

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2014

City of Dunn, North Carolina

www.dunn-nc.org

Comprehensive Annual Financial Report

For the fiscal year ended June 30, 2014



Prepared by the City of Dunn Finance Department:

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City of Dunn, North Carolina
Comprehensive Annual Financial Report
For the fiscal year ended June 30, 2014

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City of Dunn

North Carolina

INTRODUCTORY SECTION





city of dunn

FINANCE DEPARTMENT

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www.dunn-nc.org

Mayor
Oscar N. Harris
Mayor Pro Tem
Buddy Maness
Council Members
N. Carnell Robinson
Frank McLean
Billy Tart
Chuck Turnage
Billy Barfield
City Manager
Ronald D. Autry

October 28, 2014

**Honorable Mayor, Members of the City Council
and Citizens of the City of Dunn:**

The Comprehensive Annual Financial Report (CAFR) of the City of Dunn for the fiscal year ended June 30, 2014 is submitted by the City's Finance Department, and it is the comprehensive publication of the City's financial position at June 30, 2014, and results of operations for the fiscal year then ended for all funds of the City. The financial statements must be presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. This report is published to fulfill that requirement for the fiscal year ended June 30, 2014, and to provide complete and further accountability to citizens and other interested parties by providing a comprehensive report in lieu of the minimum basic financial statement requirements.

Responsibility for both the accuracy of the presented data, and the completeness and the fairness of the presentation, including all disclosures, rests with the City. We believe the enclosed data and presentation is accurate in all material respects and is reported in a manner that presents fairly the financial position and results of operations of the City's various funds over the last fiscal year.

The Management's Discussion and Analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview and analysis of the basic financial statements. This letter of transmittal is written to complement the MD&A and should be read in conjunction with it.

Description of the City

The City of Dunn, incorporated in 1887, is located in the south central part of the state, which is considered to be a growth area in the state. Dunn offers a small-town atmosphere, coupled with a growing business community which makes the City the largest municipality in Harnett County. The City of Dunn currently occupies a land area of 6 square miles and serves a population of 9,549.

The City of Dunn operates under a council-manager form of government. The governing body is comprised of a Mayor and a six member City Council, elected from wards on a nonpartisan basis for four-year concurrent terms. The Mayor is elected at large on a nonpartisan basis for a four-year term. The City Council has policy-making and legislative authority and is responsible for the budget approval and appointment of the City manager, Attorney, and Clerk. The City Manager is responsible for implementing Council policies and City ordinances, managing daily operations and appointing department directors.



where community matters

The City provides its citizens with a full range of services, including police protection; solid waste services, including recycling; the construction and maintenance of streets, curbs, gutters and sidewalks; recreation and cultural opportunities; and water and sewer service. This report includes all of the Town's activities in delivering and administering these services. The City of Dunn also is financially accountable for a legally separate ABC Board, which is reported separately as a discrete component unit within the City of Dunn's financial statements. Additional information on this legally separate entity can be found in Note I.A in the Notes to the Financial Statements of this report.

Economic Condition and Outlook

The City of Dunn's favorable economic environment and local indicators point to continued stability. Major industries with headquarters or divisions located within the government's boundaries or in close proximity include warehouse distribution facility, petroleum product distribution, truck body manufacturers, regional health care facility and several financial institutions.

Tourism continues to have a major effect on the local economy. Dunn is located on the I-95 corridor. In the immediate area there are 14 hotels that offer over 700 rooms. In fiscal year 2014 hotel receipts were over \$13,600,000 in the Dunn area. Despite the struggling national economy the hotel receipts in the area have remained stable.

Rooms-to-Go has begun construction on a distribution facility inside the City's corporate limits. This facility will create 220 new jobs and will add in excess of \$40,000,000 to the City's tax base.

