

**CITY OF DUNN, NORTH CAROLINA**  
**ANNUAL COMPREHENSIVE FINANCIAL REPORT**  
**FISCAL YEAR ENDED JUNE 30, 2022**

**PREPARED BY THE FINANCE  
DEPARTMENT OF THE CITY OF DUNN**

**CITY OF DUNN, NORTH CAROLINA**  
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**June 30, 2022**

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## **INTRODUCTORY SECTION**

**City Council Members**

William P. Elmore Jr., Mayor  
J. Wesley Sills, District 1  
April Gaulden, District 2  
Frank McLean, District 3  
Billy N. Tart, District 4  
Charles Turnage, District 5  
David Bradham, District 6

**Appointed Staff**

Steven Neuschafer, City Manager  
Cary McNallan, Finance Director  
P. Tilghman Pope, City Attorney

## **FINANCIAL SECTION**



## **Independent Auditor's Report**

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

### ***Opinions***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Dunn, North Carolina (the "City"), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City'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 financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2022, and the respective changes in financial position and, where applicable, 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 Dunn's ABC Board, which represents 100 percent, 100 percent, and 100 percent of the assets, net position, and revenues, respectively, of the aggregate discretely presented component units, as of June 30, 2022, 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 Dunn'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 of America. 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, 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 the City of Dunn's ABC Board were not audited in accordance with *Government Auditing Standards*.

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

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

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



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

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City'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'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, schedule of the proportionate share of net pension liability and schedule of contributions - local government employees' retirement system; schedule of changes in total pension liability - law enforcement officers' special separation allowance and schedule of total pension liability as a percentage of covered payroll; and the schedule of changes in the total OPEB liability and related ratios, as indicated on the table of contents to be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We 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 consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements, budgetary schedules, other schedules, and Schedule of Expenditures of Federal and State Awards, as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of other auditors, the combining and individual fund financial statements, budgetary schedules, other schedules, and the schedule of expenditures of federal and state awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### ***Other Information***

Management is responsible for the other information included in the annual report. The other information comprises the introductory and 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 May 26, 2023 on our consideration of the City's internal control over financial reporting and 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 on the results of that testing, and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

*Bernard Robinson & Company, L.L.P.*

Greensboro, North Carolina  
May 26, 2023

## MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2022

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As management of the City of Dunn, North Carolina (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2022. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the City's financial statements, which follow this narrative.

### Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$33,754,388 (net position).
- The government's total net position increased by \$807,322.
- As of the close of the current fiscal year, the City's total governmental funds reported combined ending fund balances of \$9,595,055 with a net decrease of \$52,219 in fund balance. This decrease is primarily due to rising cost. Approximately (54%) of fund balance or (\$5,185,668) is unassigned.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$3,441,740 or 26% of total General Fund expenditures for the fiscal year. The combined unassigned and assigned fund balance for the General Fund was \$3,801,740 or 29% of total General Fund expenditures for the fiscal year.
- The City's total long-term liabilities increased by \$1,643,256 during the current fiscal year.
- The business-type activities revenue increased by \$495,987 (7%).

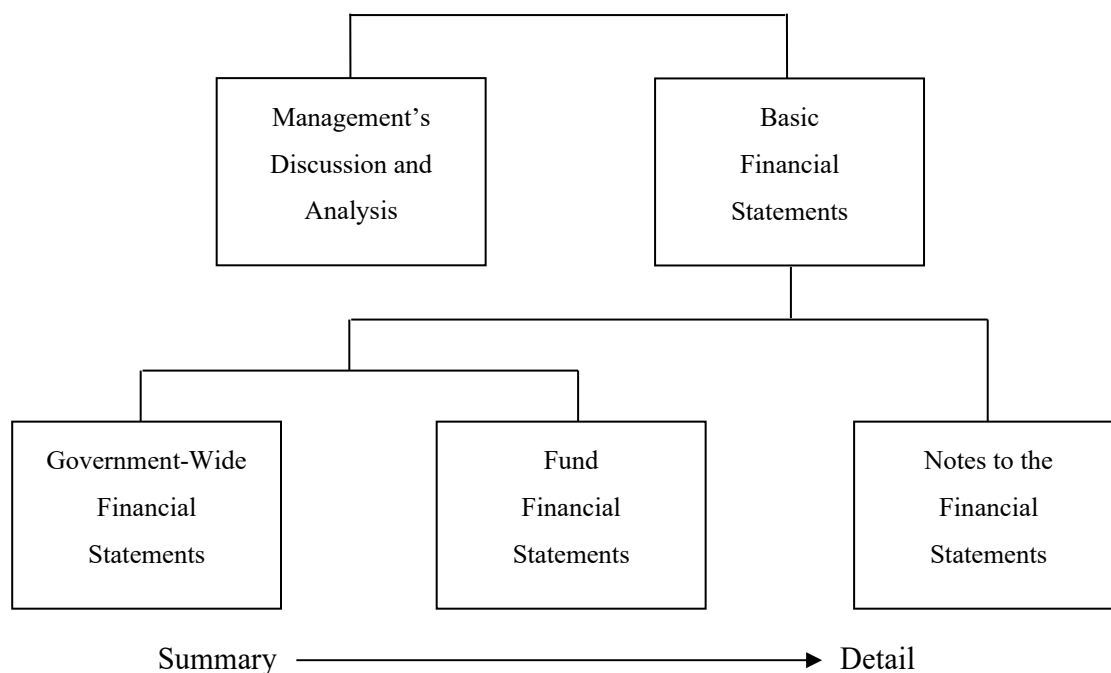
### Overview of the Financial Statements

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

June 30, 2022

## Required Components of Annual Financial Report

Figure 1



### Basic Financial Statements

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

The next statements (Exhibits 3 through 10) are Fund Financial Statements. These statements focus on the activities of the individual parts of the City's government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; and 3) the proprietary fund statements.

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

### Government-Wide Financial Statements

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

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

## MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2022

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

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

### **Fund Financial Statements**

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

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

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

*Proprietary Fund* - The City of Dunn has one kind of proprietary fund, an Enterprise Fund.

*An Enterprise Fund* is used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Dunn, North Carolina uses an enterprise fund to account for its water and sewer activity. This fund is the same as those functions shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2022

*Notes to the Financial Statements* - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements immediately follow Exhibit 10 of the audit report.

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

*Interdependence with Other Entities* - The City depends on financial resources flowing from, or associated with, both the federal government and the State of North Carolina. Because of this dependency, the City is subject to changes in specific flows of intergovernmental revenues based on modifications to federal and State laws and federal and State appropriations.

## Government-Wide Financial Analysis City of Dunn, North Carolina's Net Position

Figure 2

	Governmental Activities		Business-Type Activities		Totals	
	2022	2021	2022	2021	2022	2021
<b>Assets:</b>						
Current and other assets	\$ 11,847,137	\$ 10,288,224	\$ 5,347,298	\$ 6,061,398	\$ 17,194,435	\$ 16,349,622
Capital assets	16,231,110	16,003,846	31,468,489	28,871,763	47,699,599	44,875,609
Deferred outflows of resources	2,147,344	2,342,484	708,624	746,538	2,855,968	3,089,022
Total assets	<u>30,225,591</u>	<u>28,634,554</u>	<u>37,524,411</u>	<u>35,679,699</u>	<u>67,750,002</u>	<u>64,314,253</u>
<b>Liabilities:</b>						
Long-term liabilities	16,879,464	17,139,799	11,007,450	11,270,355	27,886,914	28,410,154
Other liabilities	587,707	648,814	1,168,534	669,995	1,756,241	1,318,809
Deferred inflows of resources	3,163,365	1,198,667	1,189,094	439,557	4,352,459	1,638,224
Total liabilities	<u>20,630,536</u>	<u>18,987,280</u>	<u>13,365,078</u>	<u>12,379,907</u>	<u>33,995,614</u>	<u>31,367,187</u>
<b>Net Position:</b>						
Net investment in capital						
assets	9,056,884	8,204,907	20,950,289	20,100,178	30,007,173	28,305,085
Restricted	5,723,839	5,202,266	-	-	5,723,839	5,202,266
Unrestricted	<u>(5,185,668)</u>	<u>(3,759,899)</u>	<u>3,209,044</u>	<u>3,199,614</u>	<u>(1,976,624)</u>	<u>(560,285)</u>
Total net position	<u>\$ 9,595,055</u>	<u>\$ 9,647,274</u>	<u>\$ 24,159,333</u>	<u>\$ 23,299,792</u>	<u>\$ 33,754,388</u>	<u>\$ 32,947,066</u>

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the City of Dunn exceeded liabilities and deferred inflows by \$33,754,388 as of June 30, 2022. The City's net position for governmental activities and business-type activities were \$9,595,055 and \$24,159,333, respectively. The City's net position increased by \$807,322 for the fiscal year ended June 30, 2022.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**June 30, 2022**

However, the largest portion, \$30,007,173, reflects the City's net investment in capital assets (e.g. land, buildings, machinery, and equipment); less any related debt still outstanding that was issued to acquire those items. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's net investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the City's net position of \$5,723,839 represents resources that are subject to external restrictions on how they may be used. A balance of (\$1,976,624) is unrestricted.

Several particular aspects of the City's financial operations positively influenced the total governmental net position, notably, the continued diligence in the collection of property taxes by accomplishing a tax collection percentage over 99% and the continued growth in the tax base.

### City of Dunn, North Carolina's Changes in Net Position

**Figure 3**

	Governmental Activities		Business-Type Activities		Totals	
	2022	2021	2022	2021	2022	2021
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 1,759,948	\$ 1,617,467	\$ 6,804,671	\$ 6,382,572	\$ 8,564,619	\$ 8,000,039
Operating grants and contributions	1,092,174	1,417,895	351,600	280,139	1,443,774	1,698,034
Capital grants and contributions	312,538	134,851	-	-	312,538	134,851
General revenues:						
Property taxes	4,482,439	4,460,198	-	-	4,482,439	4,460,198
Other taxes	3,573,915	3,679,772	-	-	3,573,915	3,679,772
Grants and contributions not restricted to specific programs	150,000	95,750	-	-	150,000	95,750
Investment earnings	10,422	2,548	66,827	72,216	77,249	74,764
Other	1,136,574	638,335	91,200	83,384	1,227,774	721,719
Total revenues	12,518,010	12,046,816	7,314,298	6,818,311	19,832,308	18,865,127
<b>Expenses:</b>						
General government	3,082,334	2,717,397	-	-	3,082,334	2,717,397
Public safety	4,376,915	4,404,678	-	-	4,376,915	4,404,678
Highways/streets	2,103,316	1,844,043	-	-	2,103,316	1,844,043
Environmental protection	1,186,671	735,302	-	-	1,186,671	735,302
Culture and recreation	1,265,292	573,046	-	-	1,265,292	573,046
Interest on long-term debt	-	186,172	-	-	-	186,172
Water and sewer	-	-	6,454,757	6,076,978	6,454,757	6,076,978

# MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2022

	Governmental Activities		Business-Type Activities		Totals	
	2022	2021	2022	2021	2022	2021
Other	\$ 555,701	\$ 540,537	\$ -	\$ -	\$ 555,701	\$ 540,537
Total expenses	12,570,229	11,001,175	6,454,757	6,076,978	19,024,986	17,078,153
Increase in net position	(52,219)	1,045,641	859,541	741,333	807,322	1,786,974
Net position, July 1	9,647,274	8,601,633	23,299,792	22,558,459	32,947,066	31,160,092
Net position, June 30,	\$ 9,595,055	\$ 9,647,274	\$ 24,159,333	\$ 23,299,792	\$ 33,754,388	\$ 32,947,066

*Governmental Activities* - Governmental activities decreased the City's net position by \$52,219, thereby accounting for (2%) of the total increase in the net position of the City. Positive elements affecting net position were an increase in intergovernmental revenue and a strong property tax collection rate over 99%.

*Business-Type Activities* - Business-type activities of the City reported \$24,159,333 in net position, an increase of \$859,541. Positively impacting net position was a \$6,804,671 of revenue from charges for services.

## Financial Analysis of the City's Funds

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

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

The General Fund is the chief operating fund of the City of Dunn. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$3,441,740, while the total fund balance reached \$6,590,480. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 26% of total General Fund expenditures, while total fund balance is 50% of total General Fund expenditures.

At June 30, 2022, the governmental funds of the City of Dunn reported a fund balance of \$6,037,036 with a net decrease in fund balance of \$603,194. Included in this change in fund balance is a decrease in fund balance in the General Fund totaling \$527,810.

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



## MANAGEMENT'S DISCUSSION AND ANALYSIS

**June 30, 2022**

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

*Proprietary Fund* - The City's proprietary fund provides the same type of information found in the government-wide statements, but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to \$3,209,044. Other factors concerning the finances of this fund have already been addressed in the discussion of the City's business-type activities.

### Capital Asset and Debt Administration

*Capital Assets* - The City's investment in capital assets for its governmental and business-type activities as of June 30, 2022, totals \$47,699,599 (net of accumulated depreciation). These assets include buildings, land, machinery and equipment, park facilities, and vehicles.

Major capital asset transactions during the year include the additions of land and funding of capital projects, equipment, vehicles and infrastructure. There were no significant demolitions or disposals of capital assets.

### City of Dunn, North Carolina's Capital Assets

**Figure 4**

	Governmental Activities		Business-Type Activities		Totals	
	2022	2021	2022	2021	2022	2021
Land	\$ 2,536,067	\$ 2,268,209	\$ 327,790	\$ 327,790	\$ 2,863,857	\$ 2,595,999
Construction in progress	3,287,423	3,054,716	1,449,634	69,650	4,737,057	3,124,366
Building	3,502,287	3,562,166	118,328	125,354	3,620,615	3,687,520
Equipment	492,090	532,731	1,254,808	592,443	1,746,898	1,125,174
Improvements other than buildings	5,517,256	5,662,239	-	-	5,517,256	5,662,239
Plant and Distribution Systems	-	-	26,537,895	26,382,107	26,537,895	26,382,107
Vehicles	806,158	884,473	662,632	126,142	1,468,790	1,010,615
Other	89,829	39,312	1,117,402	1,248,277	1,207,231	1,287,589
Total	<u>\$ 16,231,110</u>	<u>\$ 16,003,846</u>	<u>\$ 31,468,489</u>	<u>\$ 28,871,763</u>	<u>\$ 47,699,599</u>	<u>\$ 44,875,609</u>

Additional information on the City's capital assets can be found in the notes to the basic financial statements.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2022

*Long-Term Debt* - As of June 30, 2022, the City had total bonded debt outstanding of \$414,000. This amount is backed by the full faith, credit, and taxing power of the City of Dunn. Additionally, the City had \$13,568,986 outstanding for installment purchase debt and \$1,973,299 outstanding on water and sewer revolving loans.

	Governmental Activities		Business-Type Activities		Totals	
	2022	2021	2022	2021	2022	2021
General obligation bonds	\$ -	\$ -	\$ 414,000	\$ 563,000	\$ 414,000	\$ 563,000
Direct borrowing agreements	7,174,226	7,798,939	6,394,760	5,618,590	13,568,986	13,417,529
Direct placement Water and Sewer revolving loans	-	-	1,973,299	2,192,555	1,973,299	2,192,555
Total	<u>\$ 7,174,226</u>	<u>\$ 7,798,939</u>	<u>\$ 8,782,059</u>	<u>\$ 8,374,145</u>	<u>\$ 15,956,285</u>	<u>\$ 16,173,084</u>

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the City of Dunn is \$55,566,007. The City has no bonds authorized but unissued at June 30, 2022.

Additional information regarding the City's long-term debt can be found in the notes to the basic financial statements.

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

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

- Economic trends in the region compare favorable to national indices.
- The City approved a \$13,235,000 General Fund budget for fiscal year 2022-2023. This budget represents an 10.2% increase from the fiscal year 2021-2022 amended budget.
- Housing starts, renovations, and developing subdivisions within the City are providing a boost to the City's economy.
- The long-term economic forecast for the City of Dunn is looking towards growth. Most commercial and industrial entities continue to adjust along with national trends.
- The unemployment rate in Harnett County/Dunn as of June 30, 2022 was 5.0%, down from a high of over 12% in May of 2021.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2022

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- The City's Downtown District continues to experience growth with new business openings and stability within the Downtown Development Committee.
- New businesses within the City limits and expansions to existing businesses have provided new jobs with excellent pay.

### Requests for Information

This report is designed to provide an overview of the City's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Finance Director, Cary McNallan, 401 East Broad Street, Dunn, NC 28334. You can also call (910) 230-3515, visit our website [www.cityofdunn.org](http://www.cityofdunn.org) or send an email to [cmcnallan@dunn-nc.org](mailto:cmcnallan@dunn-nc.org) for more information.

## **BASIC FINANCIAL STATEMENTS**

**CITY OF DUNN, NORTH CAROLINA**  
**Statement of Net Position**  
**June 30, 2022**

Exhibit 1

	Primary Government			City of Dunn ABC Board
	Governmental Activities	Business-Type Activities	Total	
<b>Assets</b>				
Current assets:				
Cash and cash equivalents	\$ 2,013,798	\$ 1,500,773	\$ 3,514,571	\$ 428,080
Restricted cash and cash equivalents	885,682	140,736	1,026,418	-
Investments	4,806,881	-	4,806,881	-
Restricted investments	294,359	-	294,359	-
Receivables, net	836,050	983,122	1,819,172	-
Due from other governments	769,612	54,581	824,193	-
Internal balances	(1,024,146)	1,024,146	-	-
Prepaid items	6,202	-	6,202	-
Current portion of note receivable	-	130,272	130,272	-
Inventories	158,699	41,471	200,170	615,649
Total current assets	8,747,137	3,875,101	12,622,238	1,043,729
Non-current assets:				
Note receivable, net of current portion	3,100,000	1,472,197	4,572,197	-
Capital assets:				
Land, non-depreciable improvements, and construction in progress	5,823,490	1,777,424	7,600,914	-
Other capital assets, net of depreciation	10,407,620	29,691,065	40,098,685	360,326
Total noncurrent assets	19,331,110	32,940,686	52,271,796	360,326
Total assets	28,078,247	36,815,787	64,894,034	1,404,055
<b>Deferred Outflows of Resources</b>				
Pension deferrals	1,494,575	454,770	1,949,345	61,935
OPEB deferrals	652,769	253,854	906,623	-
Total deferred outflows of resources	2,147,344	708,624	2,855,968	61,935
<b>Liabilities</b>				
Current liabilities:				
Accounts payable and accrued expenses	468,174	952,303	1,420,477	95,824
Accrued interest payable	119,533	75,495	195,028	-
Customer deposits	-	140,736	140,736	-
Liabilities to be paid from restricted cash	2,198,551	-	2,198,551	-
Current portion of long-term liabilities	753,795	998,189	1,751,984	-
Total current liabilities	3,540,053	2,166,723	5,706,776	95,824
Long-term liabilities:				
Net pension liability	2,564,207	339,699	2,903,906	20,244
Total OPEB liability	4,635,764	1,802,796	6,438,560	-
Due in more than one year	6,727,147	7,866,766	14,593,913	-
Total liabilities	17,467,171	12,175,984	29,643,155	116,068
<b>Deferred Inflows of Resources</b>				
Prepaid taxes	1,823	-	1,823	-
Pension deferrals	1,356,153	486,998	1,843,151	29,890
OPEB deferrals	1,805,389	702,096	2,507,485	-
Total deferred inflows of resources	3,163,365	1,189,094	4,352,459	29,890
<b>Net Position</b>				
Net investment in capital assets	9,056,884	20,950,289	30,007,173	360,326
Restricted for:				
Streets	529,689	-	529,689	-
Public safety	144,997	-	144,997	-
Harnett Training School	3,100,000	-	3,100,000	-
Stabilization by State Statute	1,564,109	-	1,564,109	-
USDA debt service	385,044	-	385,044	-
Working capital	-	-	-	121,022
Unrestricted	(5,185,668)	3,209,044	(1,976,624)	838,684
Total net position	\$ 9,595,055	\$ 24,159,333	\$ 33,754,388	\$ 1,320,032

