

Publication No. 117-34
(Revised September 2026)

Illustrative Financial Statements
For a City

In North Carolina

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

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

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

Note to Preparer: 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 Local Government Commission (LGC) maintain records.

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(Revised September 2026)**

2026 Illustrative Financial Statements

Note to Preparer:

The financial statement amounts for the pension liability and Other Post Employment Benefits (OPEB) liability / asset presented in the updated fiscal year-end 2025 illustrative statements were not changed from the amounts presented in the prior fiscal year. Since both the pension and OPEB Government Accounting Standards Board (GASB) statements were implemented and updated in the illustrated statements at least two years ago, financial statement preparers should now have 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 new accounting and reporting changes required for the FYE 2025.

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 Journal Entry Templates that are available on the NC Department of State Treasurer (DST) [Financial Statement Resources](#) page listed by each Unit Type under Pension Resources. The Firefighters' and Rescue Squad Workers' Pension Fund disclosure amounts were taken from [Memo 2027-01](#) on the DST website.

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

City of Dogwood, North Carolina
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LETTERHEAD OF INDEPENDENT AUDITOR

Independent Auditor's Report

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

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, 2026, 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, 2026, and the respective changes in financial position, and cash flows thereof, 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, 2026, 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 misstatement, when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- exercise professional judgement and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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, the respective budgetary comparison for the General Fund, pages XX and XX, [and major, annually budgeted special revenue funds, if applicable, 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 Governmental 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 Firefighters' and Rescue Squad Workers' 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 (SEFSA) 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, component unit schedules **and the Schedule of Expenditures of Federal and State Awards (SEFSA)** 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 with 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 with *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 a material component or fund was not audited in accordance with GAGAS, the required wording is noted in **PURPLE**.

If the audit was not performed under Generally Accepted Government Accounting Standards (GAGAS) the text noted in **GREEN** may be removed. If the entire audit was performed under Governmental Auditing Standards (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 **BROWN** may be removed.

Emphasis of Matter paragraph: If required by GAAS or if 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 affects the entity's financial position or results of operations, or 4) significant transaction of related parties.

Other Matter paragraph: If required by GAAS, or if 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 (OI) 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. The OI section 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 §720, *The Auditor's Responsibilities Relating to Other Information Included in Annual Reports*. (See the discussion beginning with paragraph .19.)

Management's Discussion and Analysis

For the Year Ended June 30, 2026

As management of the City of Dogwood (the "City"), we offer readers of the City's financial statements this management discussion and analysis (MD&A). The MD&A provides a narrative overview and analysis of the financial statements of the City of Dogwood for the fiscal year ended June 30, 2026, focusing on why amounts changed from the prior year. We encourage readers to consider the information presented here in conjunction with additional information furnished in this report.

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, including the effects of recent hurricanes or other natural disasters or uses of federal or other funds (such as American Rescue Plan Act (ARPA) or Opioid Settlement funds), or questions that might be posed by readers of the financial statements. The MD&A provides an objective and easily readable analysis of the government's financial activities based on currently known facts, decisions, or conditions and presents comparisons between the current year and the prior year. Governmental Accounting Standards Board Statement No. 103 (GASB 103) requires that the information presented in MD&A be limited to the related topics discussed in five sections: (1) Overview of the Financial Statements, (2) Financial Summary, (3) Detailed Analyses, (4) Significant Capital Asset and Long-Term Financing Activity, and (5) Currently Known Facts, Decisions, or Conditions. GASB 103 also stresses that the detailed analyses should explain why balances and results of operations changed rather than simply presenting the amounts or percentages by which they changed. GASB 103 emphasizes that the analysis provided in MD&A should avoid unnecessary duplication by not repeating explanations that may be relevant to multiple sections and that "boilerplate" discussions should be avoided by presenting only the most relevant information, focused on the primary government.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City'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. 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.

Government-wide Financial Statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to private sector business. The government-wide financial statements include the City's governmental activities, the business-type activities, and discretely presented component unit.

The *statement of net position* presents financial information on all of the City's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal years (e.g. uncollected taxes and earned but unused vacation leave).

Both government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, transportation, economic & physical development, environmental protection, and cultural and recreation. The business-type activities of the City include electric and water & sewer operations.

The government-wide financial statements include not only the City itself (known as the *primary government*), but also an ABC Board operation (liquor sales), for which the City is financially accountable. Financial information for this component unit is reported separately from the financial information presented for the primary government itself.

Fund Financial Statements. 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, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds – Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources available at the end of the fiscal year. Such information may be useful in assessing a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, the Emergency Telephone System Fund, and the Parking and Recreation Capital Project Fund, which are considered to be major funds. Data from the other governmental funds are combined into a single aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements in the combining and individual fund statements and schedules section of this report.

Proprietary Funds – The City has one kind of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its electric and water and sewer activities.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Electric Fund, as well for the Water & Sewer Fund. The Electric Fund and the Water & Sewer Fund are major funds of the City.

Notes to the Financial Statements. The notes provide additional information that is necessary to acquire a full understanding of the data provided in the financial statements. The City uses notes to present information in greater detail than is possible within the financial statements themselves, explain the nature of amounts reported in the financial statements and how those amounts were determined, and report certain information that does not meet the requirements for inclusion in the financial statements (such as certain contingencies).

Other Information. In addition to the basic financial statements and accompanying notes, this report includes certain *required supplementary information*. The City presents budgetary comparison schedules for the General Fund, the Economic Development Fund (consolidated into the General Fund), and the Emergency Telephone System Fund, as well as the City's progress in funding its obligations to provide pension and OPEB benefits to its employees.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information on budgetary comparisons, and pensions and OPEB.

Financial Summary and Detailed Analysis

Note to preparer: GASB 103 states that the MD&A should discuss the current-year balances and results of operations in comparison with the prior year, with emphasis on the current year. This analysis should be fact based and should discuss the activities that have had either a significant positive impact or a significant negative impact on the government's balances and results of operations in comparison with the prior year. The analysis should assist users in understanding why balances and results of operations reported in the current year's financial statements changed from the prior year rather than simply presenting the amounts or percentages by which they changed. *The use of charts, graphs, and tables is encouraged to enhance the understandability of the information.*

Net position. As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The City's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$14.2 million at the close of the most recent fiscal year, an increase of \$2.1 million.

City of Dogwood's Net Position

Figure 1

	Governmental Activities		Business-Type Activities		Total	
	2026	2025	2026	2025	2026	2025
Current and other assets	\$ 921,706	\$ 801,059	\$ 2,465,657	\$ 2,941,660	\$ 3,387,363	\$ 3,742,719
Capital assets	4,100,098	3,811,760	13,585,968	11,175,003	\$ 17,686,066	\$ 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	5,427,808	4,963,857	16,460,418	14,366,663	21,888,226	19,330,520
Long-term liabilities outstanding	1,788,390	1,400,918	4,715,051	4,934,133	\$ 6,503,441	\$ 6,335,051
Other liabilities	231,689	148,751	1,129,087	627,652	\$ 1,360,776	\$ 776,403
Deferred inflows of resources	191,085	31,625	59,131	64,151	\$ 250,216	\$ 95,776
Total liabilities and deferred inflows of resources	2,211,164	1,581,294	5,903,269	5,625,936	8,114,433	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	(694,546)	(502,939)	(227,193)	737,040	\$ (921,739)	\$ 234,101
Total net position	\$ 3,622,647	\$ 3,382,563	\$ 10,557,249	\$ 8,741,554	\$ 14,179,896	\$ 12,124,117

The largest portion of the City's net position, \$14,765,769, reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, vehicles, and infrastructure), net of accumulated depreciation/amortization and less any related outstanding debt that was used to acquire those assets. The City uses these capital assets to provide a variety of services to citizens. Accordingly, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City'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 fiscal year, the City's unrestricted net position was a deficit of \$921,739, caused by approximately \$2.1 million of post-employment liabilities for the City's two pension plans (\$874,148) and its other post-employment benefit plan for retiree healthcare (\$1,197,320). The following sections analyze the finances of the governmental activities and business-type activities separately.

Governmental activities. Current and other assets increased by \$120,647 (15.1 percent) from the prior year from unspent cash provided by a debt issuance.

Capital assets increased by \$288,388 (7.6 percent) from capitalized capital outlay expenditures offset by depreciation expense and an asset impairment loss of \$268,745.

Long-term liabilities, which consist of bonds, notes, leases, subscription-based IT arrangements, compensated absences and postemployment benefit obligations, increased by \$387,472 (27.7 percent) from the previous year. New debt of \$283,621 was issued and was accompanied by increases in pension and OPEB liabilities.

Business-type activities. Current and other assets decreased by \$476,003 (16.2 percent) from cash used for capital expenditures for water & sewer. Capital assets increased by \$2,410,965 from water and sewer capital outlays of \$5,072,977 and an impairment loss of \$2,368,954. The impairment loss was the result of a record flood and the collapse of the Cardinal Point Dam, a water and sewer capital asset. The City received \$3,650,000 from an insurance recovery and completed the rebuilding of the dam prior to fiscal year end (see Note D).

City of Dogwood's Changes in Net Position

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2026	2025	2026	2025	2026	2025
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	<u>3,461,063</u>	<u>2,989,958</u>	<u>4,558,449</u>	<u>4,088,483</u>	<u>8,019,512</u>	<u>7,078,441</u>
Expenses:						
General government	658,660	625,216	-	-	658,660	625,216
Public safety	1,474,716	1,299,741	-	-	1,474,716	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	<u>3,134,392</u>	<u>2,903,153</u>	<u>4,110,487</u>	<u>3,393,195</u>	<u>7,244,879</u>	<u>6,296,348</u>
Transfers	(86,587)	(73,946)	86,587	73,946	-	-
Unusual or infrequent item: gain on insurance recovery	-	-	1,281,046	-	1,281,046	-
Increase in net position	240,084	12,859	1,815,595	769,234	2,055,678	782,093
Net position, beginning	3,382,563	3,425,564	8,741,654	7,994,759	12,124,217	11,407,464
Net position, ending	<u>\$ 3,622,647</u>	<u>\$ 3,438,423</u>	<u>\$10,557,249</u>	<u>\$ 8,763,993</u>	<u>\$14,179,896</u>	<u>\$12,189,557</u>

The City's overall net position increased \$2,055,678 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 \$240,084. During the current year City management continued to reduce non-essential programs to a minimum and implemented cost saving strategies across City departments. Certain non-recurring 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 did not experience a significant increase in any of the functional expenditure categories of governmental activities. The \$124,781 (4.3 percent) 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 increased by \$471,105 (15.8 percent) 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 fiscal year 2026 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.

Note to preparer: List here anything you wish to highlight – fee revenue or tax revenue increases due to economic growth, reductions in spending, savings from debt refunding, new operating grants received, etc. The language above and below are examples based on the City of Dogwood. Also, please note the statewide tax collection average changes annually. The management of cash, taxes and fund balance available reports provide comparative cash and investment, fund balance available, and tax levy information for local governments in North Carolina. Information and averages presented in these reports are based on data reported by local governments to the Local Government Commission as of the date of the report. To access the report server, please visit our [Financial Analysis Tools and Reports webpage](#). A link to generate this report is offered in the "Reports" section of the webpage. Accessing the report online allows you to generate the desired report by selecting the audit year and the unit type (either county or municipality).

Business-type activities. Business-type activities increased the City's net position by \$1,815,595, accounting for 83.97 percent of the total growth in the government's total net position. A key element of this increase was due to an unusual or infrequent item, a 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 an insurance recovery to offset an asset impairment loss of \$2,368,954 resulting in an unusual or infrequent item, a 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 percent) 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 Sewer Enterprise funds. The 5 percent 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.

Detailed Analysis of Governmental Funds

Note to preparer: Discussions should be limited to *major funds* of the primary government.

As noted earlier, the City of Dogwood uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The City reports three major funds individually in the governmental fund financial statements, the General Fund, the Emergency Telephone System Fund, and the Parking and Recreation Capital Projects Fund.

General Fund. The General Fund is the chief operating fund of the City. At the end of the fiscal year, the City's fund balance available was \$364,608, while total fund balance was \$500,541. The Governing Body of the City 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 cash flow needs. 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.

On June 30, 2026, governmental funds reported a combined fund balance of \$558,617 with a net decrease in fund balance of \$100,842.

The total fund balance of the General Fund decreased by \$131,292 from greater than expected expenditures that resulted from an unexpected building heating and air conditioning system replacement and from higher Police Department expenditures for part-time employees and from overtime paid.

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.

The Parking and Recreation Capital Projects Fund neared completion of a parking deck project with a \$200,00 grant and capital expenditures of \$590,000.

Note to preparer: GASB 103 requires a discussion of significant events for each major governmental fund.

