

**ILLUSTRATIVE FINANCIAL STATEMENTS
FOR THE CITY OF DOGWOOD, NORTH CAROLINA**

*** * REVISED OCTOBER 2023 * ***

This sample document was developed and is provided by the staff of the North Carolina Local Government Commission (North Carolina Department of State Treasurer) as a reference for financial statement preparers in North Carolina. This document is for informational purposes only and does not constitute legal or accounting advice. Units of local government subject to the annual audit requirement pursuant to North Carolina General Statute [159-34\(a\)](#) are responsible for the content and accuracy of their financial statements.

This document is provided as a resource to local governments and their auditors and includes sample amounts for illustrative purposes. Financial statement preparers must ensure that the numbers included in their financial statements reflect actual amounts to be reported and should not use the sample amounts shown here.

Notes Related to the FY2023 Illustrative Financial Statements for the City of Dogwood

- 1) The financial statement amounts for the pension liability and OPEB liability asset presented in these illustrative statements **have not been changed** from the amounts presented in the prior year's illustrative statements. Both the pension and OPEB GASB statements were implemented in the illustrative statements several years ago, and financial statement preparers should now have experience with them. Therefore LGC staff is reverting to our practice of only changing amounts in the illustrative statements that are the result of new accounting and reporting changes required for fiscal year 2023 audits. Changes are highlighted in the illustrative statements and listed on the Summary of Changes document.
- 2) Conversion workbooks were updated to include the current fiscal year end pension and OPEB data. The pension data used in development of the updated conversion workbooks was from the LGERS, ROD & TSERS JE Templates that are available on the Department of State Treasurer's website; from the [Financial Statement Resources webpage](#), select a unit type then look for "Pension Resources". The Firefighters' and Rescue Squad Workers' Pension Fund disclosure amounts were taken from [Memorandum #2024-01](#).
- 3) If a unit has ARPA funds in a special revenue fund, please refer to the Carolina County Illustrative Statements for guidance.

Illustrative Financial Statements
for the City of Dogwood
in North Carolina

City Council Members
Tammy Tarheel, Mayor
Patricia Pirate, Mayor Pro Tem
Robert Bobcat
Philip Panther
Harriet Hornet
William Wildcat

Administrative and Financial Staff
Darwin Devil, City Manager
Earl Eagle, Finance Officer
Albert Aggie, Tax Collector

Note to Preparer: Please list the unit's officials as of the date of the opinion.
This page is optional; however, we encourage municipalities to include this page to help the LGC maintain records.

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Independent Auditor's Report

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

Report on the Audit of Financial Statements

Opinions

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, 2023, and the related notes to the financial statements, which collectively comprise City of Dogwood's basic financial statements as listed in the table of contents.

In our opinion, **based upon our audit and the report of the other auditors**, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Dogwood as of June 30, 2023, and the respective changes in financial position, and cash flows [where applicable] thereof and the respective budgetary comparison for the General Fund [and major, annually budgeted special revenue funds, if applicable], for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the City of Dogwood's ABC Board, which represent 100 percent, 100 percent, and 100 percent of the assets, net position, and revenues, respectively, of the discretely presented component unit as of June 30, 2023, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended. Those statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the City of Dogwood's ABC Board, is based solely on the report of the other auditors.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) **and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Dogwood and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions. The financial statements of City of Dogwood's ABC Board were not audited in accordance with *Governmental Auditing Standards*.**

Responsibilities of Management for the Audit of the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raises substantial doubt about the City of Dogwood's ability to continue as a going concern for the twelve months beyond the financial

statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and Governmental Auditing Standards we

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages xx through xx, and the Other Post Employment Benefit and Law Enforcement Officers' Special Separation Allowance Schedules of Funding Progress and Employer Contributions on pages xx through xx, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Asset (Liability) and Contributions, on pages xx through xx, respectively, and the Firefighter' and Rescue Squad Worker's Pension Fund's Schedule of the Proportionate Share of Net Pension Liability (Asset) on page xx be presented to supplement the basic financial statements. Such information is the responsibility of management, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consist of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or

provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Dogwood's basic financial statements. The combining and individual fund financial statements, budgetary schedules, other schedules, **as well as the accompanying schedule of expenditures of federal and state awards as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards 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. Such information **is the responsibility of management** and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America **by us and other auditors**. In our opinion, **based on our audit, the procedures performed as described above, and the report of other auditors** the combining and individual fund financial statements, budgetary schedules, other schedules **and the schedule of expenditures of federal and state awards** are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory information and the statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

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

[Signature]

[City and State]

[Date]

Note to preparer: Sample audit opinions and reports may be found [here](#).

Reference to another auditor: This example shows an entire opinion unit that has been audited by another auditor. In this example, the City of Dogwood only has one component unit and therefore 100 percent of the assets, net position and revenues of the opinion unit are represented. The information on the percentage of the opinion unit is not necessary since this is obviously 100 percent.

Appropriate changes to this sentence should be made when the entire opinion unit is **not** audited by another auditor, and the group auditor has chosen not to assume responsibility for the work of the other auditor, insofar as it relates to the auditor's opinion on the basic financial statements. For example, "We did not audit the financial statements of the Sewer Enterprise Fund, which represent XX percent, YY percent, and ZZ percent, respectively, of the assets, net position, and revenues of the business-type activities." However, the report still should indicate in the "Auditor's Responsibility" section the group engagement auditor's responsibility for auditing that opinion unit. The group engagement auditor should also express or disclaim an opinion on the opinion unit in the "Opinion" section of the report.

If another auditor is not referenced, the **reference to other auditors** noted in red may be removed.

Audits performed under Governmental Auditing Standards: For financial audits performed in accordance to Governmental Auditing Standards, chapters 1 – 6 of Governmental Auditing Standards apply.

A statement should be inserted if a material component unit or fund is not required to have an audit performed under *Governmental Auditing Standards*, and one is not performed even though the primary government had an audit performed in accordance to *Governmental Auditing Standards*. The following statement should be entered as a third sentence of the paragraph: "The financial statements of [name of component unit or fund] were not audited in accordance with *Governmental Auditing Standard*

If audit was not performed under GAGAS the text noted in **GREEN** may be removed. If the entire audit was performed under GAS, the text noted in **PURPLE** may be removed.

Audits performed under Governmental Auditing Standards: This example shows that a **Schedule of Expenditures of Federal and State Awards (SEFSA)** is presented in the same cover as supplementary information, and that an audit was performed under the requirements of the Uniform Guidance. .

If audit did not include a SEFSA and a single audit was not performed, the text noted in **GOLD** may be removed.

Emphasis of Matter paragraph: If required by GAAS or the auditor considers it necessary to draw users' attention to a matter appropriately presented or disclosed in the financial statements that, in the auditor's professional judgment, is of such importance that it is fundamental to users' understanding of the financial statements, the auditor should refer to AU-C §706 and include an emphasis-of-matter paragraph in the auditor's report, provided that the matter does not result in a modified opinion. Circumstances in which the paragraph is necessary is 1) uncertainty related to future outcome of unusually important legislation or regulatory action, 2) significant subsequent event, 3) a major catastrophe that effect the entity's financial position or results of operations, or 4) significant transaction of related parties.

Other Matter paragraph: If required by GAAS, or the auditor would like to refer to a matter other than those presented or disclosed in the financial statements that, in the auditor's professional judgment, is relevant to users' understanding of the audit, the auditor's responsibilities, or the auditor's report, the auditor should consult AU-C 706 and may include an "Other Matter" paragraph. An example is if the law, regulation, or generally accepted practice may require or permit the auditor to elaborate on matters that provide further explanation of the auditor's responsibilities in the audit of the financial statements or of the auditor's report thereon.

Going Concern: When performing risk assessment, the auditor should consider whether there are conditions or events, considered in the aggregate, that raises substantial doubt about an entity's ability to continue as a going concern for a reasonable period of time. If substantial doubt has been raised, the auditor should consult guidance found in AU-C §570, including discussing with management and determining if adequate note disclosures are included in the audit. The auditor may determine that a "Substantial Doubt About the Entity's Ability to Continue as a Going Concern" paragraph is necessary.

Other Information paragraph: If the audit report includes OI, such as an Introductory Section and a Statistical Section, when an Annual Comprehensive Financial Report (ACFR) is issued, the auditor's responsibility for this information should be stated in the OI section of the report. The OI section of the report illustrates a situation where OI is included in the annual report and all information was obtained prior to the date of the auditor's report, the auditor has applied the specified procedures, no uncorrected material misstatements of the OI exist, and the auditor is issuing an unmodified opinion on the basic financial statements. If the auditor has concluded that an uncorrected material misstatement of the other information exists or if the auditor has issued an opinion other than unmodified on the basic financial statements, refer to the guidance in AU-C section 720, *The Auditor's Responsibilities Relating to Other Information Included in Annual Reports*. (See the discussion beginning at paragraph 16.90.)

MANAGEMENT'S DISCUSSION AND ANALYSIS

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Management's Discussion and Analysis

As management of the City of Dogwood (the "City"), 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, 2023. 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.

Note to preparer: The MD&A is an opportunity for management to proactively address any issues that might be affecting the unit's financial status or questions that might be posed by readers of the financial statements. A thoughtful discussion and analysis of economic, financial, or budgetary factors that might influence the unit should be presented. This discussion should be based on currently known facts, decisions, or conditions. Currently known means information that management is aware of as of the date of the auditor's report.

Financial Highlights

- The assets and deferred outflows of resources of the City of Dogwood exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$14,286,254 (*net position*).
- As of the close of the current fiscal year, the City of Dogwood's governmental funds reported combined ending fund balances of \$665,075 with a net increase of \$5,616 in fund balance. Approximately 34.2% of this total amount, or \$227,447, is non-spendable or restricted.
- The City of Dogwood experienced a record-breaking flood and the collapse of the Cardinal Point Dam on July 2, 2022. The wastewater aerating facility was severely damaged as was the Tar Heel Municipal Building. After repair costs and insurance recovery, the City recognized an extraordinary gain of Note to \$1,281,046 in the Water and Sewer Fund.
- The City of Dogwood's total long-term liabilities increased by \$262,055 (4.14%) during the current fiscal year. The key factors in this increase; an increase of \$307,969 in the net pension liability for the Local Government Employees Retirement System (LGERS); and \$200,000 in certificates of participation for parking improvements at Municipal Park. Increases were offset by planned debt service principal payments of \$369,725.
- The City of Dogwood's other liabilities increased by \$490,708. This was attributable to the issuance of bond anticipation notes of \$675,000 for Water and Sewer improvements.
- 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.

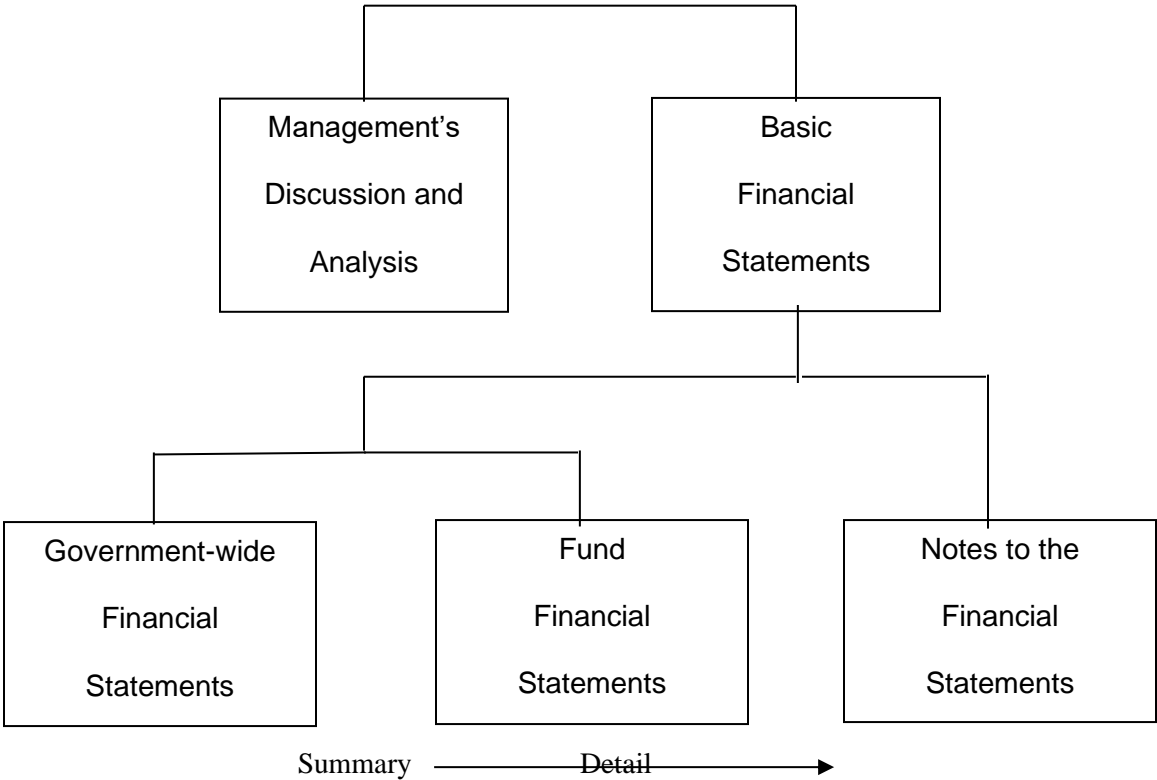
Overview of the Financial Statements

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 8) 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 **for major governmental funds**; and 3) the proprietary fund statements.

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **supplemental information** is provided to

show details about the City's individual funds. Budgetary information required by the North Carolina General Statutes also can be found in this part of the statements.

Government-Wide Financial Analysis

Note to Preparer. GASBS 34 ¶9. Indicates that the “MD&A should discuss the current-year results in comparison with the prior year, with emphasis on the current year. This fact-based analysis should discuss the positive and negative aspects of the comparison with the prior year. The use of charts, graphs, and tables is encouraged to enhance the understandability of the information.”

GASBS 34 ¶11. c. provides for, at a minimum, inclusion of “[a]n analysis of the government's overall financial position and results of operations to assist users in assessing whether financial position has improved or deteriorated as a result of the year's operations. The analysis should address both governmental and business-type activities as reported in the government-wide financial statements and should include *reasons* for significant changes from the prior year, not simply the amounts or percentages of change. In addition, important economic factors, such as changes in the tax or employment bases, that significantly affected operating results for the year should be discussed.”

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 position and how it has changed. Net position is the difference between the City's total assets and deferred outflows of resources and total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the 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. The City exercises control over the Board by appointing its members and the Board is required to distribute its profits to the City.

The government-wide financial statements are 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 the funds of City of Dogwood can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the 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 more or fewer financial resources are available to finance the City's programs. The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The 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 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 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 Position 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.

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

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the City of Dogwood's progress in funding its obligation to provide pension and **OPEB** benefits to its employees.

Interdependence with Other Entities: The City depends on financial resources flowing from, or associated with, both the federal government and the State of North Carolina. Because of this dependency, the City is subject

to changes in specific flows of intergovernmental revenues based on modifications to federal and state laws and federal and state appropriations. It is also subject to changes in investment earnings and asset values associated with U.S. Treasury Securities because of actions by foreign governments and other holders of publicly held U.S. Treasury Securities.

Government-Wide Financial Analysis

City of Dogwood's Net Position

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Current and other assets	\$ 964,217	\$ 801,059	\$ 2,465,657	\$ 2,941,660	\$ 3,429,874	\$ 3,742,719
Capital assets	4,463,591	3,811,760	13,585,968	11,175,003	\$ 18,049,559	\$ 14,986,763
Deferred outflows of resources	406,004	351,038	408,793	250,000	\$ 814,797	\$ 601,038
Total assets and deferred outflows of resources	5,833,812	4,963,857	16,460,418	14,366,663	22,294,230	19,330,520
Long-term liabilities outstanding	1,882,055	1,400,918	4,715,051	4,934,133	\$ 6,597,106	\$ 6,335,051
Other liabilities	138,024	148,751	1,129,087	627,652	\$ 1,267,111	\$ 776,403
Deferred inflows of resources	84,627	31,625	59,131	64,151	\$ 143,758	\$ 95,776
Total liabilities and deferred inflows of resources	2,104,706	1,581,294	5,903,269	5,625,936	8,007,975	7,207,230
Net position:						
Net investment in capital assets	4,091,052	3,679,020	10,674,717	7,894,789	\$ 14,765,769	\$ 11,573,809
Restricted	226,141	206,482	109,725	109,725	\$ 335,866	\$ 316,207
Unrestricted	(588,088)	(502,939)	(227,293)	737,040	\$ (815,381)	\$ 234,101
Total net position	\$ 3,729,105	\$ 3,382,563	\$ 10,557,149	\$ 8,741,554	\$ 14,286,254	\$ 12,124,117

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the City of Dogwood exceeded liabilities and deferred inflows by \$14,286,254 as of June 30, 2023. Current and other assets decreased by \$312,845 from the prior year. A significant contributing factor to the decrease was the flood caused by the collapse of the Cardinal Point Dam. The event caused a need for significant cleanup and restoration activity. Insurance recoveries provided cash to pay for a portion of these activities. Ultimately, the City had to use some of the resources on hand to complete certain projects.

Other liabilities increased by \$490,708 from the previous year. The main factor causing the increase was the issuance of a short-term Bond Anticipation Note for \$675,000. These resources will be used for various projects of the Water and Sewer Enterprise Fund. This increase was partially offset by the reduction of accounts payable.

Long-term liabilities which include bonds, notes, leases, IT subscriptions, compensated absences, and postemployment obligations of the primary governments increased by \$262,055. The main cause of the increase

were the issuance of a \$200,000 installment purchase obligation, and an increase of \$307,969 for the City's net pension liability for the Local Government Employees' Retirement System. The overall increase in long-term liabilities were partially offset by the reduction of bonds payable based on the debt service principal payments made during the current year.

By far, the largest portion reflects the City's net investment in capital assets (e.g., land, buildings, infrastructure, machinery, and equipment). 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 net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities.

An additional portion of the City of Dogwood's net position, \$335,866, represents resources that are subject to external restrictions on how they may be used. As of the end of the current year, the City of Dogwood's unrestricted net position was a deficit balance of \$815,381. The deficit is caused primarily by the approximately \$2.1 million in postemployment liabilities for the City of Dogwood's two pension plans (\$874,148) and its other postemployment benefit plan for retiree healthcare (\$1,197,320).