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

**CITY OF DUNN, NORTH CAROLINA**  
**Statement of Activities**  
**Year Ended June 30, 2022**

Exhibit 2

		Program Revenues			Net (Expense) Revenue and Changes in Net Position			City of Dunn ABC Board
		Charges for Services	Operating Grants	Capital Grants	Governmental Activities	Business-type Activities	Total	
Functions/Programs	Expenses							
Primary government:								
Governmental activities:								
General government	\$ 3,082,334	\$ 667,443	\$ 50,000	\$ -	\$ (2,364,891)	\$ -	\$ (2,364,891)	\$ -
Public safety	4,376,915	-	684,161	-	(3,692,754)	-	(3,692,754)	-
Transportation	2,103,316	-	308,971	-	(1,794,345)	-	(1,794,345)	-
Culture and recreation	1,265,292	1,046,889	-	-	(218,403)	-	(218,403)	-
Library	555,701	45,616	49,042	312,538	(148,505)	-	(148,505)	-
Environmental protection	1,186,671	-	-	-	(1,186,671)	-	(1,186,671)	-
Total governmental activities	12,570,229	1,759,948	1,092,174	312,538	(9,405,569)	-	(9,405,569)	-
Business-type activities:								
Water and sewer	6,326,974	6,573,067	351,600	-	-	597,693	597,693	-
Stormwater	127,783	231,604	-	-	-	103,821	103,821	-
Total business-type activities	6,454,757	6,804,671	351,600	-	-	701,514	701,514	-
Total primary government	\$ 19,024,986	\$ 8,564,619	\$ 1,443,774	\$ 312,538	(9,405,569)	701,514	(8,704,055)	-
Component unit:								
ABC Board	\$ 2,888,305	\$ 3,134,646	\$ -	\$ -	-	-	-	246,341
<b>General Revenues:</b>								
Taxes:								
Property taxes, levied for general purpose					4,482,439	-	4,482,439	-
Other taxes, licenses and fees					205,237	-	205,237	-
Local option sales tax					2,633,631	-	2,633,631	-
Utility franchise state tax revenues					694,781	-	694,781	-
Solid waste disposal state tax revenue					6,678	-	6,678	-
Beer and wine state tax revenue					33,588	-	33,588	-
Grants and contributions not restricted to specific programs					150,000	-	150,000	-
Investment earnings, unrestricted					10,422	66,827	77,249	6,071
Miscellaneous					1,136,574	91,200	1,227,774	-
Total general revenues, special items, and transfers					9,353,350	158,027	9,511,377	6,071
Change in net position					(52,219)	859,541	807,322	252,412
Net position, beginning					9,647,274	23,299,792	32,947,066	1,067,620
Net position, ending					\$ 9,595,055	\$ 24,159,333	\$ 33,754,388	\$ 1,320,032

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

## Balance Sheet

## Governmental Funds

June 30, 2022

	Major Governmental Fund		Total Non-Major Funds	Total Governmental Funds
	General Fund	CSLFRF Fund		
<b>Assets</b>				
Cash and cash equivalents	\$ 1,295,257	\$ 718,541	\$ -	\$ 2,013,798
Restricted cash	885,682	-	-	885,682
Investments	4,806,881	-	-	4,806,881
Restricted investments	294,359	-	-	294,359
Taxes receivable, net	41,553	-	-	41,553
Account receivables, net	794,497	-	-	794,497
Due from other governments	769,612	-	-	769,612
Due from other funds	-	830,010	-	830,010
Prepaid items	6,202	-	-	6,202
Inventories	158,699	-	-	158,699
Total assets	<u>\$ 9,052,742</u>	<u>\$ 1,548,551</u>	<u>\$ -</u>	<u>\$ 10,601,293</u>
<b>Liabilities</b>				
Accounts payable and accrued liabilities	\$ 401,637	\$ -	\$ 66,537	\$ 468,174
Unearned revenue	650,000	1,548,551	-	2,198,551
Due to other funds	1,367,249	-	486,907	1,854,156
Total liabilities	<u>2,418,886</u>	<u>1,548,551</u>	<u>553,444</u>	<u>4,520,881</u>
<b>Deferred Inflow of Resources</b>				
Property taxes receivable	41,553	-	-	41,553
Prepaid taxes	1,823	-	-	1,823
	<u>43,376</u>	<u>-</u>	<u>-</u>	<u>43,376</u>
<b>Fund Balances</b>				
Non Spendable:				
Prepaid items	6,202	-	-	6,202
Inventories	158,699	-	-	158,699
Restricted for:				
State statute	1,564,109	-	-	1,564,109
Transportation	529,689	-	-	529,689
Public safety	144,997	-	-	144,997
USDA debt service	385,044	-	-	385,044
Assigned:				
Subsequent year's expenditures	360,000	-	-	360,000
Unassigned	3,441,740	-	(553,444)	2,888,296
Total fund balances	<u>6,590,480</u>	<u>-</u>	<u>(553,444)</u>	<u>6,037,036</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 9,052,742</u>	<u>\$ 1,548,551</u>	<u>\$ -</u>	<u>\$ 10,601,293</u>

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

**Reconciliation of the Governmental Funds Balance Sheet to the  
Statement of Net Position  
Governmental Funds  
June 30, 2022**

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Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:

Total Fund Balance, Governmental Funds		\$ 6,037,036
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds		
Gross capital assets at historical costs	26,023,935	
Less: accumulated depreciation	<u>9,792,825</u>	16,231,110
Notes receivable are not due and collectible in the current period and therefore are not reported in the funds		3,100,000
Deferred outflows of resources related to pensions are not reported in the funds		1,494,575
Deferred outflows of resources related to OPEB are not reported in the funds		652,769
Liabilities for earned but considered deferred inflows of resources in fund statements		41,553
Liabilities owed from governmental activities are not due and payable in the current period 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)	(7,174,226)	
Net pension liability	(1,690,679)	
Total pension liability	(873,528)	
OPEB liability	(4,635,764)	
Compensated absences	<u>(306,716)</u>	(14,680,913)
Deferred inflows of resources related to pensions are not reported in the funds		(1,356,153)
Deferred inflows of resources related to OPEB are not reported in the funds		(1,805,389)
Other long-term liabilities (accrued interest) are not due and payable in the current period and therefore are not reported in the funds		<u>(119,533)</u>
Net position of governmental activities		<u>\$ 9,595,055</u>



**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**Year Ended June 30, 2022**

	Major Governmental Fund		Total Non-Major Funds	Total Governmental Funds
	General Fund	CSLFRF Fund		
<b>Revenues</b>				
Ad valorem taxes	\$ 4,476,903	\$ -	\$ -	\$ 4,476,903
Other taxes and licenses	205,237	-	-	205,237
Unrestricted intergovernmental	3,518,678	-	-	3,518,678
Restricted intergovernmental	1,092,174	-	312,538	1,404,712
Permits and fees	377,198	-	-	377,198
Sales and services	1,382,750	-	-	1,382,750
Investment earnings	10,422	-	-	10,422
Miscellaneous	1,136,574	-	-	1,136,574
Total revenues	<u>12,199,936</u>	<u>-</u>	<u>312,538</u>	<u>12,512,474</u>
<b>Expenditures</b>				
Current:				
General government	2,973,660	-	-	2,973,660
Public safety	4,029,312	-	-	4,029,312
Transportation	1,891,733	-	-	1,891,733
Culture and recreation	1,224,790	-	-	1,224,790
Library	267,605	-	-	267,605
Environmental protection	1,179,765	-	-	1,179,765
Debt service	1,118,642	-	-	1,118,642
Capital outlay	552,793	-	352,368	905,161
Total expenditures	<u>13,238,300</u>	<u>-</u>	<u>352,368</u>	<u>13,590,668</u>
Excess of revenues under expenditures	<u>(1,038,364)</u>	<u>-</u>	<u>(39,830)</u>	<u>(1,078,194)</u>
<b>Other Financing Sources (Uses)</b>				
Transfers from other funds	35,554	-	(35,554)	-
Proceeds from direct placement installment purchases	475,000	-	-	475,000
Total other financing sources (uses)	<u>510,554</u>	<u>-</u>	<u>(35,554)</u>	<u>475,000</u>
Net change in fund balances	<u>(527,810)</u>	<u>-</u>	<u>(75,384)</u>	<u>(603,194)</u>
Fund balances, beginning	<u>7,118,290</u>	<u>-</u>	<u>(478,060)</u>	<u>6,640,230</u>
Fund balances, ending	<u>\$ 6,590,480</u>	<u>\$ -</u>	<u>\$ (553,444)</u>	<u>\$ 6,037,036</u>

**Reconciliation of the Statement of Revenues, Expenditures, and Changes  
in Fund Balances of the Governmental Funds to the Statement of Activities  
Governmental Funds  
Year Ended June 30, 2022**

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

Net change in fund balances - total governmental funds	\$ (603,194)
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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	\$ 905,161	
Depreciation expense for governmental assets	<u>(677,897)</u>	227,264

Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	439,804
--	---------

Benefit payments paid and administrative expense for the LEOSA are not included on the Statement of Activities	21,235
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OPEB benefit payments and administrative costs made in the current fiscal year are not included on the Statement of Activities	190,167
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Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

Change in tax receivable	5,536
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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	75,273	
Net pension obligation	(656,964)	
Other postemployment benefits	<u>(394,982)</u>	(976,673)

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.

<u>643,642</u>
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Total changes in net position of governmental activities	<u><u>\$ (52,219)</u></u>
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**Statement of Revenues, Expenditures, and Changes in Fund Balances -  
Annual Budget and Actual - General Fund  
Year Ended June 30, 2022**

	General Fund			Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual Amounts	
<b>Revenues</b>				
Ad valorem taxes	\$ 4,452,000	\$ 4,452,000	\$ 4,476,903	\$ 24,903
Other taxes and licenses	216,000	216,000	205,237	(10,763)
Unrestricted intergovernmental	3,436,000	3,436,000	3,518,678	82,678
Restricted intergovernmental	908,500	1,435,505	1,092,174	(343,331)
Permits and fees	383,500	408,500	377,198	(31,302)
Sales and services	1,009,000	1,009,000	1,382,750	373,750
Investment earnings	3,000	3,000	10,422	7,422
Other	650,000	718,676	1,136,574	417,898
Total revenues	<u>11,058,000</u>	<u>11,678,681</u>	<u>12,199,936</u>	<u>521,255</u>
<b>Expenditures</b>				
Current:				
General government	2,803,950	3,308,931	2,973,660	335,271
Public safety	3,995,900	4,055,576	4,029,312	26,264
Transportation	1,985,100	2,220,695	1,891,733	328,962
Culture and recreation	604,500	1,225,205	1,224,790	415
Library	293,000	293,000	267,605	25,395
Environmental protection	826,500	1,306,205	1,179,765	126,440
Debt service	962,050	962,050	1,118,642	(156,592)
Capital outlay	527,000	596,212	552,793	43,419
Total expenditures	<u>11,998,000</u>	<u>13,967,874</u>	<u>13,238,300</u>	<u>729,574</u>
Revenues over (under) expenditures	<u>(940,000)</u>	<u>(2,289,193)</u>	<u>(1,038,364)</u>	<u>1,250,829</u>
<b>Other Financing Sources (Uses)</b>				
Proceeds from installment purchases	607,000	801,000	475,000	(326,000)
Transfers from other funds	-	63,130	35,554	(27,576)
Total other financing sources (uses)	<u>607,000</u>	<u>864,130</u>	<u>510,554</u>	<u>(353,576)</u>
Fund balance appropriated	<u>350,000</u>	<u>1,425,063</u>	<u>-</u>	<u>(1,425,063)</u>
Net changes in fund balances	<u>\$ 17,000</u>	<u>\$ -</u>	<u>(527,810)</u>	<u>\$ (527,810)</u>
Fund balances, beginning			<u>7,118,290</u>	
Fund balances, ending			<u>\$ 6,590,480</u>	

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

## Statement of Net Position

## Proprietary Fund

June 30, 2022

	Major Enterprise Fund Water and Sewer Fund	Non-Major Enterprise Fund Stormwater Fund	Total
<b>Assets</b>			
Current assets:			
Cash and equivalents	\$ 1,476,999	\$ 23,774	\$ 1,500,773
Restricted cash and cash equivalents	140,736	-	140,736
Account receivables, net	973,420	9,702	983,122
Due from other governments	16,821	37,760	54,581
Due (to) from other funds	996,684	27,462	1,024,146
Current portion of note receivable	130,272	-	130,272
Inventories	41,471	-	41,471
Total current assets	3,776,403	98,698	3,875,101
Noncurrent assets:			
Note receivable	1,472,197	-	1,472,197
Capital assets, land and construction in progress	1,736,141	41,283	1,777,424
Other capital assets, net of depreciation	29,144,511	546,554	29,691,065
Total assets	36,129,252	686,535	36,815,787
<b>Deferred Outflows of Resources</b>			
Contributions to pension plan	123,145	-	123,145
Pension deferrals	331,625	-	331,625
OPEB deferrals	253,854	-	253,854
Total deferred outflows of resources	708,624	-	708,624
<b>Liabilities</b>			
Current liabilities:			
Accounts payable and accrued liabilities	952,303	-	952,303
Accrued interest payable	75,495	-	75,495
Customer deposits	140,736	-	140,736
General obligation bonds payable - current	141,000	-	141,000
Note payables - current	826,650	30,539	857,189
Total current liabilities	2,136,184	30,539	2,166,723
Noncurrent liabilities:			
Compensated absences	82,896	-	82,896
Net pension liability	339,699	-	339,699
Total OPEB liability	1,802,796	-	1,802,796
General obligation bonds payable - noncurrent	273,000	-	273,000
Note payables - noncurrent	7,319,106	191,764	7,510,870
Total liabilities	11,953,681	222,303	12,175,984
<b>Deferred Inflows of Resources</b>			
Pension deferrals	486,998	-	486,998
OPEB deferrals	702,096	-	702,096
Total deferred inflows of resources	1,189,094	-	1,189,094
<b>Net Position</b>			
Net investment in capital assets	20,584,755	365,534	20,950,289
Unrestricted	3,110,346	98,698	3,209,044
Total Net Position	\$ 23,695,101	\$ 464,232	\$ 24,159,333

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

## CITY OF DUNN, NORTH CAROLINA

Exhibit 9

## Statement of Revenues, Expenses and Changes in Net Position

## Proprietary Fund

Year Ended June 30, 2022

	Major Enterprise Fund Water and Sewer Fund	Non-Major Enterprise Fund Stormwater Fund	Total
Operating revenues:			
Charges for services	\$ 6,235,436	\$ 231,604	\$ 6,467,040
Water and sewer taps	138,557	-	138,557
Other operating revenues	199,074	-	199,074
Total operating revenues	6,573,067	231,604	6,804,671
Operating expenses:			
Water and sewer administration/finance	1,264,942	-	1,264,942
Water and sewer operations	1,202,146	-	1,202,146
Water supply, pump and filtering	1,213,682	98,926	1,312,608
Sewage treatment plant operations	1,254,017	-	1,254,017
Depreciation	1,234,921	28,857	1,263,778
Total operating expenses	6,169,708	127,783	6,297,491
Operating income	403,359	103,821	507,180
Non-operating revenues (expenses):			
Interest income	66,827	-	66,827
Grant revenue	351,600	-	351,600
Tower site rental	91,200	-	91,200
Interest and other charges	(157,266)	-	(157,266)
Total non-operating revenues (expenses)	352,361	-	352,361
Net income	755,720	103,821	859,541
Change in net position	755,720	103,821	859,541
Net position, beginning	22,939,381	360,411	23,299,792
Total net position, ending	\$ 23,695,101	\$ 464,232	\$ 24,159,333

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

**CITY OF DUNN, NORTH CAROLINA**  
**Statement of Cash Flows**  
**Proprietary Fund**  
**Year Ended June 30, 2022**

Exhibit 10

	Major Enterprise Fund Water and Sewer Fund	Non-Major Enterprise Fund Stormwater Fund	Total
Cash flows from operating activities:			
Cash received from customers	\$ 6,510,600	\$ 243,603	\$ 6,754,203
Cash paid for goods and services	(3,649,516)	(237,724)	(3,887,240)
Cash paid to employees for services	(531,302)	-	(531,302)
Net cash provided by operating activities	<u>2,329,782</u>	<u>5,879</u>	<u>2,335,661</u>
Cash flows from noncapital financing activities:			
(Increase) in due to other funds	(774,539)	(160,297)	(934,836)
Grants	351,600	-	351,600
Net cash used in noncapital financing activities	<u>(422,939)</u>	<u>(160,297)</u>	<u>(583,236)</u>
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets	(3,560,976)	(299,528)	(3,860,504)
Principal payments received on notes receivable	125,173	-	125,173
Interest payments received on notes receivable	66,827	-	66,827
Proceeds from installment purchases	1,442,095	-	1,442,095
Principal paid on installment purchases	(885,181)	-	(885,181)
Principal paid on general obligation bonds	(149,000)	-	(149,000)
Interest and fees paid on installment purchases	(157,266)	-	(157,266)
Net cash used in capital and related financing activities	<u>(3,118,328)</u>	<u>(299,528)</u>	<u>(3,417,856)</u>
Cash flows from investing activities:			
Tower site rental	91,200	-	91,200
Net cash provided by investing activities	<u>91,200</u>	<u>-</u>	<u>91,200</u>
Net decrease in cash and cash equivalents	(1,120,285)	(453,946)	(1,574,231)
Balance, beginning	2,738,020	477,720	3,215,740
Balances, ending	<u>\$ 1,617,735</u>	<u>\$ 23,774</u>	<u>\$ 1,641,509</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 403,359	\$ 103,821	\$ 507,180
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	1,234,921	28,857	1,263,778
Changes in assets and liabilities:			
(Increase) decrease in:			
Accounts receivable	(62,467)	11,999	(50,468)
Deferred outflows of resources - pensions	(8,120)	-	(8,120)
Deferred outflows of resources - OPEB	46,034	-	46,034
Increase (decrease) in:			
Accounts payable and accrued liabilities	637,337	(138,798)	498,539
Compensated absences	7,166	-	7,166
Net Pension Liability	(445,737)	-	(445,737)
Deferred inflows of resources - pensions	483,672	-	483,672
Deferred inflows of resources - OPEB	265,865	-	265,865
OPEB liability	(232,248)	-	(232,248)
Total adjustments	<u>1,926,423</u>	<u>(97,942)</u>	<u>1,828,481</u>
Net cash provided by operating activities	<u>\$ 2,329,782</u>	<u>\$ 5,879</u>	<u>\$ 2,335,661</u>

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

## **CITY OF DUNN, NORTH CAROLINA**

### **Notes to Financial Statements**

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#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the City of Dunn, North Carolina (the "City") conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the more significant accounting policies:

##### **Reporting Entity**

The City is a municipal corporation, which is governed by an elected mayor and a six-member council. As required by accounting principles generally accepted in the United States of America, 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 in order to emphasize that it is legally separate from the City.

##### **City of Dunn ABC Board**

The members of the ABC Board's governing board are appointed by the City. In addition, the ABC Board is required by State statute to distribute its surpluses to the General Fund of the City. The ABC Board, which has a June 30 year end, is presented as if it were a proprietary fund (discrete presentation). Complete financial statements for the ABC Board may be obtained from the entity's administrative offices at City of Dunn ABC Board, P.O. Box 70, Dunn, North Carolina, 28335-0070.

##### **Basis of Presentation**

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

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

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

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

**CITY OF DUNN, NORTH CAROLINA**  
**Notes to Financial Statements**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The City reports the following major governmental fund:

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

*Tart Park Renovations Capital Project Fund* – This fund is a capital project fund of the City. The fund was established to perform needed renovations on the Clarence Lee Tart Memorial Park. The project is funded by loan proceeds and State grants. Construction is the primary expenditure of the project.

The City reports the following major enterprise fund:

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

**Measurement Focus and Basis of Accounting**

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

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

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

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



**CITY OF DUNN, NORTH CAROLINA**  
**Notes to Financial Statements**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax, collected and held by the State at year-end on behalf of the City are recognized as revenue. Sales taxes are considered a shared revenue for the City because the tax is levied by Harnett 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. 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 by general revenues.