Note to preparer: Budgetary highlights and budget analysis are in Required Supplementary Information per GASB 103.

Detailed Analysis of Enterprise Funds.

The City reports two enterprise funds in the proprietary fund financial statements, the Electric Fund and the Water and Sewer Fund, both major. The City's enterprise 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 was a deficit of \$245,557. The total change in net position for the Water and Sewer Fund was an increase of \$1,831,714. The change in net position in the Water and Sewer Fund was the result of a gain from insurance proceeds as a result of the collapse in the Cardinal Point Dam and subsequent damage to the wastewater aerating facility.

Unrestricted net position of the Electric Fund was \$18,064. The total change in net position for the Electric Fund was a decrease of \$16,419. The change in net position was the result of an operating loss of \$11,661 caused by higher than anticipated costs of electric power purchases.

Significant Capital Asset and Long-term Financing Activity

Note to Preparer: GASBS 34 ¶11.f. 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's capital assets for its governmental and business-type activities as of June 30, 2026, totaled \$18,049,559 (net of accumulated depreciation), an increase of 20.68 percent 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.

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

Major capital asset events during the year include the following:

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.

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 3

	Governmental Activities		Business-type Activities		Total	
	2026	2025	2026	2025	2026	2025
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	<u>\$ 4,463,591</u>	<u>\$ 3,811,760</u>	<u>\$ 13,585,968</u>	<u>\$ 11,175,843</u>	<u>\$ 18,049,559</u>	<u>\$ 14,511,515</u>

Both leases and software subscriptions (SBITA) are intangible, right to use assets. The City does not own these assets but rather has the right to use them in operations as specified in their respective contracts. When entering into a lease or SBITA contract, a liability is also recognized, which is included in the long-term financings discussion below.

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

Long-term financing. As of June 30, 2026, the City had total long-term financing liabilities of \$6,597,106, composed of installment financings, general obligation bonds, revenue bonds, lease liabilities, subscription liabilities, post-employment healthcare liabilities, pension liabilities, and compensated absences liabilities. The

City had total outstanding bonded debt of \$3,925,537. Of this, \$3,018,614 is debt backed by the full faith and credit of the City. **Changes in long-term financing liabilities are as follows:**

Figure 4

	Governmental Activities		Business-type Activities		Total	
	2026	2025	2026	2025	2026	2025
Direct placement installment financing	\$ 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	<u>\$ 372,539</u>	<u>\$ 132,740</u>	<u>\$ 3,894,376</u>	<u>\$ 4,263,339</u>	<u>\$ 4,266,915</u>	<u>\$ 4,396,079</u>

The City's total **long-term financing liabilities** decreased by **\$129,164 or 2.9 percent** from the prior year. Key factors in the increase were the issuance of \$200,000 in installment purchase financing for parking improvements at Municipal Park to be paid from the General Fund, offset by principal payments of \$396,735. **There was also an increase in the net pension liability for the Local Governmental 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 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, 2027), it was issued with the intent to issue long-term debt of \$750,000 during the next fiscal year to provide resources to pay off the BAN and to provide some additional resources for water and sewer projects.

For the 10th consecutive year, the City maintained its Aa1 bond rating from Moody's Investors Service, and its AA+ rating from both Standard and Poor's Financial Services and Fitch Ratings. **The bond ratings are a clear indication of the sound financial condition of the City.** 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 **and installment financing** 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 the City was \$10,847,306. The City has \$1,000,000 in bonds authorized but unissued at June 30, 2026.

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

Currently known facts, decisions, or conditions

The City of Dogwood was aware of the following items that will impact future finances and were considered in developing the 2027 fiscal year budget.

Note to preparer: GASBS 103 ¶8.e requires a description of currently known facts, decisions, or conditions that are expected to have a significant effect on financial position (net position) or that are expected to produce significant differences from current-period results of operations (revenues, expenses, and other changes in net position). Information about any additional types of currently known facts, decisions, or conditions that are expected to have a significant effect on financial position or to produce significant differences from current-period results of operations should be provided.

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. UNC School of Government ARPA Resources may be found [here](#).

The following are expected to have significant positive effects upon the net position of the city:

- Low unemployment. The City's unemployment rate of 3.9 percent 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 percent for the year, which is an increase from last year and higher than the area average of 85 percent. Management expects that the occupancy rate for fiscal year 2027 will remain high.

Requests for Information

This report is designed to provide an overview of the City's finances for all those with an interest in the government's finances. 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. You can also call (000)-000-0000, visit our website at: _____ or send an email to _____ for more information.

Basic Financial Statements

City of Dogwood, North Carolina
Statement of Net Position
June 30, 2026

Exhibit 1

	Primary Government			City of Dogwood ABC Board
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 631,843	\$ 178,164	\$ 810,007	\$ 77,038
Taxes receivables (net)	62,235	-	62,235	-
Accrued interest receivable on taxes	12,949	-	12,949	-
Accrued interest receivable on leases	127	868	995	-
Accounts receivable (net)	10,959	314,979	325,938	-
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	225,761	592,658	3,800
OPEB deferrals	39,107	25,518	64,625	-
Charge on refunding	-	157,614	157,614	-
Total deferred outflows of resources	406,004	408,893	814,897	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	82,040
Total liabilities	2,020,079	5,844,138	7,864,218	151,271
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	-
Public Safety	106,458	-	106,458	-
Total deferred inflows of resources	191,085	59,131	250,216	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	19,731
Pursuant to loan requirements	-	109,725	109,725	-
Unrestricted	(694,546)	(227,193)	(921,739)	-
Total net position	\$ 3,622,647	10,557,249	\$ 14,179,896	\$ 107,106

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

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.

City of Dogwood, North Carolina
Statement of Activities
For the Year Ended June 30, 2026

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			City of Dogwood ABC Board
					Governmental Activities	Business-type Activities	Total	
Primary government:								
Governmental Activities:								
General government	\$ 658,660	\$ 33,727	\$ -	\$ -	\$ (624,933)	\$ -	\$ (624,933)	\$ -
Public safety	1,474,716	16,125	918,786	-	(539,805)	-	(539,805)	-
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	3,134,392	76,695	1,143,057	231,598	(1,683,042)	-	(1,683,042)	-
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	407,745	-
Total primary government	\$ 7,244,879	\$ 4,454,824	\$ 1,155,211	\$ 359,546	(1,683,042)	407,744	(1,275,297)	-
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	-
Total general revenues excluding transfers and unusual or infrequent items					2,009,713	40,218	2,049,931	1,226
Transfers					(86,587)	86,587	-	-
Unusual or infrequent Item: gain on insurance recovery					-	1,281,046	1,281,046	-
Total general revenues, transfers and unusual or infrequent items					1,923,126	1,407,851	3,330,977	1,226
Change in net position					240,084	1,815,595	2,055,678	(812)
Net position, beginning					3,382,563	8,741,654	12,124,218	184,887
Net position, ending					\$ 3,622,647	\$ 10,557,249	\$ 14,179,896	\$ 184,075

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

Note to preparer: GASB 103 replaces special and extraordinary items with unusual or infrequent items. Unusual or infrequent items reported on this statement should be material to the unit as a whole in addition to meeting the other requirements for an unusual or infrequent item. The item reported here is for illustrative purposes only.

**City of Dogwood
Balance Sheet
Governmental Funds
June 30, 2026**

Exhibit 3

	General	Emergency Telephone System	Parking and Recreation Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
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	62,235	-	-	-	62,235
Accounts	1,874	4,415	-	4,670	10,959
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	<u>844,858</u>	<u>22,415</u>	<u>23,400</u>	<u>34,921</u>	<u>925,594</u>
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	-	-	570	6,625
Total liabilities	<u>112,265</u>	<u>17,000</u>	<u>-</u>	<u>5,570</u>	<u>134,835</u>
DEFERRED INFLOWS OF RESOURCES					
Property taxes receivable	57,180	-	-	-	57,180
Leases	53,002	-	-	-	53,002
Prepaid taxes	15,502	-	-	-	15,502
Public Safety	106,458	-	-	-	106,458
Total deferred inflows of resources	<u>232,142</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>232,142</u>
FUND BALANCES					
Non Spendable					
Inventories	1,245	-	-	-	1,245
Leases	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	231,229	-	-	-	231,229
Total fund balances	<u>500,451</u>	<u>5,415</u>	<u>23,400</u>	<u>29,351</u>	<u>558,617</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 844,858</u>	<u>\$ 22,415</u>	<u>\$ 23,400</u>	<u>\$ 34,921</u>	

(continued)

**City of Dogwood
Balance Sheet
Governmental Funds
June 30, 2026**

Exhibit 3

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

Total Fund Balance, Governmental Funds		\$ 558,617
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)	<u>(24,670)</u>	
		4,329,410
Right to use leased assets used in governmental activities are not financial resources and therefore		
Right to use assets at historical cost	\$ 168,135	
Accumulated amortization	<u>(58,624)</u>	
		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	<u>(300)</u>	
		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	<u>(710,011)</u>	
		(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.		<u>(2,489)</u>
Net position of governmental activities		<u><u>\$ 3,622,647</u></u>

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, 2026

Exhibit 4

	General Fund	Emergency Telephone System	Parking and Recreation Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
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	<u>2,270,904</u>	<u>785,000</u>	<u>205,000</u>	<u>124,183</u>	<u>3,385,087</u>
EXPENDITURES					
Current:					
General government	1,055,084	-	-	2,095	1,057,179
Public safety	672,174	785,038	-	-	1,457,212
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	<u>2,520,830</u>	<u>785,038</u>	<u>590,000</u>	<u>117,095</u>	<u>4,012,963</u>
Excess (deficiency) of revenues over expenditures	<u>(249,926)</u>	<u>(38)</u>	<u>(385,000)</u>	<u>7,088</u>	<u>(627,876)</u>
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)	<u>118,634</u>	<u>-</u>	<u>408,400</u>	<u>-</u>	<u>527,034</u>
Net change in fund balance	<u>(131,292)</u>	<u>(38)</u>	<u>23,400</u>	<u>7,088</u>	<u>(100,842)</u>
Fund balances, beginning	631,661	5,453	-	22,263	659,377
Change in reserve for inventories	82	-	-	-	82
Fund balances, ending	<u>\$ 500,451</u>	<u>\$ 5,415</u>	<u>\$ 23,400</u>	<u>\$ 29,351</u>	<u>\$ 558,617</u>

(continued)

Note to preparer: The City of Dogwood budgets an Economic Development Fund that does not meet the GASB Statement 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, 2026

Exhibit 4

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

Net changes in fund balances - total governmental funds	\$ (100,842)
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	<u>(268,745)</u>	595,217

Right to used leased asset capital outlay expenditures which were capitalized	83,621	
Amortization expense for intangible assets	<u>(34,241)</u>	49,380

Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	91,915
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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	<u>(1,318)</u>	10,682

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net 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	<u>(1,087)</u>	(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	<u>(49,717)</u>	(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	<u>(300)</u>	(1,004)

Total changes in net position of governmental activities	<u>\$ 240,084</u>
--	-------------------

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

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.

City of Dogwood
Statement of Fund Net Position
Proprietary Funds
June 30, 2026

Exhibit 5

	Major Enterprise Funds			Internal Service Fund
	Electric Fund	Water and Sewer Fund	Total	
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	45,152	180,609	225,761	6,914
OPEB deferrals	5,104	20,414	25,518	776
Deferred charge on refunding	-	157,614	157,614	-
Total deferred outflows of resources	50,256	358,637	408,893	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	18,084	(245,577)	(227,493)	32,704
Total net position	\$ 1,015,756	\$ 9,541,193	10,556,949	\$ 32,704
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.			300	
Net position of business-type activities			\$ 10,557,249	

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

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.

City of Dogwood
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2026

Exhibit 6

	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	<u>2,833,169</u>	<u>1,544,284</u>	<u>4,377,453</u>	<u>32,930</u>
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	<u>2,844,830</u>	<u>1,176,978</u>	<u>4,021,808</u>	<u>34,334</u>
Operating income (loss)	<u>(11,661)</u>	<u>367,306</u>	<u>355,645</u>	<u>(1,404)</u>
OTHER NONOPERATING REVENUES (EXPENSES)				
Lease revenue	-	12,830	12,830	-
Investment earnings	1,228	38,990	40,218	700
Capital contributions	-	127,948	127,948	-
Transfers from other funds-restricted for capital	-	97,400	97,400	-
Transfers to other funds	(5,986)	(4,827)	(10,813)	-
Interest and other charges	-	(78,979)	(78,979)	-
Bond issuance costs	-	(10,000)	(10,000)	-
Total nonoperating revenue (expenses)	<u>(4,758)</u>	<u>183,362</u>	<u>178,604</u>	<u>700</u>
Income (loss) before unusual or infrequent item	(16,419)	550,668	534,249	(704)
UNUSUAL OR INFREQUENT ITEM				
Gain on insurance recovery	-	1,281,046	1,281,046	-
Change in net position	(16,419)	1,831,714	1,815,295	(704)
Net position, beginning	1,032,155	7,709,399	8,741,554	33,408
Net position, ending	<u>\$ 1,015,736</u>	<u>\$ 9,541,113</u>	<u>\$ 10,556,849</u>	<u>\$ 32,704</u>

Adjustment to reflect the consolidation of internal service fund activities related to Net position - business-type activities 400
\$ 10,557,249

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

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.