Long-term Financial Planning

The City has continued to work on replenishing General Fund reserves over the last several years. The City also has a low outstanding debt in both the General Fund and Water and Sewer Fund. The City had used reserves to pay for capital projects in previous years. Given the current economic state, the City has decided that it will finance projects through long-term loans versus using reserves. There are several capital projects that will require long-term loans. Below are a few that are underway or still in the planning stages.

The City has almost completed a \$3,100,000 downtown revitalization project. There are two remaining streets left in this project, Magnolia and Cumberland have yet to be completed. The City has closed a long-term low interest loan through US Department of Agriculture. The financing has a 25-year payback period. The first debt payment will be in August, 2014.

The City has started a \$2,250,000 renovation to Tyler Park. The park once completed will include three ball fields, a miracle field for special needs children, shuffleboard court, picnic shelter, splash pad and three new tennis courts. The City was awarded a grant in the amount of \$500,000 from the State of North Carolina. The City has received over \$1,270,105 in private contributions with the remaining being financed over a ten year period. The project is expected to be completed in the spring of 2015.

The City has other projects but these have not reached the stage of obtaining funding. Any future projects would be funded through either grant applications or low-interest financing. The City is not anticipating a need for significant tax increases or other rate increases for citizens. The tax base of the City is growing such that it has provided the needed additional revenue to maintain services.

Major Initiatives

During the year, the City was involved in several major projects as directed by the City Council and City Manager. These projects are based on staff budget requests and Council's funding priorities. Upon budget approval, staff maintains and implements programs, policies and activities that support the achievement of the goals and initiatives, which reflect the City's continued commitment to quality of life while maintaining its unique personality.

Financial Information:

Budget Control: In government, much more than in business, the budget is an integral part of a unit's accounting system and daily operations. The North Carolina General Statutes require all governmental units to adopt a balanced budget by July 1 of each year. The City's budget ordinance, adopted by the City Council, creates a legal limit on spending authorizations. Budgetary control is facilitated by the use of a requisition encumbrance and purchase order system that ensures the adequacy of funds prior to the placement of orders or the award of contracts.

Internal Control: The City is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits to be derived, and the evaluation of costs and benefits requires estimates and judgments by management. We believe that the City's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

Other Information:

Independent Audit: The General Statutes of North Carolina require an annual independent financial audit of all local government units in the State. Petway Mills & Pearson, P.A., independent certified public accountants, has examined the financial records of the City and their opinion has been included in this report. Their examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures, as they considered necessary in the circumstances. The auditor's report on the basic financial statements and combining and individual fund statements and schedules is included in the financial section of this report. The auditor's reports related specifically to the single audit are included in the compliance section.

Awards: The Government Finance officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Dunn for its comprehensive annual financial report for the fiscal year ended June 30, 2013. This was the 5th consecutive year in which the City has received this recognition. To be awarded a Certificate of Achievement, the government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. The Certificate of Achievement is valid for a period of one year only.

Acknowledgments: We appreciate the assistance and dedication of the Finance Department staff throughout the year. The Preparation of this report was made possible by the dedicated service and cooperation of Petway Mills & Pearson, P.A. The cooperation of each department is appreciated as we work together to conduct the City's financial operations. In addition, we also would like to thank the Mayor and City Council for their continued support, guidance and advice in planning and conducting the financial activities of the City in a responsible and progressive manner.

Respectfully submitted,

Ronald D. Autry
City Manager

Drew Holland
Finance Director



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Dunn
North Carolina**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