**Budgetary Data**

The City's budgets are adopted as required by North Carolina General Statutes. An annual budget is adopted for the General and Enterprise Funds. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the Governmental and Enterprise Capital Projects Funds. The enterprise fund projects are consolidated with their respective operating fund for reporting purposes. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the project level for the multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriation by more than \$5,000. All amendments must be approved by the governing board. The budget ordinance must be adopted by July 1 of the fiscal year, or the governing board must adopt an interim budget that covers the time until the annual ordinance can be adopted.

**CITY OF DUNN, NORTH CAROLINA**  
**Notes to Financial Statements**

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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 the State law (G.S. 159-31). The City and the ABC Board may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the City and the ABC Board may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

State law (G.S. 159-30(c)) authorizes the City and the ABC Board to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust ("NCCMT"). The City and the ABC Board's investments are reported at fair value. Non-participating interest earning contracts are accounted for at cost. The NCCMT Government Portfolio, a SEC-registered (2a-7) external investment pool, is measured at fair value. The NCCMT- Term Portfolio is a bond fund, has no rating and is measured at fair value. As of June 30, 2020, The Term portfolio has a duration of .15 years. Because the NCCMT Government and Term Portfolios have a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months.

**Cash and Cash Equivalents**

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

**Restricted Assets**

Customer deposits held by the City before any services are supplied are restricted to the service for which the deposit was collected. Drug tax funds are classified as restricted because they can only be used for public safety. Powell Bill funds are also classified as restricted assets because they can be expended only for the purposes of maintaining, repairing, constructing, reconstructing or widening of local streets per G.S. 136-41.1 through 136-41.4.

City of Dunn Restricted Cash and Cash Investments	
Governmental Activities	
General Fund	
Streets - Powell Bill	\$ 529,689
Public Safety	144,997
USDA reserve	385,044
Liabilities to be paid from restricted cash	
SCIF grant funds	2,198,551
Total governmental activities	<u>\$ 3,258,281</u>
Business-Type Activities	
Water and Sewer Fund	
Customer deposits	\$ 140,736
Total business-type activities	<u>\$ 140,736</u>
Total Restricted Cash and Cash Investments	<u>\$ 3,399,017</u>

**CITY OF DUNN, NORTH CAROLINA**  
**Notes to Financial Statements**

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Ad Valorem Taxes Receivable**

In accordance with State law (G.S. 105-347 and G.S. 159-13(a)), the City levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6<sup>th</sup>. These taxes are based on the assessed values as of January 1, 2021.

**Allowance 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. At year end, the City believes that receivables are fully collectable.

**Inventories and Prepaid Items**

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

The inventories of the City's enterprise 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 prepayments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements and expensed as the items are used.

**Capital Assets**

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Capitalization cost for the City's assets are \$5,000. Purchased or constructed capital assets are reported at cost or estimated historical cost. 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. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Capital assets of the City are depreciated using the straight-line basis over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	30 years
Improvements	20 years
Furniture, equipment, tractor units, and trailers	7 years
Vehicles, data handling equipment except computers	5 years
Computer equipment	3 years

**CITY OF DUNN, NORTH CAROLINA**  
**Notes to Financial Statements**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	10-40 years
Leasehold Improvements	15-40 years
Furniture and equipment	3-10 years

**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 called deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as expense or expenditure until then. The City has two items that meets this criterion, pension deferrals and OPEB deferrals. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflow 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 property taxes, property taxes receivable, pension deferrals, and OPEB deferrals.

**Long-Term Obligations**

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

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

**Compensated Absences**

Vacation leave is accumulated at the rate of up to thirty (30) days per year with such leave being fully vested when earned. For the City's government-wide and proprietary funds, an expense and a liability for compensated absences and the salary-related payments are recorded within the funds as the leave is earned. The City has assumed a first-in, first-out method of using accumulated compensated time. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

**CITY OF DUNN, NORTH CAROLINA**  
**Notes to Financial Statements**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

**Net Position/Fund Balances**

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

**Fund Balances**

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

The governmental fund types classify fund balances as follows:

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

**Prepaid items** - portion of fund balance that is not an available resource because it represents the year-end balance of ending prepaid expenses, which are not a spendable resource.

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

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

**Restricted for Stabilization by State statute** - North Carolina G.S. 159-8 prohibits units of government from budgeting or spending a portion of their fund balance. This is one of several statutes enacted by the North Carolina State Legislature in the 1930's that were designed to improve and maintain the fiscal health of local government units. Restricted by State statute (RSS) is calculated at the end of each fiscal year for all annually budgeted funds. The calculation in G.S. 159-8(a) provides a formula for determining what portion of fund balance is available for appropriation. The amount of fund balance not available for appropriation is what is known as "restricted by State statute". *Appropriated fund balance in any fund shall not exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts, as those figures stand at the close of the fiscal year next preceding the budget.* Per GASB guidance, RSS is considered a resource upon which a restriction is "imposed by law through constitutional provisions or enabling legislation." RSS is reduced by inventories and prepaids as they are classified as nonspendable. Outstanding Encumbrances are included within RSS. RSS is included as a component of Restricted Net position and Restricted fund balance on the face of the balance sheet.

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

**CITY OF DUNN, NORTH CAROLINA**  
**Notes to Financial Statements**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Restricted for Public Safety - portion of fund balance that is restricted by revenue source for certain drug enforcement expenditures.

Restricted for USDA Debt Service – portion of fund balance that is restricted as required by loan agreements with the USDA.

Restricted for Harnett Training School – portion of fund balance that is restricted as required by loan agreements for renovations to the Harnett Training School.

Assigned Fund Balance – portion of fund balance that the City intends to use for specific purposes.

Subsequent year's expenditures – portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed.

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

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

**Defined Benefit Cost-Sharing Plans**

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

**NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Deficit Fund Balance or Net Position of Individual Funds**

The City has two nonmajor governmental funds with deficit fund balances as of June 30, 2022. These deficits were caused because of delays in receiving anticipating loans and intergovernmental funding. The City will either obtain the funding during the year ending June 30, 2023 or correct the deficit with transfers from other funds.

**CITY OF DUNN, NORTH CAROLINA**  
**Notes to Financial Statements**

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**NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)**

**Excess of Expenditures over Appropriations**

For the fiscal year ended June 30, 2022, the expenditures made in the City's General Fund exceeded the authorized appropriations made by the governing board for debt service activities by \$156,592. This over-expenditure occurred because debt balance was immaterial off from actual debt balance at year end that was corrected. Management and the Board will more closely review the debt balances to ensure they are correctly reported and proper budget is approved.

**NOTE 3 – DETAIL NOTES ON ALL FUNDS**

**A. Assets**

**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 ABC Board's agents in the 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 ABC Board's agents in their names. The amount of the pledged collateral is based on an approved averaging method for non-interest-bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the City, the ABC Board, or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the City and ABC Board under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The City has no formal policy regarding custodial credit risk for deposits but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The City complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured. The ABC Board has no formal policy regarding custodial credit risk for deposits.

At June 30, 2022, the City's deposits had a carrying amount of \$4,539,919 and a bank balance of \$4,648,946. Of the bank balance, \$758,135 was covered by federal depository insurance and the remainder was covered by collateral under the pooling method. The carrying amount of deposits for the ABC Board was \$428,080 and the bank balance was \$602,219. At June 30, 2022, the ABC Board bank balance exceeded federal depository insurance coverage. The remaining bank balance of \$352,219 was covered by collateral held under the Pooling Method. At June 30, 2022, the City's petty cash fund totaled \$1,070.

**CITY OF DUNN, NORTH CAROLINA**  
**Notes to Financial Statements**

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NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

**Investments**

The City's investment balances were as follows:

Investment Type	Valuation	Book Value	Maturity	Rating
	Measurement Method			
NC Capital Management Trust - Government Portfolio	Fair Value - Level 1	\$ 4,806,881	N/A	AAAm
Government Agency - Federal Home Loan Bank	Fair Value - Level 2	294,359	August 19, 2022	AAA
		<u>\$ 5,101,240</u>		

All investments are measured using the market approach: using prices and other relevant information generated by market transactions involving identical or comparable assets or a group of assets. Level of fair value hierarchy: Level 1: debt securities 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 and ABC Board has no formal investment policy regarding interest rate risk.

*Credit Risk* - The City has no formal policy regarding credit risk but has internal management procedures that limits the City's investments to the provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. The City's investment in the NC Capital Management Trust Government Portfolio carried a credit rating of AAAm by Standard & Poor's as of June 30, 2022. The City's investment in the NC Capital Management Trust Term Portfolio is unrated. The Term Portfolio is authorized to invest in obligations of the U.S. government and agencies, and in high grade money market instruments as permitted under North Carolina General Statutes 159-30 as amended.

**Receivables**

Notes Receivable:

General Fund

The City has financed the renovation of Harnett Training School. The School will be used to house apartments for rent to the public. Harnett Training School, LLC will repay the city annually over a 20-year period. The original amount of the note receivable was \$3,100,000, and repayment to the City is dependent on the profitability performance measures of Harnett Training School. No cash was received from activities related to this transaction during the year ended June 30, 2022. As of June 30, 2022, the balance on this note receivable was \$3,100,000.



**CITY OF DUNN, NORTH CAROLINA**  
**Notes to Financial Statements**

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NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

Water and Sewer Fund

The City has financed the construction of a water line to the Eastover Sanitary District. Eastover Sanitary District will repay the city monthly over a 20-year period. The original amount of the note receivable was \$2,604,064. As of June 30, 2022, the balance on this note receivable was \$1,602,469.

Accounts Receivable:

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

General Fund	
Taxes receivable	\$ 54,281
Customer charges	4,299
	<u>\$ 58,580</u>
Water and Sewer	
Customer charges	<u>\$ 28,276</u>

Accounts receivable consists of the following, net of allowances for doubtful accounts:

General Fund	
Taxes receivable	\$ 41,553
Customer charges	676,732
Special assessments	117,765
	<u>\$ 836,050</u>
Water and Sewer	
Customer charges	\$ 770,494
Dunn Development Corporation	142,571
Interest	44,777
Other receivables	15,578
	<u>\$ 973,420</u>
Stormwater	
Customer charges	<u>\$ 9,702</u>

**CITY OF DUNN, NORTH CAROLINA**  
**Notes to Financial Statements**

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NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

**Capital Assets**

Capital asset activity for the Primary Government was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Governmental Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 2,268,209	\$ 560,747	\$ 292,889	\$ 2,536,067
Construction in progress	3,054,716	232,707	-	3,287,423
Total capital assets not being depreciated	5,322,925	793,454	292,889	5,823,490
Capital assets being depreciated:				
Buildings	6,670,331	-	-	6,670,331
Equipment	2,491,830	256,109	222,270	2,525,669
Improvements	7,310,162	60,306	-	7,370,468
Vehicles and motorized equipment	3,152,876	308,889	421,093	3,040,672
Other	513,945	79,360	-	593,305
Total capital assets being depreciated	20,139,144	704,664	643,363	20,200,445
Less accumulated depreciation for:				
Buildings	3,108,165	126,226	66,347	3,168,044
Equipment	1,959,099	107,819	33,339	2,033,579
Improvements	1,647,923	205,289	-	1,853,212
Vehicles and motorized equipment	2,268,403	209,720	243,609	2,234,514
Other	474,633	28,843	-	503,476
Total accumulated depreciation	9,458,223	677,897	343,295	9,792,825
Total capital assets being depreciated, net	10,680,921			10,407,620
Government activity capital assets, net	<u>\$ 16,003,846</u>			<u>\$ 16,231,110</u>

**CITY OF DUNN, NORTH CAROLINA**  
**Notes to Financial Statements**

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NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

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

General Government	\$ 44,842	6.61%
Public Safety	170,249	25.11%
Transportation	156,671	23.11%
Environmental Protection	22,288	3.29%
Cultural and Recreational	276,941	40.85%
Library	6,906	1.02%
Total depreciation expense	<u>\$ 677,897</u>	100.00%

Capital asset activity for the Business-Type Activities was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Business-Type Activities:</b>				
<b><i>Water and Sewer Fund</i></b>				
Capital assets not being depreciated:				
Land	\$ 286,507	\$ -	\$ -	\$ 286,507
Construction in process	69,650	1,379,984	-	1,449,634
Total capital assets not being depreciated	<u>356,157</u>	<u>1,379,984</u>	<u>-</u>	<u>1,736,141</u>
Capital assets being depreciated:				
Buildings	876,488	-	-	876,488
Equipment	1,549,311	789,068	52,427	2,285,952
Plant Distribution Systems	48,819,091	1,095,993	-	49,915,084
Vehicles	546,264	595,460	-	1,141,724
Other Assets	1,149,055	-	247,102	901,953
Total capital assets being depreciated	<u>52,940,209</u>	<u>2,480,521</u>	<u>299,529</u>	<u>55,121,201</u>
Less accumulated depreciation for:				
Buildings	751,134	7,026	-	758,160
Equipment	967,741	124,347	-	1,092,088
Plant Distribution Systems	22,436,984	940,205	-	23,377,189
Vehicles	420,122	58,970	-	479,092
Other Assets	165,788	104,373	-	270,161
Total accumulated depreciation	<u>24,741,769</u>	<u>1,234,921</u>	<u>-</u>	<u>25,976,690</u>
Total capital assets being depreciated, net	<u>28,198,440</u>			<u>29,144,511</u>
Water and Sewer activity capital assets, net	<u>\$ 28,554,597</u>			<u>\$ 30,880,652</u>

**CITY OF DUNN, NORTH CAROLINA**  
**Notes to Financial Statements**

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NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<b>Business-Type Activities (continued):</b>				
<b><i>Stormwater Fund</i></b>				
Capital assets not being depreciated:				
Land	<u>\$ 41,283</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 41,283</u>
Total capital assets not being depreciated	<u>41,283</u>	<u>-</u>	<u>-</u>	<u>41,283</u>
Capital assets being depreciated:				
Equipment	<u>10,873</u>	<u>52,427</u>	<u>-</u>	<u>63,300</u>
Other Assets	<u>265,010</u>	<u>247,101</u>	<u>-</u>	<u>512,111</u>
Total capital assets being depreciated	<u>275,883</u>	<u>299,528</u>	<u>-</u>	<u>575,411</u>
Less accumulated depreciation for:				
Equipment	<u>-</u>	<u>2,356</u>	<u>-</u>	<u>2,356</u>
Other Assets	<u>-</u>	<u>26,501</u>	<u>-</u>	<u>26,501</u>
Total accumulated depreciation	<u>-</u>	<u>28,857</u>	<u>-</u>	<u>28,857</u>
Total capital assets being depreciated, net	<u>275,883</u>			<u>546,554</u>
Stormwater activity capital assets, net	<u>\$ 317,166</u>			<u>\$ 587,837</u>

**CITY OF DUNN, NORTH CAROLINA**  
**Notes to Financial Statements**

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NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

**Discretely presented component unit**

Activity for the ABC Board for the year ended June 30, 2022 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land	\$ 191,572	\$ -	\$ -	\$ 191,572
Total capital assets not being depreciated	191,572	-	-	191,572
Capital assets being depreciated:				
Buildings	370,872	22,366	-	393,238
Furniture and equipment	99,481	9,385	2,141	106,725
Land improvements	13,344	21,000	-	34,344
Total capital assets being depreciated	483,697	52,751	2,141	534,307
Less accumulated depreciation for:				
Buildings	264,887	7,774	-	272,661
Furniture and equipment	77,457	5,189	2,141	80,505
Land improvements	12,125	262	-	12,387
Total accumulated depreciation	354,469	13,225	2,141	365,553
Total capital assets being depreciated, net	129,228			168,754
Water and Sewer activity capital assets, net	\$ 320,800			\$ 360,326

## **CITY OF DUNN, NORTH CAROLINA**

### **Notes to Financial Statements**

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#### **NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)**

##### **B. Liabilities**

###### Pension Plan and Postemployment Obligations

###### **a. Local Governmental Employees' Retirement System**

*Plan Description.* The City of Dunn 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 the State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at [www.osc.nc.gov](http://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 service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

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

*Contributions.* Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. City of Dunn employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The City of Dunn's contractually required contribution rate for the year ended June 30, 2022, was 9.7% of compensation for law enforcement officers and 8.95% for general

**CITY OF DUNN, NORTH CAROLINA**  
**Notes to Financial Statements**

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**NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)**

employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the City of Dunn were \$439,804 for the year ended June 30, 2022.

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

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

At June 30, 2022, the City reported a liability of \$1,213,227 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2020. The total pension liability was then rolled forward to the measurement date of June 30, 2021 utilizing update procedures incorporating the actuarial assumptions. The City's proportion of the net pension liability was based on a projection of the City's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2020, the City's proportion was 0.07911%, which was an increase of 0.0006% from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the City recognized pension expense of \$546,297. At June 30, 2022, 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	\$ 385,971	\$ -
Changes of assumptions	762,217	-
Net difference between projected and actual earnings on pension plan investments	-	1,733,338
Changes in proportion and differences between Town contributions and proportionate share of contributions	36,182	5,939
City contributions subsequent to the measurement date	439,804	-
	<u>\$ 1,624,174</u>	<u>\$ 1,739,277</u>

\$439,804 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 ending June 30, 2022.

**CITY OF DUNN, NORTH CAROLINA**  
**Notes to Financial Statements**

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**NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)**

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>	
2023	\$ 124,317
2024	(19,327)
2025	(129,484)
2026	(530,413)
	<u>\$ (554,907)</u>

*Actuarial Assumptions:* The total pension liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0%
Salary increase, including inflation and productivity factor	3.50 to 8.10%
Investment rate of return, net of pension plan investment expense, including inflation	7.00%

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

The actuarial assumptions used in the December 31, 2020 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

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



**CITY OF DUNN, NORTH CAROLINA**  
**Notes to Financial Statements**

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**NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)**

The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2021 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed income	29.0%	1.4%
Global equity	42.0%	5.3%
Real estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation protection	6.0%	4.0%
	<u>100.0%</u>	

The information above is based on 30-year expectations developed with the consulting actuary for the 2018 asset, liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

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

*Sensitivity of the 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 6.50%, 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 (5.50%) or one percentage point higher (7.50%) than the current rate:

	<u>1% Decrease (5.50%)</u>	<u>Discount Rate (6.50%)</u>	<u>1% Increase (7.50%)</u>
Towns' proportionate share of the net pension liability (asset)	\$ 5,691,322	\$ 2,805,139	\$ 406,519

**CITY OF DUNN, NORTH CAROLINA**  
**Notes to Financial Statements**

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**NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)**

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

**b. Law Enforcement Officers Special Separation Allowance**

Plan Description

The City of Dunn, North Carolina administers a public employee retirement system (the *Separation Allowance*), a single-employer defined benefit pension plan that provides retirement benefits to the City's qualified sworn law enforcement officers under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to 0.85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full-time City law enforcement officers are covered by the Separation Allowance. At December 31, 2020, the Separation Allowance's membership consisted of:

Retirees receiving benefits	3
Active plan members	42
	<u>45</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 73.

Actuarial Assumptions

The entry age normal actuarial cost method was used in the December 31, 2020 valuation. The total pension liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases, including inflation and productivity factor	3.25 to 7.75%
Discount rate	2.25%

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2020.

**CITY OF DUNN, NORTH CAROLINA**  
**Notes to Financial Statements**

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**NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)**

Mortality rates are based on the following:

- Deaths After Retirement (Healthy): RP-2014 Healthy Annuitant base rates projected to 2015 using MP-2015, projected forward generationally from 2015 using MP-2015. Rates are adjusted by 104% for males and 100% for females.
- Deaths Before Retirement: RP-2014 Employee base rates projected to 2015 using MP-2015, projected forward generationally from 2015 using MP-2015.
- Deaths After Retirement (Beneficiary): RP-2014 Healthy Annuitant base rates projected to 2015 using MP-2015, projected forward generationally from 2015 using MP-2015. Rates are adjusted by 123% for males and females.
- Deaths After Retirement (Disabled): RP-2014 Disabled Retiree base rates projected to 2015 using MP-2015, projected forward generationally from 2015 using MP-2015. Rates are adjusted by 103% for males and 99% for females.