Note to preparer: See Carolina County for an example of a Noncapital Subsidy and the financial statement presentation for it per GASB 103.

City of Dogwood
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2026

Exhibit 7

	Major Enterprise Funds			
	Electric Fund	Water and Sewer Fund	Total	Internal Service Fund
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 to other funds	(5,986)	(4,827)	(10,813)	-
Net cash provided (used) by noncapital financing activities	(6,006)	25,163	19,157	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	-
Transfers from other funds for capital additions	-	97,400	97,400	-
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)	(938,487)	(1,038,497)	(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, 2026

Exhibit 7

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
(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
(Decrease) 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	<u>75,572</u>	<u>215,706</u>	<u>291,278</u>	<u>7,977</u>
Net cash provided by operating activities	<u>\$ 63,911</u>	<u>\$ 583,012</u>	<u>\$ 646,923</u>	<u>\$ 6,574</u>

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

Note to preparer: Cash flow from operations has taken on an important role in our evaluation of fiscal health. Statement preparers need to be sure that only operating items go in the cash flow from operations category.

Notes to the Financial Statements

Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2026

I. Summary of Significant Accounting Policies

The accounting policies of the City of Dogwood and its discretely presented component unit conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

The City of Dogwood (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 (GAAP), 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 City of Dogwood ABC Board's (the ABC Board) 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 Cardinal Avenue, Dogwood, NC 00000. **The ABC Board is a major component unit due to the significant nature of services provided.**

Note to preparer: The notes for the ABC Board have been streamlined to include only the material items of cash, inventory, and capital assets. This satisfies reporting required by GASB Statement No. 14, as amended by GASB Statements Nos. 39 and 61.

B. Basis of Presentation, Basis of Accounting

Government-wide Statements: The statement of net position and the statement of activities display information about the primary government (the City) and its component units. 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 are generally 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 each function of the City's governmental

activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are identifiable to a particular function. Indirect expense allocations made in the funds have been reversed for the statement of activities. Program revenues include (a) fees paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the City's funds. Separate statements for each fund category – *governmental and proprietary* – are presented. The City has no fiduciary funds to report. The emphasis of the 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 or ancillary activities.

The City reports the following major governmental funds:

General Fund. The General Fund is the general operating fund of the City. It accounts for all financial resources of the general government except those that are required to be accounted for in another fund. The City has legally adopted an Economic Development Fund which is consolidated into the General Fund in accordance with Governmental Accounting Standards Board (GASB) Statement No. 54.

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 a specific 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 the 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 also 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 American Rescue Plan Act (ARPA) funds in a special revenue fund, please refer to the Carolina County Illustrative Statements for guidance.

During the course of operations, the City has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds. Activity occurs during the year involving transfers of resources between funds, which are reported at gross amounts as transfers in/out. While these balances are reported in the fund financial statements, certain eliminations are made for the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column. Transfers between the funds included in governmental activities are eliminated so that only net amounts are included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only net amounts are included as transfers in the business-type activities column.

C. Measurement Focus and Basis of Accounting

In accordance with North Carolina General Statutes (G.S.), 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, including lease and information technology subscription (SBITA) liabilities, 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 subscription-based information technology arrangements (SBITAs) 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 is not accrued as revenue because the amount is not susceptible to accrual. On 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 apply to the fiscal year in which they are received. Uncollected taxes that were billed in periods before September 1, 2013, and for limited registration plates are shown as receivables 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 before June 30 that 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 monies 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.

Note to preparer: The prior year section I.D has been moved to the Required Supplementary Information, Notes to the Budgetary Schedules per GASB Statement No. 103.

D. 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 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 in North Carolina. Also, the City and the ABC Board may establish time deposit accounts such as NOW and Super NOW accounts, money market accounts, and certificates of deposit.

G.S. 159-30 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, bankers' acceptances, and mutual fund shares when the mutual fund is certified by the Local Government Commission. The City's and the ABC Board's investments are generally reported at fair value.

The North Carolina Capital Management Trust (NCCMT) Government Portfolio is an SEC-registered money market mutual fund that is currently certified by the Local Government Commission under the provisions of G.S. 159-30(c)(8) and the North Carolina Administrative

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

The City has invested in securities that are callable and that provide for periodic interest rate increases in specific increments until maturity. These investments are reported at fair value as determined by quoted market prices.

2. Cash and Cash Equivalents

The City pools money from several funds to facilitate disbursement and investment and to maximize investment income 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 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 41.4.

4. Ad Valorem Taxes Receivable

By G.S. 105-347 and G.S.159-13(a), the City levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2025. As allowed by State law, the City has established a schedule of discounts that apply to taxes that are paid before the due date. In the City's General Fund, ad valorem tax revenues are reported net of such discounts.

Note to preparer: Modify the assessed value as of the date of the unit's last valuation date.
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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. Inventories 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 a significant amount of inventory is on hand at year-end, expenditures are adjusted, and inventory is reported on the balance sheet in the governmental funds. However, in the Government-wide Statement of Activities, the cost of these inventories is expensed as the items are used. The inventories of the City's enterprise fund 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.

Note to preparer: If your unit is using the consumption method or purchases method of accounting for prepaid expenses, this will need to be disclosed here.

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 after 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 the asset's life 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 a SBITA in accordance with the requirements of GASB Statement No. 87 and GASB Statement No. 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 before the start of the lease term, less lease incentives received from the lessor at or before the start of the lease term, and 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 SBITA 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 SBITA 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 are 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 the requirements listed in Statement 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 Statement 72.

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

	<u>Useful Life</u>
Infrastructure	50 years
Substations, lines, and related equipment	40 years
Buildings and systems	30 years
Equipment and furniture	10 years
Vehicles and motorized equipment	6 years
Computer software	5 years
Computer equipment	3 years

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

	<u>Useful Life</u>
Buildings	20 years
Equipment and furniture	10 years
Vehicles	3-5 years
Computer equipment	3 years

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 2026 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 an Agency fund prior to the implementation of GASB Statement No. 84).

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 statements of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discounts. 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 City recognizes a liability for compensated absences for leave time that (1) has been earned for services previously rendered by employees, (2) accumulates and is allowed to be carried over to subsequent years, and (3) is more likely than not to be used as time off or settled (for example, paid in cash to the employee or paid to an employee flex spending account) during or upon separation from employment. Based on the criteria above, two types of leave qualify for liability recognition for compensated absences – vacation and sick leave. The liability for compensated absences is recorded as incurred in the government-wide and proprietary fund financial statements. A liability for compensated absences is recorded in the governmental funds only if the liability has matured because of employee resignations or retirements. The liability for compensated absences includes salary-related benefits where applicable.

The vacation policies of the City and the ABC Board provide for the accumulation of up to thirty days earned vacation leave, with such leave being fully vested when earned. Vacation leave over thirty days is transferred to an employee's sick leave balance at the end of each calendar year.

The City's and ABC Board's sick leave policies provide for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Any unused sick leave accumulated for employees who leave the city or the ABC Board before retirement is forfeited.

Note to Preparer: GASB concluded that gross presentation of compensated absences is less meaningful than for other long-term liabilities. To meet long-term liabilities disclosure requirements of GASB Statement No. 34, a government has the option to present either the separate increases and decreases (gross presentation) or a net increase or a net decrease in its compensated absences liability. A government that discloses a net increase or a net decrease should indicate that it is a net amount. GASB Statement No. 101 also eliminates the Statement 34 requirement to disclose which governmental funds typically have been used to liquidate the compensated absence liability. Preparers should refer to the guidance in [Memorandum #2025-05](#) on the DST Website.

12. Net Position/Fund Balances

Net Position

Net position in government-wide and proprietary fund financial statements is 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 – 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 - a 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.

Leases Receivable, net – a portion of fund balance that is not an available resource because it represents the year-end balance of the lease receivable, more than the deferred inflow of resources for the lease receivable, which is not a spendable resource.

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 – 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 1930s 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 provides a formula for determining what portion of the fund balance is available for appropriation. The amount of fund balance not available for appropriation is what is known as “Restricted by State Statute” defined as follows: “*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*”. 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 non-spendable. Outstanding encumbrances are included within RSS. RSS is included as a component of Restricted Net position and Restricted fund balance on the face of the balance sheet.

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

Restricted for Public Safety – a 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. 159-3.2].

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

Committed Fund Balance – a portion of fund balance that can only be used for specific purposes imposed by majority vote by a quorum of the City’s governing body (the highest level of decision-making authority). The governing body can, by adoption of an ordinance before 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 the City intends to use for specific purposes.

Note to preparer: The Unit of government must disclose the body or official that has the 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 the 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 as 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 non-spendable fund balance.

The City has a revenue spending policy that guides 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, and 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 government are not required to adopt one, a minimum fund balance policy should be disclosed if such has been adopted. Units should modify the language here to reflect their policy. Used properly, a fund balance policy can help the unit establish the expectation and the foundation for ongoing fiscal strength and guide the governing board and management through financial decisions. A General Fund minimum fund balance policy reflects the unit’s commitment to continued fiscal strength and is favorably viewed by major credit rating agencies.

The fund balance policy language presented here for the City of Dogwood is for illustrative purposes only and should not be considered a requirement. If the unit does have a board approved fund balance policy, then it is to be disclosed in the notes. For specific presentation guidance, see GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

The City 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 over 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's employer contributions are recognized when due and the City has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable by 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 by 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. Required Supplementary Information (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 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 eligible per 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.

Expenditures for the Public Building Department exceeded appropriations by \$36,808 (7.3 percent). An unanticipated HVAC replacement was required, and the final cost was greater than

estimated when the department budget was amended. Responsible staff have completed budget monitoring and control training.

Expenditures for the Police Department exceeded appropriations by \$97,550 (26.7 percent). Both part-time and overtime payroll and fringe expenditures were not properly monitored by the department. Responsible staff have received budget monitoring and control training specific to salaries and fringes.

Note to preparer: All budgetary violations are statutory violations to be shown in this footnote and must include a concise description of the actions taken to address the violation. If no action has been taken as of the date the financial statements are available to be issued, the disclosure should state such. For funds which have a Budgetary Comparison Schedule in the RSI, any excess of expenditures over appropriations are to be disclosed in the Required Supplementary Information Notes to the Budgetary Comparison Schedules per GASB 103.

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 NCGS 159-29: Fidelity bonds, or failure to timely file the semiannual report of cash and investments (LGC-203) per G.S. 159-33. ~~or material instances of budgetary noncompliance in any fund based on the legal level of budgetary control.~~ A corrective action plan should be included for each statutory violation.

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 the 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 G.S. 159-13(b)(2), "The full amount of any deficit in each fund shall be appropriated".

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.

On June 30, 2026, the City's deposits had a carrying amount of \$433,297 and a bank balance of \$434,673. 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 \$72,087. All of the bank's balance was covered by federal depository insurance. On June 30, 2026, the City's petty cash fund totaled \$1,600.

Restricted cash and cash equivalents consisted of the following as of June 30, 2026:

Governmental Activities:

General Fund	Streets	\$ 4,084
General Fund	Economic development	53,912
Total Governmental Activities		<u>\$ 57,996</u>

Business-type Activities

Electric Fund	Customer deposits	\$ 56,105
Water and Sewer Fund	Customer deposits	16,930
Water and Sewer Fund	Unexpended bond proceeds	1,658,125
Total Business-type Activities		<u>\$ 1,731,160</u>

Note to preparer: The unit should disclose if its Board has adopted a formal policy for any of the different deposit and investment 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 of a formal policy and *Note III.A.1* of the 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 the pooling method of 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, 2026, 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 & Poor’s (S&P) and AAA-mf by Moody’s Investors Service. 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.