City of Dogwood's Changes in Net Position

Figure 3

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Revenues:						
Program revenues:						
Charges for services	\$ 76,695	\$ 79,924	\$ 4,378,129	\$ 3,880,201	\$ 4,454,824	\$ 3,960,125
Operating grants and contributions	1,143,057	1,000,987	12,154	23,956	1,155,211	1,024,943
Capital grants and contributions	231,598	280,532	127,948	145,000	359,546	425,532
General revenues:						
Property taxes	968,186	827,483	-	-	968,186	827,483
Other taxes	24,127	24,546	-	-	24,127	24,546
Grants and contributions not restricted to specific programs	918,908	726,898	-	-	918,908	726,898
Other	98,492	49,588	40,218	39,326	138,710	88,914
Total revenues	3,461,063	2,989,958	4,558,449	4,088,483	8,019,512	7,078,441
Expenses:						
General government	658,660	625,216	-	-	658,660	625,216
Public safety	1,368,258	1,299,741	-	-	1,368,258	1,299,741
Transportation	515,880	505,547	-	-	515,880	505,547
Environmental protection	280,111	274,438	-	-	280,111	274,438
Economic and physical development	117,218	114,874	-	-	117,218	114,874
Cultural and recreation	78,989	77,318	-	-	78,989	77,318
Interest on long-term debt	8,818	6,019	-	-	8,818	6,019
Water and sewer	-	-	1,265,749	699,451	1,265,749	699,451
Electric	-	-	2,844,738	2,693,744	2,844,738	2,693,744
Total expenses	3,027,934	2,903,153	4,110,487	3,393,195	7,138,421	6,296,348
Increase in net position before transfers	433,129	86,805	447,962	695,288	881,091	782,093
Transfers	(86,587)	(73,946)	86,587	73,946	-	-
Extraordinary item: gain on insurance recovery	-	-	1,281,046	-	1,281,046	-
Increase in net position	346,542	12,859	1,815,595	769,234	2,162,137	782,093
Net position, beginning	3,382,563	3,369,704	8,741,554	7,972,320	12,124,117	11,342,024
Net position, June 30	\$ 3,729,105	\$ 3,382,563	\$ 10,557,149	\$ 8,741,554	\$ 14,286,254	\$ 12,124,117

The city of Dogwood's overall net position increased \$2,162,137 from the prior year. The reasons for this overall increase are discussed in the following sections for governmental activities and business-type activities.

Governmental activities. Governmental activities increased the City's net position by \$346,542, accounting for 16.03% of the total growth in the net position of the City of Dogwood. During the current year City management continued to reduce non-essential programs to a minimum and implemented cost saving strategies across City departments. Certain nonrecurring expenses were either postponed or renegotiated to maintain a healthy net position. These efforts helped to minimize expenses for the current fiscal year. As a result, the City of Dogwood did not experience a significant increase in any of the functional expenditure categories of governmental activities. The \$124,781 (4.3% over the prior year) increase in total expenses was largely attributable to salary increases provided to employees during the current fiscal year.

Management believes healthy investment in the City will result in additional revenues, adding to the City's net position by investing in capital assets. The City was able to fund some items in its capital spending plan with

cultural, recreational, and economic development grant revenues. This effort was aided through an insurance recovery of \$325,000 that was used to repair the flood damage to the Tarheel Municipal Building.

The total revenues of City of Dogwood increased by \$471,105 (15.8% over the prior year). One of the main factors contributed to this overall increase was that the property valuation used in the calculation of the FY23 tax levy increased by \$24,970,000 which in turn caused a \$139,927 increase in the net levy. In addition, there was an increase in revenues from grants and contributions of \$192,010. These federal and state grants were to aid in the cleanup, recovery, and restoration related to the flood damage sustained by the City.

City management recognizes that 2023 was a successful year and plans on improving upon these approaches as a long-term strategy to realize continued fiscal health.

Note to preparer - Include anything in the above discussion that you wish to highlight with regards to governmental activities as a factor in changing your net position for the current year. For example, fee revenue or tax revenue increases due to annexation and/or economic growth, reductions in spending, savings from debt refunding, new operating grants received, etc.

Business-type activities. Business-type activities increased the City of Dogwood's net position by \$1,815,595, accounting for 83.97% of the total growth in the government's net position. A key element of this increase was due to 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. Overall Water and Sewer Enterprise fund expenses increased by \$566,298 (80.96% over the prior year). Expenses for the cleanup, recovery and restoration related to the flood were the cause of the increase.

Cost-saving measures were able to limit the expenses of the Electric Enterprise Fund. The increase in those expenses was \$150,994 (5.61% over the prior year). This was largely attributable to salary increases provided to employees during the current fiscal year. The City's adopted budget included rate increases for both the Electric and Water and Rate Enterprise funds. The 5% increase in rates plus increases in the consumption of electric and water services resulted in an increase of \$497,928 in those revenues.

Note to preparer - Include anything in the above discussion that you wish to highlight with regards to business-type activities as reasons for increases in net position.

Financial Analysis of the City's Funds

Note to Preparer. GASBS 34 ¶11.d. provides for, at a minimum, inclusion of “[a]n analysis of balances and transactions of individual funds. The analysis should address the reasons for significant changes in fund balances or fund net assets and whether restrictions, commitments, or other limitations significantly affect the availability of fund resources for future use.

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.

The general fund is the chief operating fund of the City of Dogwood. At the end of the current fiscal year, City of Dogwood’s fund balance available in the General Fund was \$414,228, while total fund balance reached \$606,909. The Governing Body of City of Dogwood has determined that the City should maintain an available fund balance of 5% of general fund expenditures in case of unforeseen needs or opportunities, in addition to meeting the cash flow needs of the City. The City currently has an available fund balance of 17.01% of general fund expenditures, and total fund balance represents 24.92% of the same amount.

At June 30, 2023, governmental funds reported a combined fund balance of \$665,075 with a net increase in fund balance of \$5,616. Included in this change in fund balance is an increase in fund balance in the Capital Projects Fund.

Like governmental activities, the General fund also had increased property tax revenues because of the increased property valuation used for the calculation of the current year tax levy. During the current year the City of Dogwood enhanced its tax collection policies and procedures. The effort focused on the collection of prior year unpaid taxes. On the accrual basis used for government-wide financial statements the taxes were previously recognized as revenue in the period they were intended to finance. However, on the modified accrual basis used for governmental fund financial statements property tax revenues must be available to be recognized as revenue. The unpaid taxes of prior years only become available when they are actually collected. The enhanced collection efforts in the current year resulted in the collection and recognition of revenue of approximately \$29,000.

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 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.

There were several reasons the City revised its **General** fund budget throughout the year. **There was a budget amendment to increase** unrestricted intergovernmental revenues for resources that became available for distribution in **2023**. **At the same time the restricted intergovernmental revenue was reduced for grants that were no longer available.**

The City also found it necessary to amend the budget in the General Fund for General Government expenditures to account for unexpected **cleanup, restoration, and** capital outlay expenditures **caused by the flood**. **Simultaneously the budget was also changed to include an other financing source for the insurance recovery the City received.**

The implementation of GASB Statement No. 96 for the current year also required a budget amendment to increase debt service principal and interest expenditures. GASB 96 also required a change to include a budget amount for an other financing source for an IT subscription agreement.

While the City was generally in compliance with budgetary requirements there was one instance of spending in excess of the budget amount. While the City had amended the budget for general government expenditures for unexpected amounts caused by the flood it was discovered after year end that a valid current year expenditure for capital outlay related to the flood had not been included in the budget amendment. Since the budget could no longer be revised the City had to report and disclose this \$3,846 excess of expenditures over appropriations. City management and the Board will more closely review budget reports to ensure compliance in future years.

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 position for the Water and Sewer Fund at the end of the fiscal year amounted to a deficit of **\$245,657**, and the Electric Fund had a positive amount of \$18,064. The total change in net position for the Water and Sewer and the Electric Funds was **\$1,831,714** increase and \$16,419 decrease, respectively. The change in net position 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. **As mentioned earlier in the discussion of business-type activities rate increases for these funds also contributed to the overall increase in net position.**

Capital Asset and Debt Administration

Note to Preparer. GASBS 34 ¶11.d. provides for, at a minimum, inclusion of “[a] description of significant capital asset and long-term debt activity during the year, including a discussion of commitments made for capital expenditures, changes in credit ratings, and debt limitations that may affect the financing of planned facilities or services.

Capital assets. The City of Dogwood’s capital assets for its governmental and business-type activities as of June 30, 2023, totals \$18,049,559 (net of accumulated depreciation) **an increase of 20.44% over the prior year**. These

assets include buildings, infrastructure, land, machinery and equipment, park facilities, vehicles and right to use assets for leases and IT subscriptions.

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.

Governmental Activities

- Restoration costs of \$395,240 for flood damage repairs to the municipal building were capitalized.
- \$590,000 was added to construction in progress for additional amounts spent on the parking deck and various recreational facilities.
- While not significant, the implementation of GASB 96 added \$72,338 of right to use assets for IT subscriptions (a beginning balance of \$23,557 and a new arrangement of \$48,781 during the year).

Business-type Activities

- Restoration costs of \$3,925,364 for flood damage repairs to the wastewater aerating facility were capitalized.
- \$1,147,613 was added to construction in progress for additional amounts spent on water and sewer treatment facilities.

City of Dogwood's Capital Assets
(Net of depreciation/amortization)

Figure 4

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Land	\$ 176,770	\$ 164,770	\$ 615,900	\$ 615,900	\$ 792,670	\$ 780,670
Buildings and system	1,494,084	1,389,612	9,587,236	8,264,446	11,081,320	9,654,058
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	284,529	277,915	187,449	210,065	471,978	487,980
Infrastructure	1,401,959	1,456,811	-	-	1,401,959	1,456,811
Vehicles and motorized equipment	132,181	162,537	175,463	253,557	307,644	416,094
Computer Software	4,755	4,880	-	-	4,755	4,880
Computer equipment	3,769	6,668	2,361	13,629	6,130	20,297
Right to use assets:						
Leases	58,708	36,574	28,291	37,722	86,999	74,296
IT Subscriptions	50,803	23,557	-	-	50,803	23,557
Construction in progress	693,000	103,000	2,452,049	1,304,436	3,145,049	1,407,436
Total	\$ 4,463,591	\$ 3,811,760	\$ 13,585,968	\$ 11,175,843	\$ 18,049,559	\$ 14,987,603

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

Long-term Debt. As of June 30, 2023, the City of Dogwood had total bonded debt outstanding of **\$3,925,537**. Of this, \$3,018,614 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).

Outstanding Debt

Figure 5

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Direct placement installment purchase	\$ 200,000	\$ -	\$ -	\$ -	\$ 200,000	\$ -
General obligation bonds	60,000	70,000	2,958,614	3,288,713	3,018,614	3,358,713
Revenue bonds	-	-	906,923	936,549	906,923	936,549
Leases	61,906	39,183	28,839	38,077	90,745	77,260
IT subscription liabilities	50,633	23,557	-	-	50,633	23,557
Total OPEB liability	724,379	719,849	472,941	469,984	1,197,320	1,189,833
Net pension liability (LGERS)	396,132	209,812	258,634	136,985	654,766	346,797
Total pension liability (LEO)	219,382	215,657	-	-	219,382	215,657
Compensated absences	169,623	122,860	89,100	63,825	258,723	186,685
Total	\$ 1,882,055	\$ 1,400,918	\$ 4,715,051	\$ 4,934,133	\$ 6,597,106	\$ 6,335,051

City of Dogwood's Outstanding Debt. The City of Dogwood's total debt increased by **\$262,055 (4.14% over the prior year)** during the current fiscal year. The key factors in this increase were the issuance of \$200,000 in installment purchase financing for parking improvements at Municipal Park. **This obligation will be paid by the General fund.** There was also an increase in the net pension liability for the Local Government Employees Retirement System (LGERS) of \$307,969. **Of the increase in the liability to LGERS \$186,320 relates to governmental activities and \$121,649 relates to business-type activities.** These increases were offset by planned debt service principal payments of **\$369,725**.

The implementation of GASB 96 resulted in an increase in IT subscription liabilities for governmental activities of \$72,338 (\$23,557 was an increase to the beginning balance of liabilities and \$48,781 was an IT subscription arrangement the City executed in the current year).

The City also issued a bond anticipation note (BAN) of \$675,000 for Water and Sewer improvements. While a short-term liability (amount is due November 23, 2023), it was issued with the intent to issue long-term debt of

\$750,000 during the next fiscal year to provide resources to payoff the BAN and to provide some additional resources for water and sewer projects.

For the 10th consecutive year, the City of Dogwood maintained its Aaa bond rating from Moody's Investors Service, and a AAA rating from both Standard and Poor's Financial Services and Fitch Ratings. 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% of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for City of Dogwood is \$10,847,306. The City has \$1,000,000 in bonds authorized but unissued at June 30, 2023.

Additional information regarding the City of Dogwood's long-term debt can be found in Note III.B.6 of this report.

Economic Factors and Next Year's Budgets and Rates

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

Note to preparer - List items such as the number of new jobs created, the number of occupied square feet of business property, the unemployment rate and how it compares to state average, total retail sales for the unit for the year, etc. This is also an opportunity to discuss the impact of unusual events such as the effects of COVID-19 on the unit's economy. [North Carolina Local Government COVID-19 resources may be found here.](#)

The following is an example based on the City of Dogwood.

- Low unemployment. The City of Dogwood unemployment rate of 3.9% is well below the State average.
- New manufacturing jobs. Management's emphasis on economic development continues to attract business. 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%. Management expects that the occupancy rate for fiscal year 2023 will remain high.

Budget Highlights for the Fiscal Year Ending June 30, 2023

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%. The City will use these increases in revenues to finance programs currently in place. Management has seen some improvement in areas that were affected by the recession and anticipates more growth in coming years.

Budgeted expenditures in the General Fund are expected to rise approximately 5% to \$2,535,000. The largest increments are in employee compensation, including both salary and benefits adjustments.

The City has chosen not to appropriate fund balance in the fiscal year 2024 budget. Management believes that increased revenues and continued limitations on spending will maintain the City's financial position. As the City considers future revenue sources, it has determined that each \$0.01 increase in the property tax rate will result in additional revenues of approximately \$16,000 at current property values and tax collection rate. Though management believes current growth will generate enough revenue to support City operations, a careful analysis of property tax revenue will be considered in future years' budgets.

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 aftermath of the Cardinal Point dam collapse in this past year water and sewer rates in the City will again increase by 5%. These resources will primarily cover increased costs of operations and infrastructure maintenance. General operating expenses of the water and sewer enterprise fund 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 also again increase, this year by an average of 4%, to cover an equal increase in operating costs, primarily personnel 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. One can also call (000)-000-0000, visit our website www.CityofDogwood.com or send an email to samplecity@dogwood.com for more information.

CITY EXHIBITS AND SCHEDULES

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City of Dogwood, North Carolina
Statement of Net Position
June 30, 2023

	Primary Government			City of Dogwood
	Governmental	Business-type	Total	ABC Board
	Activities	Activities		
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 631,843	\$ 178,164	\$ 810,007	\$ 77,038
Taxes receivables (net)	63,235	-	63,235	-
Accrued interest receivable on taxes	12,949	-	12,949	-
Accrued interest receivable on leases	127	868	995	-
Accounts receivable (net)	9,959	314,979	324,938	-
Leases receivable	10,552	13,463	24,015	-
Due from other governments	97,300	-	97,300	-
Due from component units	3,700	-	3,700	-
Internal balances	30,100	(30,100)	-	-
Inventories	3,945	205,659	209,604	89,692
Prepaid items	-	7,195	7,195	3,361
Restricted cash and cash equivalents	57,996	1,731,160	1,789,156	-
Total current assets	921,706	2,421,388	3,343,094	170,091
Non-current assets:				
Leases receivable, non-current	42,511	44,269	86,780	-
Capital assets (Note 4):				
Land and construction in progress	869,770	3,067,949	3,937,719	-
Other capital assets, net of depreciation	3,484,310	10,489,728	13,974,038	87,375
Right to use assets, net of amortization	109,511	28,291	137,802	-
Total capital assets	4,463,591	13,585,968	18,049,559	87,375
Total non-current assets	4,506,102	13,630,237	18,136,339	87,375
Total assets	5,427,808	16,051,625	21,479,433	257,466
DEFERRED OUTFLOWS OF RESOURCES				
Pension deferrals	366,897	225,661	592,558	3,800
OPEB deferrals	39,107	25,518	64,625	-
Charge on refunding	-	157,614	157,614	-
Total deferred outflows of resource	406,004	408,793	814,797	3,800
LIABILITIES				
Current liabilities:				
Accounts payable	128,910	264,967	393,877	42,720
Accrued interest payable	2,489	528	3,017	-
Bond anticipation notes payable	-	675,000	675,000	-
Due to primary government	-	-	-	3,700
Due to other governments	6,625	-	6,625	18,251
Current portion of long-term liabilities	93,665	513,784	607,449	4,560
Payable from restricted assets	-	188,592	188,592	-
Total current liabilities	231,689	1,642,871	1,874,560	69,231
Long-term liabilities:				
Due in more than one year	1,788,390	4,201,267	5,989,658	5,071
Total liabilities	2,020,079	5,844,138	7,864,218	74,302
DEFERRED INFLOWS OF RESOURCES				
Prepaid taxes	15,502	-	15,502	-
Leases	53,002	51,321	104,323	-
Pension deferrals	12,455	5,415	17,870	2,889
OPEB deferrals	3,668	2,395	6,063	-
Total deferred inflows of resources	84,627	59,131	143,758	2,889
NET POSITION				
Net investment in capital assets	4,091,052	10,674,717	14,765,769	87,375
Restricted for:				
Cemetery Perpetual Care	25,056	-	25,056	-
Stabilization by State Statute	133,379	-	133,379	-
Economic Development	53,912	-	53,912	-
Other functions	13,794	-	13,794	96,700
Pursuant to loan requirements	-	109,725	109,725	-
Unrestricted	(588,088)	(227,293)	(815,381)	-
Total net position	\$ 3,729,105	10,557,149	\$ 14,286,254	\$ 184,075

Note to preparer: Units that choose to aggregate deferred outflows and deferred inflows on the face of the statements should itemize components in the notes. For financial statement presentation of deferred outflows and inflows of resources in the aggregate, please see Carolina County.