Executive Director/CEO

City of Dunn

Members of City Council

Oscar N. Harris
Mayor

E. Frank Maness III
Mayor Pro-Tem
District 1

N. Carnell Robinson
Council Member
District 2

Frank McLean
Council Member
District 3

Billy N. Tart
Council Member
District 4

Charles Turnage
Council Member
District 5

Billy Barfield
Council Member
District 6

Appointed and Administrative Staff

Ronald D. Autry
City Manager*

Drew Holland
Finance Director*

Steven Neuschafer
Assistant City Manager

Debra G. West
City Clerk*

P. Tilghman Pope
Town Attorney*

Dean Gaster
Public Utilities Director

Jimmy Pope
Chief of Police

Billy Addison
Public Works Director

Anne Thompson
Human Resources Director

Mike Williams
Library Director

Samantha Wullenwaber
Planning Director

Perry Hudson
Parks & Recreation Director

Steven King
Chief Building Inspector

Advisory Boards and Commissions

Planning Board
Claudell Brown, Chair

Recreation Commission
Eddy Langston, Chair

Board of Adjustment
Blount Whiteside, Chair

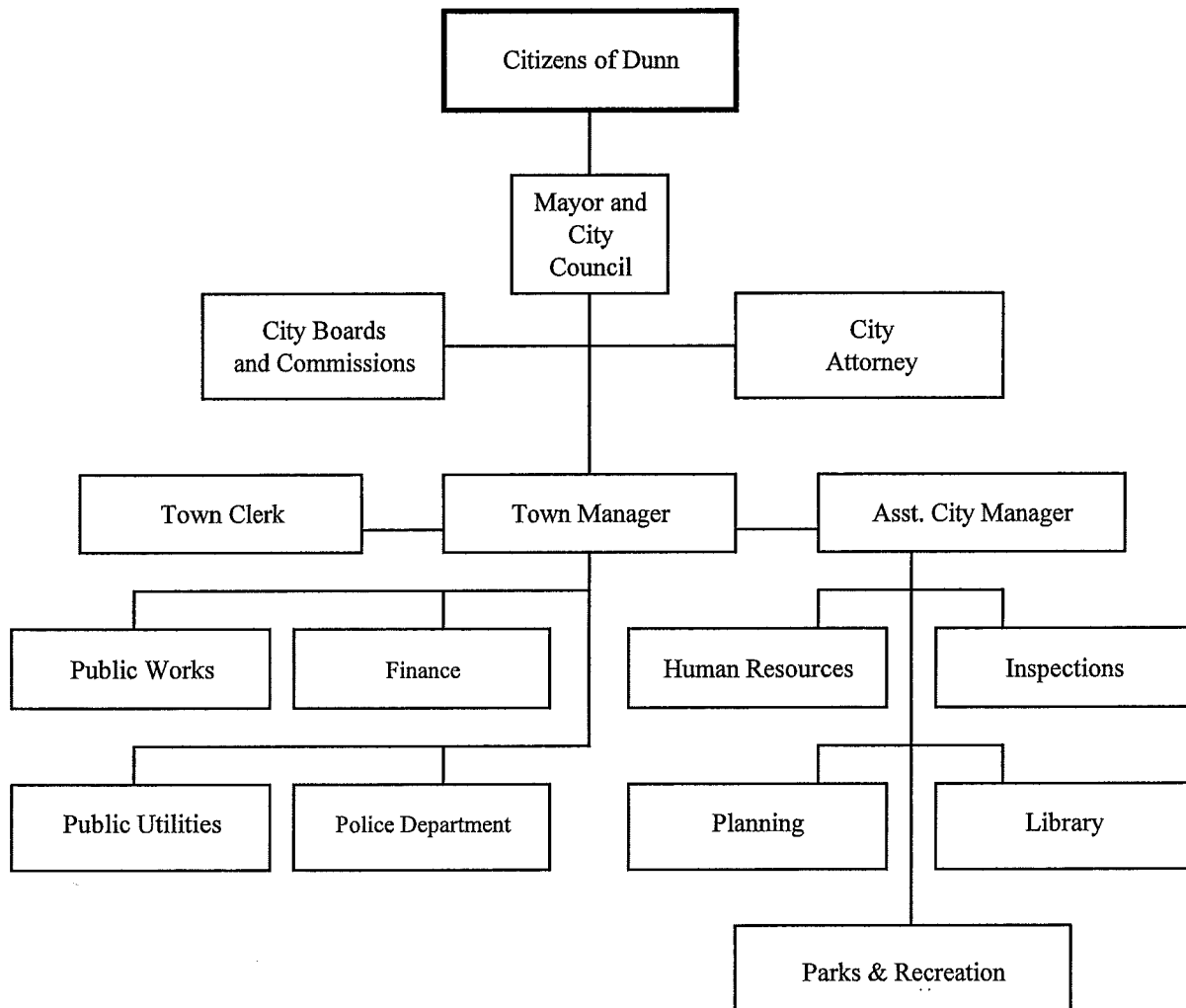
Cemetery Advisory Board
J. Nowell Smith, Chair