On June 30, 2026, the City’s investment balances were as follows:

<i>Investment Type</i>	<i>Valuation Method</i>	<i>Fair Value</i>	<i>Investment Maturities (in Years)</i>		<i>Rating</i>
			<i><= 1/2</i>	<i>>1/2 to 1</i>	
Repurchase Agreements	Cost	\$ 300,000	\$ 300,000		n/a
US Treasuries	Fair Value - Level 1	258,938	258,938		AAA
Federal Home Loan Bank	Fair Value - Level 2	312,348		312,348	AAA
Federal Farm Credit	Fair Value - Level 1	737,988	737,988		AAA
NC Capital Management Trust	Fair Value - Level 1	556,592	556,592		AAAM
Investment Totals		\$ 2,165,866	\$ 1,853,518	\$ 312,348	

All investments are measured using the market approach by 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 the 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). For more details on Statement 72, please review [Memorandum #2016-05: GASB Statement 72, Fair Value Measurement and Application](#).

Credit risk. The City has no formal policy regarding credit risk but has internal management procedures that limit the City’s investments to the provisions of G.S. 159-30 and restrict 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 & Poor’s and AAA-mf by Moody’s Investors Service. The City’s investment in Urban County Bonds is rated AAA by Standard & Poor’s and Aaa by Moody’s Investors Service. 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, 2026.

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 and Government National Mortgage Association (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 No. 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 five 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

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 \$62,235. The amounts presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2026, are net of the following allowances for doubtful accounts:

General Fund		
	Taxes	\$ 20,032
	Accounts	318
	Total General Fund	20,350
Proprietary Funds		
	Electric Fund - accounts	\$ 3,564
	Water and Sewer Fund - accounts	2,437
	Total Proprietary Funds	6,001
	Total allowances	\$ 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 2026, 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 2026, the city entered 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 2026, 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.

5. Capital Assets

Capital asset activity for the year ended June 30, 2026, was as follows:

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Primary Government

	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	<u>267,770</u>	<u>602,000</u>	<u>-</u>	<u>869,770</u>
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	<u>6,774,975</u>	<u>505,939</u>	<u>(332,790)</u>	<u>6,948,124</u>
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	<u>(3,291,116)</u>	<u>(236,743)</u>	<u>64,045</u>	<u>(3,463,814)</u>
Total capital assets, being depreciated, net	<u>3,483,859</u>	<u>269,196</u>	<u>(268,745)</u>	<u>3,484,310</u>
Capital assets being amortized:				
Right to use assets:				
Leased vehicles	-	13,396	-	13,396
Leased equipment	-	21,444	-	21,444
Leased police storage	60,957	-	-	60,957
IT subscriptions	23,557	48,781	-	72,338
Total capital assets being amortized	<u>84,514</u>	<u>83,621</u>	<u>-</u>	<u>168,135</u>
Less accumulated amortization for:				
Right to use assets:				
Leased vehicles	-	(4,466)	-	(4,466)
Leased equipment	-	(2,144)	-	(2,144)
Leased police storage	(24,383)	(6,096)	-	(30,479)
IT subscriptions	-	(21,535)	-	(21,535)
Total accumulated amortization	<u>(24,383)</u>	<u>(34,241)</u>	<u>-</u>	<u>(58,624)</u>
Total capital assets being amortized, net	<u>60,131</u>	<u>49,380</u>	<u>-</u>	<u>109,511</u>
Governmental activities capital assets, net	<u>\$ 3,811,760</u>	<u>\$ 920,576</u>	<u>\$ (268,745)</u>	<u>\$ 4,463,591</u>

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

General government	\$47,590
Public safety	23,211
Transportation	87,158
Environmental protection	58,937
Culture & recreation	15,080
Internal Service Fund charged	
to function based on usage	<u>4,767</u>
Total depreciation & amortization expense	<u>\$236,743</u>

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	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
<u>Electric:</u>				
Capital assets, not being depreciated:				
Land	\$ 289,400	\$ -	\$ -	\$ 289,400
Total capital assets, not being depreciated	289,400	-	-	289,400
Capital assets, being depreciated:				
Substations, lines, and related equipment	1,290,611	145,010	-	1,435,621
Equipment and furniture	125,666	-	-	125,666
Vehicles and motorized equipment	240,406	-	-	240,406
Computer equipment	23,974	-	-	23,974
Total capital assets, being depreciated	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 furniture	(46,613)	(15,080)	-	(61,693)
Vehicles and motorized 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 capital assets, net	\$ 1,030,935	\$ (33,263)	\$ -	\$ 997,672
<u>Water & Sewer:</u>				
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:				
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 & Sewer District capital assets, net	\$ 10,144,908	\$ 4,812,342	\$ (2,368,954)	\$ 12,588,296
Business-type activities capital assets, net	\$ 11,175,843	\$ 4,779,079	\$ (2,368,954)	\$ 13,585,968

Construction commitments.

The government has active construction projects as of June 30, 2026. At year-end, the government's commitments with contractors are as follows:

Project	Spent-to-Date	Remaining Commitment
Recreation facilities	\$ 298,000	\$ 12,000
Parking deck	395,000	40,000
Water & Sewer treatment facilities	2,452,049	2,356,501
Totals	\$ 3,145,049	\$ 2,408,501

Discretely presented component unit.

Capital asset activity for the ABC Board for the year ended June 30, 2026, 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
Computer equipment	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)
Computer equipment	(9,167)	(793)	-	(9,960)
Total accumulated depreciation	(130,950)	(11,325)	-	(142,275)
Total capital assets, net	\$ 94,164	\$ (6,789)	\$ -	\$ 87,375

Note to preparer: If the unit is an operator in a public-private or public-public partnership and recognizes an intangible right-to-use asset under GASB Statement No. 94, separately disclose that asset and related accumulated amortization by major class of underlying partnership asset.

B. Liabilities

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

1. Pension Plan and Other Post-Employment Obligations

Note to preparer: The financial statement amounts for the pension liability and OPEB liability/asset presented in the updated fiscal year-end 2026 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 now have experience with them. LGC staff has reverted 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 fiscal year 2026.

Conversion workbooks were updated to include the current fiscal year-end Pension and OPEB data. The pension data used in the development of the updated conversion workbooks was from the LGERS, ROD & TSERS JE Templates that are all available on the DST Financial Statement Resources listed by each Unit Type under Pension Resources.

a. Local Governmental Employees' Retirement System

Plan Description. The City 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 (ACFR) 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 [Public Information | NCOSC](#) (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 G.S. 128-30 and may be amended only by the North Carolina General Assembly. City 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's contractually required contribution rate for the year ended June 30, 2026, was ____% of compensation for law enforcement officers and ____% 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 were \$155,000 for the year ended June 30, 2026.

Refunds of Contributions. City employees who have terminated service as a contributing member of LGERS may apply 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. As of June 30, 2026, 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, 2025. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2024. The total pension liability was then rolled forward to the measurement date of June 30, 2025, utilizing updated 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. On June 30, 2025 (measurement date), the City's proportion was 0.023%, which was a decrease of 0.003% from its proportion measured as of June 30, 2024.

For the year ended June 30, 2026, the city recognized pension expense of \$190,762. At June 30, 2026, 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 contributions and proportionate share of contributions	51,648	10,320
Contributions subsequent to the measurement date	155,000	-
Totals	<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, 2027. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30,</u>	
2027	\$ 184,190
2028	122,911
2029	30,560
2030	64,922
2031	-
Thereafter	-
Total	<u>\$ 402,583</u>

Actuarial Assumptions. The total pension liability in the December 31, 2025, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	3.50% to 8.10%, including inflation and productivity factor
Investment rate of return	7.00%, net of 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 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, 2025, valuation was based on the results of an actuarial experience study for the period January 1, 2013, through December 31, 2017. Future ad hoc Cost-of-Living Adjustment (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 a review of current and historical capital markets data, sell-side investment research, consultant

whitepapers, and historical performance of investment strategies. Fixed income returns 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, 2026, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	33.0%	2.4%
Global Equity	38.0%	6.9%
Real Estate	8.0%	6.0%
Alternatives	8.0%	8.6%
Opportunistic Fixed Income	7.0%	5.3%
Inflation Protection	6.0%	4.3%
Total	100%	

The information above is based on 30-year expectations developed with an investment consulting firm's 2026 long-term capital market assumptions. 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 multiplying by a long-term inflation assumption of 2.38%. All rates of return and inflation are annualized figures. Source data is provided in the 2026 Annual Comprehensive Financial Report (ACFR) published on the website of the [Office of the State Controller](#).

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 assumes 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%, 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%) or one percentage point higher (8.00%) than the current rate:

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
City's proportionate share of the net pension liability (asset)	\$ 1,572,806	\$ 654,766	\$ (112,362)

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued ACFR 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.

Plan Description. The City 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. **Effective July 1, 2025, per Session Law 2025-8, eligible officers must make an irrevocable election for the benefit to be paid either a) based upon final salary times years of service, payable until age 62, or b) based on salary at 30 years times 30 years of service, payable for the number of years between age 30-year milestone and age 62.** The Separation Allowance is equal to 0.85% of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full-time City law enforcement officers are covered by the Separation Allowance. On December 31, 2024, 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	<u>6</u>
Total	<u>10</u>

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 No. 73.

Actuarial Assumptions. The entry age actuarial cost method was used in the December 31, 2024, valuation. The total pension liability in the December 31, 2024, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	3.50% to 8.10%
Discount rate	2.98%

Note to preparer: Please use the most authoritative source for the current year's actuarial assumptions found here: [Valuations and Annual Comprehensive Financial Reports | My NC Retirement](#). The following link includes information on [Benefits Paid to Law Enforcement Officers | My NC Retirement](#).

The discount rate is based on the yield of the S&P Municipal Bond 20-Year High Grade Rate Index as of December 31, 2024. Mortality rates are based on the RP-2000 Mortality tables with adjustments for mortality improvements based on Scale AA.

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. On June 30, 2026, the City reported a total pension liability of \$219,382. The total pension liability was measured as of December 31, 2025, based on a December 31, 2024, actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2025, utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2026, 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
Benefit payments and administrative expenditures subsequent to the measurement date	9,118	-
	<u>\$ 21,265</u>	<u>\$ 4,160</u>

\$9,118 paid as benefits came due after 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:

<u>Year ended June 30,</u>	
2027	\$ 2,103
2028	2,103
2029	2,009
2030	1,312
2031	460
Thereafter	-
Total	<u><u>\$ 7,987</u></u>

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%, as well as what the City's total pension liability would be if it were calculated using a discount rate that is one percentage point lower (1.98%) or one percentage point higher (3.98%) 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

	Total Pension Liability
Balances as of December 31, 2024	\$ 215,657
Service cost	7,090
Interest on the total pension liability	6,721
Differences between expected and actual experience	894
Changes of assumptions or other inputs	5,051
Benefit payments	(16,031)
Other changes	-
Balances as of December 31, 2025	<u><u>\$ 219,382</u></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, 2024, valuation were based on the results of an actuarial experience study for the period January 1, 2012, through December 31, 2016.

c. Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contribution of all participating entities. The following is information related to the proportionate share and pension expense:

	LGERS	LEOSSA	Totals
Proportionate share of net pension liability (asset)	\$ 654,766	n/a	\$ 654,766
Proportion of the net pension liability (asset)	0.02760%	n/a	n/a
Pension liability (asset)	n/a	\$ 219,382	\$ 219,382
Pension expense	\$ 190,762	\$ 15,914	\$ 206,676

At June 30, 2026, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	LGERS	LEOSSA	Totals
<u>Deferred Outflows of Resources</u>			
Differences between expected and actual experience	\$ 101,015	\$ 8,028	\$ 109,043
Changes of assumptions and other inputs	173,750	4,119	177,869
Net difference between projected and actual earnings on pension plan investments	89,880	-	89,880
Changes in proportion and differences between contributions and proportionate share of contributions	51,648	-	51,648
Contributions or benefit payments subsequent to the measurement date	155,000	9,118	164,118
<u>Deferred Inflows of Resources</u>			
Differences between expected and actual experience	\$ 3,390	\$ -	\$ 3,390
Changes of assumptions	-	4,160	4,160
Changes in proportion and differences between contributions and proportionate share of contributions	10,320	-	10,320

d. Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description. The city contributes to the Supplemental Retirement Income Plan (the 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 Plan is included in the Annual Comprehensive Financial Report (ACFR) for the State of North Carolina. The State's ACFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Plan. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or at [Public Information | NCOSC](#).

Funding Policy. Article 12E of G.S. Chapter 143 requires the city to contribute 5.00% 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.

e. Firefighters' and Rescue Squad Workers' Pension Fund

Note to preparer: [Memo 2027-01](#) Memorandum 2027-01: Firefighters' 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% to present dollars and percentages. The information must be updated from the appropriate sources to complete the disclosure each year.