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, 2023

	Program Revenues				Net (Expense) Revenue and Changes in Net Position			
					Primary Government			
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	City of Dogwood ABC Board
Primary government:								
Governmental Activities:								
General government	\$ 658,660	\$ 33,727	\$ -	\$ -	\$ (624,933)	\$ -	\$ (624,933)	\$ -
Public safety	1,368,258	16,125	918,786	-	(433,347)	-	(433,347)	-
Transportation	515,880	-	132,457	-	(383,423)	-	(383,423)	-
Economic and physical development	117,218	-	88,402	26,598	(2,218)	-	(2,218)	-
Environmental protection	280,111	-	3,000	-	(277,111)	-	(277,111)	-
Cultural and recreation	78,989	26,843	412	205,000	153,266	-	153,266	-
Interest on long-term debt	8,818	-	-	-	(8,818)	-	(8,818)	-
Total governmental activities (See Note 1)	3,027,934	76,695	1,143,057	231,598	(1,576,584)	-	(1,576,584)	-
Business-type activities:								
Water and sewer	1,265,749	1,556,484	630	127,948	-	419,313	419,313	-
Electric	2,844,738	2,821,645	11,524	-	-	(11,569)	(11,569)	-
Total business-type activities	4,110,487	4,378,129	12,154	127,948	-	407,744	407,744	-
Total primary government	\$ 7,138,421	\$ 4,454,824	\$ 1,155,211	\$ 359,546	(1,576,584)	407,744	(1,168,839)	-
Component unit:								
ABC Board	\$ 877,112	\$ 875,074	\$ -	\$ -	-	-	-	(2,038)
Total component unit	\$ 877,112	\$ 875,074	\$ -	\$ -	\$ -	\$ -	\$ -	(2,038)
General revenues:								
Taxes:								
Property taxes, levied for general purpose					968,186	-	968,186	-
Other taxes					24,127	-	24,127	-
Grants and contributions not restricted to specific programs					918,908	-	918,908	-
Unrestricted investment earnings					24,656	40,218	64,874	1,226
Miscellaneous					73,836	-	73,836	-
Extraordinary Item: Gain on insurance recovery					-	1,281,046	1,281,046	-
Total general revenues not including transfers					2,009,713	1,321,264	3,330,977	1,226
Transfers					(86,587)	86,587	-	-
Total general revenues and transfers					1,923,126	1,407,851	3,330,977	1,226
Change in net position					346,542	1,815,595	2,162,136	(812)
Net position, beginning, as previously reported					3,382,563	8,701,413	12,083,977	184,887
Prior period restatement - change in accounting principle						-		-
Net position, beginning					3,382,564	8,741,554	12,124,119	184,887
Net position, ending					\$ 3,729,106	\$ 10,557,149	\$ 14,286,255	\$ 184,075

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

**City of Dogwood
Balance Sheet
Governmental Funds
June 30, 2023**

	Major Funds			Total Non-Major Funds	Total Governmental Funds
	General	Emergency Telephone System	Parking and Recreation		
ASSETS					
Cash and cash equivalents	\$ 552,318	\$ 8,000	\$ 23,400	\$ 25,251	\$ 608,969
Restricted cash and cash equivalents	57,996	-	-	-	57,996
Receivables, net:					
Taxes	63,235	-	-	-	63,235
Accounts	874	4,415	-	4,670	9,959
Interest	127	-	-	-	127
Due from other governments	82,300	10,000	-	5,000	97,300
Due from other funds	3,000	-	-	-	3,000
Advance to other funds	27,000	-	-	-	27,000
Due from component unit	3,700	-	-	-	3,700
Lease Receivable	53,063	-	-	-	53,063
Inventories	1,245	-	-	-	1,245
Total assets	844,858	22,415	23,400	34,921	925,594
LIABILITIES					
Accounts payable and accrued liabilities	104,010	17,000	-	5,000	126,010
Due to other funds	2,200	-	-	-	2,200
Due to other governments	6,055	-	-	-	6,055
Total liabilities	112,265	17,000	-	5,000	134,265
DEFERRED INFLOWS OF RESOURCES					
Property taxes receivable	57,180	-	-	-	57,180
Leases	53,002	-	-	-	53,002
Prepaid taxes	15,502	-	-	-	15,502
Total deferred inflows of resources	125,684	-	-	-	125,684
FUND BALANCES					
Non Spendable					
Inventories	1,245	-	-	-	1,245
Leases Receivable, net (see Note I.E. 12)	61	-	-	-	61
Perpetual maintenance	-	-	-	25,056	25,056
Restricted					
Stabilization by State Statute	133,379	-	-	-	133,379
Streets	4,084	-	-	-	4,084
Public Safety	-	5,415	-	-	5,415
Economic Development	53,912	-	-	-	53,912
Education	-	-	-	4,295	4,295
Assigned					
Parking and Recreation	-	-	23,400	-	23,400
Subsequent year's expenditures	76,541	-	-	-	76,541
Unassigned	337,687	-	-	-	337,687
Total fund balances	606,909	5,415	23,400	29,351	665,075
Total liabilities, deferred inflows of resources and fund balances	\$ 844,858	\$ 22,415	\$ 23,400	\$ 34,351	

(cont)

**City of Dogwood
Balance Sheet
Governmental Funds
June 30, 2023**

**Exhibit 3
(cont)**

Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1) are different because:

Total Fund Balance, Governmental Funds		\$ 665,075
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Gross capital assets at historical cost	\$ 7,817,894	
Accumulated depreciation	(3,463,814)	
Less Internal Service Fund's beginning net capital assets included as net position below (include the addition to accumulated depreciation less capital outlays during the year)	(24,670)	4,329,410
Right to use leased assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Right to use assets at historical cost	\$ 168,135	
Accumulated amortization	(58,624)	109,511
Deferred outflows of resources related to pensions are not reported in the funds		359,983
Deferred outflows of resources related to OPEB are not reported in the funds		38,331
Other long-term assets (accrued interest receivable from taxes) are not available to pay for current-period expenditures and therefore are inflows of resources 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 position.	32,704	
Consolidation adjustment for internal balances between the Internal Service Fund and the Governmental Funds	(300)	32,404
Earned revenues considered deferred inflows of resources in fund statements.		57,180
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds		
Long-term debt included as net position below (includes the addition of long-term debt and principal payments during the year.)	(539,761)	
Net pension liability	(388,210)	
Total pension liability	(219,382)	
OPEB liability	(710,011)	(1,857,365)
Deferred inflows of resources related to pensions are not reported in the funds		(12,289)
Deferred inflows of resources related to OPEB are not reported in the funds		(3,595)
Other long-term liabilities (accrued interest) are not due and payable in the current period and therefore are not reported in the funds.		(2,489)
Net position of governmental activities		<u>\$ 3,729,105</u>

Note to preparer: The amounts for contributions to the pension plan in the reconciliation differ from Exhibit 1 because a portion of these amounts have been allocated to the internal service fund on Exhibit 6. The amounts on these two exhibits should be the same for units with no internal service fund.

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
June 30, 2023

	Major Funds			Total Non-Major Funds	Total Governmental Funds
	General Fund	Emergency Telephone System	Parking and Recreation		
REVENUES					
Ad valorem taxes	\$ 969,504	\$ -	\$ -	\$ -	\$ 969,504
Other taxes and licenses	24,127	-	-	-	24,127
Unrestricted intergovernmental	918,908	-	-	-	918,908
Restricted intergovernmental	266,334	785,000	200,000	115,000	1,366,334
Permits and fees	42,347	-	-	-	42,347
Sales and services	25,147	-	-	8,771	33,918
Investment earnings	23,956	-	5,000	412	29,368
Miscellaneous	581	-	-	-	581
Total revenues	2,270,904	785,000	205,000	124,183	3,385,087
EXPENDITURES					
Current:					
General government	1,055,084	-	-	2,095	1,057,179
Public safety	565,716	785,038	-	-	1,350,754
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	43,823	-	-	-	43,823
Interest and other charges	7,731	-	-	-	7,731
Capital outlay	-	-	590,000	-	590,000
Total expenditures	2,414,372	785,038	590,000	117,095	3,906,505
Excess (deficiency) of revenues over expenditures	(143,468)	(38)	(385,000)	7,088	(521,418)
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
Lease liabilities issued	34,840	-	-	-	34,840
IT subscription agreement	48,781	-	-	-	48,781
Total other financing sources (uses)	118,634	-	408,400	-	527,034
Net change in fund balance	(24,834)	(38)	23,400	7,088	5,616
Fund balances, beginning	631,661	5,453	-	22,263	659,377
Change in reserve for inventories	82	-	-	-	82
Fund balances, ending	\$ 606,909	\$ 5,415	\$ 23,400	\$ 29,351	\$ 665,075

(cont)

Note to Preparer: The City of Dogwood budgets an Economic Development Fund that does not meet the GASBS 54 definition of a Special Revenue Fund as its primary revenue source is a transfer of assigned revenues from the General Fund. Under certain circumstances, it can also be a transfer of committed revenues from the General Fund. Review Memo #2010-35 which addresses components of Fund Balance for more information. This fund is consolidated in the General Fund for reporting purposes.

City of Dogwood
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
June 30, 2023

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

Net changes in fund balances - total governmental funds	\$ 5,616	
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	\$ 1,095,939	
Depreciation expense for governmental assets	(231,977)	
Asset impairment loss	(268,745)	595,217
Right to used leased asset capital outlay expenditures which were capitalized		
	83,621	
Amortization expense for intangible assets	(34,241)	49,380
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		
		91,915
Benefit payments paid and administrative expense for the LEOSA are not included on the Statement of Activities		
		17,024
OPEB benefit payments and administrative costs made in the current fiscal year are not included on the Statement of Activities		
		26,715
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 unavailable revenue for tax revenues	(1,318)	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 position. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
New long-term debt issued	(283,621)	
Principal payments on long-term debt	43,823	
Increase in accrued interest payable	(1,087)	(240,885)
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	(46,321)	
Pension expense	(112,162)	
OPEB plan expense	(49,717)	(208,200)
Consolidation adjustment for the Internal Service Fund and the Governmental Funds		
Net revenue of internal service fund	(704)	
Portion of revenue allocated to business-type activities	(300)	(1,004)
Total changes in net position of governmental activities	\$ 346,542	

Note to preparer: The amounts for contributions to the pension plan in the reconciliation differ from Exhibit 1 because a portion of these amounts have been allocated to the internal service fund on Exhibit 6. The amounts on these two exhibits should be the same for units with no internal service fund.

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

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, 2023

	General Fund				Emergency Telephone System Fund			
	Original	Final	Actual Amounts	Variance with Final Budget - Positive (Negative)	Original	Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:								
Ad valorem taxes	\$ 970,385	\$ 970,385	\$ 969,504	\$ (881)	\$ -	\$ -	\$ -	\$ -
Other taxes and licenses	25,000	23,000	24,127	1,127	-	-	-	-
Unrestricted intergovernmental	886,259	952,858	918,908	(33,950)	-	-	-	-
Restricted intergovernmental	280,250	225,380	266,334	40,954	762,000	790,000	785,000	(5,000)
Permits and fees	40,200	42,000	42,347	347	-	-	-	-
Sales and services	20,000	21,820	25,147	3,327	-	-	-	-
Investment earnings	19,000	18,080	23,804	5,724	-	-	-	-
Miscellaneous	-	2,000	581	(1,419)	-	-	-	-
Total revenues	2,241,094	2,255,523	2,270,752	15,229	762,000	790,000	785,000	(5,000)
Expenditures:								
Current:								
General government	573,353	1,051,238	1,055,084	(3,846)	-	-	-	-
Public safety	581,256	583,988	565,716	18,272	762,000	790,000	785,038	4,962
Transportation	397,000	393,101	392,840	261	-	-	-	-
Environmental protection	265,000	259,600	257,918	1,682	-	-	-	-
Culture and recreation	140,000	91,309	91,260	49	-	-	-	-
Debt service:								
Principal retirement	12,500	44,000	43,823	177	-	-	-	-
Interest and other charges	5,600	7,800	7,731	69	-	-	-	-
Contingency	4,000	4,000	-	4,000	-	-	-	-
Total expenditures	1,978,709	2,435,036	2,414,372	20,664	762,000	790,000	785,038	4,962
Revenues over (under) expenditures	262,385	(179,513)	(143,620)	35,893	-	-	(38)	(38)
Other financing sources (uses):								
Transfers from other funds	10,000	10,813	10,813	-	-	-	-	-
Transfers to other funds	(296,385)	(320,300)	(320,300)	-	-	-	-	-
Sales of capital assets	5,000	5,000	5,000	-	-	-	-	-
Insurance recovery	-	325,000	325,000	-	-	-	-	-
Lease liabilities issued	19,000	35,000	34,840	(160)	-	-	-	-
IT subscription agreement	-	49,000	48,781	(219)	-	-	-	-
Total other financing sources (uses)	(262,385)	104,513	104,134	(379)	-	-	-	-
Fund balance appropriated	-	75,000	-	125,000	-	-	-	-
Net change in fund balance	\$ -	\$ -	(39,486)	\$ (89,107)	\$ -	\$ -	(38)	\$ (38)
Fund balances, beginning			592,401				5,453	
Change in reserve for inventories			82				-	
Fund balances, ending			\$ 552,997				\$ 5,415	
A legally budgeted Economic Development Fund is consolidated into the General Fund for reporting purposes:								
Interest Income			152					
Transfer from the General Fund			14,500					
Fund Balance, Beginning			39,260					
Fund Balance, Ending (Exhibit 4)			\$606,909					

Note to preparer: Though GAAP requires expenditures to be presented by function in the basic financial statements, the State of North Carolina requires that the Emergency Telephone System Fund expenditures be presented in more detail in the supplementary information.

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

City of Dogwood
Statement of Fund Net Position
Proprietary Funds
June 30, 2023

	Major Enterprise Funds			Internal Service
	Electric Fund	Water and Sewer Fund	Total	Fund
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 41,843	\$ 136,321	\$ 178,164	\$ 22,874
Accounts receivable (net) - billed	160,909	78,336	239,245	-
Accounts receivable (net) - unbilled	54,262	21,472	75,734	-
Lease receivable	-	13,463	13,463	-
Accrued interest receivable - lease	\$ -	\$ 868	868	\$ -
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	56,105	1,675,055	1,731,160	-
Total current assets	413,127	2,038,361	2,451,488	28,174
Noncurrent assets:				
Lease receivable	-	44,269	44,269	-
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
Right to use leased assets, net of amortization		28,291	28,291	
Capital assets	997,672	12,588,296	13,585,968	24,670
Total noncurrent assets	997,672	12,632,565	13,630,237	24,670
Total assets	1,410,799	14,670,926	16,081,725	52,844
DEFERRED OUTFLOWS OF RESOURCES				
Pension deferrals	45,132	180,529	225,661	6,914
OPEB deferrals	5,104	20,414	25,518	776
Deferred charge on refunding	-	157,614	157,614	-
Total deferred outflows of	50,236	358,557	408,793	7,690
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	202,957	62,010	264,967	2,900
Accrued interest payable	-	528	528	-
Due to other funds	160	3,240	3,400	-
Bond anticipation notes payable	-	675,000	675,000	-
Compensated absences - current	12,000	9,000	21,000	-
Lease liabilities - current	-	9,423	9,423	-
General obligation bonds payable- current	-	449,022	449,022	-
Revenue bond payable - current	-	34,339	34,339	-
Liabilities payable from restricted assets:				
Accounts payable	-	115,557	115,557	-
Customer deposits	56,105	16,930	73,035	-
Total current liabilities	271,222	1,375,049	1,646,271	2,900
Noncurrent liabilities:				
Advance from other funds	-	27,000	27,000	-
Compensated absences	26,200	41,900	68,100	2,400
Lease liabilities	-	19,416	19,416	-
Net pension liability	51,727	206,907	258,634	7,923
Total OPEB liability	94,588	378,353	472,941	14,368
General obligation bonds payable- noncurrent	-	2,509,592	2,509,592	-
Revenue bond payable - noncurrent	-	872,584	872,584	-
Total noncurrent liabilities	172,515	4,055,752	4,228,267	24,691
Total liabilities	443,737	5,430,801	5,874,538	27,591
DEFERRED INFLOWS OF RESOURCES				
Pension deferrals	1,083	4,332	5,415	166
OPEB deferrals	479	1,916	2,395	73
Leases	-	51,321	51,321	-
Total deferred inflows of resources	1,562	57,569	59,131	239
NET POSITION				
Net investment in capital assets	997,672	9,677,045	10,674,717	-
Restricted pursuant to loan requirements	-	109,725	109,725	-
Unrestricted	18,064	(245,657)	(227,593)	32,704
Total net position	\$ 1,015,736	\$ 9,541,113	10,556,849	\$ 32,704
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.			300	
Net position of business-type activities			\$ 10,557,149	

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 to 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 Position
Proprietary Funds
For the Year Ended June 30, 2023

	Major Enterprise Funds			Internal Service Fund
	Electric Fund	Water and Sewer Fund	Total	
OPERATING REVENUES				
Charges for services	\$ 2,821,645	\$ 1,531,554	\$ 4,353,199	\$ 32,930
Water and sewer taps	-	12,100	12,100	-
Other operating revenues	11,524	630	12,154	-
Total operating revenues	2,833,169	1,544,284	4,377,453	32,930
OPERATING EXPENSES				
Administration	79,826	357,407	437,233	-
Finance	54,323	80,996	135,319	-
Electric operations	153,288	-	153,288	-
Electric power purchases	2,379,120	-	2,379,120	-
Water treatment and distribution	-	286,587	286,587	-
Waste collection and treatment	-	191,353	191,353	-
Garage operations	-	-	-	29,567
Depreciation and amortization	178,273	260,635	438,908	4,767
Total operating expenses	2,844,830	1,176,978	4,021,808	34,334
Operating income (loss)	(11,661)	367,306	355,645	(1,404)
NONOPERATING REVENUES (EXPENSES)				
Lease revenue	-	12,830	12,830	-
Investment earnings	1,228	38,990	40,218	700
Interest and other charges	-	(78,979)	(78,979)	-
Bond issuance costs	-	(10,000)	(10,000)	-
Total nonoperating revenue (expenses)	1,228	(37,159)	(35,931)	700
Income (loss) before contributions and transfers	(10,433)	330,147	319,714	(704)
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 position	(16,419)	1,831,714	1,815,295	(704)
Beginning net position	1,032,155	7,709,399	8,741,554	33,408
Total net position, ending	\$ 1,015,736	\$ 9,541,113	\$ 10,556,849	\$ 32,704

Change in net position - enterprise funds	1,815,295
Adjustment to reflect the consolidation of internal service fund activities	300
Change in net position - business-type activities	\$ 1,815,595

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 Year Ended June 30, 2023

	Major Enterprise Funds			Internal Service Fund
	Electric Fund	Water and Sewer Fund	Total	
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 2,818,627	\$ 1,550,249	\$ 4,368,876	\$ 32,830
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	(156,589)	(759,759)	(916,348)	(21,856)
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	63,911	583,012	646,923	6,574
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Decrease in due to other funds	(20)	(10)	(30)	100
Increase in advances from other funds	-	30,000	30,000	-
Transfers from other funds	-	97,400	97,400	-
Transfers to other funds	(5,986)	(4,827)	(10,813)	-
Net cash provided (used) by noncapital financing activities	(6,006)	122,563	116,557	100
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, lease and equipment contracts	-	(326,577)	(326,577)	-
Bond issuance costs	-	(10,000)	(10,000)	-
Interest paid on bond, lease and equipment contracts	-	(83,860)	(83,860)	-
Cash received from a cell tower and license agreement	-	13,911	13,911	-
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	(100,010)	(1,035,887)	(1,135,897)	(1,000)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest and dividends	1,228	38,122	39,350	700
Net increase (decrease) in cash and cash equivalents	(40,877)	(292,190)	(333,067)	6,374
Balances, beginning	138,825	2,103,566	2,242,391	16,500
Balances, ending	\$ 97,948	\$ 1,811,376	\$ 1,909,324	\$ 22,874

(continued)

City of Dogwood
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2023

(continued)

Reconciliation of operating income to net cash provided by operating activities

Operating income	\$ (11,661)	\$ 367,306	\$ 355,645	\$ (1,404)
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization	178,273	260,635	438,908	4,766
Changes in assets, deferred outflows of resources, 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)	1,841	(3,764)	1,796
(Increase) in prepaid items	(125)	(260)	(385)	-
(Increase) decrease in deferred outflows of resources - pensions	(23,387)	(93,550)	(116,937)	(3,582)
Decrease in deferred outflows of resources - OPEB	1,986	7,943	9,929	302
Increase (decrease) in net pension liability	24,330	97,319	121,648	3,726
Increase (decrease) in deferred inflows of resources - pensions	(879)	(3,515)	(4,394)	(135)
Increase (decrease) in accounts payable and accrued liabilities	(79,294)	(84,836)	(164,130)	107
Increase in customer deposits	(20,129)	(3,183)	(23,312)	-
Increase in accrued vacation pay	2,350	22,925	25,275	834
Increase in deferred inflows of resources - OPEB	479	1,916	2,395	73
Increase in OPEB liability	592	2,366	2,958	90
Total adjustments	75,572	215,706	291,278	7,977
Net cash provided by operating activities	<u>\$ 63,911</u>	<u>\$ 583,012</u>	<u>\$ 646,923</u>	<u>\$ 6,573</u>

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

NOTES TO THE FINANCIAL STATEMENTS

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City of Dogwood, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2023

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:

Note to Preparer: North Carolina Local Government COVID-19 resources may be found [here](#).