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 \$21,235 as benefits came due for the reporting period.

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

At June 30, 2022, the City reported a total pension liability of \$1,690,679. The total pension liability was measured as of December 31, 2021 based on a December 31, 2020 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2021 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2022, the City recognized pension expense of \$188,669.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 17,673	\$ 47,919
Changes of assumptions	286,263	55,955
Benefit payments and administrative costs made subsequent to the measurement date	21,235	-
Total	<u>\$ 325,171</u>	<u>\$ 103,874</u>

\$69,422 paid as benefits came due subsequent to the measurement date have been reported as deferred outflows of resources and will be recognized as a decrease of the total pension liability in the year ending June 30, 2021.

**CITY OF DUNN, NORTH CAROLINA**  
**Notes to Financial Statements**

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NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

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>	
2023	\$ 65,782
2024	49,883
2025	52,318
2026	43,477
2027	(11,398)
	<u>\$ 200,062</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 2.25 percent, as well as what the City's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.25 percent) or 1-percentage-point higher (3.25 percent) than the current rate:

	<u>1% Decrease (1.25%)</u>	<u>Discount Rate (2.25%)</u>	<u>1% Increase (3.25%)</u>
Total pension liability	\$ 1,843,468	\$ 1,690,679	\$ 1,552,692

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

Beginning balance	\$ 1,706,197
Service cost	93,677
Interest on the total pension liability	32,260
Differences between expected and actual experience in the measurement of the total pension liability	(24,807)
Changes of assumptions or other inputs	(47,226)
Benefit payments	(69,422)
Ending balance of the total pension liability	<u>\$ 1,690,679</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, 2020 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

**CITY OF DUNN, NORTH CAROLINA**  
**Notes to Financial Statements**

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NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

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

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

	LGERS	LEOSSA	Total
Pension Expense	\$ 540,425	\$ 188,669	\$ 729,094
Pension Liability	1,213,227	1,690,679	2,903,906
Proportionate share of the net pension liability	0.07911%	n/a	
Deferred Outflows of Resources			
Differences between expected and actual experience	385,971	17,673	403,644
Changes of assumptions	762,217	286,263	1,048,480
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	36,182	-	36,182
Benefit payments and administrative costs paid subsequent to the measurement date	439,804	21,235	461,039
Deferred Inflows of Resources			
Differences between expected and actual experience	-	47,919	47,919
Changes of assumptions	-	55,955	55,955
Net difference between projected and actual earnings on plan investments	1,733,338	-	1,733,338
Changes in proportion and differences between contributions and proportionate share of contributions	5,939	-	5,939

c. Supplemental Retirement Income Plan for Law Enforcement Officers and Other Employees

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

The City has also elected to have employees not engaged in law enforcement participate in the Supplement Retirement Income Plan. In addition, the ABC Board provides retirement benefits to full time employees.

*Funding Policy:* Article 12E of G.S. Chapter 143 requires the City to contribute each month an amount equal to 5.00% of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers, and other employees may make voluntary contributions to the plan. Contributions for the year ended June 30, 2022 were \$388,489, which consisted of \$280,862 from the City and \$107,627 from the law enforcement officers and other employees.

**CITY OF DUNN, NORTH CAROLINA**  
**Notes to Financial Statements**

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NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

**Other Postemployment Benefits (OPEB)**

Healthcare Benefits

*Plan Description:* Under the terms of a City resolution, the City administers a single employer defined benefit healthcare plan ("the Retiree Health Plan"). The plan provides postemployment healthcare benefits to retirees of the City, provided they participate in the North Carolina Local Governmental Employees' Retirement System ("System") and have at least twenty-five years of creditable service with the City. The City pays the full cost of coverage for these benefits. Retirees with at least fifteen years of service may remain on the City's plan and are eligible for premium supplements established by the City Council. Also, the City's retirees can purchase coverage for their dependents at the City's group rates. The City Council may amend the benefit provisions. A separate report was not issued for the plan.

Employees hired after July 1, 2017, will only be eligible for retiree insurance after completion of twenty or more years of service with the City. Membership of the Retiree Health Plan consisted of the following at June 30, 2021, the date of the latest actuarial valuation:

	General Employees	Law Enforcement Officers
Retirees receiving benefits	34	3
Active plan members	128	42
	<u>162</u>	<u>45</u>

**Total OPEB Liability**

The City's total OPEB liability of \$6,438,560 was measured as of December 31, 2021 and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs. The total OPEB liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.50%
Salary increases, including wage inflation	2.75%
Discount rate, net of investment expense, including inflation	3.54%
Healthcare cost trend rates	4.00%

The discount rate is based on the yield of the June average of the Bond Buyer General Obligation 20-year Municipal Bond Index published weekly by The Bond Buyer.

**CITY OF DUNN, NORTH CAROLINA**  
**Notes to Financial Statements**

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NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

**Changes in the Total OPEB Liability**

Changes for the year	
Service cost	\$ 506,180
Interest	160,570
Changes in assumptions or other inputs	(1,321,587)
Benefit payments	(174,619)
Net changes	(829,456)
Balance, beginning	7,268,016
Balance, ending	<u>\$ 6,438,560</u>

Mortality rates were based on the SOA Pub-2010 mortality tables with Scale MP-2019 improvements until 2025.

The actuarial assumptions used in the December 31, 2021 valuation were based on the results of an actuarial experience study for the period January 2010 through December 2014.

*Sensitivity of the total OPEB liability to changes in the discount rate.* The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.54 percent) or 1-percentage-point higher (4.54 percent) than the current discount rate:

	<u>1 % Decrease</u>	<u>Discount Rate (3.54%)</u>	<u>1% Increase</u>
Total OPEB liability	\$ 7,380,489	\$ 6,438,560	\$ 5,754,443

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

	<u>(2.54%)</u>	<u>Discount Rate (3.54%)</u>	<u>(4.54%)</u>
Total OPEB liability	\$ 5,473,863	\$ 6,438,560	\$ 7,581,274

**CITY OF DUNN, NORTH CAROLINA**  
**Notes to Financial Statements**

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NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

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

For the year ended June 30, 2022, the City recognized OPEB expense of \$459,085. At June 30, 2022, 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	\$ 14,713	\$ 1,238,577
Changes of assumptions	891,910	1,268,908
Total	<u>\$ 906,623</u>	<u>\$ 2,507,485</u>

Because the plan's measurement date is the same as the City's fiscal year end, there are no deferred outflows of resources related to benefit payments and administrative expenses made subsequent to the measurement date. 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>	
2023	\$ (207,665)
2024	(207,665)
2025	(204,900)
2026	(179,034)
2027	(220,177)
Thereafter	(581,421)
	<u>\$ (1,600,862)</u>

Other Employment Benefits

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



**CITY OF DUNN, NORTH CAROLINA**  
**Notes to Financial Statements**

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**NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)**

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.

**Long-Term Obligations**

Installment Purchases

The City has entered into the following direct placement contracts:

Serviced by the General Fund:

\$975,000 loan in November 2012 to construct improvements to Tyler Park due in annual installments ranging from \$102,278 to \$105,849 including interest through November 2022; interest at 2.45 percent	\$ 100,672
\$2,989,000 loan in August 2013 to finance improvements to Downtown infrastructure due in annual installments of \$181,373 including interest through August 2038; interest at 3.50 percent	2,288,124
\$700,000 loan in July 2014 to construct phase 2 improvements to Tyler Park due in annual installments ranging from \$77,476 to \$74,354 including interest through July 2024; interest at 2.67 percent	140,615
\$2,200,000 loan in August 2014 to renovate the Harnett Training School and City Hall due in annual installments of \$146,051 including interest through August 2025; interest at 9.75 percent or 85 percent of the Wall Street Journal prim rate, the lesser of the two	1,643,659
\$125,000 loan in March 2017 to finance five police vehicles due in annual installments of \$19,875 including interest through March 2024; interest at 2.75 percent	38,620
\$181,000 loan in March 2017 to finance public works equipment due in annual installments of \$20,949 including interest through March 2027; interest at 2.75 percent	97,069
\$40,743 of a \$204,000 loan in January 2019 to finance vehicles for various City departments due in annual installments of \$24,727 including interest through January 2029; interest at 3.66 percent	142,375
\$125,000 loan in April 2019 to finance five police vehicles due in annual installments of \$20,440 including interest through April 2026; interest at 3.50 percent	75,095
\$125,000 loan in April 2019 to finance six vehicles due in annual installments of \$20,440 including interest through April 2026; interest at 3.50 percent	75,095

**CITY OF DUNN, NORTH CAROLINA**  
**Notes to Financial Statements**

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NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

\$109,849 loan in January 2020 to finance computer purchases due in quarterly installments of \$6,548 including interest through January 2024; interest at 2.21 percent	\$ 38,537
\$100,000 loan in April 2020 to finance police vehicles due in annual installments of \$21,488 including interest through April 2025; interest at 2.375 percent	61,811
\$100,000 loan in June 2020 to finance paving equipment due in quarterly installments of \$6,542 including interest through June 2024; interest at 2.17 percent	50,806
\$70,000 loan in June 2020 to finance police vehicles due in annual installments of \$10,973 including interest through June 2027; interest at 2.375 percent	51,158
\$104,000 loan in June 2020 to finance equipment for parks and recreation due in annual installments of \$11,808 including interest through June 2030; interest at 2.375 percent	85,102
\$2,121,010 loan in September 2020 to finance improvements to Tart Park due in semiannual installments of \$63,410 including interest through September 2030; interest at 1.785 percent	1,570,754
\$110,000 loan in February 2021 to finance computer purchases due in quarterly installments of \$7,141 including interest through February 2025; interest at 1.80 percent	76,454
\$205,000 loan in November 2020 to finance equipment for parks and recreation due in semiannual installments of \$15,684 including interest through November 2027; interest at 1.86 percent	163,280
\$100,000 loan in February 2022 to purchase police vehicles due in semiannual installments of \$21,293 including interest through March 2027; interest at 2.125 percent	100,000
\$375,000 loan in December 2021 to purchase land due in semiannual installments of \$20,722 including interest through November 2031; interest at 1.91 percent	375,000
	<u>\$ 7,174,226</u>

The future minimum payments of General Fund direct borrowing agreements are as follows:

	Principal	Interest	Total
<u>Year Ending June 30</u>			
2023	\$ 753,795	\$ 205,847	\$ 959,642
2024	654,980	186,390	841,370
2025	533,115	167,788	700,903
2026	1,738,415	153,625	1,892,040
2027	367,401	103,796	471,197
2028-2032	2,026,348	363,294	2,389,642
2033-2037	766,001	140,864	906,865
2038-2039	334,171	17,498	351,669
Total	<u>\$ 7,174,226</u>	<u>\$ 1,339,102</u>	<u>\$ 8,513,328</u>

**CITY OF DUNN, NORTH CAROLINA**  
**Notes to Financial Statements**

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NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

Serviced by the Water and Sewer Fund:

\$1,898,000 loan in September 2019 to finance electronically read water meters for the City due in annual installments of \$166,321 including interest through September 2034; interest at 3.63 percent	\$ 1,595,126
\$185,000 loan in June 2020 to finance vehicles and a generator due in annual installments of \$21,004 including interest through June 2030; interest at 2.375 percent	151,385
\$2,722,161 non-interest bearing loan in November 2020 to finance a waste water treatment plant aeration project due in annual installments of \$137,500 through November 2039	2,612,500
\$250,000 loan in November 2020 to finance a water/sewer line project due in semiannual installments of \$22,030 including interest through November 2026; interest at 1.74 percent	189,915
\$785,000 loan in May 2021 to finance a water/sewer line project due in annual installments of \$87,712 including interest through May 2031; interest at 2.07 percent	713,538
\$178,629 loan in October 2021 to finance equipment due in annual installments of \$18,751 including interest through October 2026; interest at 1.79 percent	161,476
\$416,960 loan in December 2021 to finance vacuum truck purchase due in annual installments of \$64,128 including interest through November 2031; interest at 1.88 percent	416,960
\$553,860 loan in June 2022 to finance a water/sewer line project due in annual installments of \$119,683 including interest through May 2027; interest at 2.65 percent	553,860
	<u>\$ 6,394,760</u>

The future minimum payments of Water and Sewer Fund direct borrowing agreements are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 583,119	\$ 96,521	\$ 679,640
2024	594,100	85,577	679,677
2025	605,517	77,525	683,042
2026	617,246	65,453	682,699
2027	588,800	53,138	641,938
2028-2032	1,910,825	147,697	2,058,522
2033-2037	1,031,727	17,274	1,049,001
2038-2040	463,426	-	463,426
Total	<u>\$ 6,394,760</u>	<u>\$ 543,185</u>	<u>\$ 6,937,945</u>

**CITY OF DUNN, NORTH CAROLINA**  
**Notes to Financial Statements**

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**NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)**

General Obligation Bonds

In March 2017, the City received direct placement general obligation refunding bonds from BB&T for the purpose of 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. The amount of the issuance is \$1,180,000 and is expected to have a final maturity date of June 1, 2025. The bonds are expected to bear an interest rate of 2.14%.

The future minimum payments on the general obligation bond are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 141,000	\$ 12,048	\$ 153,048
2024	138,000	8,860	146,860
2025	135,000	2,542	137,542
Total	<u>\$ 414,000</u>	<u>\$ 23,450</u>	<u>\$ 437,450</u>

Revolving Water and Sewer Loan

In August 2010 the City entered into a direct placement agreement from the Water Pollution Control Revolving Loan Fund in the amount of \$4,385,114. This note was used to finance replacing gravity sewer lines, upgrading lift stations and constructions of equalization basin at the wastewater treatment facility. The promissory note requires principal payments beginning May 2012 with interest at 2.5%. The balance of this note is \$1,973,299 at June 30, 2022.

The future minimum payments on the revolving water and sewer loan are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 219,256	\$ 54,814	\$ 274,070
2024	219,256	49,333	268,589
2025	219,256	43,851	263,107
2026	219,256	38,370	257,626
2027	219,256	32,892	252,148
2028-2031	877,019	82,221	959,240
Total	<u>\$ 1,973,299</u>	<u>\$ 301,481</u>	<u>\$ 2,274,780</u>

**CITY OF DUNN, NORTH CAROLINA**  
**Notes to Financial Statements**

**NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)**

**Changes in Long-Term Liabilities**

The following changes occurred in liabilities reported in long-term liabilities:

	Beginning Balances	Increases	Decreases	Ending Balances	Current Portion
<b>Governmental Activities:</b>					
Direct borrowing agreements	\$ 7,798,939	\$ 475,000	\$ 1,099,713	\$ 7,174,226	\$ 753,795
Total OPEB liability	5,232,972	-	597,208	4,635,764	-
Total pension liability (LEO)	1,706,197	-	15,518	1,690,679	-
Net pension liability (LGRS)	2,019,702	-	1,146,174	873,528	-
Compensated absences	381,989	-	75,273	306,716	-
Total governmental activity long-term liabilities	<u>\$ 17,139,799</u>	<u>\$ 475,000</u>	<u>\$ 2,933,886</u>	<u>\$ 14,680,913</u>	<u>\$ 753,795</u>
<b>Business-Type Activities:</b>					
Direct borrowing agreements	\$ 5,618,590	\$ 1,442,095	\$ 665,925	\$ 6,394,760	\$ 583,119
General obligation bonds	563,000	-	149,000	414,000	141,000
Direct placement water pollution control revolving agreement	2,192,555	-	219,256	1,973,299	274,070
Total OPEB liability	2,035,044	-	232,248	1,802,796	-
Net pension liability (LGRS)	785,436	-	445,737	339,699	-
Compensated absences	75,730	7,166	-	82,896	-
Total business-type long-term liabilities	<u>\$ 11,270,355</u>	<u>\$ 1,449,261</u>	<u>\$ 1,712,166</u>	<u>\$ 11,007,450</u>	<u>\$ 998,189</u>

Compensated absences for governmental activities have typically been liquidated in the General Fund. At June 30, 2022, the City of Dunn, North Carolina had a legal debt margin of \$55,566,007.

**C. Interfund Balances and Activity**

Balances due to/from other funds at June 30, 2022, consist of the following:

<u>Due To</u>	<u>Due From</u>	<u>Amount</u>
Water and Sewer Fund	General Fund	\$ 996,684
Stormwater Fund	General Fund	\$ 27,462
CSLFRF	General Fund	\$ 343,103
CSLFRF	Nonmajor Governmental Funds	\$ 486,907

The interfund balances are a result of the General Fund and Nonmajor Governmental Funds spending more than their allocation of a pooled bank account. These balances to the Enterprise funds and the CSLFRF Fund will be restored from grants and loan proceeds or transfers from other bank accounts, which are anticipated to occur during the fiscal year ending June 30, 2023.

**CITY OF DUNN, NORTH CAROLINA**  
**Notes to Financial Statements**

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NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

**D. Fund Balance**

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

Total fund balance - General Fund	\$ 6,590,480
Less:	
Prepaid items	6,202
Inventories	158,699
Stabilization by State Statute	1,564,109
Transportation	529,689
Public safety	144,997
USDA debt service	385,044
Subsequent year's expenditures	360,000
Remaining Fund Balance	<u>\$ 3,441,740</u>

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

**E. Related Organization**

The six-member board of the City of Dunn Housing Authority is appointed by the City Council of the City of Dunn. 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 Dunn is also disclosed as a related organization in the notes to the financial statement for the City of Dunn Housing Authority.

The board of the Averasboro Tourism Development Authority is appointed by the City Council of the City of Dunn. The City is accountable for the Authority because it appoints its governing board; however, the City is not financially accountable for the Authority. The City provides accounting and payroll functions for the Authority at no cost. At June 30, 2022, the Authority owed the City \$14,646 for reimbursement of salaries and benefits paid by the City on behalf of the Authority.

**F. Summary Disclosure of Significant Contingencies**

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

**CITY OF DUNN, NORTH CAROLINA**  
**Notes to Financial Statements**

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NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

**G. Subsequent Events**

The City has evaluated the events from the date of the balance sheet through the date the report is available to be issued, which is the date of the independent auditors' report. The City has not evaluated subsequent events after that date. There were no subsequent events during this period that required disclosure.

**REQUIRED SUPPLEMENTARY FINANCIAL DATA**



**CITY OF DUNN, NORTH CAROLINA**  
**Proportionate Share of Net Pension Liability**  
**Local Government Employees' Retirement System**  
**Required Supplementary Information**  
**Last Nine Fiscal Years\***

Exhibit 11

The Schedule is intended to show information for 10 years. Additional years will be displayed as the become available.