Plan Description. The State of North Carolina contributes on behalf of the City 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 FRSWPF is included in the Annual Comprehensive Financial Report (ACFR) for the State of North Carolina. The State's 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, or at [Public Information | NCOSC](#) (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 if they are at least 55 years old 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 **\$15** 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 G.S. 58-86 and may be amended only by the North Carolina General Assembly. For the fiscal year ending June 30, **2026**, the State contributed

\$20,134,708 (\$445.73 per employee) to the plan. The City'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 apply 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. On June 30, 2026, 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 net pension liability/(asset) was (\$29,930,606). The net pension liability was measured as of June 30, 2026. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2024. The total pension liability was then rolled forward to the measurement date of June 30, 2026, 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 on June 30, 2026, was 0%.

For the year ended June 30, 2026, the city recognized pension expense of \$x,xxx and revenue of \$x,xxx for support provided by the State. On June 30, 2026, 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, 2024, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	Not applicable
Investment rate of return	7.47 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 6.50%. The projection of cash flows used to determine the discount rate assumes 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 ACFR 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.

f. 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 post-employment healthcare plan. Each local government has unique parameters, based on its Board-approved benefits, the participation by its members, the plan's funding, etc. Therefore, the OPEB note must be tailored for the unique criteria of each local government's plan. For those governments that fund their post-employment benefits, please refer to Carolina County.

Plan Description. Under the terms of a city resolution, the City administers a single employer defined benefit Healthcare Benefits Plan (the HCB Plan). 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 No. 75.

Benefits Provided. Before 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 post-employment 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.

City Contributions to HCB Plan based upon years of creditable service		
Years of Creditable Service	Hire Date	
	Pre-July 1, 2007	On or after July 1, 2007
Less than 5	0%	0%
5 to 20	100%	0%
More than 20	100%	100%

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.

Plan Membership. At December 31, 2025, the HCB Plan membership consisted of the following:

Retirees and dependents receiving benefits	1
Terminated plan members entitled to but not yet receiving benefits	3
Active plan members	<u>14</u>
Total	<u>18</u>

Total OPEB Liability. The City's total OPEB liability of \$1,197,321 was measured as of December 31, 2025, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs. The total OPEB liability in the December 31, 2025, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	3.00%
Salary increases	2.50% on average, including inflation
Discount rate	3.18%
Healthcare cost trend rates	6.50% Medical
	7.25% Prescription
	3.00% Administrative

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
Balances as of June 30, 2025	\$ 1,189,833
Changes for the year:	
Service cost	12,037
Interest	24,100
Difference between expected and actual experience	23,680
Changes of assumptions	(7,330)
Contributions - employer and employees	-
Net investment income	-
Benefit payments	(45,000)
Balances as of June 30, 2026	<u>\$ 1,197,320</u>

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, 2025; valuation was 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 one percentage point lower (2.18%) or one percentage point higher (4.18%) than the current discount rate:

	1% Decrease (2.18%)	Discount Rate (3.18%)	1% Increase (4.18%)
Net OPEB liability	\$ 1,276,684	\$ 1,197,320	\$ 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 one percentage point lower or one percentage point higher than the current healthcare cost trend rates:

	Healthcare Cost Trend Rate		
	1% Decrease (Medical - 5.50%)	Trend Rate (Medical - 6.50%)	1% Increase (Medical - 7.50%)
Net OPEB liability	\$ 1,323,832	\$ 1,620,540	\$ 2,014,903

For the year ended June 30, 2026, the city recognized OPEB expense of \$83,840. On June 30, 2026, 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	\$ 19,590	\$ -
Changes of assumptions	-	6,063
Contributions subsequent to the measurement date	45,050	-
	<u>\$ 64,640</u>	<u>\$ 6,063</u>

\$45,050 reported as deferred outflows of resources related to OPEB resulting from contributions made subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2027.

Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30,</u>	
2027	\$ (4,447)
2028	(1,816)
2029	(1,816)
2030	(1,816)
2031	(1,816)
Thereafter	(1,816)
Total	<u>\$ (13,527)</u>

g. 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 (the Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death, are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months' salary in a row during the 24 months before 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 Governmental 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: W-2 Treatment of Cost of Group Term Life Insurance](#) for further discussion.

2. Risk Management

Note to preparer: This section concerning risk and insurance pools should comply with GASB Statement No. 30 and provide details relevant to your government. Coverage will vary between governments.

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 over \$100 is required by [G.S. 159-29](#) as revised. Please disclose the amounts of the fidelity bond and blanket bond separately. In cases in which an individual serves as Finance Officer for two separate entities (a city and a Tourism Development Authority, for example), a separate bond is required to protect each unit. See [Memorandum #2023-06: Revised Fidelity Bond Requirements and Other Modifications to G.S. 159-29](#) and [Memorandum #2014-08: Operation of and Accounting for Discretely Presented Component Units, Including Tourism Development Authorities](#) for further guidance. A performance bond for a lower amount than required must be disclosed under [Stewardship, Compliance, and Accountability](#) as Significant Violations of Finance-Related Legal and Contractual Provisions; as a finding in any Compliance Reports issued; and as a Financial Performance Indicator of Concern (FPIC).

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.

Per G.S. 159-29, the City's employees who 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 who have access to funds are bonded under a blanket bond for \$250,000.

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 is also 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.

3. Claims, Judgments, and Contingent Liabilities

On June 30, 2026, the city was a defendant in 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.

4. 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 June 29, 2026, and due on November 30, 2026, with interest at 3.00%. The notes will be retired from proceeds of a \$750,000 bond issue in the following fiscal year.

\$675,000

5. 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 Statement No. 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's Property and Evidence unit. The initial term of the lease was 120 months, with a term of 60 months remaining on June 30, 2026. The city was required to make monthly fixed payments of \$541 during fiscal year 2026. 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, 2026, is \$33,235.

The City entered into two lease agreements during the past fiscal year. The first agreement was executed on July 1, 2025, 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, 2026, is \$9,220.

The second agreement was executed on January 1, 2026, 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, 2026, is \$19,451.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2026, were as follows:

Year Ending June 30	Principal	Interest	Total
2027	\$ 14,547	\$ 1,917	\$ 16,464
2028	15,344	1,253	16,597
2029	10,995	733	11,728
2030	11,458	408	11,866
2031	9,562	93	9,655
	<u>\$ 61,906</u>	<u>\$ 4,404</u>	<u>\$ 66,310</u>

Note to preparer: Per paragraph 19 of GASB Statement No. 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 Statement No. 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.

b. Installment Financing

In January 2026, the City entered 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 2027 with interest rates ranging from 4.50% to 4.95%.

Annual debt service principal and interest payments for the installment purchase as of June 30, 2026, are as follows:

Year Ending June 30	Principal	Interest	Total
2027	\$ 10,000	\$ 8,475	\$ 18,475
2028	10,000	7,625	17,625
2029	10,000	6,775	16,775
2030	10,000	5,925	15,925
2031	10,000	5,075	15,075
2032-2036	50,000	22,025	72,025
2037-2041	50,000	18,750	68,750
2042-2046	50,000	14,750	64,750
	<u>\$ 200,000</u>	<u>\$ 89,400</u>	<u>\$ 289,400</u>

c. General Obligation Indebtedness

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

Bonds payable on June 30, 2026, are comprised of the following individual issues:

Serviced by the General Fund:

\$100,000 2020 Public Safety serial bonds due on January 1 and July 1 in installments of \$5,000 plus interest through July 1, 2031, with interest at 4.00%. \$60,000

Serviced by the Water and Sewer Fund:

\$3,301,450 2012 USDA Water and Sewer serial bonds. Annual installments of \$109,725 plus interest were paid through January 1, 2023. The remainder at annual installments of \$149,022 plus interest from January 1, 2024, through January 1, 2040, with interest at 3.50%. 1,908,614

\$1,350,000 2021 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, 2031, with interest at 3.00%. 1,050,000
Total \$2,958,614

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

Year Ending June 30	Governmental Activities			Business-type Activities		
	Public Sale			Direct Placement		
	Principal	Interest	Total	Principal	Interest	Total
2027	\$ 10,000	\$ 2,300	\$ 12,300	\$ 449,022	\$ 101,494	\$ 550,516
2028	10,000	1,900	11,900	411,592	82,500	494,092
2029	10,000	1,500	11,500	503,000	69,930	572,930
2030	10,000	1,100	11,100	255,000	57,325	312,325
2031	10,000	700	10,700	110,000	46,900	156,900
2032-2036	10,000	300	10,300	630,000	173,250	803,250
2037-2041	-	-	-	600,000	52,500	652,500
	<u>\$ 60,000</u>	<u>\$ 7,800</u>	<u>\$ 67,800</u>	<u>\$ 2,958,614</u>	<u>\$ 583,899</u>	<u>\$ 3,542,513</u>

On June 30, 2026, 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

Note to preparer: An 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 government's audited financial statements, unless otherwise specified in the bond documents.

Revenue bond covenants are subject to variability. The following calculation and note disclosures are presented for illustrative purposes only. Consult a copy of the bond order or other documents for the exact covenants and the additional reporting requirements.

\$1,000,000 Water and Sewer Revenue Bonds, Series 2021, 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, with interest at 5.25%.

\$906,923

Revenue bond debt service requirements to maturity are as follows:

Year Ending June 30	Principal	Interest	Total
2027	\$ 34,339	\$ 47,613	\$ 81,952
2028	36,142	45,810	81,952
2029	38,039	43,913	81,952
2030	40,036	41,916	81,952
2031	42,138	39,814	81,952
2032-2036	233,666	92,119	325,785
2037-2041	238,743	89,067	327,810
2042-2046	243,820	86,015	329,835
	<u>\$ 906,923</u>	<u>\$ 486,267</u>	<u>\$ 1,393,190</u>

The City is in compliance with 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 2021. Section 704(a) of the Bond Order requires the debt service coverage ratio to be no less than 1.0 times as defined. The debt service coverage ratio calculation for the year ended June 30, 2026, is as follows:

Operating revenues	\$1,544,284
Operating expenses*	916,343
Operating income	367,306
Nonoperating revenues (expenses)**	12,167
Income available for debt service	<u>379,473</u>
Debt service, principal and interest paid (Revenue bond only)	\$ 75,952
Debt service coverage ratio	4.99

* 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.

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 2021. 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 2045. 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.

Note to preparer: GASB Statement No. 102 risk disclosure criteria should be assessed for the primary government and all other reporting units that report a liability for revenue debt. [Memorandum #2026-03](#)

e. Subscriptions

A SBITA was entered into during fiscal year 2023. The SBITA was 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 on June 30, 2026, is eighteen months. The SBITA 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 liability balance on June 30, 2026, was \$11,852.

During the current year, the City entered into a SBITA 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 on June 30, 2026, was \$38,781.

The future minimum subscription obligations and the net present value of these minimum payments as of June 30, 2026, were as follows:

Year Ending June 30	Principal	Interest	Total
2027	\$ 21,367	\$ 633	\$ 22,000
2028	9,634	366	10,000
2029	9,755	245	10,000
2030	9,877	123	10,000
2031	-	-	-
	<u>\$ 50,633</u>	<u>\$ 1,367</u>	<u>\$ 52,000</u>

f. Current Refunding Bonds

On July 1, 2025, 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, 2026, there were \$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.

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

f. Long-Term Obligation Activity

The following is a summary of changes in the City's long-term obligations for the fiscal year ended June 30, 2026:

	Beginning Balance	Additions	Deletions	Ending Balance	Current Portion of Balance
Government activities:					
General obligation bonds	\$ 70,000	\$ -	\$ 10,000	\$ 60,000	\$ 10,000
Direct placement installment financing	-	200,000	-	200,000	10,000
Leases	39,183	34,840	12,117	61,906	14,548
IT subscriptions	23,557	48,781	21,705	50,633	21,367
Compensated absences	122,860	85,224	38,461	169,623	37,751
Net pension liability (LGERS)	209,812	186,320	-	396,132	-
Total pension liability (LEOSSA)	215,657	3,725	-	219,382	-
Total OPEB liability	719,849	4,530	-	724,379	-
Total governmental activities	<u>\$ 1,400,918</u>	<u>\$ 563,420</u>	<u>\$ 82,283</u>	<u>\$ 1,882,055</u>	<u>\$ 93,665</u>
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
Leases	38,077	-	9,238	28,839	\$ 9,423
Compensated absences	48,551	17,625	15,275	50,900	9,000
Net pension liability (LGERS)	109,588	97,319	-	206,907	-
Total OPEB liability	375,987	2,366	-	378,353	-
Total Water and Sewer districts	<u>4,797,464</u>	<u>117,310</u>	<u>384,238</u>	<u>4,530,536</u>	<u>501,784</u>
Electric Fund					
Compensated absences	15,275	32,925	10,000	38,200	12,000
Net pension liability (LGERS)	27,397	24,330	-	51,727	-
Net OPEB liability	93,997	591	-	94,588	-
Total Landfill	<u>136,669</u>	<u>57,846</u>	<u>10,000</u>	<u>184,515</u>	<u>12,000</u>
Total business-type activities	<u>\$ 4,934,133</u>	<u>\$ 175,156</u>	<u>\$ 394,238</u>	<u>\$ 4,715,051</u>	<u>\$ 513,784</u>

Long-term debt activity for the ABC Board for the year ended June 30, 2026, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Current Portion of Balance
ABC Board					
Compensated absences	\$ 56,500	\$ 34,750	\$ 4,650	\$ 86,600	\$ 4,560
Total ABC Board	<u>\$ 56,500</u>	<u>\$ 34,750</u>	<u>\$ 4,650</u>	<u>\$ 86,600</u>	<u>\$ 4,560</u>

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

C. Interfund Balances and Transfer Activity

Note to preparer: The purpose of each interfund balance and 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. 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, 2026, consist of the following:

<u>General Fund (major)</u>		
	From Water and Sewer Fund (major)	\$ 3,000
<u>Central Garage Internal Service Fund (non-major)</u>		
	From General Fund (major)	240
	From Water and Sewer Fund (major)	160
	From Electric Fund (major)	2,200
	Total	<u>\$ 5,600</u>

The General Fund due from is for payments in lieu of taxes.