A. Reporting Entity

The City of Dogwood (the “City”) 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 financial statements 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 of cash, inventory, and capital assets disclosures of the Board. This satisfies reporting required by GASB Statement No. 14, as amended by GASB Statements Nos. 39 and 61.

B. Basis of Presentation

Government-wide Statements: The statement of net position 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 specific function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a specific program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

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

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

Note to preparer: As a result of the implementation of GASB Statement No. 84, *Fiduciary Activities*, the City's previous Fines and Forfeitures Agency Fund has been reclassified as a nonmajor special revenue fund, leaving the City of Dogwood with no fiduciary funds for reporting purposes. The notes to the City financial statements have been revised to remove references to fiduciary funds and fiduciary fund statements. This may be different for other municipalities so preparers should analyze their individual municipalities and report appropriately. Preparers can refer to the 2023 Carolina County illustrative financial statements for guidance on the presentation and note disclosures applicable to fiduciary activities under GASB Statement No. 84. Preparers should refer to the guidance in Memo 2021-04 on the DST Website. NCGS 159-13(a)(3) excludes **trust and custodial** fund transactions from being budgeted. With the implementation of GASB 84 during the fiscal year ending June 30, 2021, fines and forfeitures should be budgeted, accounted for and reported in a special revenue fund.

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. Additionally, the City has legally adopted an Economic Development Fund. Under GASB 54 guidance the Economic Development Fund is consolidated

in the General Fund. The budgetary comparison for the Economic Development Fund has been included in the supplemental information.

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's 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.

Fines and Forfeitures Special Revenue Fund. This fund accounts for various legal fines and forfeitures that the City is required to remit to the Carolina County Board of Education.

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 operations. An Electric Rate Stabilization Fund has been consolidated into the Electric Fund for financial reporting purposes. The budgetary comparison for the Electric Rate Stabilization Fund has been included in the supplemental information.

Water and Sewer Fund. This fund is used to account for the City's water and sewer operations. A Water and Sewer Capital Projects Fund has been consolidated into the Water and Sewer Fund for financial reporting purposes. The budgetary comparison for the Water and Sewer Capital Projects Fund has been included in the supplemental information.

The City reports the following fund type:

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.

Note to preparer: If your unit has ARPA funds in a special revenue funds please refer to Carolina County Illustrative Statements for guidance.

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 and Proprietary Fund Financial Statements. The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the

accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the 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 non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the 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/amortization on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of general long-term debt and acquisitions under leases and IT subscriptions are reported as other 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 revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013, and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Note to preparer: Any motor vehicle property taxes collected by the State 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 State via the County should be reported as an intergovernmental receivable.

The SLGFD anticipates that any receivables from limited registration plates will be immaterial. They have been included in the note for illustrative purposes.

Sales taxes and certain intergovernmental revenues, such as the beer and wine tax, collected and held by the State at year-end on behalf of the City are recognized as revenue. Sales taxes are considered a shared revenue for the City of Dogwood because the tax is levied by Carolina County and then remitted to and distributed by the State. Most intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. All taxes, including those dedicated for specific purposes are reported as general revenues rather than program revenues. Under the terms of grant agreements, the 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 is both restricted and unrestricted net position 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 general revenues.

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 Economic Development Fund, the Emergency Telephone Special Revenue Fund, the Fines and Forfeitures 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 capital 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 project level for the multi-year funds. All amendments must be approved by the governing board and the Board must adopt an interim budget that covers that time until the annual ordinance can be adopted. 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, Deferred Outflows/Inflows of Resources, 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, any 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 States or obligations fully guaranteed both as to principal and interest by the United States, obligations of the State of North Carolina, bonds and notes of any North Carolina local government or public authority, obligations of certain non-guaranteed federal agencies, certain high quality issues of commercial paper and bankers’ acceptances, and the North Carolina Capital Management Trust (NCCMT). The City’s and the ABC Board’s investments are generally reported at fair value. The NCCMT Government Portfolio, a SEC-registered (2a-7) external investment pool, is measured at amortized cost, which approximates fair value, and is the NCCMT’s share price. Because the NCCMT Government Portfolio has a weighted average maturity of less than 90 days, it is presented as an investment with a maturity of less than 6 months.

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.

Note to Preparer: Specific disclosures for the NCCMT, STIF, BIF and BlackRock’s MSCI ACWI EQ Index Non-Lendable Class B fund were **NOT** available at publication date but will be updated on the [DST Website](#) titled “Retirement & Investment Disclosures for Fiscal Year Ended June 30, **2023**.”

2. Cash and Cash Equivalents

The City pools money from several funds to facilitate disbursement and investment and to maximize investment income and considers all cash and investments to be cash and cash equivalents. 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. Money in the Economic Development Fund is classified as restricted assets because its use is restricted to the Economic Development Fund per NC G.S. Chapter 159, Article 3, Part 2. Powell Bill funds are also classified as restricted cash because they can be expended only for the purposes outlined in G.S. 136-41.1 through 136-41.4

City of Dogwood Restricted Cash

Governmental Activities

General Fund

Streets	\$	4,084
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Economic Development		53,912
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Total governmental activities	\$	57,996
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Business-type Activities

Electric Fund

Customer deposits		56,105
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Water and Sewer Fund

Customer deposits		16,930
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Unexpended bond proceeds		1,658,125
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Total Business-type Activities	\$	1,731,160
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Total Restricted Cash	\$	1,789,156
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4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the 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, 2022. 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. Leases Receivable

The City's leases receivable are measured at the present value of lease payments expected to be received during the lease term. Under the lease agreement, the City may receive variable lease payments that are dependent upon the lessee's revenue. The variable payments are recorded as an inflow of resources in the period the payment is received.

A deferred inflow of resources is recorded for leases. The deferred inflow of resources is recorded at the initiation of the lease in an amount equal to the initial recording of the lease receivable. The deferred inflow of resources is amortized on a straight-line basis over the term of the lease.

7. 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 recognized as expenditures when purchased. If significant, the amount of inventory on hand at year end is reported on the balance sheet in the governmental funds. However, in the Government-wide Statement Activities the cost of these inventories is expensed as the items are used.

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.

8. 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; computer software, \$5,000; and computer equipment, \$500. Donated capital assets received prior to June 30, 2015, are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 30, 2015, are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. General infrastructure assets acquired prior to July 1, 2003, consist of the road network and water and sewer system assets that were acquired or that received substantial improvements 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 functionality of the asset or materially extend assets' lives are not capitalized.

The City's capital assets also include certain right to use assets. These right to use assets arise in association with agreements where the City reports a lease (only applies when the City is the lessee) or agreements where the City reports an Information Technology (IT) Subscription in accordance with the requirements of GASB 87 and GASB 96, respectively.

The right to use lease assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made at or prior to the start of the lease term, less lease incentives received from the lessor at or prior to the start of the lease term, and plus ancillary charges necessary to place the lease asset into service. The right to use lease assets are amortized on a straight-line basis over the life of the related lease.

The right to use IT subscription assets are initially measured at an amount equal to the initial measurement of the subscription liability plus any subscription payments made at the start of the subscription term, if applicable, plus capitalizable initial implementation costs at the start of the subscription term, less any incentives received from the IT subscription vendor at the start of the subscription term. Subscription payments, as well as payments for capitalizable implementation costs made before the start of the subscription term should be reported as a prepayment (asset). Such prepayments should be reduced by any incentives received from the same vendor before the start of the subscription term if a right of offset exists. The net amount of the prepayments and incentives should be reported as an asset or liability, as appropriate, before the start of the subscription term at which time the amount should be included in the initial measurement of the subscription asset. The right to use subscription assets should be amortized on a straight-line basis over the subscription term.

Note to Preparer: For more information, please refer to GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. Statement 51 requires internally generated/modified computer software to be capitalized. Like other internally generated intangible assets, computer software should be expensed until the occurrence of all of requirements listed in GASB 51 paragraph 8.

GASB Statement No. 72 requires that donations of specific capital assets during fiscal years beginning after June 15, 2015, be measured at acquisition value. For more information on the acquisition value requirements for certain donated capital assets, please refer to paragraph 79 of GASB Statement No. 72.

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
Computer software	5
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

9.

Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. For the 2023 fiscal year the City has three items that meet this criterion, pension deferrals, OPEB deferrals and an unamortized loss on a bond defeasance for Water and Sewer refunding bonds. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The City has several items that meet the criterion for this category, prepaid taxes, property taxes receivable **unavailable revenues (reported only on the Balance Sheet of the Governmental Funds)**, leases, and pension and OPEB deferrals.

Note to preparer: The deferred inflows of resources 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). These penalties will not be due to the LEA until received. Therefore, they should not be included in deferred inflows of resources. When cash is finally received for these penalties, it will immediately be set aside for the LEA in the Fines and Forfeitures Special Revenue Fund (formerly the Agency fund prior to the implementation of GASB Statement No. 84). Please refer to Memorandum #1060 for more background.

Note to preparer: The implementation of Tag and Tax Together deems prepaid motor vehicle property taxes obsolete. Prepaid property taxes will not include taxes paid on motor vehicles.

10. Long-Term Obligations

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

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

11. Compensated Absences

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

12. Net Position/Fund Balances

Net Position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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

Lease Receivable, net – portion of fund balance that is not an available resource because it is not in spendable form. The reported amount is calculated by reducing the lease receivable by the related deferred inflow of resources.

Perpetual maintenance – Cemetery resources that are required to be retained in perpetuity for maintenance of the City of Dogwood Cemetery.

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

Note to Preparer: Restricted and Committed classifications of fund balance must be listed by purpose. The name of the restricting source is not a purpose. Example: Restricted for Powell Bill should be labeled “Restricted for Streets” not “Restricted for Powell Bill”.

Restricted for Stabilization by State statute - North Carolina G.S. 159-8 prohibits units of government from budgeting or spending a portion of their fund balance. This is one of several statutes enacted by the North Carolina State Legislature in the 1930's that were designed to improve and maintain the fiscal health of local government units. Restricted by State Statute (RSS) is calculated at the end of each fiscal year for all annually budgeted funds. The calculation in G.S. 159-8(a) provides a formula for determining what portion of fund balance is available for appropriation. The amount of fund balance not available for appropriation is what is known as “restricted by State statute”. Appropriated fund balance in any fund shall not exceed the sum of cash and investments minus the sum of liabilities,

encumbrances, and deferred revenues arising from cash receipts, as those figures stand at the close of the fiscal year next preceding the budget. Per GASB guidance, RSS is considered a resource upon which a restriction is “imposed by law through constitutional provisions or enabling legislation.” RSS is reduced by inventories, prepaids and lease receivables in excess of deferred inflows of resources for leases, as they are classified as nonspendable. Outstanding Encumbrances are included within RSS. RSS is included as a component of Restricted Net position and Restricted fund balance on the face of the balance sheet.

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

Restricted for Public Safety – portion of fund balance that is restricted by revenue source for certain emergency telephone system expenditures.

Restricted for Economic Development - portion of fund balance restricted for economic development [G.S. Chapter 159, Article 3, Part 2].

Restricted for Education – portion of fund balance that is restricted for the Carolina County Board of Education.

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

Assigned fund balance – portion of fund balance that City of Dogwood intends to use for specific purposes.

Note to Preparer: Unit of government must disclose the body or official that has authority to assign fund balance to a specific purpose and the policy by the governing body that established this authorization.

Assigned for Parking and Recreation – portion of fund balance that has been budgeted by the Board for construction of a public baseball field.

Subsequent year’s expenditures – portion of fund balance that is appropriated in the next year’s budget that is not already classified in restricted or committed. The governing body approves the appropriation; however, the budget ordinance authorizes the manager to modify the appropriations by resource or appropriation within funds up to \$100,000.

Unassigned fund balance – the portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds and that has not been reported as nonspendable fund balance.

The City of Dogwood has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Officer will use resources in the following hierarchy: bond proceeds, federal funds, State funds, local non-city funds, city funds. For purposes of fund balance classification expenditures are to be spent from restricted fund balance first, followed in order by committed fund balance, assigned fund balance and lastly unassigned fund balance. The Finance Officer has the authority to deviate from this policy if it is in the best interest of the City.

Note to Preparer: Although units of governments are not required to adopt one, the minimum fund balance policy should be disclosed if one has been adopted. Units should modify this language to reflect their own policies.

The City of Dogwood has also adopted a minimum fund balance policy for the general fund which instructs management to conduct the business of the City in such a manner that available fund balance is at least equal to or greater than 5% of budgeted expenditures. Any portion of the general fund balance in excess of 5% of budgeted expenditures may be appropriated for one-time expenditures and may not be used for any purpose that would obligate the City in a future budget.

13. Defined Benefit Cost-Sharing Plans

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

For purposes of measuring the net pension expense, information about the fiduciary net position of the Firefighters' and Rescue Squad Workers' Pension Fund (FRSWPF) and additions to/deductions from FRSWPF's fiduciary net position have been determined on the same basis as they are reported by FRSWPF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Note to preparer: If the revenue and expense amounts contributed by the State are deemed immaterial, make no note disclosure regarding the FRSWPF. RSI for the FRSWPF should be excluded as well. This paragraph should be modified if retiree benefits are being provided through the State's Retiree Health Benefit Fund (RHBF) or the Disability Income Plan of NC (DIPNC). Please see the Carolina County Board of Education Statements for sample reporting for both of these plans.

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 performance bond for the Finance Officer or other employee that does not meet the revised requirements of G.S. 159-29, "Fidelity bonds," or material instances of budgetary noncompliance in any funds based on the legal level of budgetary control. A corrective action plan should be included for each statutory violation. Immaterial instances of noncompliance can be disclosed in the management letter.

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 of Individual Funds not appropriated in subsequent year's budget ordinance

Note to preparer: Any individual funds with a deficit in fund balance should be disclosed along with the Unit's action to fund the deficit in the subsequent year as required by NC G.S. 159-13(b)(2): *The full amount of any deficit in each fund shall be appropriated.*

C. Excess of Expenditures over Appropriations

For the fiscal year ended June 30, 2023, the expenditures made in the City's General Fund exceeded the authorized appropriations made by the governing board for general government activities by \$3,846. 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: All excess expenditures over appropriations should be disclosed. For material variances, include a corrective action plan.

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 the entities' 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. 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, 2023, the City's deposits had a carrying amount of \$431,697 and a bank balance of \$454,673. 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 \$77,038 and the bank balance was \$50,000. All of the bank balance was covered by federal depository insurance. At June 30, 2023, the City's petty cash fund totaled \$1,600.

Note to preparer: The unit should disclose if 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 Government Portfolio, the following statement is all that is required for GASB 40 disclosure: "At June 30, 2023, the City of Dogwood had \$556,592 invested with the North Carolina Capital Management Trust's Government Portfolio which carried a credit rating of AAAM by Standard and Poor's (S&P). The City has no policy regarding credit risk."

Note to preparer: City of Dogwood demonstrates the specific identification method requiring that each investment be listed. If the segmented time distribution method is preferred, please see Carolina County.

At June 30, 2023, the City's investment balances were as follows:

Investments by Type	Valuation Measurement Method	Book Value at 6/30/2023	Maturity	Rating
Repurchase Agreement	Cost	\$ 300,000	Daily	N/A
US Treasuries	Fair Value Level 1	258,938	August 30, 2023	AAA
Government Agency: Federal Home Loan Bank	Fair Value Level 2	312,348	December 31, 2023	AAA
Urban County Bonds	Fair Value Level 1	737,988	September 30, 2024	AAA
NC Capital Management Trust – Government Portfolio	Fair Value Level 1	556,592	N/A	AAAm
Total:		<u>\$2,165,866</u>		

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

Level of fair value hierarchy: Level 1 debt securities are valued using directly observable, quoted prices (unadjusted) in active markets for identical assets. Level 2 debt securities are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' benchmark quoted prices.

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 in the notes. 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.

When fair value measurements are used in determining the amounts recognized in the financial statements, GASB Statement No. 72 requires additional disclosures to be made in the notes about fair value measurements, the level of fair value hierarchy, and valuation techniques. Governments should organize these disclosures by type of asset or liability reported at fair value. The statement also requires additional disclosures regarding investments in certain entities that calculate net asset value per share (or its equivalent).

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 AAAm by Standard and Poor's and AAA-mf by Moody's Investors Service. The City's investment in Urban County Bonds is rated AAA by Standard and Poor's and Aaa by Moody's Investor Services. The City's investment in the NC Capital Management Trust Government Portfolio carried a credit rating of AAAm by Standard & Poor's and AAA-mf by Moody's Investors Service as of June 30, 2023.

Note to preparer: Credit risk must be disclosed for the North Carolina Capital Management Trust for the Government Portfolio. If the unit does not have any investment in the Government Portfolio, the respective sentences should be omitted. Repurchase agreements 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 and Urban County Bonds. These investments are 14.4% and 34.1%, respectively, 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.

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 Position includes penalties levied and outstanding in the amount of \$6,055. The amounts presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2023, are net of the following allowances for doubtful accounts:

General Fund:	
Taxes receivable	\$ 20,032
Accounts receivable	318
Total General Fund	20,350
Enterprise Funds	
Electric Fund - accounts receivable	3,564
Water and Sewer Fund - accounts receivable	2,437
Total Enterprise Funds	6,001
Total	\$ 26,351

4. Leases Receivable

In a previous year the City's Water and Sewer Enterprise Fund entered into a 10-year lease as the lessor. The agreement is a cell tower license agreement with Reliable Wireless, LLC (Reliable) which allows Reliable to install, maintain, and operate radio operations equipment on the City's tower at 1044 Dogwood Parkway. Reliable also has the right to construct and use an equipment storage area at the site. Reliable is required to make fixed annual payments. In fiscal year 2023, the City recognized \$12,830 of lease revenue and \$868 of interest revenue under the lease. The payment during the current fiscal year was \$13,911. The payment amount will increase 3% in each subsequent year of the remaining 4 year term. The agreement does not contain a stated rate. Accordingly, the City's estimated incremental borrowing rate of 1.5% was used to discount the minimum lease payments.

In April 2023, the City entered into a lease with a coffee vendor. Under the lease, the coffee vendor pays the City \$1,000 per month for sixty months in exchange for operating its business within a 100 square foot section in the lobby of the City Hall building. In months where the lessee's gross revenue from the space exceeds \$10,000, the lessee makes an additional variable payment equal to five percent of the excess revenue. The lease receivable is measured as the present value of the future minimum rent payments expected to be received during the lease term at a discount rate of 3%, which is the stated rate in the agreement.

In fiscal year 2023, the City recognized \$2,790 of lease revenue and \$398 of interest revenue under the lease. In addition, the City recognized \$351 in variable lease revenue equal to five percent of the lessee's reported excess revenue during the year.