Library Board
Gloria Gullledge, Chair

* The Town Manager, Town Attorney, Town Clerk and Treasurer (Finance Officer) are appointed by Town Council

City of Dunn

Organization Chart



City of Dunn General Information

Incorporated February 12, 1887, the City of Dunn has come a long way since its settlement over 125 years ago as a logging town and turpentine distilling center. The name "Dunn" was in honor of Bennett R. Dunn, the Civil Engineer who laid out the railroad through Dunn, connecting Wilson to Fayetteville. Today, Dunn claims industrious citizenry nearing 10,000 along with a growing economy that is firmly grounded in agriculture, manufacturing, distribution and tourism.

Dunn was designated in 1989 and again in 2013 as an All-America City by the National Civic League. Dunn is the largest of five towns in Harnett County. Lillington, located on the west bank of the Cape Fear River, is just 20 minutes from Dunn and serves as the County Seat.

Conveniently situated less than two hours from North Carolina's beautiful Crystal Coast and just five hours from the oldest mountains in the world, Dunn is ideally located in the heart of North Carolina's variety vacationland. With four distinct and beautiful seasons, the Dunn area boasts an annual temperature of 60 degrees. About 48 inches of rain and under two inches of snow fall each year.

Dunn offers its residents a variety of neighborhoods along with convenient shopping, excellent schools, churches, restaurants and recreational opportunities. Because of its mild climate, outdoor activities and team sports are provided throughout the year at any one of Dunn's three City Parks.

Over 30 churches, representing all major faiths, play a vital role in the lives of Dunn's residents. Dunn is also the home of two Bible Colleges; Heritage Bible College and Foundations Bible College, as well as several conference headquarters.

Area culture thrives! In downtown Dunn, the Harnett Regional Theatre presents productions throughout the year at the Stewart Theatre. Campbell University, located in Buies Creek just 10 miles away, regularly presents concerts, plays, musicals and NCAA sporting events. Notable people born in Dunn include early rock and roll guitar player, Link Wray and General William C. Lee, father of the American Army Airborne.

Located within an hour's drive of North Carolina's thriving Research Triangle Park, the Dunn area sits at a convergence of an extensive transportation network. North and south links include I-95, US 301 and the Seaboard System Railroad, while I-40 and US 421 provide east to west routes. Commercial air transportation is available at nearby Raleigh/Durham International Airport. Charter flights and private service are provided, within a 15 minute drive at the Harnett County Regional Jetport. This facility supports a well lighted, 24-hour facility with a 5,000 foot runway. Several major airline express and commuter services are offered, within a 30 minute drive, at the Fayetteville Regional Airport. This airport has two terminals and two runways.



City of Dunn

North Carolina

FINANCIAL SECTION



Independent Auditor's Report

**PETWAY
MILLS &
PEARSON, PA**

CERTIFIED PUBLIC ACCOUNTANTS

C. Briggs Petway, Jr.
Roger G. Mills
Phyllis M. Pearson

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Memberships:

North Carolina
Association of
Certified Public
Accountants

American Institute
of Certified Public
Accountants

Medical Group
Management
Association

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the City of Dunn ABC Board which represents 1.88%, 2.88% and 23.11%, respectively, of the assets, net position, and revenues of the City of Dunn. Those statements were audited by another auditor whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the City of Dunn ABC Board, is based solely on the report of another auditor. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether financial statements are free from material misstatement. The financial statements of the City of Dunn ABC Board were not audited in accordance with *Government Auditing Standards*.

