</u>	<u>\$ 983,125</u>	<u>\$ 983,125</u>

City of Dogwood, North Carolina
Central Garage Internal Service Fund
Schedule of Revenues and Expenditures - Financial Plan and Actual (Non - GAAP)
For the Fiscal Year Ended June 30, 2009

	Financial Plan	Actual	Variance Positive (Negative)
Revenues:			
Operating revenues:			
Charges for services	\$ 31,600	\$ 31,930	\$ 330
Nonoperating revenues:			
Interest earnings	800	700	(100)
Total revenues	<u>32,400</u>	<u>32,630</u>	<u>230</u>
Expenditures:			
Salaries and employee benefits	19,000	18,000	1,000
Supplies	4,500	4,300	200
Other operating expenditures	2,500	2,434	66
Capital outlays:			
Equipment	6,400	1,000	5,400
Total expenditures	<u>32,400</u>	<u>25,734</u>	<u>6,666</u>
Revenues over expenditures	<u>\$ -</u>	<u>6,896</u>	<u>\$ 6,896</u>
Reconciliation from financial plan basis (modified accrual) to full accrual:			
Reconciling items:			
Capital outlays		1,000	
Depreciation		(4,766)	
Increase in accrued vacation pay		(500)	
Total reconciling items		<u>(4,266)</u>	
Change in net assets		<u>\$ 2,630</u>	

Note to preparer: GAAP does not require that a financial plan for an Internal Service Fund be included with the financial statements. However, this financial plan is included to demonstrate legal compliance with G.S. 159-13.1.

City of Dogwood, North Carolina
Fines and Forfeitures Agency Fund
Statement of Changes in Assets and Liabilities
For the Fiscal Year Ended June 30, 2009

	Beginning Balance	Additions	Deductions	Ending Balance
Assets:				
Cash and cash equivalents	\$ 155	\$ 2,510	\$ 2,095	\$ 570
Liabilities:				
Intergovernmental payable	\$ 155	\$ 2,510	\$ 2,095	\$ 570

Note to preparer:

Please refer to Memorandum #1060 for a discussion on the recent trends of courts judging in favor of the remittance of penalties on delinquent ad valorem taxes to local educational agencies.

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Other Schedules

This section contains additional information on property taxes and USDA requested data.

- Schedule of Ad Valorem Taxes Receivable
- Analysis of Current Tax Levy
- Water and Sewer Fund's Statement of Net Assets by Function
- Water and Sewer Fund's Statement of Activities by Function
- Water and Sewer Fund's Statement of Cash Flows by Function

City of Dogwood, North Carolina
Schedule of Ad Valorem Taxes Receivable
June 30, 2009

Fiscal Year	Uncollected Balance June 30, 2007	Additions	Collections And Credits	Uncollected Balance June 30, 2008
2008-2009	\$ --	\$ 840,073 (a)	\$ 810,981 (b)	\$ 29,092 (c)
2007-2008	24,912	--	12,632	12,280
2006-2007	17,713	--	7,697	10,016
2005-2006	11,884	--	4,965	6,919
2004-2005	10,057	--	2,855	7,202
2003-2004	9,056	--	1,223	7,833
2002-2003	6,395	--	871	5,524
2001-2002	3,502	--	521	2,981
2000-2001	1,520	--	100	1,420
1999-2000	3,651	--	3,651	0
	<u>\$ 88,690</u>	<u>\$ 840,073</u>	<u>\$ 845,496 (d)</u>	<u>83,267</u>
Less: allowance for uncollectible accounts:				
	General Fund			<u>20,032</u>
Ad valorem taxes receivable - net				<u>\$ 63,235</u>
<u>Reconciliation with revenues:</u>				
Ad valorem taxes - General Fund				\$ 829,577
Penalties collected on ad valorem taxes - Agency Fund				2,510
Reconciling items:				
Interest collected				(1,097)
Discounts allowed				10,855
Taxes written off				<u>3,651</u>
Subtotal				<u>13,409</u>
Total collections and credits				<u>\$ 845,496 (d)</u>

Note to preparer: The small letters next to certain amounts on the Analysis of Current Tax Levy and the above schedule show the relationships of taxes levied, taxes collected, and uncollected taxes on both schedules.

In addition, the interest collected shown on the above reconciliation of revenues plus the total penalties shown on the Analysis of Current Tax Levy should agree with the interest amounts reported General Fund's detailed Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual and the penalties amount reported on the Agency Fund's Statement of Changes in Assets and Liabilities.

Please refer to Memorandum # 788 for a discussion of the law changes in the assessment and collection of property taxes on motor vehicles and the related accounting considerations. Finally, Memorandum #1060 discusses the recent trend of courts ruling in the favor of the remittance of ad valorem penalties to the local educational agency.

For those units which must submit secondary market disclosures under SEC Rule 15c2-12, please refer to Carolina County for illustrative schedules.