(Continued on next page)

5. Capital Assets

Primary Government

Capital asset activity for the Primary Government for the year ended June 30, 2023, 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	2,472,086	395,240	268,745	2,598,581
Other improvements	599,494	-	-	599,494
Equipment and furniture	774,517	70,499	21,350	823,666
Vehicles and motorized equipment	439,526	35,720	42,695	432,551
Computer Software	5,000	-	-	5,000
Computer equipment	26,489	4,480	-	30,969
Infrastructure	2,457,863	-	-	2,457,863
Total capital assets being depreciated	6,774,975	505,939	332,790	6,948,124
Less accumulated depreciation for:				
Buildings	1,082,474	22,023	-	1,104,497
Other improvements	414,058	22,403	-	436,461
Equipment and furniture	496,602	63,885	21,350	539,137
Vehicles and motorized equipment	276,989	66,076	42,695	300,370
Computer Software	120	125	-	245
Computer equipment	19,821	7,379	-	27,200
Infrastructure	1,001,052	54,852	-	1,055,904
Total accumulated depreciation	3,291,116	236,743	64,045	3,463,814
Total capital assets being depreciated, net	3,483,859	269,196	268,745	3,484,310
Capital assets being amortized:				
Right to use assets:				
Leased vehicles	-	13,396	-	13,396
Leased equipment	-	21,444	-	21,444
Leased police storage space	60,957	-	-	60,957
IT subscriptions	23,557	48,781	-	72,338
Total capital assets being amortized	84,514	83,621	-	168,135
Less accumulated amortization for:				
Right to use assets:				
Leased vehicles	-	4,466	-	4,466
Leased equipment	-	2,144	-	2,144
Leased police storage space	24,383	6,096	-	30,479
IT subscriptions	-	21,535	-	21,535
Total accumulated amortization	24,383	34,241	-	58,624
Total capital assets being amortized, net	60,131	49,380	-	109,511
Governmental Activities capital assets, net	\$ 3,811,760	\$ 920,576	\$ 268,745	\$ 4,463,591

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

General Government	\$ 47,590
Public Safety	23,211
Transportation	121,399
Environmental protection	58,937
Culture & recreation	15,080
Depreciation on capital assets held in the City's service fund charged to function based on usage	4,767
Total depreciation expense	<u>\$ 270,984</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 deprectiated	1,680,657	145,010	-	1,825,667
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	939,122	178,273	-	1,117,395
Total capital assets being depreciated, net	741,535	(33,263)	-	708,272
Electric fund capital assets, net	1,030,935	(33,263)	-	997,672

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	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	3,674,160	2,368,954	9,781,456
Capital assets being amortized:				
Right to use assets:				
Leased office space	66,014	-	-	66,014
Total capital assets being amortized	66,014	-	-	66,014
Less accumulated amortization for:				
Leased office space	28,292	9,431	-	37,723
Total accumulated amortization	28,292	9,431	-	37,723
Total capital assets being amortized, net	37,722	(9,431)	-	28,291
Water and Sewer fund capital assets, net	10,144,908	4,812,342	2,368,954	12,588,296
Business-type activities capital assets, net	\$ 11,175,843	4,778,719	2,368,954	\$ 13,585,968

Construction commitments

The government has active construction projects as of June 30, 2023. 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	\$ 3,145,049	\$ 2,408,501

Discretely presented component unit

Capital asset activity for the ABC Board for the year ended June 30, 2023, 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	<u>\$ 94,164</u>			<u>\$ 87,375</u>

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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.

Note to Preparer: The financial statement amounts for the pension liability and OPEB liability / asset presented in the updated fiscal year-end 2023 illustrative statements were not changed from the amounts presented in the prior fiscal year. Since both the pension and OPEB GASB statements were implemented and updated in the Illustrated statements at least two years ago, financial statement preparers should have now had experience with them. LGC Staff is reverting to our historical practice of only changing amounts in the illustrative statements that are the result of any new accounting and reporting changes required for the FYE 2023.

Conversion workbooks were updated to include the current fiscal year- end Pension and OPEB data. The pension data used in development of the updated conversion workbooks was from the LGERS, ROD & TSERS JE Templates that are all available on the NC DST Financial Statement Resources listed by each Unit Type under Pension Resources. **Memorandum #2024-01, “Firefighter’s and Rescue Squad Workers’ Pension Fund Disclosure Amounts” on the DST website provides the information to make the required Firefighters’ Plan disclosures.**

a. Local Governmental Employees' Retirement System

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

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

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. City of Dogwood employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The City of Dogwood's contractually required contribution rate for the year ended June 30, 2023, was 9.70% of compensation for law enforcement officers and 8.95% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the City of Dogwood were \$155,000 for the year ended June 30, 2023.

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

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

At June 30, 2023, the City reported a liability of \$654,766 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2021. The total pension liability was then rolled forward to the measurement date of June 30, 2022, utilizing update procedures incorporating the actuarial assumptions. The City's proportion of the net pension liability was based on a projection of the City's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2022 (measurement date), the City's proportion was 0.023%, which was a decrease of 0.003% from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the City recognized pension expense of \$190,762. At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 101,015	\$ 3,390
Changes of assumptions	173,750	-
Net difference between projected and actual earnings on pension plan investments	89,880	-
Changes in proportion and differences between City contributions and proportionate share of contributions	51,648	10,320
City contributions subsequent to the measurement date	155,000	-
Total	<u>\$ 571,293</u>	<u>\$ 13,710</u>

The \$155,000 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2023. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2024	\$ 184,190
2025	122,911
2026	30,560
2027	64,922
2028	-

Actuarial Assumptions. The total pension liability in the December 31, 2022, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	3.25 to 8.25 percent, including inflation and productivity factor
Investment rate of return	6.50 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2021, valuation were based on the results of an actuarial experience study for the period January 1, 2011, through December 31, 2015.

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

The projected long-term investment returns, and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2022, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	33.0%	0.9%
Global Equity	38.0%	6.5%
Real Estate	8.0%	5.9%
Alternatives	8.0%	8.2%
Credit	7.0%	5.0%
Inflation Protection	6.0%	2.7%
Total	100%	

The information above is based on 30-year expectations developed with the consulting actuary for the 2021 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

Discount rate. The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's proportionate share of the net pension liability to changes in the discount rate. The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.00 percent, as well as what the City's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent) or one percentage point higher (8.00 percent) than the current rate:

	1% Decrease (5.50%)	Discount Rate (6.50%)	1% Increase (7.50%)
City's proportionate share of the net pension liability (asset)	\$ 1,572,806	\$ 654,766	\$ (112,362)

Note to preparer: Please use the most authoritative source for the current year's proportionate share numbers. These can be found on the Valuation Report located under Pension Resources on our website.

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

b. Law Enforcement Officers Special Separation Allowance

Note to preparer: Notes for the Law Enforcement Officers' Special Separation Allowance should be based on data specific to your unit. Assumptions, measurement dates, and other information requiring disclosure will not be uniform across all units in the state. Please refer to your actuarial valuation report for specifics for your LEOSA note and to GASB Statement No. 73 for specific disclosure requirements.

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 under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to 0.85 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 City law enforcement officers are covered by the Separation Allowance. At December 31, 2021, the valuation date, the Separation Allowance's membership consisted of:

Retirees receiving benefits	4
Terminated plan members entitled to but not yet receiving benefits	0
Active plan members	6
Total	<u>10</u>

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. Benefits are recognized when due and payable in accordance with the terms of the plan.

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

3. Actuarial Assumptions

The entry age actuarial cost method was used in the December 31, 2021, valuation. The total pension liability in the December 31, 2021, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	3.50 to 8.10 percent, including inflation and productivity factor
Discount rate	2.98 percent

Note to preparer: Please use the most authoritative source for the current year's actuarial assumptions. These can be found on the Valuation Report located under Pension Resources on our website.

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2021.

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

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 amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The City's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The City paid \$16,031 as benefits came due for the reporting period.

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

At June 30, 2023, the City reported a total pension liability of \$219,382. The total pension liability was measured as of December 31, 2022, based on a December 31, 2021, actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2022, utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2023, the City recognized pension expense of \$15,914.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 8,028	\$ -
Changes of assumptions	4,119	4,160
County benefit payments and plan administrative expense made subsequent to the measurement date	9,118	-
Total	<u>\$ 21,265</u>	<u>\$ 4,160</u>

\$9,118 paid as benefits came due subsequent to the measurement date have been reported as deferred outflows of resources. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2024	\$	2,103
2025		2,103
2026		2,009
2027		1,312
2028		460

Sensitivity of the City's total pension liability to changes in the discount rate. The following presents the City's total pension liability calculated using the discount rate of 2.98 percent, as well as what the City's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.98 percent) or 1-percentage-point higher (3.98 percent) than the current rate:

	1% Decrease (1.98%)	Discount Rate (2.98%)	1% Increase (3.98%)
Total pension liability	\$ 235,544	\$ 219,382	\$ 204,541

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

	2023
Beginning balance	\$ 215,657
Service Cost	7,090
Interest on the total pension liability	6,721
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	894
Changes of assumptions or other inputs	5,051
Benefit payments	(16,031)
Other changes	-
Ending balance of the total pension liability	<u>\$ 219,382</u>

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

The actuarial assumptions used in the December 31, 2021, valuation was based on the results of an actuarial experience study for the period January 1, 2015, through December 31, 2019.

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

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

	LGERS	LEOSSA	Total
Pension Expense	\$ 190,762	\$ 15,914	\$ 206,676
Pension Liability	654,766	219,382	874,148
Proportionate share of the net pension liability	0.02760%	n/a	
Deferred Outflows of Resources			
Differences between expected and actual experience	101,015	8,028	109,043
Changes of assumptions	173,750	4,119	177,869
Net difference between projected and actual earnings on plan investments	89,880	-	89,880
Changes in proportion and differences between contributions and proportionate share of contributions	51,648	-	51,648
Benefit payments and administrative costs paid subsequent to the measurement date	155,000	9,118	164,118
Deferred Inflows of Resources			
Differences between expected and actual experience	3,390	-	3,390
Changes of assumptions	-	4,160	4,160
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	10,320	-	10,320

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 Annual Comprehensive Financial Report for the State of North Carolina. The State's Annual Comprehensive Financial Report includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy. Article 12E of 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. The law enforcement officers may also make voluntary contributions to the plan. The City made contributions of \$20,000 for the reporting year. No amounts were forfeited.

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.

c. Firefighters' and Rescue Squad Workers' Pension Fund

Note to preparer: Memorandum #2024-01, "Firefighter's and Rescue Squad Workers' Pension Fund Disclosure Amounts" on the DST website provides the information to make the required Firefighters' Plan disclosures. The information below uses the format \$x,xxx and x.xx percent to present dollars and percentages. This has been done to emphasize that each year the information must be obtained from the appropriate sources to complete the disclosures.

Plan Description. The State of North Carolina contributes, on behalf of the City of Dogwood, to the Firefighters' and Rescue Squad Workers' Pension Fund (FRSWPF), a cost-sharing multiple-employer defined benefit pension plan with a special funding situation administered by the State of North Carolina. FRSWPF provides pension benefits for eligible fire and rescue squad workers who 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. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the state Senate, one appointed by the state House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Firefighters' and Rescue Squad Workers' Pension Fund is included in the Annual Comprehensive Financial Report (ACFR) for the State of North Carolina. The State's Annual Comprehensive Financial Report (ACFR) includes financial statements and required supplementary information for the Firefighters' 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, by calling (919) 981-5454, or at www.osc.nc.gov.

Benefits Provided. FRSWPF provides retirement and survivor benefits. The present retirement benefit is \$170 per month. Plan members are eligible to receive the monthly benefit at age 55 with 20 years of creditable service as a firefighter or rescue squad worker and have terminated duties as a firefighter or rescue squad worker. Eligible beneficiaries of members who die before beginning to receive the benefit will receive the amount paid by the member and contributions paid on the member's behalf into the plan. Eligible beneficiaries of members who die after beginning to receive benefits will be paid the amount the member contributed minus the benefits collected.

Contributions. Plan members are required to contribute \$xx per month to the plan. The State, a non-employer contributor, funds the plan through appropriations. The City does not contribute to the plan. Contribution provisions are established by General Statute 58-86 and may be amended only by the North Carolina General Assembly. For the fiscal year ending June 30, 2023, the State contributed \$xxx,xxx,xxx to the plan. The City of Dogwood's proportionate share of the State's contribution is \$x,xxx.

Refunds of Contributions – Plan members who are no longer eligible or choose not to participate in the plan may file an application for a refund of their contributions. Refunds include the member's contributions and contributions paid by others on the member's behalf. No interest will be paid on the amount of the refund. The acceptance of a refund payment cancels the individual's right to employer contributions, or any other benefit provided by FRSWPF.

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

At June 30, 2023, the City reported no liability for its proportionate share of the net pension liability, as the State provides 100% pension support to the City through its appropriations to the FRSWPF. The total portion of the net pension liability that was associated with the City and supported by the State was \$10,228. The net pension liability was measured as of June 30, 2022. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2021. The total pension liability was then rolled forward to the measurement date of June 30, 2022, utilizing update procedures incorporating the actuarial assumptions. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers. As the City is not projected to make any future contributions to the plan, its proportionate share at June 30, 2023, and at June 30, 2022, was 0%. For the year ended June 30, 2023, the City recognized pension expense of \$x,xxx and revenue of \$x,xxx for support provided by the State. At June 30, 2023, the City reported no deferred outflows of resources and no deferred inflows of resources related to pensions.

Actuarial Assumptions. The total pension liability in the December 31, 2021, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	x.x percent
Salary increases	Not applicable
Investment rate of return	x.xx percent, net of pension plan investment expense, including inflation

For more information regarding actuarial assumptions, including mortality tables, the actuarial experience study, the consideration of future ad hoc COLA amounts, the development of the projected long-term investment returns, and the asset allocation policy, refer to the discussion of actuarial assumptions for the LGERS plan in Section a. of this note.

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

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

Note to preparer: If the State's contribution on behalf of the unit of government is immaterial, no reference to the pension plan is needed – note disclosures and RSI can be excluded. The FRSWP Schedule of Employer Contributions has been excluded from RSI for City of Dogwood because the City of Dogwood makes no contributions to the plan.

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. 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. For those who use the Alternative Method of calculation for the net OPEB liability please refer to the City of Dogwood appendix.

Plan Description. Under the terms of a City resolution, the City administers a single employer defined benefit Healthcare Benefits Plan (the HCB Plan). The City Board has the authority to establish and amend the benefit terms and financing requirements. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

Benefits Provided. Prior to July 1, 2007, retirees qualified for benefits similar to those of employees after a minimum of five years of creditable service with the City. The City pays the full cost of coverage for employees' benefits through private insurers and employees have the option of purchasing dependent coverage at the City's group rates. Employees hired on or after July 1, 2007, who retire with a minimum of 20 years of creditable service also have the option of purchasing coverage for themselves and dependents at the City's group rate. Employees hired on or after July 1, 2007, who retire with less than 20 years of service are not eligible for postemployment coverage. Retirees who qualify for coverage receive the same benefits as active employees. Coverage for all retirees who are eligible for Medicare will be transferred to a Medicare Supplemental plan after qualifying for Medicare. The City Council may amend the benefit provisions. A separate report was not issued for the plan.

Retired Employees' Years of Creditable Service	Date Hired	
	Pre-July 1, 2007	On or after July 1, 2007
Less than 5 years	Not eligible for coverage	Not eligible for coverage
5 - 20 years	Full coverage paid for by City	Not eligible for coverage
20+ years	Full coverage paid for by City	Full coverage paid for by City

Note to preparer: Please include specific details regarding who is and who is not covered under the plan, any employer cap to contributions, when or if Medicare assumes coverage, what benefits are included, etc.

Membership of the HCB Plan consisted of the following on December 31, 2021, 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	<u>18</u>	<u>10</u>

Total OPEB Liability

The City's total OPEB liability of \$1,197,321 was measured as of December 31, 2022 and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs. The total OPEB liability in the December 31, 2022, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	3.0 percent
Salary increases	2.5 percent, average, including inflation
Discount rate	3.18 percent
Healthcare cost trend rates	Medical – 6.5%
	Prescription – 7.25%
	Admin Expenses – 3.00%

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of the measurement date.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at July 1, 2022	1,189,833
Changes for the year	
Service cost	12,037
Interest	24,101
Changes of benefit terms	-
Differences between expected and actual experience	23,680
Changes in assumptions or other inputs	(7,330)
Benefit payments	(45,000)
Net changes	7,488
Balance at June 30, 2023	1,197,321

Changes in assumptions and other inputs reflect a change in the discount rate from 3.17% to 3.18%.

Mortality rates were based on the RP-2014 Total Data Set for Healthy Annuitants Mortality Table.

The actuarial assumptions used in the December 31, 2022, valuation were based on the results of an actuarial experience study for the period January 2011 through December 2015.

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.18 percent) or 1-percentage-point higher (4.18 percent) than the current discount rate:

	1% Decrease	Discount Rate (3.18%)	1% Increase
Total OPEB liability	\$ 1,276,684	\$ 1,197,321	\$ 1,113,805

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

	(Medical - 5.5%, Prescription -6.25%, Admin Expenses - 2.00%)	Discount Rate (Medical - 6.5%, Prescription - 7.25%, Admin Expenses - 3.00%)	(Medical - 7.5%, Prescription - 8.25%, Admin Expenses - 4.00%)
Total OPEB liability	\$ 1,180,535	\$ 1,197,321	\$ 1,258,785

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

For the year ended June 30, 2023, the City recognized OPEB expense of \$83,840. At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 19,575	\$ -
Changes of assumptions	-	6,063
Benefit payments and administrative costs made subsequent to the measurement date	45,050	
Total	<u>\$ 64,625</u>	<u>\$ 6,063</u>

\$45,050 reported as deferred outflows of resources related to OPEB resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2023. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2024	\$	2,805
2025		2,805
2026		2,805
2027		2,805
2028		2,292

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. Because all death benefit payments are made from the Death Benefit Plan and not by the City, the City does not determine the number of eligible participants. 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. Contributions are determined as a percentage of monthly payroll based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. The City considers these contributions to be immaterial.

Note to preparer: In the disclosure above, the Board opted to provide the Local Government Employees' Retirement System (LGERS) as the only group-term life insurance available 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.

2. 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. Coverage 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 insured values of the property policy, workers' compensation coverage up to statutory limits, and employee health coverage. The liability and property exposures are reinsured through commercial carriers for claims in excess of retentions as selected by the Board of Trustees each year. Excess insurance coverage is purchased by the Board of Trustees to protect against large workers' compensation claims that exceed certain dollar cost levels. Medical stop loss insurance is purchased by the Board of Trustees to protect against large medical claims that exceed certain dollar cost levels. Specific information on the limits of the reinsurance, excess and stop loss policies purchased by the Board of Trustees can be obtained by contacting the Risk Management Services Department of the NC League of Municipalities. The pools are audited annually by certified public accountants, and the audited financial statements are available to the City upon request.

The City carries commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage from the prior year and settled claims have not exceeded insurance 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 is individually bonded for \$1,000,000. 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 disclose the amounts of the fidelity bond and blanket bond separately. In cases in which the Finance Officer serves as finance officer for two separate entities, a City and a Tourism Development Authority, for example, each unit should have assurance that it is protected in the case of finance officer impropriety. See Memorandum # 2014-08 for further guidance.

4. Claims, Judgments and Contingent Liabilities

At June 30, 2023, 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.

5. Short -Term Debt

The City did not have any short-term debt outstanding at the beginning of the year. The following short-term debt was issued during the year and remains outstanding at the end of the year.

Bond Anticipation Notes

Water and Sewer Notes issued on June 29, 2023, and due on November 30, 2023, interest at 3.0%. The notes will be repaid from a \$750,000 bond issue expected to be sold in the next fiscal year.