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

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

Opinions

In our opinion, based on 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 discretely presented component unit, each major fund, and the aggregate remaining fund

information of the City of Dunn, North Carolina as of June 30, 2014, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Law Enforcement Officers' Special Separation Allowance's and the Other Postemployment Benefits' Schedules of Funding Progress and Schedules of Employer Contributions, on pages 17 through 26 and 59 through 62, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We 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 and Other Information

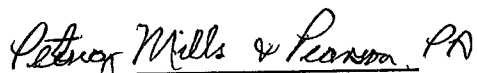
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Dunn, North Carolina's basic financial statements. The introductory information, combining and individual fund statements, budgetary schedules, other schedules, statistical section and Schedule of Expenditures of Federal and State Awards, as required by the Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund statements, budgetary schedules, other schedules, and the Schedule of Expenditures of Federal and State Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit and the procedures performed as described above, the combining and individual fund 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.

The introductory information and the statistical sections have not been subjected to the auditing procedures applied in the audit of basic financial statements, and accordingly, we do not express an opinion or provide assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2014 on our consideration of the City of Dunn's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Dunn's internal control over financial reporting and compliance.



PETWAY MILLS & PEARSON, PA

Certified Public Accountants

Zebulon, North Carolina

October 28, 2014



Management's Discussion and Analysis

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

Financial Highlights

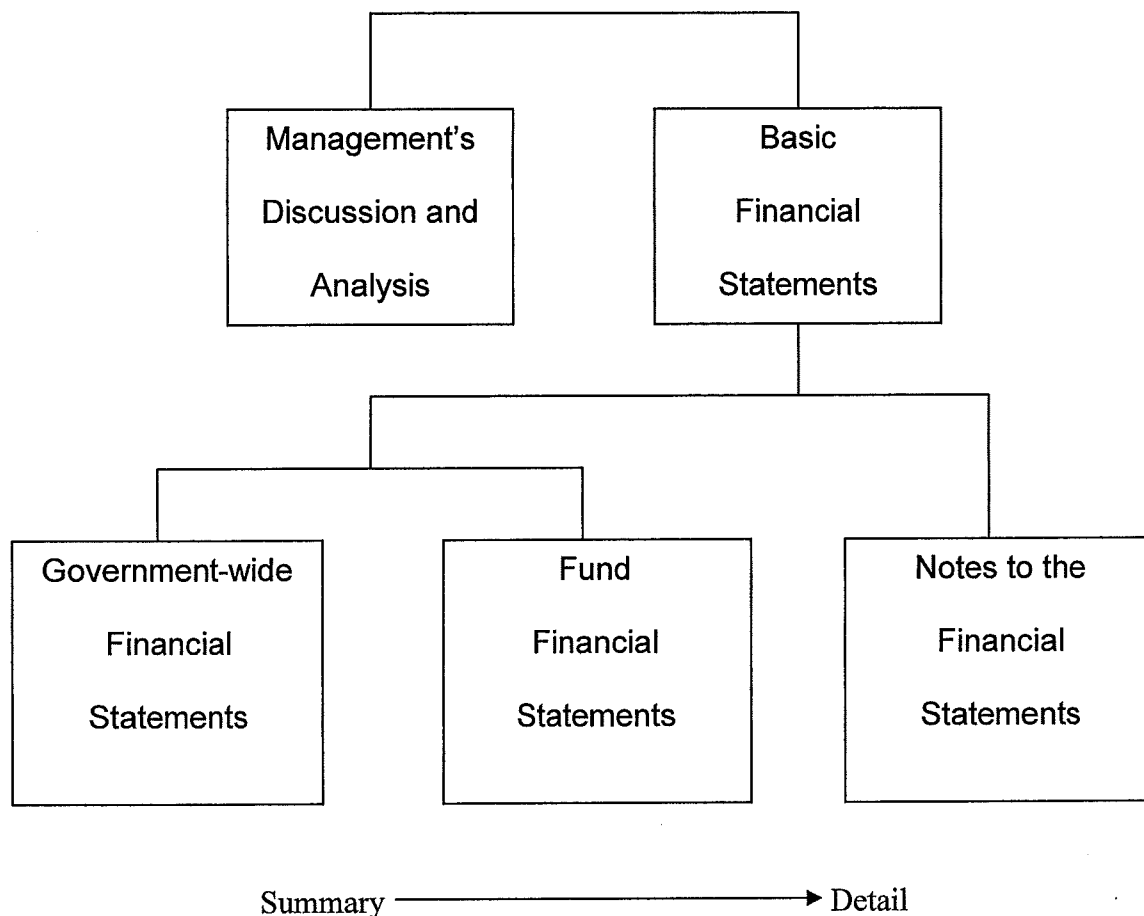
- The assets and deferred outflows of resources of the City of Dunn exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$25,263,898 (net position).
- The government's total net position increased by \$272,818 in fiscal year 2014. \$149,376 of the increase resulted from governmental activities, and \$123,442 resulted from business-type activities. The increases in governmental and business-type net positions are the result of General Fund and Water and Sewer Fund revenues that exceeded expenses.
- As of the close of the current fiscal year, the City of Dunn's governmental funds reported combined ending fund balances of \$3,682,446 a decrease of \$170,802 in comparison with the prior year. Approximately 50.04% of this total amount, or \$1,842,913 is non spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1,999,838 or 22.66 percent of total general fund expenditures for the fiscal year.
- The City of Dunn's total debt decreased by \$862,596 (6.24%) during the current fiscal year. A decrease of \$1,068,966 is from principal payments of existing debt and an addition of an installment financing of \$132,000 for new police vehicles and a capital lease for water sewer truck camera equipment.