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Proportion of the net pension liability (asset) (%)	0.07911%	0.07850%	0.07770%	0.07436%	0.07854%	0.07440%	0.08436%	0.09114%	0.08990%
Proportion of the net pension liability (asset) (\$)	\$ 1,213,227	\$ 2,805,138	\$ 2,121,925	\$ 1,764,074	\$ 1,199,874	\$ 1,579,017	\$ 378,602	\$ (397,745)	\$ -
Covered-employee payroll	3,554,236	3,579,240	3,343,756	3,173,479	3,059,599	3,071,318	2,951,064	3,111,883	3,229,714
Proportionate share of net pension liability (asset) as a percentage of its covered-employee payroll	34.13%	78.37%	63.46%	55.59%	39.22%	51.41%	12.83%	-12.78%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	91.63%	91.63%	94.18%	91.47%	98.09%	99.07%	102.64%	94.35%	96.45%

**Contributions**

Contractually required contribution	\$ 439,804	\$ 586,291	\$ 506,167	\$ 425,105	\$ 372,732	\$ 353,417	\$ 323,409	\$ 354,647	\$ -
Contributions in relation to the contractually required contribution	439,804	586,291	506,167	425,105	372,732	353,417	323,409	354,647	-
Contributions deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 3,851,173	\$ 3,554,236	\$ 3,579,240	\$ 3,343,756	\$ 3,173,479	\$ 3,059,599	\$ 3,071,318	\$ 2,951,064	\$ 3,111,883
Contributions as a percentage of covered-employee payroll	11.42%	16.50%	14.14%	12.71%	11.75%	11.55%	10.53%	12.02%	0.00%

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

**CITY OF DUNN, NORTH CAROLINA**  
**Law Enforcement Officers' Special Separation Allowance**  
**Required Supplementary Information**  
**Last Six Fiscal Years**

Exhibit 12

**Schedule of Changes in Total Pension Liability**

	2022	2021	2020	2019	2018	2017
Beginning balance	\$ 1,706,197	\$ 1,261,058	\$ 1,214,771	\$ 1,186,225	\$ 1,031,368	\$ 1,018,865
Service cost	93,677	63,460	55,663	54,575	48,393	51,994
Interest on the total pension liability	32,260	40,309	43,605	36,833	38,855	35,524
Differences between expected and actual experience in the measurement of the total pension liability	(24,807)	2,663	(56,952)	27,950	41,130	-
Changes of assumptions or other inputs	(47,226)	387,901	37,625	(49,534)	76,023	(27,442)
Benefit payments	(69,422)	(49,194)	(33,654)	(41,278)	(49,544)	(47,573)
Ending balance of the total pension liability	<u>\$ 1,690,679</u>	<u>\$ 1,706,197</u>	<u>\$ 1,261,058</u>	<u>\$ 1,214,771</u>	<u>\$ 1,186,225</u>	<u>\$ 1,031,368</u>

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

**Schedule of Total Pension Liability as a Percentage of Covered Payroll**

Total pension liability	\$ 1,690,679	\$ 1,706,197	\$ 1,261,058	\$ 1,214,771	\$ 1,186,225	\$ 1,031,368
Covered payroll	2,012,269	1,908,432	1,937,278	1,702,739	1,783,214	1,789,543
Total pension liability as a percentage of covered payroll	84.02%	89.40%	65.09%	71.34%	66.52%	57.63%

Notes to the Schedules:

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

## Other-Post Employment Benefits

## Required Supplementary Information

## Schedule of Changes in the Total OPEB Liability and Related Ratios

## Last Five Fiscal Years

	2022	2021	2020	2019	2018
Total OPEB Liability					
Service cost	\$ 506,180	\$ 532,694	\$ 389,537	\$ 258,525	\$ 272,002
Interest	160,570	190,167	247,021	252,957	233,305
Differences between expected and actual experience	-	(1,592,920)	15,008	(23,951)	12,496
Changes of assumptions	(1,321,587)	38,463	1,000,686	379,926	(269,443)
Benefit payments	(174,619)	(277,975)	(275,262)	(212,791)	(209,744)
Net change in total OPEB liability	(829,456)	(1,109,571)	1,376,990	654,666	38,616
Total OPEB liability - beginning	7,268,016	8,377,587	7,000,597	6,345,931	6,307,315
Total OPEB liability - ending	<u>\$6,438,560</u>	<u>\$7,268,016</u>	<u>\$8,377,587</u>	<u>\$7,000,597</u>	<u>\$6,345,931</u>
Covered payroll	5,437,608	5,826,297	5,516,518	5,177,549	5,177,549
Total OPEB liability as a percentage of covered payroll	118.41%	124.75%	151.86%	135.21%	122.57%

## Notes to Schedule

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

<u>Fiscal year</u>	<u>Rate</u>
2022	3.54%
2021	2.16%
2020	2.20%
2019	3.50%
2018	3.90%

## **SUPPLEMENTAL STATEMENTS**

## CITY OF DUNN, NORTH CAROLINA

Statement 1

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

Page 1 of 4

## General Fund

For the Fiscal Year Ended June 30, 2022

	Budget	Actual	Variance Positive (Negative)
<b>Revenues:</b>			
Ad valorem taxes:			
Taxes		\$ 4,456,900	
Penalties and interest		20,003	
Total	4,452,000	4,476,903	24,903
Other taxes and licenses:			
Motor vehicle licenses		205,237	
Total	216,000	205,237	(10,763)
Unrestricted intergovernmental:			
Local option sales taxes		2,633,631	
ABC profit distribution		150,000	
Utility franchise tax		694,781	
Solid Waste Disposal		6,678	
Beer and wine tax		33,588	
Total	3,436,000	3,518,678	82,678
Restricted intergovernmental:			
Powell Bill allocation		295,861	
USDA Grant		50,000	
N. C. Golden Leaf Grant		335,826	
N. C. Department of Transportation		13,110	
Harnett County BOE School Resource Officer		182,013	
NC DOT Highway Safety Grant		166,322	
DHHS - Payment Assistance		32,337	
Other revenue		16,705	
Total	1,435,505	1,092,174	(343,331)
Permits and fees:			
Permits and fees		377,198	
Total	408,500	377,198	(31,302)
Sales and services:			
Cemetery lots		110,234	
Cemetery opening/closing fee		132,075	
Recreation department, concessions, entry fees		45,616	
Rentals		47,936	
Garbage and recycling collection		1,046,889	
Total	1,009,000	1,382,750	373,750

(Continued)

## CITY OF DUNN, NORTH CAROLINA

Statement 1

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

Page 2 of 4

## General Fund (Continued)

For the Fiscal Year Ended June 30, 2022

	Budget	Actual	Variance Positive (Negative)
Investment earnings	3,000	\$ 10,422	7,422
Other revenues			
Dunn Area Tourism-Downtown Revitalization		20,000	
Dunn Area Tourism-I95 Area			
Light Reimbursement		18,333	
Tourism Reimbursement for Salary & Benefits		107,370	
Miscellaneous		478,148	
Special assessments		751	
Donations and gifts		68,843	
Parks and recreation pledges		63,552	
Harnett Health Contractual Payment		379,577	
Total	718,676	1,136,574	417,898
Total Revenues	11,678,681	12,199,936	521,255
<b>Expenditures:</b>			
General government:			
Governing body:			
Salaries and benefits		25,800	
Operating expense		64,010	
Total	102,100	89,810	12,290
Administration:			
Salaries and benefits		500,768	
Operating expense		184,541	
Total	758,000	685,309	72,691
Finance:			
Salaries and benefits		190,978	
Operating expense		88,727	
Total	311,936	279,705	32,231
Building inspector:			
Salaries and benefits		532,971	
Operating expense		252,343	
Capital outlay		33,432	
Total	960,500	818,746	141,754

(Continued)

## CITY OF DUNN, NORTH CAROLINA

Statement 1

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

Page 3 of 4

## General Fund (Continued)

For the Fiscal Year Ended June 30, 2022

	Budget	Actual	Variance Positive (Negative)
Non-Departmental			
Operating expense		\$ 1,308,302	
Total	1,384,607	1,308,302	76,305
Total general government	3,517,143	3,181,872	335,271
Public Safety:			
Police:			
Salaries and benefits		3,474,628	
Operating expense		429,720	
Capital outlay		269,631	
Total	4,242,576	4,173,979	68,597
Police athletic league:			
Donation		124,964	
Total	125,000	124,964	36
Total public safety	4,367,576	4,298,943	68,633
Transportation:			
Streets:			
Salaries and benefits		1,075,808	
Operating expense		393,722	
Capital outlay		52,200	
Total	1,862,095	1,521,730	340,365
Powell Bill - street repairs and construction			
Operating expense		422,203	
Total	411,600	422,203	(10,603)
Total transportation	2,273,695	1,943,933	329,762
Culture and recreation:			
Parks and recreation:			
Salaries and benefits		356,852	
Operating expense		816,668	
Capital outlay		22,750	
Total	1,198,205	1,196,270	1,935
Senior center operations			
Operating expense		51,270	
Total	50,000	51,270	(1,270)
Total culture and recreation	1,248,205	1,247,540	665

(Continued)

## CITY OF DUNN, NORTH CAROLINA

Statement 1

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
General Fund (Continued)

Page 4 of 4

For the Fiscal Year Ended June 30, 2022

	Budget	Actual	Variance Positive (Negative)
Library:			
Salaries and benefits		\$ 218,565	
Operating expense		49,040	
Total library	293,000	267,605	25,395
Environmental protection:			
Operating expense		1,179,765	
Total environmental protection	1,306,205	1,179,765	126,440
Debt service:			
Principal		897,589	
Interest		221,053	
Total debt service	962,050	1,118,642	(156,592)
Total expenditures	13,967,874	13,238,300	729,574
Revenue over (under) expenditures	(2,289,193)	(1,038,364)	1,250,829
<b>Other financing sources (uses):</b>			
Proceeds from installment purchases		475,000	
Transfers from other funds		35,554	
Total other financing sources (uses)	864,130	510,554	(353,576)
Fund balance appropriated	1,425,063	-	(1,425,063)
Net change in fund balance	\$ -	(527,810)	\$ (527,810)
Fund balances, beginning		7,118,290	
Fund balances, ending		\$ 6,590,480	



**CITY OF DUNN, NORTH CAROLINA**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2022**

**Statement 2**

	Dunn City Hall and Harnett Training School Capital Project Fund	Tart Park Renovations Capital Project Fund	CDBG Housing Rehab Capital Project Fund	Total Nonmajor Governmental Funds
<b>Assets</b>				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -
Due from other funds	-	-	-	-
Total assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Liabilities and Fund Balances</b>				
Liabilities				
Accounts payable and accrued liabilities	\$ -	\$ 36,113	\$ 30,424	\$ 66,537
Due to other funds	-	381,184	105,723	486,907
Total liabilities	<u>-</u>	<u>417,297</u>	<u>136,147</u>	<u>553,444</u>
Fund balances				
Unassigned	-	(417,297)	(136,147)	(553,444)
Total fund balances	<u>-</u>	<u>(417,297)</u>	<u>(136,147)</u>	<u>(553,444)</u>
Total liabilities and fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

## CITY OF DUNN, NORTH CAROLINA

## Statement 3

## Combining Schedule of Revenues, Expenditures and Changes in Fund Balance

## Nonmajor Governmental Funds

For the Fiscal Year Ended June 30, 2022

	Dunn City Hall and Harnett Training School Capital Project Fund	Tart Park Renovations Capital Project Fund	CDBG Housing Rehab Capital Project Fund	Total Nonmajor Governmental Funds
<b>Revenues</b>				
Restricted intergovernmental	\$ -	\$ 169,882	\$ 142,656	\$ 312,538
Total revenues	-	169,882	142,656	312,538
<b>Expenditures</b>				
Capital outlay	-	186,318	166,050	352,368
Total expenditures	-	186,318	166,050	352,368
Revenues over (under) expenses	-	(16,436)	(23,394)	(39,830)
<b>Other financing sources (uses):</b>				
Transfers from general fund	(35,554)	-	-	(35,554)
Total other financing sources	(35,554)	-	-	(35,554)
Net change in fund balance	(35,554)	(16,436)	(23,394)	(75,384)
Fund balance, beginning	35,554	(400,861)	(112,753)	(478,060)
Fund balance, ending	\$ -	\$ (417,297)	\$ (136,147)	\$ (553,444)

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

## Capital Projects Fund - Tart Park Renovations

From Inception and for the Fiscal Year Ended June 30, 2022

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
<b>Revenues:</b>					
Restricted intergovernmental	\$ 850,000	\$ 680,118	\$ 169,882	\$ 850,000	\$ -
Total revenues	850,000	680,118	169,882	850,000	-
<b>Expenditures:</b>					
Capital projects:					
Construction	2,632,239	2,694,147	144,968	2,839,115	(206,876)
Administration	329,030	96,115	41,350	137,465	191,565
Contingency	50,000	-	-	-	50,000
Total expenditures	3,011,269	2,790,262	186,318	2,976,580	34,689
Revenues under expenditures	(2,161,269)	(2,110,144)	(16,436)	(2,126,580)	34,689
<b>Other financing sources (uses):</b>					
Direct placement installment purchase	2,161,269	1,709,283	-	1,709,283	(451,986)
Total other financing sources	2,161,269	1,709,283	-	1,709,283	(451,986)
Net change in fund balance	\$ -	\$ (400,861)	\$ (16,436)	\$ (417,297)	\$ (417,297)
Fund balances, beginning			(400,861)		
Fund balances, ending			\$ (417,297)		

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

## Capital Projects Fund - CDBG Housing Rehab

From Inception and for the Fiscal Year Ended June 30, 2022

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
<b>Revenues:</b>					
Restricted intergovernmental	\$ 574,000	\$ 32,040	\$ 142,656	\$ 174,696	\$ (399,304)
Total revenues	<u>574,000</u>	<u>32,040</u>	<u>142,656</u>	<u>174,696</u>	<u>(399,304)</u>
<b>Expenditures:</b>					
Capital projects:					
Construction	<u>574,000</u>	<u>144,793</u>	<u>166,050</u>	<u>310,843</u>	<u>263,157</u>
Total expenditures	<u>574,000</u>	<u>144,793</u>	<u>166,050</u>	<u>310,843</u>	<u>263,157</u>
Revenues under expenditures	<u>-</u>	<u>(112,753)</u>	<u>(23,394)</u>	<u>(136,147)</u>	<u>(136,147)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (112,753)</u>	<u>\$ (23,394)</u>	<u>\$ (136,147)</u>	<u>\$ (136,147)</u>
Fund balances, beginning			<u>(112,753)</u>		
Fund balances, ending			<u>\$ (136,147)</u>		

**CITY OF DUNN, NORTH CAROLINA**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances -**  
**Budget and Actual (Non-GAAP) - Water and Sewer Fund**  
**For the Fiscal Year Ended June 30, 2022**

**Statement 6**  
**Page 1 of 4**

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Charges for services:			
Water sales		\$ 3,311,053	
Sewer charges		2,895,355	
Fireline protection charge		29,028	
Total charges for services	6,190,000	6,235,436	45,436
Water and sewer taps	110,500	138,557	28,057
Other operating revenues:			
Returned check fees		1,970	
Miscellaneous		197,104	
Total other operating revenues	35,500	199,074	163,574
Nonoperating revenues:			
Grant revenue		351,600	
Tower site rental		91,200	
Total nonoperating revenues	83,000	442,800	359,800
Total revenues	6,419,000	7,015,867	596,867
Expenditures:			
Water and sewer administration/finance:			
Salaries and employee benefits		507,628	
Telephone		9,082	
Utilities		5,956	
Travel		6,868	
Maintenance and repairs		42	
Postage		23,674	
Supplies		15,207	
Contract services		186,049	
Other operating expenditures		489,917	
Total	1,458,333	1,244,423	213,910

(Continued)

**CITY OF DUNN, NORTH CAROLINA**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances -**  
**Budget and Actual (Non-GAAP) - Water and Sewer Fund**  
**For the Fiscal Year Ended June 30, 2022**

**Statement 6**  
**Page 2 of 4**

	Budget	Actual	Variance Positive (Negative)
Water and sewer operations:			
Salaries and employee benefits		\$ 648,066	
Telephone		6,638	
Utilities		12,418	
Travel		7,415	
Maintenance and repairs		80,550	
Automotive supplies		25,982	
Supplies		7,699	
Meters		148,673	
Infiltration		94,864	
Contract services		142,952	
Other operating expenditures		178,377	
Capital outlay		2,088,401	
Total	3,669,312	3,442,035	227,277
Water supply, pump and filtering:			
Salaries and employee benefits		510,926	
Telephone		3,951	
Utilities		174,685	
Travel		1,545	
Maintenance		71,633	
Supplies		6,320	
Chemicals		272,904	
Independent lab test		10,076	
Contract services		110,548	
Other operating expenditures		25,207	
Capital outlay		156,138	
Total	1,470,650	1,343,933	126,717

(Continued)

## CITY OF DUNN, NORTH CAROLINA

Statement 6

## Schedule of Revenues, Expenditures, and Changes in Fund Balances -

Page 3 of 4

## Budget and Actual (Non-GAAP) - Water and Sewer Fund

For the Fiscal Year Ended June 30, 2022

	Budget	Actual	Variance Positive (Negative)
Sewage treatment plant operations:			
Salaries and employee benefits		\$ 728,356	
Telephone		4,019	
Utilities		142,736	
Travel		2,564	
Maintenance		74,161	
Supplies		17,000	
Chemicals		128,854	
Independent lab test		8,248	
Contract services		97,366	
Other operating expenditures		26,886	
Capital outlay		52,427	
Total	1,495,400	1,282,617	212,783
Debt service:			
Interest and fees		157,266	
Principal retirement		1,034,181	
Total	1,342,900	1,191,447	151,453
Total expenditures	9,436,595	8,504,455	932,140
Revenues over (under) expenditures	(3,017,595)	(1,488,588)	1,529,007
Other financing sources (uses):			
Installment purchase proceeds	2,565,695	1,442,095	(1,123,600)
Transfers to other funds	(226,549)	-	226,549
Debt payment from Eastover Sanitary District	192,000	192,000	-
Total other financing sources (uses)	2,531,146	1,634,095	(897,051)
Fund balance appropriated	486,449	-	(486,449)
Net change in fund balance	\$ -	145,507	\$ 145,507

(Continued)

**CITY OF DUNN, NORTH CAROLINA**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances -**  
**Budget and Actual (Non-GAAP) - Water and Sewer Fund**  
**For the Fiscal Year Ended June 30, 2022**

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**Statement 6**  
**Page 4 of 4**

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

Reconciling items:

Capital outlay	\$ 2,480,521
Depreciation	(1,234,921)
Installment purchase proceeds	(1,442,095)
Principal retirement	1,034,181
Increase in deferred outflows of resources - pensions	8,120
Decrease in net pension liability	445,737
Increase in deferred inflows of resources - pensions	(483,672)
Decrease in deferred outflows of resources - OPEB	(46,034)
Decrease in OPEB liability	232,248
Increase in deferred inflows of resources - OPEB	(265,865)
Increase in compensated absences	7,166
Principal payments on notes receivable	(125,173)

Total reconciling items	<u>610,213</u>
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Change in net position	<u><u>\$ 755,720</u></u>
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## Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual (Non-GAAP)

## Capital Projects Fund - Water Distribution Rehab Project

From Inception and for the Fiscal Year Ended June 30, 2022

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
<b>Expenditures:</b>					
Capital projects:					
Construction	\$ 875,750	\$ 125,150	\$ 664,265	\$ 789,415	\$ 86,335
Total expenditures	<u>875,750</u>	<u>125,150</u>	<u>664,265</u>	<u>789,415</u>	<u>86,335</u>
<b>Other financing sources:</b>					
Direct placement installment purchase	875,750	-	13,814	-	(875,750)
Loan proceeds received	-	-	161,449	161,449	161,449
Total other financing sources	<u>875,750</u>	<u>-</u>	<u>175,263</u>	<u>161,449</u>	<u>(714,301)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (125,150)</u>	<u>(489,002)</u>	<u>\$ (627,966)</u>	<u>\$ (627,966)</u>
Fund balances, beginning			<u>(125,150)</u>		
Fund balances, ending			<u>\$ (614,152)</u>		

## Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual (Non-GAAP)

## Capital Projects Fund - Wastewater Collection System Rehab Project

From Inception and for the Fiscal Year Ended June 30, 2022

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
<b>Expenditures:</b>					
Capital projects:					
Construction	\$ 2,005,000	\$ 69,650	\$ 2,900	\$ 72,550	\$ 1,932,450
Other project costs	631,000	-	-	-	-
Total expenditures	<u>2,636,000</u>	<u>69,650</u>	<u>2,900</u>	<u>72,550</u>	<u>1,932,450</u>
<b>Other financing sources:</b>					
Direct placement installment purchase	<u>2,636,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,636,000)</u>
Total other financing sources	<u>2,636,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,636,000)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (69,650)</u>	<u>(2,900)</u>	<u>\$ (72,550)</u>	<u>\$ (703,550)</u>
Fund balances, beginning			<u>(69,650)</u>		
Fund balances, ending			<u>\$ (72,550)</u>		

## Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual (Non-GAAP)