The Central Garage Fund due from amounts are for cost allocations.

Internal balances reported in the government-wide statements consists of \$300 due from the Central Garage Internal Service Fund (governmental activities) to the Proprietary Funds (business-type activities).

Interfund loan - On June 30, 2026, 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 1.50%. 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 with the remaining \$27,000 presented as an advance from the General Fund.

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

Note to preparer: NC [GS 159B-39](#), specifies approved uses of Electric Fund revenue for cities and towns that are members of the North Carolina Eastern Municipal Power Agency. Specify the components of Electric Fund transfers, for example, payments in lieu of taxes, and others.

Transfers to other funds on June 30, 2026, consist of the following:

<u>General Fund (major)</u>		
	To Parking and Recreation Fund (major)	\$ 208,400
	To Water & Sewer Capital Projects Fund (non-major)	97,400
<u>Electric Fund (major)</u>		
	To General Fund (major)	5,986
<u>Water and Sewer Fund (major)</u>		
	To General Fund (major)	4,827
	Total	<u>\$ 316,613</u>

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

During the 2026 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. LGC staff prefers that interfund transfers be listed by individual fund names.

D. Unusual or Infrequent Item

On July 2, 2025, the city experienced a record 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 a gain of \$1,281,046 which is shown as an unusual or infrequent item as it was both unusual in nature and infrequent in occurrence. The 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, increasing miscellaneous revenue by \$56,255. The restoration cost of \$395,240 has been capitalized for governmental activities.

Note to preparer: The impairment loss and resulting insurance gain for governmental activities have not been shown as an **unusual or infrequent item** in the Statement of Activities due to *immateriality*. For an example of an impairment shown as a program expense, see Carolina County.

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, **2026**. 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 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. [Additional Worksheet Tools - Net Investment In Capital Assets | NC Treasurer](#)

G. Fund Balance

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

Total fund balance	\$	500,451
Less:		
Inventories		1,245
Leases		61
Stabilization by State statute		133,379
Streets - Powell Bill		4,084
Economic development		53,912
Appropriated fund balance in the fiscal year 2027 budget		76,541
Fund Balance policy		128,170
Available for appropriation	\$	<u>103,059</u>

The City 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.

Outstanding encumbrances as of June 30, 2026, consisted of \$10,450 in the General Fund.

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 them from the remaining amount. In this example, the fund balance policy is included in the unassigned fund balance. In unusual circumstances, fund balance policies can be included in Committed Fund Balance. For more information on GASB Statement No. 54 components of fund balance, please review [Memorandum #2010-35: GASB Statement No. 54 Fund Balance Reporting and Governmental Fund type Definitions - Part 2- Components of Fund Balance](#) on the DST 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. Outstanding encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year-end.

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: If a non-major proprietary fund has revenue-backed debt, this section may apply. 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 No. 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, 2026, 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, 2026.

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, 2026. The participating governments do not have any equity interest in the joint venture, so no equity interest has been reflected in the financial statements on June 30, 2026. 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 has any equity interest in the library, so no equity interest has been reflected in the financial statements as of June 30, 2026. Following 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 this money to the local board of the Firemen's Relief Fund. The funds are used to assist firefighters 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, 2026, 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 on June 30, 2026. 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 money to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant monies.

X. Significant Effects of Subsequent Events

Note to preparer: Events that occur after the date of the financial statements but before the date the financial statements are available to be issued that have a significant effect on the unit should be disclosed (see GASB Statement 105).

XI. Changes in Accounting Principles

For the year ended June 30, 2026, GASB Statement No. 103, *Financial Reporting Model Improvements*, was implemented. The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. The Statement changes the Management's Discussion and Analysis to limit discussion areas while requiring detailed analysis to explain why balances and results of operations changed. The Statement clarifies items reported as *Unusual or Infrequent Items*, formerly reported as Special or Extraordinary Items, as well as reporting requirements. Changes are required to the reporting format of the proprietary fund Statement of Revenues, Expenses, and Changes in Fund Net Position. The Statement requires changes to the reporting of major and nonmajor component units. Also, all budgetary comparison information is now required to be presented as Required Supplementary Information. No restatements were required as a result of implementation.

For the year ended June 30, 2026, GASB Statement No. 104, Disclosure of Certain Capital Assets, was implemented. The Statement requires separate disclosure of certain lease assets, public-private and public-public partnership right-to-use assets, subscription assets, other intangible assets, and capital assets held for sale. The Statement was applied retroactively. Implementation changed the presentation and disaggregation of the capital-assets note but did not affect beginning net position or amounts reported in the basic financial statements (Note III.A.5).

For the year ended June 30, 2026, GASB Statement No. 105, Subsequent Events, was implemented. The objective of this Statement is to improve the financial reporting requirements for subsequent events, thereby enhancing consistency in their application and better meeting the information needs of financial statements users (Note X).

Note to Preparer: Units may have implementation amounts that their evaluation results showed as immaterial for restatement.

Note to preparer: Significant or material instances of accounting changes and error corrections should be disclosed in this section as required by GASB Statement No. 100. Other significant accounting changes and error corrections are changes made in accounting principles, changes made within the financial reporting entity, and changes in accounting estimates. In addition, information should be included in the MD&A, RSI/SI, and should be restated for all periods in which financial statements are presented for error corrections.

Required Supplementary Information

- General Fund, Budgetary Comparison Schedule
- Economic Development Fund, Budgetary Comparison Schedule
- Emergency Telephone System Fund, Budgetary Comparison Schedule
- Notes to Budgetary Comparison Schedules
- Schedule of City's Proportionate Share of Net Pension Liability (Asset) for the Local Governmental Employees' Retirement System
- Schedule of City Contributions to the Local Governmental Employees' Retirement System
- Schedule of the City's Proportionate Share of Net Pension Liability and City Contributions for the Firefighters' and Rescue Squad Workers' Pension Fund
- Schedule of Changes in Total Pension Liability for the Law Enforcement Officers' Special Separation Allowance
- Schedule of Total Pension Liability as a Percentage of Covered Payroll for the Law Enforcement Officers' Special Separation Allowance
- Schedule of Changes in the Total OPEB Liability and Related Ratios and Total OPEB Liability as a Percentage of Covered Payroll for the Healthcare Benefits Plan

Required Supplementary Information

City of Dogwood

General Fund

Budgetary Comparison Schedule

For the Year Ended June 30, 2026

	Original Budget	Final Budget	Variance with Original Budget - Over (Under) Final Budget	Actual	Variance with Final Budget - Over (Under) Actual
REVENUES					
Ad valorem taxes	\$ 970,385	\$ 970,385	\$ -	\$ 969,504	\$ (881)
Other taxes and licenses	25,000	23,000	(2,000)	24,127	1,127
Unrestricted intergovernmental	886,259	952,858	66,599	918,908	(33,950)
Restricted intergovernmental	280,250	225,380	(54,870)	266,334	40,954
Permits and fees	40,200	42,000	1,800	42,347	347
Sales and services	20,000	21,820	1,820	25,147	3,327
Investment earnings	19,000	18,080	(920)	23,804	5,724
Miscellaneous	-	2,000	2,000	581	(1,419)
Total revenues	2,241,094	2,255,523	14,429	2,270,752	15,229
EXPENDITURES					
Current:					
General government:					
Governing board	225,250	225,250	-	219,617	(5,633)
Administration	110,100	110,100	-	96,554	(13,546)
Finance	142,500	142,500	-	135,043	(7,457)
Taxes	58,950	58,950	-	56,125	(2,825)
Legal	7,500	8,500	1,000	5,000	(3,500)
Public buildings	29,053	505,938	476,885	542,746	36,808
Total general government	573,353	1,051,238	477,885	1,055,085	3,847
Public safety:					
Police	372,756	365,388	(7,368)	462,938	97,550
Fire	175,000	185,100	10,100	177,773	(7,327)
Inspections	32,500	32,500	-	30,463	(2,037)
Rescue units	1,000	1,000	-	1,000	-
Total public safety	581,256	583,988	2,732	672,174	88,186
Transportation:					
Streets and highways	345,124	341,225	(3,899)	340,964	(261)
Contribution to regional airport	51,876	51,876	-	51,876	-
Total transportation	397,000	393,101	(3,899)	392,840	(261)
Environmental protection:					
Solid waste	255,400	250,000	(5,400)	248,918	(1,082)
Stormwater	9,600	9,600	-	9,000	(600)
Total environmental protection	265,000	259,600	(5,400)	257,918	(1,682)
Culture and recreation:					
Parks and recreation	124,140	75,449	(48,691)	75,400	(49)
Libraries	15,860	15,860	-	15,860	-
Total culture and recreation	140,000	91,309	(48,691)	91,260	(49)
Debt service:					
Principal retirement	12,500	44,000	31,500	43,823	(177)
Interest and other charges	5,600	7,800	2,200	7,731	(69)
Total debt service	18,100	51,800	33,700	51,554	(246)

(continued)

Required Supplementary Information

City of Dogwood

General Fund

Budgetary Comparison Schedule

For the Year Ended June 30, 2026

	Original Budget	Final Budget	Variance with Original Budget - Over (Under) Final Budget	Actual	Variance with Final Budget - Over (Under) Actual
Contingency	4,000	4,000	-	-	(4,000)
Total expenditures	1,978,709	2,435,036	456,327	2,520,830	85,795
Revenues over (under) expenditures	262,385	(179,513)	(441,898)	(250,078)	(70,566)
Other financing sources (uses):					
Transfers from other funds	10,000	10,813	813	10,813	-
Transfers to other funds	(296,385)	(320,300)	(23,915)	(320,300)	-
Sales of capital assets	5,000	5,000	-	5,000	-
Insurance recovery	-	325,000	325,000	325,000	-
Lease liabilities issued	19,000	35,000	16,000	34,840	(160)
IT subscription agreement	-	49,000	49,000	48,781	(219)
Total other financing sources (uses)	(262,385)	104,513	366,898	104,134	(379)
Net change in fund balance	\$ -	\$ (75,000)	\$ (75,000)	(145,944)	\$ (70,945)
Fund balance, beginning				592,401	
Change in reserve for inventories				82	
Fund balance, ending				\$ 446,539	
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				\$500,451	

See notes to required supplementary information.

City of Dogwood
Economic Development Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2026

	Original and Final Budget	Actual	Variance with Final Budget - Over (Under) Actual
REVENUES			
Investment earnings	\$ 300	\$ 152	\$ (148)
EXPENDITURES			
Economic development	14,800	-	(14,800)
Revenues over (under) expenditures	(14,500)	152	(14,652)
OTHER FINANCING SOURCES			
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	

See notes to required supplementary information.

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
Budgetary Comparison Schedule
For the Year Ended June 30, 2026

	Original and Final Budget	Actual	Variance with Final Budget - Over (Under) Actual
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 (under) expenditures	<u>-</u>	<u>(38)</u>	<u>38</u>
Net change in fund balance	<u>\$ -</u>	<u>(38)</u>	<u>\$ 38</u>
Fund balance, beginning		5,453	
Fund balance, ending		<u>\$ 5,415</u>	

See notes to required supplementary information.

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.

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, 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.

**Required Supplementary Information
City of Dogwood, North Carolina
Notes to Budgetary Comparison Schedules**

1. Budgetary basis of accounting

The City's budgets are adopted as required by NCGS. An annual budget is adopted for the General Fund and for all special revenue funds, except those funds indicated below. All annual appropriations lapse at fiscal year-end. Project ordinances are adopted for the Parks and Recreation Capital Projects Fund, and the Grant Projects (special revenue) Fund. No budget ordinance is adopted for the Cemetery (permanent) Fund.