City of Dogwood, North Carolina
Analysis of Current Tax Levy
City - Wide Levy
For the Fiscal Year Ended June 30, 2009

	City - Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
	Original levy:				
Property taxed at current	\$ 137,027,442	.60	\$ 822,165	\$ 797,869	\$ 24,296
Registered motor vehicles taxed at prior year's rate	1,524,659	.59	8,995		8,995
Penalties	-		898	898	
Total	<u>138,552,101</u>		<u>832,058</u>	<u>798,767</u>	<u>33,291</u>
Discoveries:					
Current year taxes	367,800	.60	2,207	2,142	65
Prior year taxes	-		5,637	5,637	
Penalties	-		1,612	1,612	
Abatements	<u>(240,200)</u>		<u>(1,441)</u>	<u>(1,441)</u>	<u>-</u>
Total property valuation	<u>\$ 138,679,701</u>				
Net levy			840,073 (a)	806,717	33,356
Uncollected taxes at June 30, 2009			<u>(29,092) (c)</u>	<u>(24,127)</u>	<u>(4,965)</u>
Current year's taxes collected			<u>\$810,981 (b)</u>	<u>\$782,590</u>	<u>\$28,391</u>
Current levy collection percentage			<u>96.54%</u>	<u>97.01%</u>	<u>85.12%</u>

Note to preparer: See the note at the bottom of the Schedule of Ad Valorem Taxes Receivable. The small letters (a), (b) and (c) next to certain amounts on the Schedule of Ad Valorem Taxes Receivable and the above schedule show the relationships of the taxes levied, taxes collected and uncollected taxes. Units which are required to make additional disclosures required by SEC 15c2-12 should refer to the disclosures for Carolina County. The property valuations, tax rate, and levy amounts above should be Unit-Wide; additional taxes levied for fire protection districts or special service districts should not be included. For further discussion of this issue, see Section 35, Principles Used in the Preparation of the Illustrative Financial Statements.

City of Dogwood
Schedule of Net Assets
Water and Sewer Fund by Function
June 30, 2009

	Water	Sewer	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 45,328	\$ 41,434	\$ 86,762
Accounts receivable (net) - billed	49,861	28,475	78,336
Accounts receivable (net) - unbilled	12,635	8,837	21,472
Inventories	63,287	46,994	110,281
Prepaid items	1,986	579	2,565
Restricted cash and cash equivalents	580,345	1,077,780	1,658,125
Total current assets	<u>753,442</u>	<u>1,204,099</u>	<u>1,957,541</u>
Noncurrent assets:			
Capital assets:			
Land and construction in progress	1,899,750	878,799	2,778,549
Other capital assets, net of depreciation	5,239,654	4,541,802	9,781,456
Capital assets	<u>7,139,404</u>	<u>5,420,601</u>	<u>12,560,005</u>
Total noncurrent assets	<u>7,139,404</u>	<u>5,420,601</u>	<u>12,560,005</u>
Total assets	<u>\$ 7,892,846</u>	<u>\$ 6,624,700</u>	<u>\$ 14,517,546</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	36,125	25,885	62,010
Due to other funds	120	120	240
Customer deposits	8,570	8,360	16,930
Compensated absences -current	4,500	4,500	9,000
General obligation bonds payable- current	140,350	260,650	401,000
Revenue bond payable - current	12,019	22,320	34,339
Bond anticipation notes payable	-	675,000	675,000
Liabilities payable from restricted assets:			
Accounts payable	15,557	100,000	115,557
Total current liabilities	<u>217,241</u>	<u>1,096,835</u>	<u>1,314,076</u>
Noncurrent liabilities:			
Other noncurrent liabilities:			
Other postemployment benefits	6,537	6,537	13,074
Compensated absences	20,950	20,950	41,900
General obligation bonds payable-noncurrent (net)	840,000	1,560,000	2,400,000
Revenue bond payable - noncurrent	305,404	567,180	872,584
Total noncurrent liabilities	<u>1,172,891</u>	<u>2,154,667</u>	<u>3,327,558</u>
Total liabilities	<u>1,390,132</u>	<u>3,251,502</u>	<u>4,641,634</u>
NET ASSETS			
Invested in capital assets, net of related debt	6,421,976	3,413,231	9,835,207
Unrestricted	80,738	(40,033)	40,705
Total net assets	<u>\$ 6,502,714</u>	<u>\$ 3,373,198</u>	<u>\$ 9,875,912</u>

NOTE TO PREPARER: As requested by the USDA, those governments who have borrowed from the USDA must report for their water and sewer systems separately. For the City of Dogwood, it is assumed that the budgeting and accounting for water and sewer services are performed for the Water and Sewer Fund as a whole. To accommodate the USDA's request, the separation by function of the Water and Sewer Fund has been included as Supplementary Information. This is for illustrated purposes only.