\$675,000

6. Long-Term Obligations

a. Leases

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

The City entered into a lease for storage space for the Police Department Property and Evidence unit. The initial term of the lease was 120 months with a term of 60 months remaining at June 30, 2023. The City was required to make monthly fixed payments of \$541 in FY23. The monthly required payments increase by 2% each subsequent year. The lease does not contain a stated interest rate. Accordingly, the City's estimated incremental borrowing rate of 1.5% was used to discount the remaining minimum lease payments. The liability balance as of June 30, 2023 is \$33,235.

The City entered into two lease agreements during the past fiscal year. The first agreement was executed on July 1, 2022, to lease maintenance vehicles and requires 36 monthly payments of \$417. There are no variable payment components of the lease. The lease liability is measured at a discount rate of 8%, which is the stated rate in the lease agreement. The liability balance as of June 30, 2023 is \$9,220.

The second agreement was executed on January 1, 2023, to lease a copy machine and requires 60 monthly payments of \$403. There are no variable payment components of the lease. The lease liability is measured at a discount rate of 5%, which is the stated rate in the lease agreement. The liability balance as of June 30, 2023 is \$19,451.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2023, were as follows:

Year Ending June 30	Principal Payments	Interest Payments	Total
2024	\$ 14,547	\$ 1,917	\$ 16,464
2025	15,344	1,253	16,597
2026	10,995	733	11,728
2027	11,458	408	11,866
2028	9,562	93	9,655
	<u>\$ 61,906</u>	<u>\$ 4,404</u>	<u>\$ 66,310</u>

Note to preparer: In paragraph 19 of GASB 87, *Leases*, contracts that transfer ownership of the underlying asset and do not contain termination options are reported as financed purchases, not leases. If both conditions exist in a contract or a group of contracts, then the liability is subject to the requirements of GASB 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. Contracts of this nature will need to be assessed to determine how GASB 88 debt disclosures should be addressed.

(Continued on next page)

b. Installment Purchase

In January 2023, the City entered into a \$200,000 direct placement contract to finance parking improvements for a municipal park. The property is pledged as collateral for the debt while the debt is outstanding. The financing contract requires principal payments beginning in fiscal year 2024 with interest rates ranging from 4.50 to 4.95 percent.

Annual debt service principal and interest payments for the installment purchase as of June 30, 2023, are as follows:

Year Ending June 30	Direct Placement	
	Governmental Activities	
	Principal	Interest
2024	\$ 10,000	\$ 8,475
2025	10,000	7,625
2026	10,000	6,775
2027	10,000	5,925
2028	10,000	5,075
2029-2033	50,000	22,025
2034-2038	50,000	18,750
2039-2043	50,000	14,750
Total	\$ 200,000	\$ 89,400

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, 2023, are comprised of the following individual issues:

General Obligation Bonds

Serviced by the General Fund:

\$100,000, 2019 Public Safety serial bonds due on January 1 and July 1 in installments of \$5,000 plus interest through July 1, 2029; interest at 4.00 percent.

\$ 60,000

Serviced by the Water and Sewer Fund:

\$3,301,450, 2011 USDA-Water and Sewer serial bonds. Annual installments of \$109,725 plus interest were paid through January 1, 2021. The remainder of the loan requires annual installments of \$149,022 plus interest from January 1, 2022, through January 1, 2036; interest is at 3.5%.

1,908,614

\$1,350,000, 2020 Water and Sewer Refunding bonds interest due on June 30 and December 31 and principal due in annual installments of \$150,000 through December 31, 2029; interest at 3.00 percent.

1,050,000

\$ 2,958,614

Annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ending June 30	Bond Issuance Governmental Activities		Direct Placement Business-type Activities	
	Principal	Interest	Principal	Interest
2024	\$ 10,000	\$ 2,300	\$ 449,022	\$ 101,494
2025	10,000	1,900	411,592	82,500
2026	10,000	1,500	503,000	69,930
2027	10,000	1,100	255,000	57,325
2028	10,000	700	110,000	46,900
2029-2033	10,000	300	630,000	173,250
2034-2037			600,000	52,500
Total	\$ 60,000	\$ 7,800	\$ 2,958,614	\$ 583,899

At June 30, 2023, the City of Dogwood had bonds authorized but unissued of \$1,000,000 and a legal debt margin of \$10,847,306.

d. Revenue Bond

\$1,000,000 Water and Sewer Revenue Bonds, Series 2020 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 are as follows:

Year Ending June 30	Principal	Interest
2024	\$ 34,339	\$ 47,613
2025	36,142	45,810
2026	38,039	43,913
2027	40,036	41,916
2028	42,138	39,814
2029-2033	233,666	92,119
2034-2038	238,743	89,067
2039-2043	243,820	86,015
Total	<u>\$ 906,923</u>	<u>\$ 486,267</u>

The City is 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 2020. 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, 2023, is as follows:

Operating revenues	\$1,544,284
Operating expenses*	916,343
Operating income	367,306
Nonoperating revenues (expenses)**	<u>12,167</u>
Income available for debt service	<u>379,473</u>
Debt service, principal and interest paid (Revenue bond only)	\$ 75,952
Debt service coverage ratio	500%

* Per rate covenants, this does not include the depreciation expense of \$260,635.

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

Note to preparer: The auditor working with a local government unit that has outstanding bonds should include in the notes to the audited financial statements, whether required by the revenue bond documents or not, a calculation demonstrating compliance with the revenue bond rate covenant. Additionally, the auditor should be aware that any other bond compliance statements or additional reports required in the authorizing bond documents need to be submitted to the LGC simultaneously with the local governments audited financial statements, unless otherwise specified in the bond documents. 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 additional 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 2020. 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 2043. Annual principal and interest payments on the bonds are expected to require less than 6% of operating 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 operating revenues were \$75,952 and \$1,544,284, respectively.

e. Subscriptions

For the year ended June 30, 2023 the City implemented the requirements of GASB Statement No. 96, Subscription-Based Information Technology Arrangements (Subscriptions). The Statement provides a definition of Subscriptions and provides uniform guidance for accounting and financial reporting for such transactions. The guidance will decrease diversity in the accounting and financial reporting for these transactions, thereby, increasing comparability in financial reporting among governments. Further, the reporting of a subscription asset (a right-to-use intangible capital asset) and a subscription liability will enhance the relevance and reliability of the financial statements.

Subscriptions in affect at the end of the prior fiscal year had their assets and liabilities initially measured at the present value of the subscription payments expected over the remaining term of the Subscription after July 1, 2022. One such agreement was in place at June 30, 2022. The Subscription is for a Learning Management System that aids the City in onboarding new employees and provides educational opportunities for employees to enhance their professional development. The initial term of the agreement was three years. The remaining term at June 30, 2023 is eighteen months. The Subscription does not have a stated interest rate. Accordingly, the City's estimated incremental borrowing rate of 1.25% was used to discount the subscription payments. As a result, the amount of \$23,557 was added as a right-to-use subscription asset and a subscription liability as of July 1, 2022. This restatement had no effect on equity. The liability balance at June 30, 2023 was \$11,852.

During the current year the City's Budget Department entered into a new Subscription for a web-based strategy and performance management solution which will allow the City to track its objectives, measures, initiatives, and action items across the entire organization. The term of the agreement is five years. The Subscription does not have a stated interest rate. Accordingly, the City's estimated incremental borrowing rate of 1.25% was used to discount the subscription payments. The initial liability for the subscription was \$48,781. The liability balance remaining at June 30, 2023 was \$38,781.

The future minimum subscription obligations and the net present value of these minimum payments as of June 30, 2023, were as follows:

Year Ending June 30	Principal Payments	Interest Payments	Total
2024	\$ 21,367	\$ 633	\$ 22,000
2025	9,634	366	10,000
2026	9,755	245	10,000
2027	9,877	123	10,000
	<u>\$ 50,633</u>	<u>\$ 1,367</u>	<u>\$ 52,000</u>

e. Refunding

On July 1, 2020, 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, 2023, there are \$1,000,000 of bonds outstanding that are considered defeased.

Note to preparer: Dogwood assumes that the refunding transaction does not require any disclosures necessary to comply with GASB Statement No. 86. Units are encouraged to review any refunding transactions to determine if additional disclosures are necessary.

f. Changes in Long-Term Liabilities.

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

	Beginning Balance, as restated	Increases	Decreases	Ending Balance	Current Portion of Balance
Governmental activities:					
Installment Purchase - Direct					
Placement	\$ -	\$ 200,000	\$ -	\$ 200,000	\$ 10,000
General obligation bonds	70,000	-	10,000	60,000	10,000
Lease liabilities	39,183	34,840	12,117	61,906	14,548
IT Subscription liabilities	23,557	48,781	21,705	50,633	21,367
Compensated absences	122,860	85,224	38,461	169,623	37,750
Total OPEB liability	719,849	4,530	-	724,379	-
Net pension liability (LGERS)	209,812	186,320	-	396,132	-
Total pension liability (LEO)	215,657	3,725	-	219,382	-
Governmental activity long-term liabilities	\$ 1,400,918	\$ 563,420	\$ 82,283	\$ 1,882,055	\$ 93,665
Business-type activities:					
Water and Sewer Fund					
General obligation bonds	\$ 3,288,713	\$ -	\$ 330,099	\$ 2,958,614	\$ 449,022
Revenue bonds	936,549	-	29,626	906,923	34,339
Lease liabilities	38,077		9,238	28,839	9,423
Net pension liability (LGERS)	109,588	97,319	-	206,907	-
Total OPEB liability	375,987	2,366	-	378,353	-
Compensated absences	48,550	17,625	15,275	50,900	9,000
Water and Sewer Fund long-term liabilities	\$ 4,797,464	\$ 117,310	\$ 384,238	\$ 4,530,536	\$ 501,784
Electric Fund					
Net pension liability (LGERS)	27,397	24,330	-	51,727	-
Total OPEB liability	93,997	591	-	94,588	-
Compensated absences	15,275	32,925	10,000	38,200	12,000
Electric Fund long-term liabilities	\$ 136,669	\$ 57,846	\$ 10,000	\$ 184,515	\$ 12,000
Business activity long-term liabilities	\$ 4,934,133	\$ 175,156	\$ 394,238	\$ 4,715,051	\$ 513,784

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 Position. A continuing contract for which there is no formal financing should be included in the commitments note.

C. Interfund Balances and Activity

Note to preparer: The purpose of each transfer must be disclosed. Understanding interfund balances plays a significant role in the determination of fiscal health. The justification and a repayment schedule should be disclosed for balances that are not expected to be repaid within the current fiscal year. *Please do not simply cut and paste the sample note for transfers and due to/from/ advances to/from. This note disclosure should provide a thorough explanation of the purpose of the transfers and /or loans, including terms of repayment for any loans.*

Balances due to/from other funds at June 30, 2023, consist of the following:

Due to the Central Garage Internal Service Fund for the allocation of costs from the:	
Water and Sewer Fund	\$ 240
Electric Fund	160
General Fund	2,200
Total	<u>\$ 2,600</u>

Due to the General Fund from the Water and Sewer Fund for the balance of payments in lieu of taxes that had not been remitted to the General Fund by fiscal year end.	<u>\$ 3,000</u>
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The Internal balances reported in the Government-wide financial statements include:

Due from the Central Garage Fund (Governmental Activities) for its activity allocation to the Proprietary Funds (Business-type Activities)	\$ 300
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The interfund balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Interfund loan - On June 30, 2023, the Water and Sewer Fund borrowed \$30,000 from the General Fund to fund an equipment purchase. The terms of the arrangement require the Water and Sewer Fund to repay the General Fund over ten years with an interest rate of 1.5%. In the Water and Sewer Fund \$3,000 that will be due within the next year is presented as a due to the General Fund; the remaining \$27,000 is presented as an advance from the General Fund.

Note to preparer: G.S. 159B-39, which was effective July 1, 2014, specifies approved uses of Electric Fund revenue. Please specify the components of Electric Fund transfers, for example, payments in lieu of property taxes, and other. See page 122.

Transfers to/from other funds at June 30, 2023, consist of the following:

From the General Fund to the Parking and Recreation Fund to fund the local match required by the grant agreement	\$208,400
From the General Fund to the Water and Sewer Capital Projects Fund to fund the local match required by grant agreement	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	\$316,613

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 for matching funds for various grant programs.

During the 2023 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, non-major governmental funds in the aggregate, non-major 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. The staff of the State and Local Government Finance Division prefers that interfund transfers be listed by individual fund names.

D. Extraordinary Event

On July 2, 2022, 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 an 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*.

E. On-Behalf Payments for Fringe Benefits and Salaries

Note to preparer: Payments made by the State of North Carolina on behalf of the City of Dogwood have been addressed in the FRSWP note. The amount presented in the supplemental schedule includes on-behalf payments for the Firemen's Relief Fund.

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, 2023. 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. See Note VI., Joint Ventures, for additional discussion of the City's involvement with the Fireman's Relief Fund.

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. If payment from the Firemen's Relief Fund is not made to the government unit, the on-behalf payments paragraph can be excluded from the audit report.

F. **Net Investment in Capital Assets**

Note to preparer: If the net investment in capital assets amount is not easily determinable based on the amounts presented in the basic financial statements, please submit a calculation. It may be submitted in a document separate from the audit submission.

G. Fund Balance

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

Total fund balance-General Fund	\$606,909
Less:	
Inventories	1,245
Leases	61
Stabilization by State Statute	133,379
Streets-Powell Bill	4,084
Appropriated Fund Balance in 2023 budget	76,541
Economic Development	53,912
Working Capital / Fund Balance Policy	128,170
Remaining Fund Balance	<u>\$209,517</u>

The City of Dogwood has adopted a minimum fund balance policy for the General Fund which instructs management to conduct the business of the City in such a manner that available fund balance is at least equal to or greater than 5% of budgeted expenditures.

Note to Preparer: The above schedule is prepared from the General Fund Balance Sheet as presented in the basic financial statements. Each restriction, commitment, and assignment of fund balance should be included in the calculation above.

The unit should also include any other items that the board authorized even if it is included in unassigned fund balance on the Balance Sheet. This is where the unit can disclose any fund balance policies and subtract it from the remaining amount. In this example the fund balance policy is included in unassigned fund balance. In unusual circumstances fund balance policies can be included in Committed Fund Balance. For more information on GASB 54 components of fund balance please review Memo 2010-35 on our website.

The unit is also required to disclose the dollar amount of outstanding encumbrances for all major funds and non-major funds in the aggregate. Outstanding encumbrances are not shown on the face of the statement but are included in Stabilization by State Statute (RSS); however, in funds other than the General Fund they might be shown as some other restricted amount. In either case the amount of significant outstanding encumbrances must be disclosed for **each major fund** and in the **aggregate for non-major funds**. Below is an example of such disclosure. The outstanding encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year-end.

<i>Encumbrances</i>	<i>General Fund</i>	<i>Non-Major Funds</i>
	\$10,450	\$0

Note to preparer: General Fund encumbrances should include those for the legally adopted general fund as well as any funds consolidated into the general fund for a GAAP presentation in accordance with GASB Statement No. 54.

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 position; a condensed statement of revenues, expenses, and changes in net position; and a condensed statement of cash flows. See paragraph 122 of GASB Statement 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, who 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, 2023, were \$2,379,120.

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, 2023.

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 proceeds from other default remedies are insufficient. The City contributed \$51,876 to the Airport during the fiscal year ended June 30, 2023. 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, 2023. 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, 2023. 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 lightning 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, 2023, 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, 2023. 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

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.

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.

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.

XI. Restatements

Prior Period Adjustment

Note to preparer: There were no prior period adjustment this year. An example would be: During the fiscal year ended June 30, 2023, the City determined that certain unrestricted intergovernmental revenues that were subject to accrual in the General Fund as of June 30, 2021, 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 position was not affected.

Change in Accounting Principle

Note to preparer: GASB Statement No. 96, Subscription-Based Information Technology Arrangements, was implemented for the current year. However, the implementation did not have an affect on equity. Accordingly, there is no restatement to report. See Note III Detail Notes on All Funds; B. Liabilities; 6. Long-Term Obligations; e. Subscriptions for further discussion.

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City of Dogwood, North Carolina
City of Dogwood's Proportionate Share of Net Pension Liability (Asset)
Required Supplementary Information
Last Nine Fiscal Years *

	2023	2022	2021	2020	2019	2018	2017	2016
Dogwood's proportion of the net pension liability (asset) (%)	0.02760%	0.02270%	0.02616%	0.02918%	0.02896%	0.02898%	0.02980%	2.89100%
Dogwood's proportion of the net pension liability (asset) (\$)	\$ 654,766	\$ 346,796	\$ 555,206	\$ 130,958	\$ 127,938	\$ (170,909)	\$ 350,204	\$ 284,254
Dogwood's covered payroll	\$ 1,534,527	\$ 1,850,442	\$ 1,698,336	\$ 1,689,436	\$ 1,757,029	\$ 1,673,361	\$ 1,593,542	\$ 1,548,652
Dogwood's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	42.67%	18.74%	32.69%	7.75%	7.28%	(10.21%)	21.98%	18.35%
Plan fiduciary net position as a percentage of the total pension liability**	xx.xx%	xx.xx%	xx.xx%	xx.xx%	xx.xx%	xx.xx%	xx.xx%	xx.xx%

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

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

Note to preparer: The information source for the "Plan fiduciary net position as a percentage of the total pension liability" is the State of North Carolina Annual Comprehensive Financial Report (ACFR). The information is included as required supplementary information on the "Schedule of Changes in the Net Pension Liability and Related Ratios" for the Local Governmental Employees' Retirement System. The information above uses the format x.xx% to present these percentages. This has been done to emphasize that each year the information must be obtained from the appropriate source to prepare the schedule.

Note to preparer: Information is not required to be presented retroactively. This schedule will NOT present 10 years' worth of information until fiscal year 2024.

Note to preparer: Units that report to ORBIT under more than one ORBIT account number should present RSI as a total of their ORBIT accounts.

**City of Dogwood, North Carolina
City of Dogwood's Contributions
Required Supplementary Information
Last Nine Fiscal Years**

Local Government Employees' Retirement System

	2023	2022	2021	2020	2019	2018	2017	2016
Contractually required contribution	\$ 155,000	\$ 120,000	\$ 125,000	\$ 128,000	\$ 127,000	\$ 125,000	\$ 119,478	\$ 118,546
Contributions in relation to the contractually required contribution	155,000	120,000	125,000	128,000	127,000	125,000	119,478	118,546
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Dogwood's covered payroll	\$ 1,923,077	\$ 1,534,527	\$ 1,850,442	\$ 1,698,336	\$ 1,689,436	\$ 1,757,029	\$ 1,673,361	\$ 1,593,542
Contributions as a percentage of covered payroll	8.06%	7.82%	6.76%	7.54%	7.52%	7.11%	7.14%	7.44%

Note to preparer: Information is not required to be presented retroactively. This schedule will NOT present 10 years' worth of information until fiscal year 2024.