- The City bond rating remained A+ with Standard and Poor's and A3 with Moody's Rating Services. The North Carolina Municipal Council has the City's rating as an "82", which is comparable to a rating of "A/A2" by the national rating agencies.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City of Dunn'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.

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

The next statements (Exhibits 3 through 9) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the City's government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; 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

Management Discussion and Analysis

City of Dunn, North Carolina

notes, **supplemental information** is provided to show details about the City's individual funds. Budgetary information required by the General Statutes also can be found in this part of the statements.

Government-wide Financial Statements

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

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

The government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) component units. The governmental activities include most of the City's basic services such as public safety, parks and recreation, and general administration. Property taxes and state and federal grant funds finance most of these activities. The business-type activities are those that the City charges customers to provide. These include the water and sewer services offered by the City of Dunn. The final category is the component unit. Although legally separate from the City of Dunn, the ABC Board is important to the City because the City exercises control over the Board by appointing its members and because the Board is required to distribute its profits to the City.

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

Fund Financial Statements

The fund financial statements (see Figure 2) 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 of Dunn can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the City's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* that provides a

Management Discussion and Analysis
City of Dunn, North Carolina

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 Council 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. To account for the difference between the budgetary basis of accounting and the modified accrual basis, a reconciliation showing the differences in the reported activities is shown at the end of the budgetary statement.

Proprietary Funds – The City of Dunn has only one kind of proprietary fund. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Dunn uses enterprise funds to account for its water and sewer activity. This fund utilizes the same functions shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

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

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the City of Dunn's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found behind the notes to the financial statements and just before the individual fund statements in this report.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets of the City of Dunn exceeded liabilities by \$25,263,898 as of June 30, 2014.