All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the departmental level for all annually budgeted funds and at the project level for multi-year funds. Amendments to the budget are required to be approved by the governing board for any revisions that alter total expenditures of any fund or that change appropriations by more than \$10,000. Amendments of \$10,000 or less may be approved by the County Manager (budget officer). During the year, several amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year, or the governing board must adopt an interim budget until the annual budget is adopted. All instances of expenditures over appropriations are statutory violations of State law.

2. Excess of expenditures over appropriations

Expenditures for the Public Building Department exceeded appropriations by \$36,808 (7.3%). An unanticipated HVAC replacement was required and the final cost was greater than estimated when the department budget was amended (see below). Responsible staff have completed budget monitoring and control training.

Expenditures for the Police Department exceeded appropriations by \$97,550 (26.7%). Both part-time and overtime payroll and fringe expenditures were not properly monitored by the department. Responsible staff have completed budget monitoring and control training specific to salaries and fringes.

3. General Fund budgetary highlights

Original budget compared to final budget

During the year there was one significant amendment to increase the original estimated revenues and the original budgeted appropriations. A facility required an unanticipated HVAC system replacement due to an insured event. Other financing sources were increased by \$400,000 (insurance recoveries and appropriated fund balance). The Parks & Recreation department budget was reduced by \$48,691 and other department budgets were reduced by \$28,194. The Public Buildings Department budget was increased by \$476,885.

Final budget to actual results

Restricted intergovernmental revenues were over budget by \$40,954 while unrestricted intergovernmental revenues were under budget by \$33,950, both due to a budget classification error. Public Buildings Department expenditures were over budget by \$36,808 (7.3%). Police Department expenditures were over budget by \$97,500 (26.7%). See "Excess of expenditures over appropriations" (Note 2) above. Administration Department expenditures were \$13,546 (12.3%) under budget due to an extended position vacancy.

Note to preparer: Section 3 above should discuss all significant and material budgetary variances for all funds presented.

City of Dogwood, North Carolina
Schedule of the City's Proportionate Share of Net Pension Liability (Asset)
Local Governmental Employees' Retirement System

	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
City's proportion of the net pension liability (asset) (%)	0.02760%	0.02270%	0.02616%	0.02918%	0.02896%	0.02898%	0.02980%	0.28910%	0.28750%	0.28270%
City's proportion of the net pension liability (asset) (\$)	\$ 654,766	\$ 346,796	\$ 555,206	\$ 130,958	\$ 127,938	\$ (170,909)	\$ 350,204	\$ 284,254	\$ 258,442	\$ 257,652
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	\$ 1,458,562	\$ 1,548,652
City'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%	17.72%	16.64%
Plan fiduciary net position as a percentage of the total pension liability	85.20%	86.90%	88.20%	90.70%	87.80%	89.40%	90.02%	91.98%	94.18%	91.47%

Notes to the schedule:

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

See Notes to Required Supplementary Information for the LGERS on the following schedule.

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.

Note to preparer: The RSI schedules presented in the updated fiscal year-end 2026 illustrative statements were not changed from the amounts presented in the prior fiscal year other than to add an additional year of data. 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. Conversion workbooks were updated to include the current fiscal year- end pension data. The pension data used in development of the updated conversion workbooks was from the JE Templates that are all available on the NC DST Financial Statement Resources listed by each Unit Type under Pension Resources.

City of Dogwood, North Carolina
Schedule of City Contributions
Local Governmental Employees' Retirement System

	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
Contractually required contribution	\$ 155,000	\$ 120,000	\$ 125,000	\$ 128,000	\$ 127,000	\$ 125,000	\$ 119,478	\$ 118,546	\$ 115,000	\$113,000
Contributions in relation to the contractually required contribution	155,000	120,000	125,000	128,000	127,000	125,000	119,478	118,546	115,000	116,000
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
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	\$ 1,559,342	\$1,360,543
Contributions as a percentage of covered payroll	8.06%	7.82%	6.76%	7.54%	7.52%	7.11%	7.14%	7.44%	7.37%	8.53%

Notes to the Required Supplementary Information for LGERS:

For 2023, the total pension liability for the December 31, 2021 actuarial valuation was determined using the following actuarial changes of assumptions:

Inflation and Payroll Growth	2.50% from 3.00%
Mortality Rates	RP-2010 Total Data Set for Healthy Annuitants

For 2022, the discount rate and the investment rate were changed to 6.50% from 7.0%.

For 2020, the total pension liability for the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions:

Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	Smoothed Fair Value
Assumptions:	
Inflation	3.00%
Discount Rate	7.00%
Real Wage Growth	0.50%
Payroll Growth	3.50%
Mortality	RP-2014 Total Data Set for Healthy Annuitants

Note to preparer: The RSI schedules presented in the updated fiscal year-end 2026 illustrative statements were not changed from the amounts presented in the prior fiscal year other than to add an additional year of data. 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. Conversion workbooks were updated to include the current fiscal year- end Pension data. The pension data used in development of the updated conversion workbooks was from the JE Templates that are all available on the NC DST Financial Statement Resources listed by each Unit Type under Pension Resources.

Note to preparer: The Notes to the Schedule presented here are not updated for changes in assumptions. Units can find that information in the valuation report at: <https://www.nctreasurer.gov/divisions/state-and-local-government-finance/lgc/local-fiscal-management/annual-audit/financial-statement-resources/counties#PensionResources-457>

City of Dogwood, North Carolina
Schedule of the City's Proportionate Share of Net Pension Liability and City Contributions
Firefighters' and Rescue Squad Workers' Pension

	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
City's proportionate share of the net pension liability (%)	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
City's proportionate share of the net pension liability (\$)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability associated with the City	10,228	9,144	6,953	6,743	5,192	5,096	5,348	5,165	5,200	5,025
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>	<u>\$ 5,165</u>	<u>\$ 5,200</u>	<u>\$ 5,025</u>
Covered payroll	\$ 140,512	\$ 138,992	\$ 137,772	\$ 135,678	\$ 130,000	\$ 128,652	\$ 129,654	\$ 127,997	\$ 127,500	\$ 128,250
City'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%	4.04%	4.08%	3.92%
Plan fiduciary net position as a percentage of the total pension liability	104.40%	103.50%	105.70%	89.69%	89.35%	84.94%	91.40%	93.42%	92.76%	91.45%

Notes to the schedule:

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

Note to preparer: The RSI schedules presented in the updated fiscal year-end 2025 illustrative statements were not changed from the amounts presented in the prior fiscal year other than to add an additional year of data. 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. Reference the Memo that is available on the NC DST Financial Statement Resources for Firefighters' and Rescue Squad Workers' Pension Fund disclosure amounts related to the current year.
<https://www.nctreasurer.gov/documents/files/sigfdlgc/firefighters-and-rescue-squad-workers-pension-fund-disclosure-amounts-2/download>

Note to preparer: The Notes to the Schedule presented here are not updated for changes in assumptions. Units can find that information in the Valuation report at:
<https://files.nc.gov/retirement/documents/2025-10/2024%20Actuarial%20Valuation%20->

City of Dogwood, North Carolina
Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance

	2026	2025	2024	2023	2022	2021
Beginning balance	\$ 215,657	\$ 198,653	\$ 197,516	\$ 194,716	\$ 191,458	\$ 188,200
Service cost	7,090	5,779	5,902	5,586	5,673	5,673
Interest on the total pension liability	6,721	5,328	7,314	6,479	6,225	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	7,453
Changes of assumptions or other inputs	5,051	(5,675)	(1,006)	(1,006)	(2,541)	(2,541)
Benefit payments	(16,031)	(15,631)	(15,000)	(14,780)	(13,552)	(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>	<u>\$ 191,458</u>

Notes to the schedule:

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

This schedule is intended to show 10 years of information, additional years' information will be displayed as it becomes available.

The City has no assets accumulated in a trust that meets the criteria for a pension trust as defined by GASB Statement 67.

See Notes to Required Supplementary Information for the LEOSSA on the following schedule.

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

	2026	2025	2024	2023	2022	2021
Total pension liability	\$ 219,382	\$ 215,657	\$ 198,653	\$ 197,516	\$ 194,716	\$ 191,458
Covered payroll	439,836	423,938	408,615	393,846	384,005	383,075
Total pension liability as a percentage of covered payroll	49.88%	50.87%	48.62%	50.15%	50.71%	49.98%

Notes to the Required Supplementary Information for LEOSSA:

The City has no assets accumulated in a trust that meets the criteria for a pension trust as defined by GASB Statement 67. The total pension liability was determined from an actuarial valuation as of December 31, 2025. Methods and assumptions used were: the actuarial cost method was entry-age normal; a discount rate of 3.71%; inflation at 2.50%; projected individual salary increases of 2.5% to 6.0% annually; projected total payroll increase of 3.0% annually; and cost of living adjustments of 2.0% annually.

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.

Note to preparer: Any changes in actuarial methods and assumptions should be disclosed.

City of Dogwood, North Carolina
Schedule of Changes in the Total OPEB Liability and Related Ratios
and Total OPEB Liability as a Percentage of Covered Payroll
Healthcare Benefits Plan

	2026	2025	2024	2023	2022
Total OPEB Liability					
Service cost	\$ 12,037	\$ 13,012	\$ 12,568	\$ 12,162	\$ 11,799
Interest	24,101	30,306	27,056	26,554	24,321
Changes of benefit terms	-	-	-	-	-
Differences between expected and actual experience	23,680	15,024	17,926	17,852	18,403
Changes of assumptions	(7,331)	(6,292)	(6,387)	(6,488)	(14,270)
Benefit payments	(45,000)	(42,000)	(42,750)	(41,585)	(40,253)
Net change in total OPEB liability	7,487	10,050	8,413	8,495	-
Total OPEB liability - beginning	1,189,833	1,179,783	1,171,370	1,162,875	1,162,875
Total OPEB liability - ending	\$ 1,197,320	\$ 1,189,833	\$ 1,179,783	\$ 1,171,370	\$ 1,162,875
Covered payroll	\$ 14,918,116	\$ 14,378,907	\$ 14,378,907	\$ 14,466,206	\$ 14,466,206
Total OPEB liability as a percentage of covered payroll	8.03%	8.27%	8.20%	8.10%	8.04%

Notes to schedule:

This schedule is intended to show 10 years of information, additional years' information will be displayed as it becomes available.

The City has no assets accumulated in a trust that meets the criteria for an OPEB trust as defined by GASB Statement 68.

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 fiscal year.

2026	3.18%
2025	3.09%
2024	3.07%
2023	3.12%
2021	2.17%

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.

Other Major Governmental Fund

City of Dogwood, North Carolina
Capital Projects Fund - Parking and Recreation
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2026

		Actual			Variance with Final Budget
	Project Authorization	Prior Year	Current Year	Total to Date	
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	<u>435,000</u>	<u>-</u>	<u>395,000</u>	<u>395,000</u>	<u>(40,000)</u>
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	<u>200,000</u>	<u>-</u>	<u>200,000</u>	<u>200,000</u>	<u>-</u>
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.

Non-major Governmental Funds

**City of Dogwood
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2026**

	Special Revenue Funds		Permanent Fund	Total Nonmajor Governmental Funds
	Grant Project Fund	Fines and Forfeitures Fund	Cemetery Fund	
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	<u>\$ 5,000</u>	<u>\$ 4,865</u>	<u>\$ 25,056</u>	<u>\$ 34,921</u>
LIABILITIES				
Accounts payable and accrued liabilities	\$ 5,000	\$ -	\$ -	\$ 5,000
Due to other governments	-	570	-	570
Total liabilities	<u>5,000</u>	<u>570</u>	<u>-</u>	<u>5,570</u>
FUND BALANCES				
Nonspendable - perpetual maintenance	-	-	25,056	25,056
Restricted - education	-	4,295	-	4,295
Total fund balances	<u>-</u>	<u>4,295</u>	<u>25,056</u>	<u>29,351</u>
Total liabilities and fund balances	<u>\$ 5,000</u>	<u>\$ 4,865</u>	<u>\$ 25,056</u>	<u>\$ 34,921</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: 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, 2026

	Special Revenue Funds		Permanent Fund	Total Nonmajor Governmental Funds
	Grant Project Fund	Fines and Forfeitures Fund	Cemetery Fund	
REVENUES				
Restricted intergovernmental	\$ 115,000	\$ -	\$ -	\$ 115,000
Sales and services	-	3,935	4,836	8,771
Investment earnings	-	-	412	412
Total revenues	<u>115,000</u>	<u>3,935</u>	<u>5,248</u>	<u>124,183</u>
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	<u>115,000</u>	<u>2,095</u>	<u>-</u>	<u>117,095</u>
Revenues over expenditures	-	1,840	5,248	7,088
Fund balances, beginning	-	2,455	19,808	22,263
Fund balances, ending	<u>\$ -</u>	<u>\$ 4,295</u>	<u>\$ 25,056</u>	<u>\$ 29,351</u>

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, 2026

		Actual			Variance with Final Budget
	Project Authorization	Prior Year	Current Year	Total to Date	
Revenues:					
Restricted intergovernmental:					
Community Development					
Building Grant	\$ 320,000	\$ 205,000	\$ 115,000	\$ 320,000	\$ -
Expenditures:					
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	\$ -	\$ -	-	\$ -	\$ -
Fund balance, beginning			-		
Fund balance, ending			\$ -		

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 by grant number in the description line. 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
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2026

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget
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:			
General government:			
Payments of penalties, fines and forfeitures to the Carolina County Board of Education	<u>4,000</u>	<u>2,095</u>	<u>(1,905)</u>
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		<u>2,455</u>	
Fund balance, ending		<u>\$ 4,295</u>	

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.