City of Dogwood, North Carolina
City of Dogwood's Proportionate Share of Net Pension Liability
Required Supplementary Information
Last Eight Fiscal Years *

Firefighters' and Rescue Squad Workers' Pension

	2023	2022	2021	2020	2019	2018	2017
Dogwood's proportionate share of the net pension liability (%)	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
Dogwood's proportionate share of the net pension liability (\$)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability associated with City of Dogwood	10,228	9,144	6,953	6,743	5,192	5,096	5,348
Total	<u>\$ 10,228</u>	<u>\$ 9,144</u>	<u>\$ 6,953</u>	<u>\$ 6,743</u>	<u>\$ 5,192</u>	<u>\$ 5,096</u>	<u>\$ 5,348</u>
Dogwood's covered payroll	\$ 140,512	\$ 138,992	\$ 137,772	\$ 135,678	\$ 130,000	\$ 128,652	\$ 129,654
Dogwood's proportionate share of the net pension liability as a percentage of its covered payroll	7.28%	6.58%	5.05%	4.97%	3.99%	3.96%	4.12%
Plan fiduciary net position as a percentage of the total pension liability	89.69%	89.35%	84.94%	91.40%	93.42%	92.76%	91.45%

* The amounts presented are for the prior fiscal year.

Note to preparer: Information is not required to be presented retroactively. This schedule will NOT present 10 years' worth of information until fiscal

City of Dogwood, North Carolina
Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance
Last Five Fiscal Years *

	2023	2022	2021	2020	2019
Beginning balance	\$ 215,657	\$ 198,653	\$ 197,516	\$ 194,716	\$ 191,458
Service Cost	7,090	5,779	5,902	5,586	5,673
Interest on the total pension liability	6,721	5,328	7,314	6,479	6,225
Changes of benefit terms	-	18,621	-	-	-
Differences between expected and actual experience in the measurement of the total pension liability	894	8,581	3,927	6,521	7,453
Changes of assumptions or other inputs	5,051	(5,675)	(1,006)	(1,006)	(2,541)
Benefit payments	(16,031)	(15,631)	(15,000)	(14,780)	(13,552)
Other changes	-	-	-	-	-
Ending balance of the total pension liability	<u>\$ 219,382</u>	<u>\$ 215,657</u>	<u>\$ 198,653</u>	<u>\$ 197,516</u>	<u>\$ 194,716</u>

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

Note to preparer: All years for which information is available should be presented up to 10 years. If your valuation report provides information from the prior year(s), present all prior years for which information has been provided to you.

City of Dogwood, North Carolina
Schedule of Total Pension Liability as a Percentage of Covered Payroll
Law Enforcement Officers' Special Separation Allowance
Last Five Fiscal Years

	2023	2022	2021	2020	2019
Total pension liability	\$ 219,382	\$ 215,657	\$ 198,653	\$ 197,516	\$ 194,716
Covered payroll	439,836	423,938	408,615	393,846	384,005
Total pension liability as a percentage of covered payroll	49.88%	50.87%	48.62%	50.15%	50.71%

Notes to the schedules:

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

Note to preparer: All years for which information is available should be presented up to 10 years. If your valuation report provides information from the prior year(s), present all prior years for which information has been provided to you.

City of Dogwood
Schedule of Changes in the Total OPEB Liability and Related Ratios
Last Four Fiscal Years

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Total OPEB Liability				
Service cost	12,037	13,012	12,568	12,162
Interest	24,101	30,306	27,056	26,554
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience	23,680	15,024	17,926	17,852
Changes of assumptions	(7,330)	(6,292)	(6,387)	(6,488)
Benefit payments	(45,000)	(42,000)	(42,750)	(41,585)
Net change in total OPEB liability	<u>7,488</u>	<u>10,050</u>	<u>8,413</u>	<u>8,495</u>
Total OPEB liability - beginning	<u>1,189,833</u>	<u>1,179,783</u>	<u>1,171,370</u>	<u>1,162,875</u>
Total OPEB liability - ending	<u>1,197,321</u>	<u>1,189,833</u>	<u>1,179,783</u>	<u>1,171,370</u>
 Covered payroll	 14,918,116	 14,378,907	 14,378,907	 14,466,206
Total OPEB liability as a percentage of covered payroll	8.03%	8.27%	8.20%	8.10%

Notes to Schedule

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

<u>Fiscal year</u>	<u>Rate</u>
2023	3.18%
2022	3.09%
2021	3.07%
2020	3.12%

1
Note to preparer: All years for which information is available should be presented up to 10 years. If your valuation report provides information from the prior year(s), present all prior years for which information has been provided to you.

City of Dogwood, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2023

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Ad valorem taxes:			
Taxes	\$	\$ 968,407	\$
Interest		1,097	
Total	970,385	969,504	(881)
Other taxes and licenses:			
Gross receipts tax on short-term rental property		17,177	
Animal taxes		6,950	
Total	23,000	24,127	1,127
Unrestricted intergovernmental:			
Local option sales taxes		477,474	
Payments in lieu of taxes (external sources)		132,458	
Telecommunications sales tax		56,639	
Utilities sales tax		117,179	
Piped natural gas sales tax		54,295	
Video franchise fee		63,315	
Beer and wine tax		15,008	
ABC profit distribution		2,540	
Total	952,858	918,908	(33,950)
Restricted intergovernmental:			
Powell Bill allocation		232,457	
Controlled substance tax		15,372	
ABC Revenue for law enforcement		12,000	
On-behalf of payments - Fire and Rescue		3,540	
Solid waste disposal tax		2,965	
Total	225,380	266,334	40,954
Permits and fees:			
Building permits		17,035	
Inspection fees		16,125	
Business registration fee		9,187	
Total	42,000	42,347	347
Sales and services:			
Recreation department fees		22,007	
Lease revenue		3,140	
Total	21,820	25,147	3,327
Investment earnings	18,080	23,804	5,724
Miscellaneous:			
Sale of materials		183	
Interest on lease receivable		398	
Total	2,000	581	(1,419)
Total revenues	2,255,523	2,270,752	15,229

cont.

City of Dogwood, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2023

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Expenditures:			
General government:			
Salaries and employee benefits		184,340	
Professional services		10,414	
Membership dues		5,000	
Other operating expenditures		6,218	
Capital outlay		34,840	
Reimbursement - proprietary funds		(21,195)	
Total		<u>219,617</u>	
Administration:			
Salaries and employee benefits		131,826	
Other operating expenditures		2,733	
Capital outlay		2,030	
Reimbursement - proprietary funds		(40,035)	
Total		<u>96,554</u>	
Finance:			
Salaries and employee benefits		97,347	
Other operating expenditures		17,080	
Capital outlay		51,231	
Reimbursement - proprietary funds		(30,615)	
Total		<u>135,043</u>	
Taxes:			
Salaries and employee benefits		52,000	
Collection fees		1,275	
Other operating expenditures		2,850	
Total		<u>56,125</u>	
Legal:			
Contracted services		5,000	
Public buildings:			
Salaries and employee benefits		191,189	
Vehicle maintenance		600	
Other operating expenditures		20,457	
Capital outlay		356,404	
Reimbursement - proprietary funds		(25,904)	
Total		<u>542,746</u>	
Total general government	1,051,238	1,055,084	(3,846)
Public safety:			
Police:			
Salaries and employee benefits		281,610	
Vehicle maintenance		10,000	
Other operating expenditures		51,870	
Capital outlay		13,000	
Total		<u>356,480</u>	

cont.

City of Dogwood, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2023

	Final Budget	Actual	Variance Positive (Negative)
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>	
			90,055
Rescue units:			
Assistance to local rescue units		1,000	
Total public safety	<u>583,988</u>	<u>565,716</u>	<u>18,272</u>
Transportation:			
Streets and highways:			
Salaries and employee benefits		148,268	
Sidewalk construction		4,799	
Vehicle maintenance		3,000	
Street Lights		124,167	
Contracted services		16,574	
Other operating expenditures		35,459	
Capital outlay		8,697	
Total		<u>340,964</u>	
Contribution to regional airport		51,876	
Total transportation	<u>393,101</u>	<u>392,840</u>	<u>261</u>
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	<u>259,600</u>	<u>257,918</u>	<u>1,682</u>
Culture and recreation:			
Parks and recreation:			
Salaries and employee benefits		52,753	
Vehicle maintenance		2,000	
Other operating expenditures		5,478	
Capital outlay		15,169	
Total		<u>75,400</u>	

cont.

City of Dogwood, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2023

	Budget	Actual	Variance Positive (Negative)
Libraries:			
Contribution to regional library		15,860	
Total culture and recreation	91,309	91,260	49
Debt service:			
Principal retirement	44,000	43,823	177
Interest and other charges	7,800	7,731	69
Total debt service	51,800	51,554	246
Contingency	4,000	-	4,000
Total expenditures	2,435,036	2,414,372	20,664
Revenues over (under) expenditures	(179,513)	(143,620)	35,893
Other financing sources (uses):			
Transfers from other funds:			
Enterprise Funds	10,813	10,813	-
Transfers to other funds:			
Capital Projects Fund	(208,400)	(208,400)	-
Enterprise Fund	(97,400)	(97,400)	-
Economic Development Fund	(14,500)	(14,500)	-
Sale of capital assets	5,000	5,000	-
Insurance Recovery	325,000	325,000	-
Lease liabilities issued	35,000	34,840	(160)
IT subscription agreement	49,000	48,781	(219)
Total	\$ 104,513	104,134	\$ (379)
Fund balance appropriated	75,000	-	75,000
Net change in fund balance	\$ -	(39,486)	\$ (39,486)
Fund balances, beginning		592,401	
Change in reserve for inventories		82	
Fund balances, ending		\$ 552,997	

City of Dogwood
Schedule of Revenues, Expenditures,
and Changes in Fund Balance - Budget and Actual
Economic Development Fund
For the Year Ended June 30, 2023

			Variance Positive (Negative)
Revenues:	Budget	Actual	
	\$ - \$	- \$	-
Investment earnings	300	152	(148)
Total revenues	300	152	(148)
Expenditures:			
Economic Development	14,800	-	14,800
Revenues over expenditures	(14,500)	152	14,652
OTHER FINANCING SOURCES (USES)			
Transfers from other funds	14,500	14,500	-
Net change in fund balance	\$ -	14,652	\$ 14,652
Fund balance, beginning		39,260	
Fund balance, ending		\$ 53,912	

Note to preparer: The City of Dogwood budgets a Economic Development Fund that does not meet the GASB Statement 54 definition of a Special Revenue Fund. The primary revenue source of the Economic Development Fund is a General Fund transfer of unassigned revenues, which is not a restricted or committed revenue resource for a Special Revenue Fund as defined by GASB Statement 54. This fund is consolidated in the General Fund for reporting purposes.

City of Dogwood, North Carolina
Emergency Telephone System Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2023

	Final Budget	Actual	Variance Positive (Negative)
Revenues			
Restricted intergovernmental	790,000	785,000	(5,000)
Interest earned	-	-	-
Total	<u>790,000</u>	<u>785,000</u>	<u>(5,000)</u>
Expenditures			
Public Safety:			
Implemental functions	162,007	162,007	-
Telephone	62,512	62,512	-
Furniture	100,235	100,235	-
Software maintenance	29,500	29,500	-
Hardware maintenance	101,800	96,838	4,962
Training	87,000	87,000	-
Capital outlay	91,572	91,572	-
S.L. 2010-158 Expenditures	155,374	155,374	-
Total	<u>790,000</u>	<u>785,038</u>	<u>4,962</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>(38)</u>	<u>(38)</u>
Other financing sources:			
Transfer in	-	-	-
Appropriated fund balance	-	-	-
Revenues over (under) expenditures	<u>\$ -</u>	<u>(38)</u>	<u>\$ (38)</u>
Fund balance, beginning		5,453	
Fund balance, ending		<u>\$ 5,415</u>	

Note to Preparer: The amounts above should agree with the amounts reported on the PSAP Revenue-Expenditure Report submitted to the State 911 Board. If the amounts do not agree please provide a reconciliation explaining expenditures not reported. Please see Carolina County for a sample reconciliation page.

Note to Preparer: In 2008, the State assumed the responsibility for charging and administering the 911 funds under the new State 911 Board. Session Law 2007-383 became effective January 1, 2008. Any unspent Local land telephone 911 fees should have been transferred into the General Fund for any lawful purpose during the 2007-2008 fiscal year. See memoranda #2011-7, 2010-14, 1105, and 1091 for additional information. It is recommended that any reimbursement for ineligible expenditures made in the prior fiscal year should be presented as a transfer into the Emergency Telephone System Fund.

City of Dogwood
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2023

	Grant Project Fund	Fines and Forfeitures Fund	Cemetery Permanent Fund	Total Nonmajor Governmental Funds
Assets				
Cash and cash equivalents	\$ -	\$ 570	\$ 24,681	\$ 25,251
Accounts receivable, net	-	4,295	375	4,670
Due from other governments	5,000	-	-	5,000
Total assets	\$ 5,000	\$ 4,865	\$ 25,056	\$ 34,921
Liabilities and Fund Balances				
Liabilities:				
Accounts payable and accrued liabilities	\$ 5,000	\$ -	\$ -	\$ 5,000
Due to other governments	-	570	-	570
Total liabilities	5,000	570	-	5,570
Fund balances:				
Nonspendable - Perpetual Maintenance	-	-	25,056	25,056
Restricted - Education	-	4,295	-	4,295
Total fund balances	-	4,295	25,056	29,351
Total liabilities and fund balances	\$ 5,000	\$ 4,865	\$ 25,056	\$ 34,921

Note to Preparer: As a result of the implementation of GASB Statement No. 84 - *Fiduciary Activities*, fines and forfeitures assessed that are required to be remitted to the Carolina County Board of Education, formerly reported as agency funds, are now required to be reported as a governmental fund type. The City of Dogwood has chosen to report these funds in a special revenue fund.

Note to preparer: A 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 fees including, but not limited 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.

City of Dogwood
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2023

	Grant Project Fund	Fines and Forfeitures Fund	Cemetery Permanent Fund	Total Nonmajor Governmental Funds
Revenues:				
Restricted intergovernmental	\$ 115,000	\$ -	\$ -	\$ 115,000
Sales and services	-	3,935	4,836	8,771
Investment earnings	-	-	412	412
Total revenues	115,000	3,935	5,248	124,183
Expenditures:				
Payments of penalties, fines and forfeitures to the Carolina County Board of Education	-	2,095	-	2,095
Economic and physical development	115,000	-	-	115,000
Total expenditures	115,000	2,095	-	117,095
Revenues over expenditures	-	1,840	5,248	7,088
Fund balance, beginning, as previously reported	-		19,808	19,808
Prior period restatement - change in accounting principle	-	2,455	-	2,455
Fund balance, beginning, as restated	-	2,455	19,808	22,263
Fund balance, ending	\$ -	\$ 4,295	\$ 25,056	\$ 29,351

Note to Preparer: As a result of the implementation of GASB Statement No. 84 - *Fiduciary Activities*, fines and forfeitures assessed that are required to be remitted to the Carolina County Board of Education, formerly reported as agency funds, are now required to be reported as a governmental fund type. The City of Dogwood has chosen to report these funds in a special revenue fund.

Note to preparer: A 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 fees including, but not limited 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.

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, 2023

	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	320,000	205,000	115,000	320,000	-
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. For purposes of GASB Statement No. 54 the grants fund example was determined to be a special revenue fund since it did have a specific special revenue source with restricted uses; the revenue source allows for uses other than capital and debt and any capital expenditures are normally for assets for which the unit does not have title.

City of Dogwood, North Carolina
Special Revenue Fund - Fines and Forfeitures Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2023

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Sales and services			
Penalties, fines and forfeitures	\$ 4,000	\$ 3,935	\$ (65)
Total revenues	<u>4,000</u>	<u>3,935</u>	<u>(65)</u>
Expenditures:			
Current:			
General government			
Payments of penalties, fines and forfeitures to the			
Carolina County Board of Education	4,000	2,095	1,905
Total expenditures	<u>4,000</u>	<u>2,095</u>	<u>1,905</u>
Net change in fund balance	<u>\$ -</u>	1,840	<u>\$ 1,840</u>
Fund balance, beginning, as previously reported		-	
Prior period restatement - change in accounting principle		2,455	
Fund balance, beginning, as restated		<u>2,455</u>	
Fund balance, ending		<u>\$ 4,295</u>	

Note to Preparer: As a result of the implementation of GASB Statement No. 84 - *Fiduciary Activities*, fines and forfeitures assessed that are required to be remitted to the Carolina County Board of Education, formerly reported as agency funds, are now required to be reported as a governmental fund type. The City of Dogwood has chosen to report these funds in a special revenue fund.

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

Note to preparer: A 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 fees including, but not limited 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.

City of Dogwood, North Carolina
Capital Projects Fund - Parks and Recreation
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2023

	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>		

Note to Preparer: The City adopted a fund balance spending policy after implementation of GASB Statement No. 54. It requires the City to first use restricted revenues before unrestricted revenues. In this example, fund balance would be classified as assigned fund balance, since the expenditures of \$590,000 used first the long term debt issuance of \$200,000 then \$205,000 of restricted revenue, and the remainder was covered by the \$208,400 unrestricted revenue. In other circumstances fund balance could be classified as Committed in Capital Project Funds. Please review Memo #2010-35 which addresses components of Fund Balance.

City of Dogwood, North Carolina
Electric Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Year Ended June 30, 2023

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Operating revenues:			
Residential		\$ 2,105,457	
Commercial and industrial		477,083	
Municipal usage		250,000	
Total	\$ 2,830,000	2,832,540	\$ 2,540
Other operating revenues		11,524	
Total operating revenues	2,840,000	2,844,064	4,064
Nonoperating revenues:			
Interest		1,228	
Total revenues	2,841,000	2,845,292	4,292
Expenditures:			
Administration:			
Salaries and employee benefits		33,955	
Supplies		387	
Insurance		4,800	
Other operating expenditures		13,238	
Utility service fee		42,861	
Total	95,600	95,241	359
Finance:			
Salaries and employee benefits		16,285	
Supplies		3,355	
Contracted services		12,333	
Other operating expenditures		7,351	
Utility service fee		21,431	
Total	61,500	60,755	745
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	107,414	106,646	768
Electrical power purchases	2,377,800	2,379,120	1,320

(cont.)

City of Dogwood, North Carolina
Electric Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Year Ended June 30, 2023

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Capital outlay:			
Equipment	145,700	145,010	690
Total expenditures	<u>2,788,014</u>	<u>2,786,772</u>	<u>1,242</u>
 Revenues over expenditures	 52,986	 58,520	 5,534
Other financing (uses):			
Transfers to other funds:			
General Fund (de facto payment for property taxes - PILOT)	(5,986)	(5,986)	-
Rate Stabilization Fund	(47,000)	(46,891)	109
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>5,643</u>	 <u>\$ 5,643</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 deferred outflows of resources - pensions	23,387
Increase in net pension liability	(24,330)
Increase in deferred inflows of resources - pensions	879
Decrease in deferred outflows of resources - OPEB	(1,986)
Increase in deferred inflows of resources - OPEB	(479)
Increase in OPEB liability	(592)
Decrease in accrued OPEB liability	(17,287)
Total	<u>(22,054)</u>
Change in net position	<u>\$ (16,419)</u>

Note to preparer: To simplify confirming compliance with the unit's electric transfer policies, please itemize components of Electric Fund transfers should a transfer include amounts in excess of payments made in essence for property taxes (PILOT). See transfer note in notes to the financial statements.