## Capital Projects Fund - Eastside Pump Station/Black River Effluent

From Inception and for the Fiscal Year Ended June 30, 2022

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
<b>Expenditures:</b>					
Capital projects:					
Construction including contingency	\$ 28,809,000	\$ -	\$ 61,848	\$ 61,848	\$ 28,747,152
Engineering services	2,949,900	-	22,570	22,570	2,927,330
Administration	191,100	-	-	-	191,100
Total expenditures	<u>31,950,000</u>	<u>-</u>	<u>84,418</u>	<u>84,418</u>	<u>31,865,582</u>
<b>Other financing sources:</b>					
American rescue plan earmark	30,450,000	-	-	-	(30,450,000)
City funds	<u>1,500,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,500,000)</u>
Total other financing sources	<u>31,950,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(31,950,000)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>(84,418)</u>	<u>\$ (84,418)</u>	<u>\$ (84,418)</u>
Fund balances, beginning			<u>-</u>		
Fund balances, ending			<u>\$ (84,418)</u>		

## Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual (Non-GAAP)

## Capital Projects Fund - Wastewater Collection System

From Inception and for the Fiscal Year Ended June 30, 2022

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
<b>Revenues:</b>					
CDBG grant	\$ 3,998,129	\$ -	\$ 146,711	\$ 146,711	\$ (3,851,418)
Total revenues	<u>3,998,129</u>	<u>-</u>	<u>146,711</u>	<u>146,711</u>	<u>(3,851,418)</u>
<b>Expenditures:</b>					
Capital projects:					
Admin	105,600	-	84,950	84,950	20,650
Engineering	2,044,000	-	153,229	153,229	1,890,771
Contract services	1,848,529	-	-	-	1,848,529
Total expenditures	<u>3,998,129</u>	<u>-</u>	<u>238,179</u>	<u>238,179</u>	<u>3,759,950</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>(91,468)</u>	<u>\$ (91,468)</u>	<u>\$ (91,468)</u>
Fund balances, beginning			<u>-</u>		
Fund balances, ending			<u>\$ (91,468)</u>		

## Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual (Non-GAAP)

## Capital Projects Fund - Wastewater Treatment Plant

From Inception and for the Fiscal Year Ended June 30, 2022

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
<b>Expenditures:</b>					
Capital projects:					
Construction	\$ 3,626,000	\$ -	\$ 21,600	\$ 21,600	\$ 3,604,400
Total expenditures	<u>3,626,000</u>	<u>-</u>	<u>21,600</u>	<u>21,600</u>	<u>3,604,400</u>
<b>Other financing sources:</b>					
Direct placement installment purchase	<u>3,626,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,626,000)</u>
Total other financing sources	<u>3,626,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,626,000)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>(21,600)</u>	<u>\$ (21,600)</u>	<u>\$ (21,600)</u>
Fund balances, beginning			<u>-</u>		
Fund balances, ending			<u>\$ (21,600)</u>		

## Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual (Non-GAAP)

## Capital Projects Fund - Sewer Collection System Rehabilitation

From Inception and for the Fiscal Year Ended June 30, 2022

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
<b>Revenues:</b>					
Grant	\$ 500,000	\$ -	\$ -	\$ -	\$ (500,000)
Total revenues	500,000	-	-	-	(500,000)
<b>Expenditures:</b>					
Capital projects:					
Construction	2,000,000	-	253,501	253,501	1,746,499
Total expenditures	2,000,000	-	253,501	253,501	1,746,499
<b>Other financing sources:</b>					
Direct placement installment purchase	1,500,000	-	-	-	(1,500,000)
Total other financing sources	1,500,000	-	-	-	(1,500,000)
Net change in fund balance	\$ -	\$ -	(253,501)	\$ (253,501)	\$ (253,501)
Fund balances, beginning			-		
Fund balances, ending			\$ (253,501)		

## CITY OF DUNN, NORTH CAROLINA

## Statement 13

**Schedule of Revenues, Expenditures, and Changes in Fund Balances -**  
**Budget and Actual (Non-GAAP) - Stormwater Fund**  
**For the Fiscal Year Ended June 30, 2022**

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Stormwater fees		\$ 231,604	
Total charges for services	230,000	231,604	1,604
Expenditures:			
Engineering		8,195	
Stormwater contracted services		89,762	
Materials		969	
Total expenditures	606,794	98,926	507,868
Revenues over (under) expenditures	(376,794)	132,678	509,472
Other financing sources (uses):			
Installment purchase proceeds	376,794	-	(376,794)
Total other financing sources (uses)	376,794	-	(376,794)
Fund balance appropriated	-	-	-
Net change in fund balance	\$ -	132,678	\$ 132,678
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Reconciling items:			
Depreciation		(28,857)	
Total reconciling items		(28,857)	
Change in net position		\$ 103,821	

## **OTHER SCHEDULES**



**CITY OF DUNN, NORTH CAROLINA**  
**Schedule of Ad Valorem Taxes Receivable**  
**June 30, 2022**

**Schedule 1**

Fiscal Year	Uncollected Balance June 30, 2021	Additions	Collections, Credits and Adjustments	Uncollected Balance June 30, 2022
2021-2022	\$ -	\$ 4,463,893	\$ 4,435,351	\$ 28,542
2020-2021	16,007	-	633	15,374
2019-2020	9,947	-	868	9,079
2018-2019	5,824	-	198	5,626
2017-2018	5,610	-	537	5,073
2016-2017	6,875	-	384	6,491
2015-2016	4,025	-	38	3,987
2014-2015	4,096	-	38	4,058
2013-2014	4,980	-	79	4,901
2012-2013	4,699	-	62	4,637
2011-2012	10,077	-	2,011	8,066
Total	<u>\$ 72,140</u>	<u>\$ 4,463,893</u>	<u>\$ 4,440,199</u>	<u>95,834</u>
Less: allowance for uncollectible accounts				
General Fund				<u>(54,281)</u>
Ad valorem taxes receivable - net				<u>\$ 41,553</u>
<u>Reconcilement with revenues:</u>				
Ad valorem taxes - general fund				\$ 4,476,903
Reconciling items:				
Municipal Service District Taxes				(38,806)
Interest and penalties				(20,158)
Miscellaneous adjustments				22,260
				<u>\$ 4,440,199</u>

**CITY OF DUNN, NORTH CAROLINA**  
**Analysis of Current Year Tax Levy**  
**City - Wide Levy**  
**For the Fiscal Year Ended June 30, 2022**

**Schedule 2**

	City - Wide			Total Levy	
	Property Valuation	Rate	Amount of Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxes at current rate	\$ 892,778,656	0.5000	\$ 4,463,893	\$ 4,092,120	\$ 371,773
Discoveries - current and prior years	-		-	-	-
Releases	-		-	-	-
Total property value	<u>\$ 892,778,656</u>				
Net levy			4,463,893	4,092,120	371,773
Uncollected taxes at June 30, 2021			28,542	28,542	-
Current year's taxes collected			<u>\$ 4,435,351</u>	<u>\$ 4,063,578</u>	<u>\$ 371,773</u>
Current levy collection percentage			<u>99.36%</u>	<u>99.30%</u>	<u>100.00%</u>

**CITY OF DUNN, NORTH CAROLINA**  
**Schedule of Net Position**  
**Water and Sewer Fund by Function**  
**June 30, 2022**

**Schedule 3**

	Water	Sewer	Total
<b>Assets</b>			
Current assets:			
Cash and equivalents	\$ 665,064	\$ 811,935	\$ 1,476,999
Restricted cash and cash equivalents	74,732	66,004	140,736
Account receivables, net	516,892	456,528	973,420
Due from other governments	8,932	7,889	16,821
Due from other funds	867,206	129,478	996,684
Current portion of note receivable	-	130,272	130,272
Inventories	22,021	19,450	41,471
Total current assets	2,154,847	1,621,556	3,776,403
Noncurrent assets:			
Note receivable	-	1,472,197	1,472,197
Capital assets, land and construction in progress	830,865	905,276	1,736,141
Other capital assets, net of depreciation	13,111,818	16,032,693	29,144,511
Total assets	16,097,530	20,031,722	36,129,252
<b>Deferred Outflows of Resources</b>			
Contributions to pension plan	65,391	57,754	123,145
Pension deferrals	176,095	155,530	331,625
OPEB deferrals	134,798	119,056	253,854
Total deferred outflows of resources	376,284	332,340	708,624
<b>Liabilities</b>			
Current liabilities:			
Accounts payable and accrued liabilities	505,678	446,625	952,303
Accrued interest payable	29,820	45,675	75,495
Customer deposits	74,732	66,004	140,736
General obligation bonds payable - current	74,872	66,128	141,000
Note payables - current	322,530	504,120	826,650
Total current liabilities	1,007,632	1,128,552	2,136,184
Noncurrent liabilities:			
Non-current portion of compensated absences	44,018	38,878	82,896
Net pension liability	180,382	159,317	339,699
Total OPEB liability	957,295	845,501	1,802,796
General obligation bonds payable - noncurrent	144,965	128,035	273,000
Note payables - noncurrent	2,838,655	4,480,451	7,319,106
Total liabilities	5,172,947	6,780,734	11,953,681
<b>Deferred Inflows of Resources</b>			
Pension deferrals	258,599	228,399	486,998
OPEB deferrals	372,817	329,279	702,096
Total deferred inflows of resources	631,416	557,678	1,189,094
<b>Net Position</b>			
Net investment in capital assets	9,730,796	10,853,959	20,584,755
Unrestricted	938,655	2,171,691	3,110,346
Total Net Position	\$ 10,669,451	\$ 13,025,650	\$ 23,695,101

## CITY OF DUNN, NORTH CAROLINA

## Schedule 4

## Schedule of Revenues, Expenses and Changes in Net Position

## Water and Sewer Fund by Function

Year Ended June 30, 2022

	Water	Sewer	Total
Operating revenues:			
Charges for services	\$ 3,311,053	\$ 2,924,383	\$ 6,235,436
Water and sewer taps	76,117	62,440	138,557
Other operating revenues	105,709	93,365	199,074
Total operating revenues	<u>3,492,879</u>	<u>3,080,188</u>	<u>6,573,067</u>
Operating expenses:			
Water and sewer administration/finance	671,692	593,250	1,264,942
Water and sewer operations	638,347	563,799	1,202,146
Water supply, pump and filtering	1,213,682	-	1,213,682
Sewage treatment plant operations	-	1,254,017	1,254,017
Depreciation	555,578	679,343	1,234,921
Total operating expenses	<u>3,079,299</u>	<u>3,090,409</u>	<u>6,169,708</u>
Operating income (loss)	<u>413,580</u>	<u>(10,221)</u>	<u>403,359</u>
Non-operating revenues (expenses):			
Interest income	35,486	31,341	66,827
Grant revenue	204,513	147,087	351,600
Tower site rental	48,428	42,772	91,200
Interest and other charges	(62,119)	(95,147)	(157,266)
Total non-operating revenues (expenses)	<u>226,308</u>	<u>126,053</u>	<u>352,361</u>
Net income	<u>639,888</u>	<u>115,832</u>	<u>755,720</u>
Change in net position	639,888	115,832	755,720
Net position, beginning	10,029,563	12,909,818	22,939,381
Total net position, ending	<u>\$ 10,669,451</u>	<u>\$ 13,025,650</u>	<u>\$ 23,695,101</u>

**CITY OF DUNN, NORTH CAROLINA**  
**Schedule of Cash Flows**  
**Water and Sewer Fund by Function**  
**Year Ended June 30, 2022**

**Schedule 5**

	Water	Sewer	Total
Cash flows from operating activities:			
Cash received from customers	\$ 3,459,709	\$ 3,050,891	\$ 6,510,600
Cash paid for goods and services	(2,123,359)	(1,526,157)	(3,649,516)
Cash paid to employees for services	-	(531,302)	(531,302)
Net cash provided by operating activities	<u>1,336,350</u>	<u>993,432</u>	<u>2,329,782</u>
Cash flows from noncapital financing activities:			
Interfund activity	(411,285)	(363,254)	(774,539)
Transfer from other funds	-	-	-
Grants	204,513	147,087	351,600
Net cash used in noncapital financing activities	<u>(206,772)</u>	<u>(216,167)</u>	<u>(422,939)</u>
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets	(2,730,365)	(830,611)	(3,560,976)
Principal payments received on notes receivable	-	125,173	125,173
Interest payments received on notes receivable	-	66,827	66,827
Proceeds from installment purchases	765,761	676,334	1,442,095
Principal paid on installment purchases	(470,036)	(415,145)	(885,181)
Principal paid on general obligation bonds	(79,120)	(69,880)	(149,000)
Interest and fees paid on installment purchases	(83,509)	(73,757)	(157,266)
Net cash used in capital and related financing activities	<u>(2,597,269)</u>	<u>(521,059)</u>	<u>(3,118,328)</u>
Cash flows from investing activities:			
Tower site rental	48,428	42,772	91,200
Net cash provided by investing activities	<u>48,428</u>	<u>42,772</u>	<u>91,200</u>
Net increase (decrease) in cash and cash equivalents	(1,419,263)	298,978	(1,120,285)
Balance, beginning	2,159,059	578,961	2,738,020
Balances, ending	<u>\$ 739,796</u>	<u>\$ 877,939</u>	<u>\$ 1,617,735</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ 413,580	\$ (10,221)	\$ 403,359
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	555,578	679,343	1,234,921
Changes in assets and liabilities:			
(Increase) decrease in:			
Accounts receivable	(33,170)	(29,297)	(62,467)
Deferred outflows of resources - pensions	(4,312)	(3,808)	(8,120)
Deferred outflows of resources - OPEB	24,444	21,590	46,034
Increase (decrease) in:			
Accounts payable and accrued liabilities	338,430	298,907	637,337
Compensated absences	3,805	3,361	7,166
Net Pension Liability	(236,689)	(209,048)	(445,737)
Deferred inflows of resources - pensions	256,833	226,839	483,672
Deferred inflows of resources - OPEB	141,176	124,689	265,865
OPEB liability	(123,325)	(108,923)	(232,248)
Total adjustments	<u>922,770</u>	<u>1,003,653</u>	<u>1,926,423</u>
Net cash provided by operating activities	<u>\$ 1,336,350</u>	<u>\$ 993,432</u>	<u>\$ 2,329,782</u>

## **STATISTICAL SECTION**

This part of the Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

### **Financial Trends**

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed overtime.

### **Revenue Capacity**

These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.

### **Debt Capacity**

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

### **Demographic and Economic Information**

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

### **Operating Information**

These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the government provides and the activities it performs.

**City of Dunn**  
**Net Position by Component**  
**Last Ten Fiscal Years**  
**(accrual basis of accounting)**

	Fiscal Year									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Governmental activities										
Net investment in capital assets	\$ 2,925,002	\$ 3,627,133	\$ 4,244,430	\$ 5,696,256	\$ 6,436,177	\$ 6,444,745	\$ 6,512,326	\$ 8,296,835	\$ 8,204,907	\$ 9,056,884
Restricted	1,837,471	1,726,667	1,424,244	1,653,746	4,870,545	4,981,763	5,665,759	5,199,177	5,202,266	5,723,839
Unrestricted	615,511	173,560	(204,386)	(532,383)	(1,745,461)	(2,979,308)	(4,018,335)	(4,886,214)	(3,759,899)	(5,185,668)
Total governmental activities net position	\$ 5,377,984	\$ 5,527,360	\$ 5,464,288	\$ 6,817,619	\$ 9,561,261	\$ 8,447,200	\$ 8,159,750	\$ 8,609,798	\$ 9,647,274	\$ 9,595,055
Business-type activities										
Net investment in capital assets	\$ 15,530,084	\$ 17,951,590	\$ 20,284,577	\$ 20,535,568	\$ 20,201,704	\$ 20,102,110	\$ 20,457,636	\$ 17,474,975	\$ 20,100,178	\$ 20,950,289
Restricted	-	-	-	-	30,000	-	-	-	-	-
Unrestricted	4,083,012	1,784,948	2,395,563	2,449,400	2,957,415	1,362,055	1,752,501	5,083,484	3,199,614	3,209,044
Total business-type activities net position	\$ 19,613,096	\$ 19,736,538	\$ 22,680,140	\$ 22,984,968	\$ 23,189,119	\$ 21,464,165	\$ 22,210,137	\$ 22,558,459	\$ 23,299,792	\$ 24,159,333
Primary government										
Net investment in capital assets	\$ 18,455,086	\$ 21,578,723	\$ 24,529,007	\$ 26,231,824	\$ 26,637,881	\$ 26,546,855	\$ 26,969,962	\$ 25,771,810	\$ 28,305,085	\$ 30,007,173
Restricted	1,837,471	1,726,667	1,424,244	1,653,746	4,870,545	4,981,763	5,665,759	5,199,177	5,202,266	5,723,839
Unrestricted	4,698,523	1,958,508	2,191,177	1,917,017	1,211,954	(1,617,253)	(2,265,834)	197,270	(560,285)	(1,976,624)
Total primary government net position	\$ 24,991,080	\$ 25,263,898	\$ 28,144,428	\$ 29,802,587	\$ 32,720,380	\$ 29,911,365	\$ 30,369,887	\$ 31,168,257	\$ 32,947,066	\$ 33,754,388

City of Dunn  
Changes in Net Position  
Last Ten Fiscal Years  
(accrual basis of accounting)

Page 1 of 2

Expenses	Fiscal Year									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Governmental activities:										
General government	\$ 1,946,686	\$ 1,548,470	\$ 1,590,905	\$ 1,904,648	\$ 2,610,109	\$ 2,447,292	\$ 2,499,021	\$ 2,713,236	\$ 2,717,397	\$ 3,082,334
Public safety	3,969,606	4,024,211	3,933,301	3,235,533	3,271,705	3,164,633	4,277,813	3,952,711	4,404,678	4,376,915
Transportation	1,478,572	1,481,341	1,387,484	1,387,659	1,507,138	1,552,433	1,582,991	2,421,171	1,844,043	2,103,316
Environmental protection	570,653	599,302	622,719	659,849	823,681	826,201	1,012,038	798,707	735,302	1,186,671
Cultural and recreational	807,335	852,692	817,707	720,860	893,959	945,010	1,069,411	704,646	573,046	1,265,292
Library	236,562	246,004	263,638	257,271	239,948	234,896	307,568	561,116	540,537	555,701
Community Services	-	-	-	-	-	-	-	-	-	-
Interest on long-term debt	132,584	45,353	191,693	247,360	219,120	199,655	190,155	104,489	186,172	-
Total governmental activities expenses	\$ 9,141,998	\$ 8,797,373	\$ 8,807,447	\$ 8,413,180	\$ 9,565,660	\$ 9,370,120	\$ 10,938,997	\$ 11,256,076	\$ 11,001,175	\$ 12,570,229
Business-type activities:										
Water and sewer	\$ 4,343,372	\$ 5,122,206	\$ 4,686,053	\$ 4,857,768	\$ 4,746,944	\$ 5,588,695	\$ 4,524,796	\$ 5,758,857	\$ 6,010,145	\$ 6,326,974
Stormwater	-	-	-	-	58,192	274,919	5,952	168,136	66,833	127,783
Total business-type activities	4,343,372	5,122,206	4,686,053	4,857,768	4,805,136	5,863,614	4,530,748	5,926,993	6,076,978	6,454,757
Total primary government expenses	\$ 13,485,370	\$ 13,919,579	\$ 13,493,500	\$ 13,270,948	\$ 14,370,796	\$ 15,233,734	\$ 15,469,745	\$ 17,183,069	\$ 17,078,153	\$ 19,024,986
<b>Program Revenues</b>										
Governmental activities:										
Charges for services:										
General government	\$ 383,550	\$ 461,784	\$ 340,748	\$ 399,857	\$ 414,489	\$ 508,924	\$ 455,025	\$ 520,635	\$ 592,435	\$ 667,443
Public safety	-	-	44,159	188,947	95,082	75,581	51,113	-	-	-
Transportation	35,550	34,941	-	34,659	36,373	29,977	149,344	-	-	-
Cultural and recreational	687,723	678,051	738,992	721,184	818,216	828,234	944,354	947,864	974,078	1,046,889
Library	78,035	83,670	103,034	87,611	78,409	80,707	77,250	50,786	50,954	45,616
Operating grants and contributions	889,292	967,699	800,634	776,867	764,107	492,699	505,590	906,052	1,417,895	1,092,174
Capital grants and contributions	809,668	528,495	523,000	351,848	54,000	-	138,126	603,778	134,851	312,538
Total governmental activities program revenues	\$ 2,883,818	\$ 2,754,640	\$ 2,550,567	\$ 2,560,973	\$ 2,260,676	\$ 2,016,122	\$ 2,320,802	\$ 3,029,115	\$ 3,170,213	\$ 3,164,660
Business-type activities:										
Charges for services:										
Water and sewer	\$ 4,567,460	\$ 4,672,187	\$ 4,807,268	\$ 4,859,613	\$ 4,771,864	\$ 4,793,891	\$ 4,932,357	\$ 5,903,237	\$ 6,189,923	\$ 6,573,067
Stormwater	-	-	-	-	78,953	79,586	134,153	152,970	192,649	231,604
Operating grants and contributions	-	-	-	-	-	97,433	51,731	57,160	280,139	351,600
Capital grants and contributions	-	-	2,841,252	146,153	-	383,882	-	-	-	-
Total business-type activities program revenues	4,567,460	4,672,187	7,648,520	5,005,766	4,850,817	5,354,792	5,118,241	6,113,367	6,662,711	7,156,271
Total primary government program revenues	\$ 7,451,278	\$ 7,426,827	\$ 10,199,087	\$ 7,566,739	\$ 7,111,493	\$ 7,370,914	\$ 7,439,043	\$ 9,142,482	\$ 9,832,924	\$ 10,320,931
Net (expense)/revenue										
Governmental activities	\$ (6,258,180)	\$ (6,042,733)	\$ (6,256,880)	\$ (5,852,207)	\$ (7,304,984)	\$ (7,353,998)	\$ (8,618,195)	\$ (8,226,961)	\$ (7,830,962)	\$ (9,405,569)
Business-type activities	224,088	(450,019)	2,962,467	147,998	45,681	(508,822)	587,493	186,374	585,733	701,514
Total primary government net revenue/(expense)	\$ (6,034,092)	\$ (6,492,752)	\$ (3,294,413)	\$ (5,704,209)	\$ (7,259,303)	\$ (7,862,820)	\$ (8,030,702)	\$ (8,040,587)	\$ (7,245,229)	\$ (8,704,055)