Enterprise Funds

City of Dogwood, North Carolina
Electric Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Year Ended June 30, 2026

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues:			
Operating revenues:			
Residential		\$ 2,105,457	
Commercial and industrial		477,083	
Municipal usage		250,000	
Total	<u>\$ 2,830,000</u>	<u>2,832,540</u>	<u>\$ 2,540</u>
Other operating revenues		11,524	
Total operating revenues	<u>2,840,000</u>	<u>2,844,064</u>	<u>4,064</u>
Nonoperating revenues:			
Interest		1,228	
Total revenues	<u>2,841,000</u>	<u>2,845,292</u>	<u>4,292</u>
Expenditures:			
Administration:			
Salaries and employee benefits		33,955	
Supplies		387	
Insurance		4,800	
Other operating expenditures		13,238	
Utility service fee		42,861	
Total	<u>95,600</u>	<u>95,241</u>	<u>(359)</u>
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	<u>61,500</u>	<u>60,755</u>	<u>(745)</u>
Electrical operations:			
Salaries and employee benefits		68,292	
Contracted maintenance		17,469	
Vehicle maintenance		3,000	
Other operating expenditures		752	
Utility service fee		17,133	
Total	<u>107,414</u>	<u>106,646</u>	<u>(768)</u>
Electrical power purchases	<u>2,377,800</u>	<u>2,379,120</u>	<u>1,320</u>

(continued)

City of Dogwood, North Carolina
Electric Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Year Ended June 30, 2026

	Final Budget	Actual	Variance with Final Budget
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	<u>(47,000)</u>	<u>(46,891)</u>	<u>(109)</u>
Total other financing (uses)	(52,986)	(52,877)	(109)
 Revenues over expenditures and other financing (uses)	 <u>\$ -</u>	 5,643	 <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		<u>(17,287)</u>	
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, 2026

		Actual			Variance with Final Budget
	Project Authorization	Prior Year	Current Year	Total to Date	
Revenues:					
Investment earnings	\$ 55,000	\$ -	\$ -	\$ -	\$ (55,000)
Other financing sources (uses):					
Transfers from other funds:					
Electric Operating Fund	250,000	-	46,891	46,891	(203,109)
Transfers to other funds:					
Electric Operating Fund	(305,000)	-	-	-	305,000
Total other financing sources (uses)	(55,000)	-	46,891	46,891	101,891
Revenues over other financing sources (uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 46,891</u>	<u>\$ 46,891</u>	<u>\$ 46,891</u>

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

**City of Dogwood, North Carolina
Water and Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Year Ended June 30, 2026**

	Final Budget	Actual	Variance with Final Budget
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	21,505	12,100	(9,405)
Other operating revenues	500	630	130
Total operating revenues	1,560,730	1,544,284	(16,446)
Nonoperating revenues:			
Lease revenue		12,830	
Interest earnings		7,019	
Total nonoperating revenues	38,000	19,849	(18,151)
Total revenues	1,598,730	1,564,133	(34,597)
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)

(continued)

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, 2026

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
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	<u>129,070</u>	<u>128,900</u>	<u>(170)</u>
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	<u>77,660</u>	<u>76,044</u>	<u>(1,616)</u>
Water distribution:			
Salaries and employee benefits		51,933	
Supplies		8,593	
Meter replacements		3,368	
Maintenance		9,993	
Other operating expenditures		40	
Total	<u>76,923</u>	<u>73,927</u>	<u>(2,996)</u>
Total water treatment and distribution	<u>283,653</u>	<u>278,871</u>	<u>(4,782)</u>
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	<u>81,050</u>	<u>80,171</u>	<u>(879)</u>

(continued)

**City of Dogwood, North Carolina
Water and Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Year Ended June 30, 2026**

	Final Budget	Actual	Variance with Final Budget
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	(64,288)
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	(134,343)
Revenues over(under) expenditures	(3,795,173)	(3,695,427)	(99,746)
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	<u>\$ -</u>	<u>(50,254)</u>	<u>\$ 50,254</u>

(continued)

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, 2026

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

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	<u>1,881,967</u>

Change in net position	\$ <u>1,831,714</u>
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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, 2026

		Actual			
	Project Authorization	Prior Year	Current Year	Total to Date	Variance with Final Budget
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>

Internal Service Fund

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, 2026

	Final Financial Plan	Actual	Variance with Final Plan
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>\$ -</u></u>	4,039	<u><u>\$ (4,039)</u></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><u>\$ (704)</u></u>	

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

City of Dogwood, North Carolina
Analysis of Current Tax Levy
City - Wide Levy
June 30, 2026

	City - Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current rate	\$ 161,311,321	.60	\$ 967,868	\$ 933,389	\$ 34,479
Discoveries - current and prior years	367,800	.60	9,456	9,391	65
Releases	(240,200)	.60	(1,441)	(1,441)	-
Total property valuation	<u>\$ 161,438,921</u>				
Net levy			975,883 (a)	941,339	34,544
Uncollected taxes at June 30, 2026			<u>24,975 (c)</u>	<u>24,975</u>	<u>-</u>
Current year's taxes collected			<u>\$950,908 (b)</u>	<u>\$916,364</u>	<u>\$34,544</u>
Current levy collection percentage			<u>97.44%</u>	<u>97.35%</u>	<u>100.00%</u>

Note to preparer: 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.

City of Dogwood, North Carolina
Schedule of Ad Valorem Taxes Receivable
For the Year Ended June 30, 2026

<u>Tax Year</u>	<u>Fiscal Year</u>	<u>Uncollected Beginning Balance</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Uncollected Ending Balance</u>
2025	2026	\$ -	\$ 975,883 (a)	\$ 950,908 (b)	\$ (24,975) (c)
2024	2025	26,912	--	12,632	14,280
2023	2024	18,830	--	7,697	11,133
2022	2023	11,884	--	4,965	6,919
2021	2022	10,057	--	2,855	7,202
2020	2021	9,056	--	1,223	7,833
2019	2020	6,395	--	871	5,524
2018	2019	3,502	--	521	2,981
2017	2018	1,470	--	75	1,395
2016	2017	50	0	25	25
2015	2016	3,651	--	3,651	0
		<u>\$ 91,807.00</u>	<u>\$ 975,883</u>	<u>\$ 985,423 (d)</u>	<u>32,317</u>
Less: allowance for uncollectible accounts:					
		General Fund			<u>20,032</u>
		Ad valorem taxes receivable - net			<u>\$ 12,285</u>
Reconciliation to revenues:					
		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			3,651
		Subtotal			<u>13,409</u>
		Total collections and credits			<u>\$ 985,423 (d)</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.

Supplementary Information – USDA

City of Dogwood
Schedule of Net Position
Water and Sewer Fund by Function
June 30, 2026

	Water	Sewer	Total
ASSETS			
<u>Current assets:</u>			
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
<u>Noncurrent assets:</u>			
Lease receivable	44,269	-	44,269
<u>Capital assets:</u>			
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	92,111	88,498	180,609
OPEB deferrals	10,411	10,003	20,414
Charge on refunding	55,165	102,449	157,614
Total deferred outflows of resources	157,687	200,951	358,637
LIABILITIES			
<u>Current liabilities:</u>			
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
<u>Liabilities payable from restricted assets:</u>			
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
<u>Noncurrent liabilities:</u>			
<u>Other noncurrent liabilities:</u>			
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	(125,244)	(120,333)	(245,577)
Total net position	\$ 6,273,338	\$ 3,267,857	\$ 9,541,193

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, 2026

	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	<u>908,361</u>	<u>635,923</u>	<u>1,544,284</u>
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	<u>710,278</u>	<u>466,699</u>	<u>1,176,978</u>
Operating income (loss)	<u>198,082</u>	<u>169,224</u>	<u>367,306</u>
OTHER NONOPERATING REVENUES (EXPENSES)			
Lease revenue	12,830	-	12,830
Investment earnings	17,803	21,187	38,990
Capital contributions	86,394	41,554	127,948
Transfers from other funds-restricted for capital	48,700	48,700	97,400
Transfers to other funds	(2,414)	(2,413)	(4,827)
Interest and other charges	(20,973)	(58,006)	(78,979)
Bond issuance costs	(2,500)	(7,500)	(10,000)
Total nonoperating revenue (expenses)	<u>139,840</u>	<u>43,522</u>	<u>183,362</u>
Income (loss) before unusual or infrequent item	<u>337,922</u>	<u>212,746</u>	<u>550,668</u>
UNUSUAL OR INFREQUENT ITEM			
Gain on insurance recovery	-	1,281,046	1,281,046
Change in net position	<u>337,922</u>	<u>1,493,792</u>	<u>1,831,714</u>
Net position, beginning	<u>3,931,799</u>	<u>3,777,612</u>	<u>7,709,399</u>
Net position, ending	<u>\$ 4,269,721</u>	<u>\$ 5,271,404</u>	<u>\$ 9,541,113</u>

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

City of Dogwood
Schedule of Cash Flows
Water and Sewer Fund by Function
For the Year Ended June 30, 2026

	Water	Sewer	Total
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 to other funds	(2,414)	(2,413)	(4,827)
Net cash provided (used) by noncapital financing activities	<u>12,876</u>	<u>12,287</u>	<u>25,163</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
Transfers from other funds for capital additions	48,700	48,700	97,400
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>(464,285)</u>	<u>(474,202)</u>	<u>(938,487)</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>

(continued)

City of Dogwood
Schedule of Cash Flows
Water and Sewer Fund by Function
For the Year Ended June 30, 2026

**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
(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, 2026

Note: Governmental and Projects funds revenue includes operating and nonoperating but not other financing sources. Amounts are taken from the fund statements and not the government-wide.

Note: Proprietary funds revenue includes operating, subsidies and nonoperating. Amounts are taken from fund statements and not the government-wide.

Type of Fund	Assets and Deferred Outflows of Resources	Computes "X" if Meets		Liabilities and Deferred Inflows of Resources	Computes "X" if Meets		Revenue	Computes "X" if Meets		Expenditures/ Expenses	Computes "X" if Meets		Columns, Then Fund is a Major Func
		10% Rule	5% Rule		10% Rule	5% Rule		10% Rule	5% Rule		10% Rule	5% Rule	
General Fund	844,858	N/A	N/A	344,407	N/A	N/A	2,270,904	N/A	N/A	2,520,830	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>366,977</u>			<u>3,385,087</u>			<u>4,012,963</u>			
10 % of Total Governmental Funds	<u>92,559</u>			<u>36,698</u>			<u>338,509</u>			<u>401,296</u>			
Enterprise Funds:													
Electric Fund	1,461,055	-	X	445,299	-	X	2,834,397	X	X	2,838,844	X	X	MAJOR
Water and Sewer Fund	15,029,496	X	X	5,488,370	X	X	1,821,452	X	X	1,083,172	X	X	MAJOR
Total Enterprise Funds	<u>16,490,551</u>			<u>5,933,669</u>			<u>4,655,849</u>			<u>3,922,015</u>			
10% of Total Enterprise Funds	<u>1,649,055</u>			<u>593,367</u>			<u>465,585</u>			<u>392,202</u>			
Total Governmental & Enterprise Funds	<u>17,416,145</u>			<u>6,300,646</u>			<u>8,040,936</u>			<u>7,934,978</u>			
5% of Total Governmental & Enterprise Funds	<u>870,807</u>			<u>315,032</u>			<u>402,047</u>			<u>396,749</u>			

Note to preparer: If an Enterprise Fund has an operating subsidy, that amount must be added to the revenue formula above.

Compliance Section

Note to the preparer: A complete set of example audit opinion reports can be found on our website, [Audit Opinion Resources](#) .