City of Dogwood
Schedule of Revenues, Expenses, and Changes in Fund Net Assets
Water and Sewer Fund by Function
For the Year Ended June 30, 2009

	Water	Sewer	Total
OPERATING REVENUES			
Charges for services	\$ 693,605	\$ 422,949	\$ 1,116,554
Water and sewer taps	7,500	4,600	12,100
Other operating revenues	330	300	630
Total operating revenues	701,435	427,849	1,129,284
OPERATING EXPENSES			
Administration	71,961	71,961	143,922
Finance	15,498	15,498	30,996
Water treatment and distribution	72,031	-	72,031
Waste collection and treatment	-	140,909	140,909
Depreciation	190,675	60,529	251,204
Total operating expenses	350,165	288,897	639,062
Operating income (loss)	351,270	138,952	490,222
NONOPERATING REVENUES (EXPENSES)			
Investment earnings	16,935	21,187	38,122
Interest and other charges	(20,380)	(58,006)	(78,386)
Bond issuance costs	(2,500)	(7,500)	(10,000)
Total nonoperating revenue (expenses)	(5,945)	(44,319)	(50,264)
Income (loss) before contributions and transfers	345,325	94,633	439,958
Capital contributions	86,394	41,554	127,948
Extraordinary item: gain on insurance recovery	-	1,281,046	1,281,046
Transfers from other funds	48,700	48,700	97,400
Transfers to other funds	(2,414)	(2,413)	(4,827)
Change in net assets	478,005	1,463,520	1,941,525
Total net assets, beginning	6,024,709	1,909,678	7,934,387
Total net assets, ending	\$ 6,502,714	\$ 3,373,198	\$ 9,875,912

NOTE TO PREPARER: As requested by the USDA, those governments who have borrowed from the USDA must report for their water and sewer systems separately. For the City of Dogwood, it is assumed that the budgeting and accounting for water and sewer services are performed for the Water and Sewer Fund as a whole. To accommodate the USDA's request, the separation by function of the Water and Sewer Fund has been included as Supplementary Information. This is for illustrated purposes only.

City of Dogwood
Schedule of Cash Flows
Water and Sewer Fund by Function
For the Fiscal Year Ended June 30, 2009

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 676,255	\$ 458,994	\$ 1,135,249
Cash paid for goods and services	(105,169)	(99,756)	(204,925)
Cash paid to or on behalf of employees for services	(121,811)	(121,811)	(243,622)
Customer deposits received	4,587	703	5,290
Customer deposits returned	(5,618)	(2,855)	(8,473)
Other operating revenues	330	300	630
Net cash provided (used) by operating activities	<u>448,574</u>	<u>235,575</u>	<u>684,149</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Due to (from) other funds	(10)	-	(10)
Transfers from other funds	48,700	48,700	97,400
Transfers to other funds	(2,414)	(2,413)	(4,827)
Total cash flows from noncapital financing activities	<u>46,276</u>	<u>46,287</u>	<u>92,563</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Bond anticipation notes issued	-	675,000	675,000
Acquisition and construction of capital assets	(436,730)	(4,645,579)	(5,082,309)
Principal paid on bond maturities and equipment contracts	(141,324)	(176,015)	(317,339)
Bond issuance costs	(2,500)	(7,500)	(10,000)
Interest paid on bond maturities and equipment contracts	(22,736)	(60,362)	(83,098)
Insurance recovery	-	3,650,000	3,650,000
Capital contributions-State grant	51,394	6,554	57,948
Capital contributions-federal grant	35,000	35,000	70,000
Net cash provided (used) by capital and related financing activities	<u>(516,896)</u>	<u>(522,902)</u>	<u>(1,039,798)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and dividends	16,935	21,187	38,122
Net increase (decrease) in cash and cash equivalents	(5,111)	(219,853)	(224,964)
Balances, beginning	630,784	1,339,067	1,969,851
Balances, ending	<u>\$ 625,673</u>	<u>\$ 1,119,214</u>	<u>\$ 1,744,887</u>

(continued)

**City of Dogwood
Schedule of Cash Flows
Water and Sewer Fund by Function
For the Fiscal Year Ended June 30, 2009**

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Reconciliation of operating income to net cash provided by operating activities			
Operating income	\$ 351,270	\$ 138,952	\$ 490,222
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	190,675	60,529	251,204
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	(56,760)	63,018	6,258
Increase (decrease) in allowance for doubtful accounts	(46)	(107)	(153)
(Increase) decrease in inventory	675	1,165	1,840
Increase in prepaid items	(111)	(149)	(260)
Increase (decrease) in accounts payable and accrued liabilities	(41,098)	(30,681)	(71,779)
Increase in customer deposits	(1,031)	(2,152)	(3,183)
Increase in accrued vacation pay	5,000	5,000	10,000
Total adjustments	<u>97,304</u>	<u>96,623</u>	<u>193,927</u>
Net cash provided by operating activities	<u>\$ 448,574</u>	<u>\$ 235,575</u>	<u>\$ 684,149</u>

NOTE TO PREPARER: As requested by the USDA, those governments who have borrowed from the USDA must report for their water and sewer systems separately. For the City of Dogwood, it is assumed that the budgeting and accounting for water and sewer services are performed for the Water and Sewer Fund as a whole. To accommodate the USDA's request, the separation by function of the Water and Sewer Fund has been included as Supplementary Information. This is for illustrated purposes only.

Compliance Section

Note to the preparer: A complete set of illustrative single audit reports can be found in Section 35-B, Illustrative Financial Statements for a County in North Carolina, which is included in this manual. For illustrations of various single audit report modifications, refer to Section 35-E of this manual.