City of Dunn  
Changes in Net Position  
Last Ten Fiscal Years  
(accrual basis of accounting)

Page 2 of 2

	Fiscal Year									
General Revenues and Other Changes in Net Position	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Governmental activities:										
Taxes:										
Property taxes, levied for general purpose	\$ 3,661,971	\$ 3,985,873	\$ 3,844,346	\$ 3,990,356	\$ 4,272,245	\$ 4,260,553	\$ 4,273,456	\$ 4,206,987	\$ 4,460,198	\$ 4,482,439
Other taxes	2,239,860	2,089,472	2,327,549	2,460,359	2,781,240	2,985,066	3,259,876	3,441,957	3,679,772	3,573,915
Unrestricted grants and contributions	131,950	110,000	110,000	128,800	144,500	125,000	125,000	150,000	95,750	150,000
Unrestricted investment earnings	9,190	17,850	14,606	29,593	7,968	39,913	101,189	75,419	2,548	10,422
Miscellaneous	463,343	405,279	431,073	439,986	545,659	514,387	571,224	802,646	638,335	1,136,574
Gain/(Loss) on Disposal of Equipment	-	-	2,582	-	-	-	-	-	-	-
Special items - sale of assets	-	-	-	25,404.00	6,363	-	-	-	-	-
Special items - donated assets	-	-	-	131,040	-	-	-	-	-	-
Special items - loss on investment	(18,727)	-	-	-	-	-	-	-	-	-
Transfers	415,500	-	-	-	-	-	-	-	-	-
Total government activities	6,903,087	6,608,474	6,730,156	7,205,538	7,757,975	7,924,919	8,330,745	8,677,009	8,876,603	9,353,350
Business-type activities:										
Unrestricted investment earnings	62,572	101,992	97,930	93,470	90,967	86,547	81,903	77,050	72,216	66,827
Miscellaneous	53,367	55,104	60,075	63,360	67,503	182,519	76,575	84,898	83,384	91,200
Gain/(Loss) on Disposal of Equipment	-	-	11,576	-	-	-	-	-	-	-
Special items - donated assets	7,140	-	-	-	-	-	-	-	-	-
Transfers	(415,500)	-	-	-	-	-	-	-	-	-
Total business-type activities	(292,421)	157,096	169,581	156,830	158,470	269,066	158,478	161,948	155,600	158,027
Total primary government	\$ 6,610,666	\$ 6,765,570	\$ 6,899,737	\$ 7,362,368	\$ 7,916,445	\$ 8,193,985	\$ 8,489,223	\$ 8,838,957	\$ 9,032,203	\$ 9,511,377
<b>Change in Net Position</b>										
Governmental activities	\$ 860,354	\$ 351,594	\$ 877,949	\$ (99,446)	\$ 334,034	\$ 570,921	\$ (287,450)	\$ 450,048	\$ 1,045,641	\$ (52,219)
Business-type activities	(742,440)	3,119,563	317,579	202,511	(239,301)	(239,756)	745,971	348,322	741,333	859,541
Total primary government	\$ 117,914	\$ 3,471,157	\$ 1,195,528	\$ 103,065	\$ 94,733	\$ 331,165	\$ 458,521	\$ 798,370	\$ 1,786,974	\$ 807,322

**City of Dunn**  
**Fund Balances of Governmental Funds**  
**Last Ten Fiscal Years**  
**(modified accrual basis of accounting)**

	Fiscal Year									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
General Fund										
Non Spendable	\$ 48,234	\$ 116,246	\$ 30,625	\$ 32,142	\$ 46,556	\$ 33,079	\$ 45,302	\$ 22,037	\$ 41,107	\$ 164,901
Restricted	1,364,826	1,425,142	1,424,244	1,653,747	1,770,545	1,824,228	2,526,116	2,295,569	2,525,221	2,623,839
Assigned	-	-	-	-	98,000	6,000	5,000	300,000	350,000	360,000
Unassigned	2,068,671	1,999,838	2,117,478	1,985,379	2,069,164	2,792,512	2,839,790	3,133,787	4,201,962	3,441,740
Total General Fund	\$ 3,481,731	\$ 3,541,226	\$ 3,572,347	\$ 3,671,268	\$ 3,984,265	\$ 4,655,819	\$ 5,416,208	\$ 5,751,393	\$ 7,118,290	\$ 6,590,480
All other governmental funds										
Restricted	\$ 240,041	\$ 301,525	\$ -	\$ -	\$ -	\$ 51,289	\$ 35,554	\$ 35,554	\$ 35,554	\$ -
Assigned	260,391	(160,305)	67,468	186,772	75,667	-	-	-	-	-
Committed	-	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	(960,671)	(513,614)	(517,890)
Total all other governmental funds	\$ 500,432	\$ 141,220	\$ 67,468	\$ 186,772	\$ 75,667	\$ 51,289	\$ 35,554	\$ (925,117)	\$ (478,060)	\$ (517,890)

**City of Dunn**  
**Changes in Fund Balance of Governmental Funds**  
**Last Ten Fiscal Years**  
**(modified accrual basis of accounting)**

	Fiscal Year									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
<b>Revenues</b>										
Ad valorem taxes	\$ 3,672,427	\$ 3,959,238	\$ 3,887,947	\$ 4,012,290	\$ 4,284,741	\$ 4,262,407	\$ 4,273,456	\$ 4,246,782	\$ 4,463,883	\$ 4,476,903
Other taxes and licenses	207,325	66,558	43,942	36,190	37,369	36,003	180,715	218,807	228,304	205,237
Unrestricted intergovernmental	2,188,057	2,132,914	2,393,607	2,539,169	2,868,871	3,074,062	3,163,499	3,373,150	3,547,218	3,518,678
Restricted intergovernmental	1,233,958	932,179	1,248,868	1,093,605	920,038	568,857	697,171	1,509,830	1,552,746	1,404,712
Permits and fees	187,466	289,552	216,875	206,985	200,541	226,317	170,430	247,905	291,232	377,198
Sales and services	961,843	933,953	1,003,235	1,002,666	1,112,743	1,102,925	1,307,400	1,271,380	1,326,235	1,382,750
Investment earnings	9,227	17,850	14,606	29,593	7,968	39,913	101,189	75,419	2,548	10,422
Miscellaneous	584,035	570,373	513,106	711,504	592,511	658,500	757,687	802,646	638,335	1,136,574
Private Donations	359,668	-	-	-	-	-	-	-	-	-
Total revenues	9,404,006	8,902,617	9,322,186	9,632,002	10,024,782	9,968,984	10,651,547	11,745,919	12,050,501	12,512,474
<b>Expenditures</b>										
General government	1,867,599	1,474,587	1,535,053	1,707,135	2,146,402	2,139,977	2,260,448	2,498,605	2,533,580	2,973,660
Public Safety	3,611,487	3,676,533	3,254,461	3,000,794	3,055,693	3,098,846	3,460,284	3,340,732	3,847,092	4,029,312
Transportation	1,366,567	1,376,111	1,309,052	1,308,013	1,341,992	1,436,435	1,300,908	2,127,335	1,558,170	1,891,733
Environmental protection	557,002	584,670	607,313	647,025	799,224	807,616	978,691	791,620	728,215	1,179,765
Culture and recreation	690,733	730,745	725,807	612,267	683,268	687,331	723,613	619,618	510,039	1,224,790
Library	226,439	231,410	251,963	247,091	227,154	239,603	264,608	245,750	233,375	267,605
Debt service										
Principal	516,667	408,678	519,237	615,919	865,540	515,733	522,792	589,409	762,369	897,589
Interest and other charges	79,564	75,063	184,019	212,112	234,114	211,601	198,032	200,794	194,299	221,053
Capital outlay	2,765,173	805,119	3,379,997	1,388,561	894,471	180,874	660,816	2,441,390	2,276,018	905,161
Total expenditures	11,681,231	9,362,916	11,766,902	9,738,917	10,247,858	9,318,016	10,370,192	12,855,253	12,643,157	13,590,668
Excess of revenues over (under) expenditures	(2,277,225)	(460,299)	(2,444,716)	(106,915)	(223,076)	650,968	281,355	(1,109,334)	(592,656)	(1,078,194)
<b>Other financing sources (uses)</b>										
Transfers in	415,500	-	-	777,857	-	-	-	-	2,000	35,554
Transfers out	-	-	(498,713)	(777,857)	(75,000)	-	-	-	(2,000)	(35,554)
Sale of capital assets	15,760	17,497	14,494	25,404	7,669	-	-	-	-	-
Loss on investment	(18,727)	-	-	-	-	-	-	-	-	-
Capital Lease Proceeds	-	-	23,777	-	-	-	-	-	-	-
Installment purchase obligations	1,100,000	132,000	2,860,757	296,243	434,000	-	454,000	483,849	2,436,010	475,000
Total other financing sources (uses)	1,512,533	149,497	2,400,315	321,647	143,593	-	454,000	483,849	2,436,010	475,000
Net change in fund balances	\$ (764,692)	\$ (310,802)	\$ (44,401)	\$ 214,732	\$ (79,483)	\$ 650,968	\$ 735,355	\$ (625,485)	\$ 1,843,354	\$ (603,194)
Debt service as a percentage of noncapital expenditures	6.7%	5.7%	8.4%	9.9%	11.8%	8.0%	7.4%	7.6%	9.2%	8.8%

**City of Dunn****Assessed Value and Estimated Actual Value of Taxable Property  
Last Ten Fiscal Years**

<b>Fiscal Year</b>	<b>Real Property (3)</b>	<b>Personal Property (4)</b>	<b>Total Assessed Value</b>	<b>Ratio of Assessed Value to Estimated Actual Value (1)</b>	<b>Property Tax Rate (2)</b>
2013	\$ 689,408,623	\$ 58,631,458	\$ 748,040,081	100%	0.48
2014	705,496,295	33,648,039	739,144,334	100%	0.50
2015	701,263,136	57,067,989	758,331,125	100%	0.50
2016	738,999,170	54,300,322	793,299,492	100%	0.50
2017	782,593,029	61,229,571	843,822,600	100%	0.50
2018	782,586,835	61,147,365	843,734,200	100%	0.50
2019	773,225,934	70,971,466	844,197,400	100%	0.50
2020	776,648,160	72,901,440	849,549,600	100%	0.50
2021	785,553,296	75,124,910	860,678,206	100%	0.50
2022	818,424,000	74,354,656	892,778,656	100%	0.50

**Notes:**

(1) Assessed value is established by the Harnett County Tax Department at 100% estimated market value.

(2) Rate per \$100 of assessed valuation.

(3) Real Property comes from Harnett County Projected Revenue Report Total Taxable Real Value and Personal Value for City of Dunn and Dunn Special District.

(4) Personal Property come from Harnett county Projected Revenue Report Motor Vehicle value for City of Dunn and Dunn Special District.

**City of Dunn  
Property Tax Rates  
Direct<sup>(1)</sup> and Overlapping<sup>(2)</sup> Governments  
Last Ten Fiscal Years**

<b>Fiscal Year</b>	<b>City of Dunn<sup>(1)</sup></b>	<b>Harnett County<sup>(2)</sup></b>	<b>Dunn Emergency Services<sup>(2)</sup></b>	<b>Averasboro School District<sup>(2)</sup></b>	<b>Combined Tax Rate Per \$100 of Assessed Value</b>
2013	0.4800	0.7250	0.0700	0.0200	1.2950
2014	0.5000	0.7250	0.0740	0.0200	1.3190
2015	0.5000	0.7500	0.0700	0.0200	1.3400
2016	0.5000	0.7500	0.0900	0.0200	1.3600
2017	0.5000	0.7500	0.0900	0.0200	1.3600
2018	0.5000	0.7500	0.0900	0.0200	1.3600
2019	0.5000	0.7500	0.0900	0.0200	1.3600
2020	0.5000	0.7500	0.0900	0.0200	1.3600
2021	0.5000	0.7500	0.0900	0.0200	1.3600
2022	0.5000	0.7500	0.0900	0.0200	1.3600

Notes:

(1) -The City tax is completely applicable to general government and not divided among other components.

(2) - Overlapping rates are those of local and county governments that apply to property owners within the City of Dunn.

City of Dunn  
Principal Property Taxpayers  
June 30, 2022

Taxpayer	Type of Enterprise	2022			2013		
		Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
ROOMS TO GO DISTRIBUTION CO LLC	Distribution	\$ 68,758,142	1	8.43%			
DUKE ENERGY PROGRESS INC	Utility Company	13,037,792	2	1.60%	\$ 10,601,998	2	
WAL-MART REAL ESTATE BUSINESS TRUST	Retail Store	12,978,874	3	1.59%	12,318,880	1	1.65%
WINCOR PROPERTIES LLC	Real Estate	6,518,139	4	0.80%	8,212,261	3	1.10%
Piedmont Natural Gas	Utility Company	3,900,786	5	0.48%			
CAROLINA TELEPHONE	Utility Company	2,200,326	6	0.27%			
CSX TRANSPORTATION	Freight/Shipping	2,093,588	7	0.26%			
JAMES WEST/WEST PROPERTIES/OFFICE VALUE	Wholesale Store	1,810,272	8	0.22%			0.00%
FOOD LION STORES	Retail Store	695,225	9	0.09%			
ROSS WILLIAMS-DUTCH IRIS	Retail Store	689,825	10	0.08%			
RPH Harnett Crossing	Shopping Center				8,065,690	4	1.08%
CAROLINA TELEPHONE	Real Estate				7,021,022	5	0.94%
APPLE EIGHT NC LP	Packaging Plant				6,996,400	6	0.94%
NWD-T/A DUNBAR	Manufacturer				4,777,090	7	0.64%
GRAY PROPERTINS OF NC, LLC	Real Estate				4,723,560	8	0.63%
GG RETAIL PROPERTIES LLC	Real Estate				4,694,300	9	0.63%
TILGHMAN MEDICAL ASSOC.	Real Estate				4,644,790	10	0.62%
<b>Totals</b>		<u>\$ 112,682,969</u>		13.81%	<u>\$ 72,055,991</u>		9.63%
<b>Total Assessed Value</b>		<u>\$ 815,985,280</u>			<u>\$ 748,040,081</u>		

Source: Harnett County Assessor's Office

**City of Dunn**  
**Property Tax Levies and Collections**  
**Last Ten Fiscal Years**

<b>Fiscal Year</b>	<b>Tax Levy</b>	<b>Current Tax Collections</b>	<b>Percent of Taxes Collected</b>	<b>Delinquent Tax Collections (1)</b>	<b>Total Tax Collections</b>	<b>Ratio of Total Tax Collections to Total Tax Levy</b>
2013	3,590,593	3,519,160	98.01%	-	3,519,160	98.01%
2014	3,678,336	3,626,198	98.58%	-	3,626,198	98.58%
2015	3,783,906	3,761,518	99.41%	-	3,761,518	99.41%
2016	3,966,497	3,942,458	99.39%	17,032	3,942,458	99.39%
2017	4,219,113	4,195,846	99.45%	26,269	4,222,115	100.07%
2018 (2)	4,218,671	4,185,643	99.22%	21,167	4,206,810	99.72%
2019	4,220,987	4,192,397	99.32%	24,870	4,217,267	99.91%
2020	4,246,746	4,183,334	98.51%	24,112	4,207,446	99.07%
2021	4,247,748	4,208,138	99.07%	35,206	4,243,344	99.90%
2022	4,463,893	4,435,351	99.36%	4,784	4,440,135	99.47%

Notes:

(1) - Includes discoveries, releases, and adjustments.

(2) - A revaluation of all property is required every eight (8) years by North Carolina State Statute. The last revaluation occurred as of January 1, 2009. A contract is in place for Harnett County to collect taxes and they are providing the revaluation for all property including the city of Dunn to be completed 2021-2022. This revaluation is under way now and is on track to be finished on time.