City of Dogwood, North Carolina
Electric Rate Stabilization Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2023

	Actual				
	Project Author- ization	Prior Years	Current year	Total to Date	Variance Positive (Negative)
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	(305,000)	-	-	-	305,000
Total other financing sources (uses)	(55,000)	-	46,891	46,891	101,891
Revenues over other financing sources (uses)	\$ -	\$ -	\$ 46,891	\$ 46,891	\$ 46,891

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 Year Ended June 30, 2023

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Water sales:			
Residential		\$ 703,885	
Commercial and industrial		144,646	
Municipal usage		52,000	
Total	\$ 906,647	900,531	\$ (6,116)
Sewer charges:			
Residential		480,808	
Commercial and industrial		150,215	
Total	632,078	631,023	(1,055)
Water and sewer taps	11,500	12,100	600
Other operating revenues	500	630	130
Total operating revenues	1,550,725	1,544,284	(6,441)
Nonoperating revenues:			
Lease revenue		12,830	
Interest earnings	38,000	7,019	(30,981)
Total nonoperating revenues		19,849	
Total revenues	1,588,725	1,564,133	(37,422)
Expenditures:			
Water and sewer administration:			
Salaries and employee benefits		258,434	
Travel		137	
Supplies		717	
Insurance		6,000	
Vehicle maintenance		2,000	
Other operating expenditures		42,668	
Utility service fees		18,099	
Total water and sewer administration	329,550	328,055	1,495
Finance:			
Salaries and employee benefits		63,005	
Travel		419	
Supplies		1,674	
Contracted services		1,807	
Other operating expenditures		4,251	
Utility service fee		9,184	
	82,200	80,340	1,860
			(cont.)

City of Dogwood, North Carolina
Water and Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Year Ended June 30, 2023

	Budget	Actual	Variance Positive (Negative)
Water treatment and distribution:			
Water treatment plant:			
Salaries and employee benefits		97,712	
Chemicals		12,857	
Supplies		3,358	
Maintenance		2,850	
Other operating expenditures		4,352	
Utility service fee		7,771	
Total	129,070	128,900	170
Raw water pump station:			
Salaries and employee benefits		55,435	
Electric power		15,158	
Supplies		125	
Maintenance		4,000	
Other operating expenditures		1,326	
Total	77,660	76,044	1,616
Water distribution:			
Salaries and employee benefits		51,933	
Supplies		8,593	
Meter replacements		3,368	
Maintenance		9,993	
Other operating expenditures		40	
Total	76,923	73,927	2,996
Total water treatment and distribution	283,653	278,871	4,782
Waste collection and treatment:			
Sewage collection system:			
Salaries and employee benefits		61,573	
Supplies		6,303	
Maintenance		8,000	
Other operating expenditures		4,295	
Total	81,050	80,171	879
			(cont.)

City of Dogwood, North Carolina
Water and Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Year Ended June 30, 2023

	Budget	Actual	Variance Positive (Negative)
Primary waste treatment:			
Salaries and employee benefits		69,571	
Chemicals		2,931	
Supplies		3,520	
Maintenance		1,000	
Other operating expenditures		1,850	
Total	80,850	78,872	1,978
Secondary waste treatment:			
Salaries and employee benefits		28,387	
Supplies		445	
Maintenance		1,000	
Other operating expenditures		113	
Total	30,700	29,945	755
Total waste collection and treatment	192,600	188,988	3,612
Debt service:			
Bond issuance costs	10,000	10,000	-
Interest and other charges	143,265	78,979	64,286
Principal retirement	368,965	368,963	2
Total debt service	522,230	457,942	299
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	3,983,670	3,925,364	58,306
Total expenditures	5,393,903	5,259,560	70,354
Revenues over(under) expenditures	(3,805,178)	(3,695,427)	(107,776)
Other financing sources (uses):			
Transfer to other fund:			
General Fund (payment in lieu of taxes)	(4,827)	(4,827)	-
Insurance recovery	3,800,000	3,650,000	150,000
Total other financing sources (uses)	3,795,173	3,645,173	150,000
Revenues and other sources under expenditures and other uses	\$ (10,005)	(50,254)	\$ (40,249)

(cont.)

City of Dogwood, North Carolina
Water and Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Year Ended June 30, 2023

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

Revenues and other sources under expenditures and other uses	\$ (50,254)
---	--------------------

Reconciling items:

Principal retirement	368,963
Capital outlay	3,925,364
Impairment loss on waste aerating facility	(2,368,954)
Decrease in lease accrued interest receivable	(191)
Decrease in lease accrued interest payable	169
Increase in accrued vacation pay	(22,681)
Increase in deferred outflows of resources - pensions	125,037
Increase in net pension liability	(97,319)
Decrease in deferred inflows of resources - leases	12,830
Increase in deferred inflows of resources - pensions	(3,515)
Decrease in deferred outflows of resources - OPEB	(7,943)
Increase in deferred inflows of resources - OPEB	(1,916)
Increase in OPEB liability	(2,366)
Depreciation and amortization	(260,635)
Amortization of deferred loss on refunding	(42,386)
Water and sewer capital projects fund:	
Revenues and other sources (under) expenditures	(890,103)
Capital outlay	1,147,613
Total reconciling items	1,881,967

Change in net position	\$ 1,831,714
------------------------	--------------

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, 2023

	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 Year Ended June 30, 2023

	Financial Plan	Actual	Variance Positive (Negative)
Revenues:			
Operating revenues:			
Charges for services	\$ 33,700	\$ 32,930	\$ (770)
Nonoperating revenues:			
Interest earnings	800	700	(100)
Total revenues	<u>34,500</u>	<u>33,630</u>	<u>(870)</u>
Expenditures:			
Salaries and employee benefits	20,800	21,866	(1,066)
Supplies	4,500	4,300	200
Other operating expenditures	2,500	2,425	75
Capital outlays:			
Equipment	6,700	1,000	5,700
Total expenditures	<u>34,500</u>	<u>29,591</u>	<u>4,909</u>
Revenues over expenditures	<u>\$ -</u>	4,039	<u>\$ 4,039</u>

**Reconciliation from financial plan
basis (modified accrual) to full accrual:**

Reconciling items:	
Capital outlay	1,000
Depreciation	(4,766)
Increase in accrued vacation pay	(502)
Increase in deferred outflows of resources - pensions	3,582
Increase in net pension liability	(3,726)
Decrease in deferred inflows of resources - pensions	135
(Increase) in deferred outflows of resources - OPEB	(302)
Increase in deferred inflows of resources - OPEB	(73)
Increase in OPEB liability	(90)
Total reconciling items	<u>(4,742)</u>
Change in net position	<u>\$ (703)</u>

<p>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</p>

City of Dogwood, North Carolina
Schedule of Ad Valorem Taxes Receivable
June 30, 2023

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2020</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Uncollected Balance June 30, 2021</u>
2020-2021	\$ --	\$ 975,883 (a)	\$ 950,908 (b)	\$ 24,975
2019-2020	26,912	--	12,632	14,280
2018-2019	18,830	--	7,697	11,133
2017-2018	11,884	--	4,965	6,919
2016-2017	10,057	--	2,855	7,202
2015-2016	9,056	--	1,223	7,833
2014-2015	6,395	--	871	5,524
2013-2014	3,502	--	521	2,981
2012-2013	1,520	--	100	1,420
2011-2012	3,651	--	3,651	0
	<u>\$ 91,807</u>	<u>\$ 975,883</u>	<u>\$ 985,423 (d)</u>	<u>82,267</u>
Less: allowance for uncollectible accounts:				
General Fund				<u>20,032</u>
Ad valorem taxes receivable - net				<u>\$ 62,235</u>
<u>Reconciliation to revenues:</u>				
Ad valorem taxes - General Fund				\$ 969,504
Penalties collected on ad valorem taxes - Fines and Forfeitures Special Revenue 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>\$ 985,423</u>

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

For budget purposes interest, discovery/"late listing" penalties, service fees, advertising fees and other costs are not principal tax and should be excluded from the collection percentage calculation.

City of Dogwood, North Carolina
Analysis of Current Tax Levy
City - Wide Levy
June 30, 2023

	City - Wide		Total Levy	
	Property Valuation	Rate	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:				
Property taxed at current rate	\$ 161,311,321	.60	\$ 933,389	\$ 34,479
Discoveries - current and prior years	367,800		9,391	65
Releases	(240,200)		(1,441)	-
Total property valuation	<u>\$ 161,438,921</u>			
Net levy			941,339 (a)	34,544
Unpaid (by taxpayer) taxes at June 30, 2023*			(24,878) (c)	(97)
Current year's taxes collected			\$916,461 (b)	\$34,447
Current levy collection percentage			97.36%	99.72%

* Amounts paid to the State by taxpayers but not yet remitted/distributed to cities within the county should be counted as collected for purposes of this schedule and not include in "Unpaid (by taxpayer)" amount.

Note to preparer: Current year's taxes collected for motor vehicles should **not** be presented net of any administrative fees charged by the county or State. The number appearing in this schedule for current year's taxes collected should be gross revenues collected.

Note to preparer: The only unpaid registered motor vehicle tax at June 30 will be amounts owed for limited registration plates. This does not include amounts that have been paid by taxpayers to other entities on behalf of the unit (e.g. motor vehicle taxes paid to State but not yet remitted to taxing unit).

Note to the Preparer: See the note at the bottom of the Schedule of Ad Valorem Taxes Receivable. The lower case letters (a) (b) and (c) next to certain amounts on both schedules show the relationships of the taxes levied, taxes collected and uncollected taxes on both schedules.

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 budget purposes interest, discovery/"late listing" penalties, service fees, advertising fees and other costs are not principal tax and should be excluded from the collection percentage calculation. Please refer to Budgets and Tax Collection Percentage (<http://canons.sog.unc.edu/?p=6483>) by Chris McLaughlin from the School of Government at UNC Chapel-Hill for more information on tax collection percentages.

City of Dogwood
Schedule of Net Position
Water and Sewer Fund by Function
June 30, 2023

	Water	Sewer	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 69,524	\$ 66,797	\$ 136,321
Accounts receivable (net) - billed	49,861	28,475	78,336
Accounts receivable (net) - unbilled	12,635	8,837	21,472
Lease receivable	13,463	-	13,463
Accrued interest receivable - lease	868	-	868
Inventories	63,287	46,994	110,281
Prepaid items	1,986	579	2,565
Restricted cash and cash equivalents	588,915	1,086,140	1,675,055
Total current assets	800,539	1,237,822	2,038,361
Noncurrent assets:			
Lease receivable	44,269	-	44,269
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
Right to use leased assets, net of amortization	28,291		28,291
Total Capital assets	7,167,695	5,420,601	12,588,296
Total noncurrent assets	7,167,695	5,420,601	12,632,565
Total assets	7,968,234	6,658,423	14,670,926
DEFERRED OUTFLOWS OF RESOURCES			
Contributions to pension plan in fiscal year	92,070	88,459	180,529
OPEB deferrals	10,411	10,003	20,414
Charge on refunding	55,165	102,449	157,614
Total deferred outflows of resources	157,646	200,911	358,557
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	36,125	25,885	62,010
Accrued interest payable	528	-	528
Due to other funds	1,652	1,588	3,240
Bond anticipation notes payable	-	675,000	675,000
Compensated absences -current	4,500	4,500	9,000
Lease liabilities	9,423	-	9,423
General obligation bonds payable- current	157,158	291,864	449,022
Revenue bond payable - current	12,019	22,320	34,339
Liabilities payable from restricted assets:			
Accounts payable	15,557	100,000	115,557
Customer deposits	8,570	8,360	16,930
Total current liabilities	245,532	1,129,517	1,375,049
Noncurrent liabilities:			
Other noncurrent liabilities:			
Advance from other funds	13,770	13,230	27,000
Total OPEB liability	192,960	185,393	378,353
Compensated absences	20,950	20,950	41,900
Lease liabilities	19,416	-	19,416
Net pension liability	105,523	101,384	206,907
General obligation bonds payable-noncurrent	878,357	1,631,235	2,509,592
Revenue bond payable - noncurrent	305,404	567,180	872,584
Total liabilities	1,781,912	3,648,889	5,430,801
DEFERRED INFLOWS OF RESOURCES			
Pension deferrals	2,209	2,123	4,332
OPEB deferrals	977	939	1,916
Leases	51,321	-	51,321
Total deferred inflows of resources	54,507	3,061	57,569
NET POSITION			
Net investment in capital assets	6,342,622	3,334,424	9,677,046
Restricted pursuant to loan requirements	55,960	53,765	109,725
Unrestricted	(125,285)	(120,372)	(245,657)
Total net position	\$ 6,273,297	\$ 3,267,817	\$ 9,541,114

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 illustrative purposes only.

City of Dogwood
Schedule of Revenues, Expenses, and Changes in Fund Net Position
Water and Sewer Fund by Function
For the Year Ended June 30, 2023

	Water	Sewer	Total
OPERATING REVENUES			
Charges for services	\$ 900,531	\$ 631,023	\$ 1,531,554
Water and sewer taps	7,500	4,600	12,100
Other operating revenues	330	300	630
Total operating revenues	908,361	635,923	1,544,284
OPERATING EXPENSES			
Administration	182,277	175,129	357,407
Finance	41,308	39,688	80,996
Water treatment and distribution	286,587	-	286,587
Waste collection and treatment	-	191,353	191,353
Depreciation and amortization	200,106	60,529	260,635
Total operating expenses	710,278	466,699	1,176,978
Operating income (loss)	198,082	169,224	367,306
NONOPERATING REVENUES (EXPENSES)			
Lease revenue	12,830	-	12,830
Investment earnings	17,803	21,187	38,990
Interest and other charges	(20,973)	(58,006)	(78,979)
Bond issuance costs	(2,500)	(7,500)	(10,000)
Total nonoperating revenue (expenses)	7,160	(44,319)	(37,159)
Income (loss) before contributions and transfers	205,242	124,905	330,147
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 position	337,922	1,493,792	1,831,714
Beginning net position	3,931,799	3,777,612	7,709,411
Total net position, ending	\$ 4,269,721	\$ 5,271,404	\$ 9,541,125

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 illustrative purposes only.

City of Dogwood
Schedule of Cash Flows
Water and Sewer Fund by Function
For the Year Ended June 30, 2023

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 910,000	\$ 640,249	\$ 1,550,249
Cash paid for goods and services	(105,169)	(99,756)	(204,925)
Cash paid to or on behalf of employees for services	(493,081)	(266,678)	(759,759)
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>311,049</u>	<u>271,963</u>	<u>583,012</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Due to (from) other funds	(10)	-	(10)
Advances from other funds	15,300	14,700	30,000
Transfers from other funds	48,700	48,700	97,400
Transfers to other funds	(2,414)	(2,413)	(4,827)
Net cash provided (used) by noncapital financing activities	<u>61,576</u>	<u>60,987</u>	<u>122,563</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, lease and equipment contracts	(150,562)	(176,015)	(326,577)
Bond issuance costs	(2,500)	(7,500)	(10,000)
Interest paid on bond, lease and equipment contracts	(23,498)	(60,362)	(83,860)
Cash received from a cell tower license agreement	13,911	-	13,911
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>(512,985)</u>	<u>(522,902)</u>	<u>(1,035,887)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and dividends	16,935	21,187	38,122
Net increase (decrease) in cash and cash equivalents	(123,425)	(168,765)	(292,190)
Balances, beginning	714,498	1,389,067	2,103,566
Balances, ending	<u>\$ 591,073</u>	<u>\$ 1,220,302</u>	<u>\$ 1,811,376</u>

(cont.)

City of Dogwood
Schedule of Cash Flows
Water and Sewer Fund by Function
For the Year Ended June 30, 2023

Reconciliation of operating income to net cash provided by operating activities

Operating income	\$ 198,082	\$ 169,224	\$ 367,306
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	200,106	60,529	260,635
Changes in assets, deferred outflows of resources, 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	676	1,165	1,841
Increase in prepaid items	(111)	(149)	(260)
Increase in deferred outflows of resources - pensions	(47,710)	(45,839)	(93,550)
Increase in net pension liability	49,632	47,686	97,319
Decrease in deferred inflows of resources - pensions	(1,793)	(1,722)	(3,515)
Increase (decrease) in accounts payable and accrued liabilities	(47,693)	(37,143)	(84,836)
Increase in customer deposits	(1,031)	(2,152)	(3,183)
Increase in accrued vacation pay	11,462	11,463	22,925
(Increase) in deferred outflows of resources - OPEB	4,051	3,892	7,943
Increase in deferred inflows of resources - OPEB	977	939	1,916
Increase in OPEB liability	1,207	1,159	2,366
Total adjustments	112,967	102,738	215,706
Net cash provided by operating activities	\$ 311,049	\$ 271,963	\$ 583,012

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 illustrative purposes only.

City of Dogwood
GASB 34 CALCULATION OF MAJOR FUNDS
June 30, 2023

Note: Revenue includes operating and nonoperating but not other financing sources. Amounts should be taken from the fund statements instead of the government-wide.

Type of Fund	Computes "X" if Meets			Computes "X" if Meets			Computes "X" if Meets			Computes "X" if Meets			Computes "MAJOR" if Fund is Major If a "Category" Has an "X" in Both	
	Assets and Deferred Outflows of Resources	10% Rule	5% Rule	Liabilities and Deferred Inflows of Resources	10% Rule	5% Rule	Revenue	10% Rule	5% Rule	Expenditures/ Expenses	10% Rule	5% Rule	Columns, Then Fund is a Major Fund	
General Fund	844,858	N/A	N/A	237,949	N/A	N/A	2,270,904	N/A	N/A	2,414,372	N/A	N/A	YES, ALWAYS MAJOR	
Emergency Telephone System Fund	22,415	-	-	17,000	-	-	785,000	X	X	785,038	X	X	MAJOR	
Grant Project Fund	5,000	-	-	5,000	-	-	115,000	-	-	115,000	-	-	-	
Fines and Forfeitures Fund	4,865	-	-	570	-	-	3,935	-	-	2,095	-	-	-	
Cemetery Care Fund	25,056	-	-	0	-	-	5,248	-	-	0	-	-	-	
Capital Projects Funds:														
Parking and Recreation	23,400	-	-	0	-	-	205,000	-	-	590,000	X	X	MAJOR	
Total Governmental Funds	<u>925,594</u>			<u>260,519</u>			<u>3,385,087</u>			<u>3,906,505</u>				
10 % of Total Governmental Funds	<u>92,559</u>			<u>26,052</u>			<u>338,509</u>			<u>390,651</u>				
Enterprise Funds:														
Electric Fund	1,461,035	-	X	445,299	-	X	2,834,397	X	X	2,844,830	X	X	MAJOR	
Water and Sewer Fund	15,029,496	X	X	5,488,370	X	X	1,596,104	X	X	1,265,957	X	X	MAJOR	
Total Enterprise Funds	<u>16,490,531</u>			<u>5,933,669</u>			<u>4,430,501</u>			<u>4,110,786</u>				
10% of Total Enterprise Funds	<u>1,649,053</u>			<u>593,367</u>			<u>443,050</u>			<u>411,079</u>				
Total Governmental & Enterprise Funds	<u>17,416,125</u>			<u>6,194,188</u>			<u>7,815,588</u>			<u>8,017,291</u>				
5% of Total Governmental & Enterprise Funds	<u>870,806</u>			<u>309,709</u>			<u>390,779</u>			<u>400,865</u>				

Compliance Section

Note to the preparer: A complete set of illustrative single audit reports can be found under Single Audit Resources on our website, www.nctreasurer.com .