The City of Dunn's Net Position

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 4,323,934	\$ 4,501,118	\$ 4,745,352	\$ 4,783,055	\$ 9,069,286	\$ 9,284,173
Capital assets	8,915,470	8,505,302	23,565,481	23,770,883	32,480,951	32,276,185
Total assets	13,239,404	13,006,420	28,310,833	28,553,938	41,550,237	41,560,358
Long-term liabilities outstanding	6,417,783	3,517,895	7,450,056	7,875,248	13,867,839	11,393,143
Other liabilities	1,293,772	4,076,573	1,124,239	1,065,594	2,418,011	5,142,167
Deferred inflows of resources	489	33,968	-	-	489	33,968
inflows of resources	7,712,044	7,628,436	8,574,295	8,940,842	16,286,339	16,569,278
Net position						
Net investment in capital assets	3,627,133	2,925,002	17,951,590	15,530,084	21,578,723	18,455,086
Restricted	1,726,667	1,837,471	-	-	1,726,667	1,837,471
Unrestricted	173,560	615,511	1,784,948	4,083,012	1,958,508	4,698,523
Total net position	\$ 5,527,360	\$ 5,377,984	\$ 19,736,538	\$ 19,613,096	\$ 25,263,898	\$ 24,991,080

The City's net position increased by \$272,818 for the fiscal year ended June 30, 2014. However, the majority of the City's net position (\$21.5 million or 85%) reflects the City's investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt still outstanding that was issued to acquire those items. The City of Dunn uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of the outstanding related debt, it should be noted that the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities.

An additional portion of the City of Dunn's net position (6.83%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$1,958,508 is unrestricted.

Management Discussion and Analysis
City of Dunn, North Carolina

City of Dunn Changes in Net Position

Figure 3

	Governmental Activities	Governmental Activities	Business Type Activities	Business Type Activities	Total	Total
	2014	2013	2014	2013	2014	2013
Revenues:						
Program revenues:						
Charges for services	\$ 1,258,446	\$ 1,184,858	\$ 4,672,187	\$ 4,567,460	\$ 5,930,633	\$ 5,752,318
Operating grants and contributions	967,699	889,292	-	-	967,699	889,292
Capital grants and contributions	112,130	809,668	416,365	-	528,495	809,668
General revenues:						
Property taxes	3,985,873	3,661,971	-	-	3,985,873	3,661,971
Other taxes	2,089,472	2,239,860	-	-	2,089,472	2,239,860
Grants and contributions not restricted to specific programs	110,000	131,950	-	-	110,000	131,950
Other	423,129	472,533	157,096	123,079	580,225	595,612
Total revenues	\$ 8,946,749	\$ 9,390,132	\$ 5,245,648	\$ 4,690,539	\$ 14,192,397	\$ 14,080,671
Expenses:						
General government	1,548,470	1,946,686	-	-	1,548,470	1,946,686
Public safety	4,024,211	3,969,606	-	-	4,024,211	3,969,606
Highways/streets	1,481,341	1,478,572	-	-	1,481,341	1,478,572
Sanitation	599,302	570,653	-	-	599,302	570,653
Culture and recreation	1,098,696	1,043,897	-	-	1,098,696	1,043,897
Interest on long-term debt	45,353	132,584	-	-	45,353	132,584
Loss on investment	-	18,727	-	-	-	18,727
Water and sewer	-	-	5,122,206	4,343,372	5,122,206	4,343,372
Total expenses	\$ 8,797,373	\$ 9,160,725	\$ 5,122,206	\$ 4,343,372	\$ 13,919,579	\$ 13,504,097
Change in net position before transfers	149,376	229,407	123,442	347,167	272,818	576,574
Transfers	-	415,500	-	(415,500)	-	-
Change in net position	149,376	644,907	123,442	(68,333)	272,818	576,574
Net position, July 1	5,377,984	4,733,077	19,613,096	19,681,429	24,991,080	24,414,506
Net position, June 30	\$ 5,527,360	\$ 5,377,984	\$ 19,736,538	\$ 19,613,096	\$ 25,263,898	\$ 24,991,080