**City of Dunn**  
**Ratios of Outstanding Debt by Type**  
**Last Ten Fiscal Years**

Fiscal Year	Governmental Activities		Business-Type Activities				Total Primary Government	Debt as a % of Assessed Valuation (3)	Per Capita (4)
	Capital Leases	Installment Purchases	Capital Leases	GO Bonds	Installment Purchases	Revolving Water and Sewer Loan			
2013	\$ -	\$ 5,580,300 <sup>(7)</sup>	\$ -	\$ 1,665,000	\$ 2,629,196	\$ 3,946,603	\$ 13,821,099	1.80%	\$ 1,466
2014	-	5,288,337	74,370	1,540,000	2,402,819	3,727,347	13,032,873	1.80%	1,357
2015	17,868	7,653,635 <sup>(8)</sup>	69,598	1,410,000	2,071,259	3,508,091	14,730,451	1.90%	1,533
2016	9,368	7,324,590	50,970	1,275,000	1,609,835	3,288,835	13,558,598	1.80%	1,450
2017	1,229	6,901,189	31,874	1,180,000	1,345,393	3,069,579	12,529,264	1.80%	1,299
2018	-	6,386,138	15,911	1,026,000	1,074,864	2,850,323	11,353,236	1.35%	1,166
2019	-	6,317,894 <sup>(9)</sup>	-	869,000	2,713,309 <sup>(10)</sup>	2,631,067	12,531,270	1.48%	1,313
2020	-	6,126,609 <sup>(11)</sup>	-	715,000	2,535,362 <sup>(12)</sup>	2,411,813	11,788,784	1.39%	1,235
2021	-	7,798,939 <sup>(13)</sup>	-	563,000	5,618,590 <sup>(16)</sup>	2,192,555 <sup>(16)</sup>	16,173,084	1.88%	1,965
2022	-	7,074,226 <sup>(14)</sup>	-	414,000	6,394,760 <sup>(15)</sup>	1,973,299 <sup>(17)</sup>	15,856,285	1.78%	1,858

Notes:

- (1) - An installment purchase contract was executed during fiscal year 2010 in the amount of \$1,000,000 for street improvements.
- (2) - An installment purchase contract was executed during fiscal year 2012 in the amount of \$2,989,000 for downtown street improvements.
- (3) - Total primary government debt divided by assessed valuation. Assessed valuations can be found in Table 6.
- (4) - Total Debt divided by population. Population figures from <https://demography.osbm.nc.gov/explore/?sort=modified> NC State Demographer 2021 Certified Population Estimates
- (5) - A revolving water and sewer loan was executed during fiscal year 2011 in the amount of 4,385,114 for improvements to the Waste Water System.
- (6) - An installment purchase contract was executed during fiscal year 2012 in the amount of \$3,500,000 for construction of water transmission line to Eastover Sanitary District
- (7) - An installment purchase contract was executed during fiscal year 2013 in the amount of \$975,000 for renovation to Tyler Park
- (8) - Total installment purchases executed during fiscal year 2015 in the amount of \$2,884,535 for Phase II of Tyler Park, Harnett Training School, Gym Equipment & Police Cars
- (9) - Total installment purchases executed during fiscal year 2019 for governmental activities in the amount of \$454,000 for Police vehicles
- (10) - Total installment purchases executed during fiscal year 2019 for business-type activities in the amount of \$1,898,000 for electronically read water meters
- (11) - Total installment purchases executed during fiscal year 2020 for governmental activities in the amount of \$482,929 for computers, police cars, paving equipment and vehicles
- (12) - Total installment purchases executed during fiscal year 2020 for business-type activities in the amount of \$210,040 for tractor, generator, and vehicles
- (13) - Total installment purchases executed during fiscal year 2021 for governmental activities in the amount of \$2,479,231 for park, server, and truck
- (14) - Total installment purchases executed during fiscal year 2022 for governmental activities in the amount of \$375,000 for land purchase
- (15) - Total installment purchases executed during fiscal year 2022 for business-type activities in the amount of \$970,820 for Waterline and Vacuum Truck
- (16) - A revolving water and sewer loan was executed during fiscal year 2021 in the amount of \$2,475,000 for the WWTP Aeration project
- (17) - A revolving water and sewer loan was executed during fiscal year 2022 in the amount of \$963,325 for the Water Distribution Rehab Project
- (18) - Total installment purchases executed during fiscal year 2021 for Business-type activities in the amount of \$1,035,000 for Water/Sewer Lines



**City of Dunn**  
**Ratios of General Bonded Debt Outstanding**  
**Last Ten Fiscal Years**

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<b><u>Fiscal Year</u></b>	<b><u>General Obligation Bonds (1)</u></b>	<b><u>Percentage of Assessed Property Value</u></b>	<b><u>Per Capita (2)</u></b>
2013	1,665,000	0.22%	177
2014	1,540,000	0.21%	161
2015	1,410,000	0.19%	148
2016	1,275,000	0.16%	133
2017	1,180,000	0.14%	122
2018	1,026,000	0.12%	105
2019	869,000	0.10%	91
2020	715,000	0.08%	75
2021	563,000	0.07%	67
2022	414,000	0.05%	49

Note: Details regarding the City's debt can be found in the notes to the financial statements.

(1) - Includes General Obligation Bonds from business-type activities.

(2) - Population data obtained from NC State demographer

**City of Dunn**  
**Direct and Overlapping Governmental Activities Debt**  
**As of June 30, 2022**

<b>Governmental Unit</b>	<b>Debt Outstanding</b>	<b>Estimated Percentage Applicable To Town (1)</b>	<b>Estimated Share of Overlapping Debt</b>
Harnett County Debt Outstanding <sup>(3)</sup>	\$ 159,659,997	9.49%	\$ 15,150,206
Subtotal, overlapping debt			15,150,206
City of Dunn direct debt			7,074,226 <sup>(2)</sup>
Total direct and overlapping debt			<u>\$ 22,224,432</u>

Notes:

(1) - The percentage of overlapping debt applicable to the town is estimated using assessed property values. The applicable percentage represents the town's total assessed value divided by Harnett County's total assessed value.

(2) - Includes all governmental activities debt.

(3) The Harnett County Debt Outstanding is from the County's Audited Financial Statements Dated June 30, 2021.

**City of Dunn**  
**Legal Debt Margin Information**  
**Last Ten Fiscal Years**

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Debt limit	\$ 59,843,206	\$ 59,131,547	\$ 60,666,490	\$ 63,463,959	\$ 67,505,808	\$ 67,498,736	\$ 67,535,792	\$ 67,963,968	\$ 68,854,256	\$ 71,422,292
Total net debt applicable to limit	12,156,099	11,418,503	13,232,984	12,615,086	11,349,264	10,327,236	12,531,270	11,788,782	16,173,084	15,856,285
Legal debt margin	\$ -	\$ 47,713,044	\$ 47,433,506	\$ 50,848,873	\$ 56,156,544	\$ 57,171,500	\$ 55,004,522	\$ 56,175,186	\$ 52,681,172	\$ 55,566,007
Total net debt applicable to the limit as a percentage of debt limit	20.31%	19.31%	21.81%	19.88%	16.81%	15.30%	18.56%	17.35%	23.49%	22.20%

**Legal Debt Margin Calculation for Fiscal Year 2022 <sup>(1)</sup>**

Assessed Value	\$ 892,778,656
Debt Limit (8% of total assessed value)	71,422,292
Debt applicable to limit:	
General obligation bonds	414,000
Non bonded debt	15,442,285
Total net debt applicable to limit	15,856,285
	<u>\$ 55,566,007</u>

Notes:

(1) - Under North Carolina general statutes, the legal debt limit should not exceed 8% of total assessed property value. By law, the statutes provide exclusions for bonded debt which has been issued for water and sewer systems, provided the criteria for excluding the debt has been satisfied by the unit of government

**Harnett County (1)**  
**Demographic and Economic Statistics**  
**Last Ten Fiscal Years**

<b>Fiscal Year</b>	<b>Population (2)</b>	<b>Personal Income (2)</b>	<b>Per Capita Income (2)</b>	<b>Median Age (2)</b>	<b>Public School Enrollment (3)</b>	<b>Unemployment Rate (4)</b>
2013	122,355	2,310,551,820	18,884	34	19,378	10.5%
2014	123,316	2,370,873,416	19,226	34	19,868	7.4%
2015	125,717	2,400,566,115	19,095	34	20,099	7.3%
2016	127,348	2,431,710,060	19,095	34	20,269	5.4%
2017	130,881	2,730,701,184	20,864	34	20,357	4.8%
2018	132,754	2,816,243,356	21,214	34	20,390	3.7%
2019	134,214	3,163,558,194	23,571	35	20,685	5.4%
2020	135,239	2,803,910,187	20,733	43	20,615	8.8%
2021	133,568	3,174,510,656	23,767	34	19,513	5.5%
2022	135,966	3,357,408,438	24,693	36	36,825	5.0%

Notes:

(1) - Information is presented for the County, city information is not available

(2) - US Census Bureau. Latest figures available are reflected.

(3) - NC Department of Public Instruction. Latest figures available are reflected.

(4) - NC Department of Commerce. Latest figures available are reflected.

**City of Dunn**  
**Principal Employers**  
**Last Ten Fiscal Years**

<b>Employer</b>	<b>2022 (1)</b>		<b>2013 (1)</b>	
	<b>Employees</b>	<b>Rank</b>	<b>Employees</b>	<b>Rank</b>
Harnett County Schools	1,000+	1	1,000+	1
Food Lion	1,000+	2	1,000+	2
Harnett Health System (Betsy Johnson)	500-999	3	500-999	3
Carlie C's Operation Center Inc.	250-499	4	250-499	4
Rooms To Go	250-499	5		
Wal-Mart Associates Inc.	250-499	6	250-499	5
Godwin Manufacturing Co Inc.	100-249	7	100-249	
Tri-Arc Food Systems Inc.	100-249	8	100-249	9
Affinity Health Services	100-249	9	100-249	8
Gray Metal South Inc.	100-249	10		
City of Dunn			100-249	6
KTL McDonalds LLC			100-249	8
Family Medical Supply			100-249	7
Basic Home Health Care			100-249	10

Source: Harnett County Economic Development.

(1) - There was no information available for the total number of individuals employed within the City. Therefore, the percentage of total employment for each employer has not been provided.

**City of Dunn**  
**Full-time Equivalent Town Government Employees by Function**  
**Last Ten Fiscal Years**

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<b>Function</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
General Government										
Administration	5	6	6	6	6	7	7	7	7	7
Finance	3	3	3	3	3	3	3	3	3	7
Economic & Physical Development										
Planning	1	1	1	1	1	1	2	3	3	3
Inspections	3	3	3	4	5	5	5	4	4	1
Public Safety										
Law Enforcement										
Officers	36	36	36	39	39	39	44	45	45	48
Civilians	16	16	5	4	4	4	4	3	2	2
Public Works										
Streets	16	16	16	16	14	15	18	19	20	22
Solid Waste	2	2	2	2	2	2	0	0	0	0
Fleet Maintenance	2	1	1	1	1	1	2	2	3	2
Parks & Recreation	10	10	10	9	8	8	10	6	6	5
Library	3	4	4	4	4	4	4	3	4	4
Public Utilities-Water/Sewer										
Finance	5	5	5	5	5	3	3	3	3	4
Distribution	8	8	8	8	8	10	11	10	10	9
Water Treatment	8	8	8	8	9	8	8	8	8	8
WasteWater Treatment	9	9	9	9	9	9	10	9	10	9
<b>Total</b>	<b>127</b>	<b>128</b>	<b>117</b>	<b>119</b>	<b>118</b>	<b>119</b>	<b>131</b>	<b>125</b>	<b>128</b>	<b>131</b>

**City of Dunn**  
**Operating Indicators by Function**  
**Last Ten Years**

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
<b>Function:</b>										
Public Safety										
Arrests	2,460	3,299	2,190	1,231	1,274	1,040	1,183	949	1,141	795
Traffic violations	4,423	3,613	3,396	3,186	3,236	3,523	3,471	2,305	2,390	3,964
Highways and streets										
Street resurfacing (miles)	-	1	2	-	-	-	-	1	1	13
Potholes repaired	700	615	750	210	191	214	212	115	94	105
Sidewalk repaired (linear ft.)	300	7,500	600	4,841	3,324	146	100	150	100	5
Street sweeping (miles)	2,000	2,000	2,000	2,000	1,782	1,656	1,700	1,700	1,500	2,508
Inspections										
Building permits issued	398	380	362	385	476	431	439	537	624	727
Sanitation										
Residential waste collected (tons/year)	2,799	2,742	2,663	2,814	2,782	2,624	2,934	2,545	2,662	2,900
Yard waste collected (tons/year)	3,140	2,637	2,642	825	1,148	2,010	2,808	2,079	557	638
Trash pick-up fee	15	16	17	17	17	17	23	23	24	25
Library										
Admissions	83,837	76,119	83,423	65,704	60,797	55,792	56,826	40,641	29,202	31,638
Volumes in Collection	41,157	41,913	42,630	44,784	45,112	45,399	44,397	43,743	45,432	46,691
Recreation										
Youth participation:										
Fall sports	330	359	360	343	291	295	356	293	378	327
Winter sports	224	213	220	314	216	212	347	330	186	121
Spring Sports	526	510	450	325	339	347	316	315	214	441
Water										
Utility customers	4,625	4,628	4,635	4,700	4,701	4,704	4,707	4,706	4,743	4,774
Average utility bill	48	48	52	55	58	60	60	73	107	111
New Customer Connections	7	10	10	12	13	10	26	11	31	33
Average daily consumption (MGD)	3	3	3	3	3	3	3	3	3	3
Wastewater										
Average daily sewage treatment (MGD)	2	2	3	3	3	2	3	3	3	2
Sanitary Sewer Overflows (SSO)	5	6	6	5	7	-	6	4	11	3

**City of Dunn**  
**Capital Asset Statistics by Function**  
**Last Ten Fiscal Years**

	2013	2014	2015	2016	2017	2018	2019	2020 <sup>(1)</sup>	2021	2022
<b>Function</b>										
Public safety										
Police stations	1	1	1	1	1	1	3	3	3	3
Police patrol units	4	4	4	4	4	4	4	4	4	4
Police vehicles	33	47	43	43	45	45	45	52	59	59
911 Centers	1	1	1	-	-	-	-	-	-	-
Sanitation										
Collection trucks	2	2	2	2	2	2	2	2	2	2
Highways and streets										
Streets (miles)	65	65	65	65	65	65	65	65	66	66
Traffic signals	5	5	5	5	5	5	5	5	5	5
Culture and recreation										
Parks acreage	32	32	32	32	36	36	36	36	54	54
Parks	3	3	3	3	3	3	3	3	4	4
Baseball/Softball Fields	7	7	7	7	8	8	8	8	8	8
Pools	1	1	1	1	1	1	1	1	1	1
Tennis courts	5	5	5	5	3	3	3	3	3	3
Community centers	2	2	2	2	2	2	2	2	2	2
Water										
Water mains (feet)	454,080	454,080	454,080	454,080	459,360	459,360	459,360	607,200	607,200	607,200
Maximum daily capacity (millions of gallons per day)	6	6	6	6	6	6	6	8	8	8
Sewer										
Sewer Lines (feet)	396,000	396,000	396,000	396,000	406,560	406,560	406,560	498,015	498,015	498,015
Max daily treatment capacity (millions of gallons per day)	4	4	4	4	4	4	4	4	4	4

(1) New CIS System was implemented making estimations more accurate than years prior



## **COMPLIANCE SECTION**



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Dunn, North Carolina (the "City") as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 26, 2023. Our report includes a reference to other auditors who audited the financial statements of the discretely presented component unit, the City of Dunn ABC Board, as described in our report on the City of Dunn's financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that are reported separately by those auditors. The financial statements of the City of Dunn ABC Board were not audited in accordance with *Government Auditing Standards*.

***Report on Internal Control over Financial Reporting***

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

A *deficiency* in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

### ***Report on Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as Findings 2022-1 and 2022-2.

### ***Purpose of This Report***

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

*Bernard Robinson & Company, L.L.P.*

Greensboro, North Carolina  
May 26, 2023



**Independent Auditor's Report on Compliance for Each Major State Program and on Internal Control over Compliance in Accordance with Uniform Guidance and the State Single Audit Implementation Act**

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

***Report on Compliance for Each Major Federal Program***

***Opinion on Each Major Federal Program***

We have audited the City of Dunn, North Carolina's (the "City") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2022. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City's federal programs.

## ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. 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 generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

## ***Other Matters***

The results of our auditing procedures did not disclose any instances of noncompliance which are required to be reported in accordance with the Uniform Guidance.

## ***Report on Internal Control over Compliance***

A *deficiency* in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness* in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Bernard Robinson & Company, L.L.P.*

Greensboro, North Carolina  
May 26, 2023

**CITY OF DUNN, NORTH CAROLINA**  
**Schedule of Expenditures of Federal and State Awards**  
**For the Fiscal Year Ended June 30, 2022**

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal ALN Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Federal Expenditures</u>	<u>State Expenditures</u>
<b>Federal Grants:</b>				
<b>Cash Assistance:</b>				
<u>U. S. Department of Agriculture:</u>				
Community Facilities	10.766	00-03	\$ 50,000	\$ -
<u>U. S. Department of Health and Human Services:</u>				
Division of Aging and Adult Services:				
Passed through Mid Carolina				
Council of Government:				
Older American's Act	93.044	16-701, 20-701	37,948	-
<u>U. S. Department of Housing and Human Services:</u>				
Passed through N.C. Department				
of Environmental Quality				
Wastewater Collection System	14.228	20-I-3606	238,179	-
<u>U.S. Department of Transportation</u>				
Passed through N.C. Department of Transportation				
Governor's Highway Safety	20.600	PT-16-06-15	166,322	-
Total assistance -				
federal program			<u>492,449</u>	<u>-</u>
<b>State Grants:</b>				
<b>Cash Assistance:</b>				
<u>N.C. Department of Commerce</u>				
<u>Rural Economic Development</u>				
Community Development Block				
Grant Neighborhood Revitalization		17-C-2995	-	166,050
<u>N.C. Department of Natural</u>				
<u>and Cultural Resources</u>				
Parks and Recreation Trust				
Fund Grant		2018-858	-	169,882
<u>N.C. Department of</u>				
<u>Transportation:</u>				
Powell Bill		O 50000001 80	-	335,827
Total assistance -				
state program			-	671,759
Total assistance			<u>\$ 492,449</u>	<u>\$ 671,759</u>

**CITY OF DUNN, NORTH CAROLINA**  
**Notes to the Schedule of Expenditures of Federal and State**  
**Financial Awards**

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**Note 1: Basis of Presentation**

The accompanying schedule of expenditures of federal and State awards (SEFSA) includes the Federal and State grant activity of the City of Dunn under the programs of the federal government and the State of North Carolina for the year ended June 30, 2022. The information in this SEFSA is presented in accordance with the requirements of Title 2 *US Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of the City of Dunn, it is not intended to present the financial position, changes in net assets or cash flows of the City of Dunn.

**Note 2: Summary of Significant Accounting Policies**

The Schedule of Expenditures of Federal and State Awards is prepared on the modified accrual basis of accounting. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement.

The City of Dunn has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

Powell Bill expenditures as reported above represent eligible expenditures reported to the North Carolina Department of Transportation for the fiscal year ending June 30, 2022. The City is required to report annually to the North Carolina Department of Transportation on the accumulated unexpended Powell Bill funds. Unexpended Powell Bill funds are accounted for and maintained within various City funds. There is no unexpended balance on-hand at June 30, 2022.



Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

(a) Material weakness(es) identified?

\_\_\_\_\_ yes      X   no

(b) Significant deficiency(ies)?

\_\_\_\_\_ yes      X   none reported

Noncompliance material to financial statements noted?

  X   yes    \_\_\_\_\_ no

State Awards

Internal control over major programs:

(a) Material weakness(es) identified

\_\_\_\_\_ yes      X   no

(b) Significant deficiency(ies) identified?

\_\_\_\_\_ yes      X   none reported

Noncompliance material to state awards

\_\_\_\_\_ yes      X   no

Type of auditor's report issued on compliance  
for major programs:

Unmodified

Any audit findings disclosed that are required to be  
reported in accordance with the *State Single Audit  
Implementation Act* ?

\_\_\_\_\_ yes      X   no

Identification of major programs:

Name of State Program

Powell Bill

**Section II - Financial Statement Findings:**

Finding: 2022-1: Material Budget Violation

*Criteria:* Per North Carolina state code Chapter 159 article 3 local governments shall establish a adhere to a budget balance by department within the general fund.

*Condition:* During our analysis of actual expenditures to the final approved budget for the general fund, it was noted that the debt service expenditures exceeded the approved budget.

*Context:* The final approved budget for debt services was \$962,050, while actual expenditures equaled \$1,118,642.

*Questioned Costs:* None.

*Effect:* The City is not fully transparent with its citizens which could cause distrust. Management is unable to properly plan and use the Cities resources.

*Cause:* An audit adjusting journal entry was made to adjust debt balance after year-end, causing the expenditures to exceed allotted budget.

*Recommendation:* Management should reconcile debt balances with statements at least once per year.

*Views of Responsible Officials and Planned Corrective Actions:* The Organization agrees with the finding and has established new procedures related to reconciling and verifying debt balances and related principal and interest payments.

Finding: 2022-2: Late Audit

*Criteria:* The state of North Carolina requires that all government organizations with over \$100,000 of expenditures to submit audited financial statements by October 31st.

*Condition:* The audit financial statements for the year ended June 30, 2022, were not issued on or before the October 31st due date.

*Context:* The audit financial statements for the year ended June 30, 2022, were not issued until May 26, 2023.

*Questioned Costs:* None.

*Effect:* Not being in compliance with state laws.

*Cause:* The audit firm had staffing issues which slowed the progress of the audit. Also, due to an accounting software conversion that took place in May, the City was not prepared in a timely manner for the audit.

*Recommendation:* Management should establish a plan to be ready for an audit earlier and ensure that all accounts have been properly recorded.

*Views of Responsible Officials and Planned Corrective Actions:* The Organization agrees with the finding and has added new staff and revised internal accounting procedures. The new accounting software includes improved reporting capabilities and will provide a more timely year end closing process.

**Section III - State Award Findings and Questioned Costs**

None reported

**CITY OF DUNN, NORTH CAROLINA**

**Summary Schedule of Prior Year Audit Findings and Questioned Costs**

**Year Ended June 30, 2022**

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**Section IV - Summary Schedule of Prior Audit Findings**

None reported