Management Discussion and Analysis
City of Dunn, North Carolina

Governmental activities: Governmental activities increased the City's net position by \$149,376. Key elements of this increase are as follows:

- More efficient use of resources (lower expenditures)
- Increase in property tax revenues
- Decrease in annual debt payments

Business-type activities: Business-type activities increased the City of Dunn's net position by \$123,442. Key elements of this increase are as follows:

- Grants received for capital acquisition
- Increase in water and sewer revenues

Financial Analysis of the City of Dunn'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 of Dunn's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the City of Dunn'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, fund balance available in the General Fund was \$1,999,838 while total fund balance reached \$3,541,226. Unassigned fund balance represents 22.66% of the total general fund expenditures, while total fund balance represents 40.01% of that same amount.

At June 30, 2014, the governmental funds of the City of Dunn reported a combined fund balance of \$3,682,446. The general fund and non-major funds, which are capital project funds for ongoing projects that have not been completed, are included in this combined amount.

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. The City made only minor changes to its General Fund revenue estimates in order to recognize increases in grant receipts and expanded sales and services.

Proprietary Funds - The City of Dunn's proprietary funds provide 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 \$1,784,948 and the total ending net position of \$19,736,538, an increase of \$123,442.

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, 2014, totals \$32,480,951 (net of accumulated depreciation). These assets include buildings, roads and bridges, land, machinery and equipment, park facilities and vehicles.

Major capital asset transactions during the year include the following additions (there were no significant demolitions or disposals):

- Acquired new equipment and vehicles of \$48,366 and \$172,046, respectively, within governmental activities and \$18,450 and \$217,442 within business-type activities.
- Construction in progress of \$5,043,948 in governmental-type activities for the downtown revitalization project, Tyler Park renovations and other street and sidewalk additions.
- Construction in progress of \$583,444 in water and sewer projects.
- No significant retirements, dispositions, or demolitions were recorded this year.

City of Dunn's Capital Assets (net of depreciation)

Figure 4

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land	\$ 1,492,963	\$ 1,492,963	\$ 181,746	\$ 181,746	\$ 1,674,709	\$ 1,674,709
Buildings and systems	1,297,824	1,390,147	22,340,486	22,988,140	23,638,310	24,378,287
Improvements other than buildings	371,515	258,697			371,515	258,697
Machinery and equipment	263,526	233,610	300,051	275,487	563,577	509,097
Other	57,500	74,426	116,846	168,270	174,346	242,696
Vehicles and motorized equipment	388,194	433,590	42,908	40,409	431,102	473,999
Construction in progress	5,043,948	4,621,869	583,444	116,831	5,627,392	4,738,700
Total	\$ 8,915,470	\$ 8,505,302	\$ 23,565,481	\$ 23,770,883	\$ 32,480,951	\$ 32,276,185

Additional information on the City's capital assets can be found in section III, note A-4 in the Notes to the Financial Statements of this report.

Long-term Debt - As of June 30, 2014, the City of Dunn had total bonded debt outstanding of \$1,540,000. This amount is backed by the full faith, credit, and taxing power of the City of Dunn. Additionally, the City had \$7,616,786 outstanding for installment purchase debt, \$3,727,347 outstanding on water and sewer revolving loans, and \$74,370 outstanding on a capital lease.

**City of Dunn's Outstanding Debt
General Obligation and Other Long-Term Liabilities**

Figure 5

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
General obligation bonds	\$ -	\$ -	\$ 1,540,000	\$ 1,665,000	\$ 1,540,000	\$ 1,665,000
Capital lease	-	-	74,370	-	74,370	-
Installment purchases	5,288,337	5,580,300	2,328,449	2,629,196	7,616,786	8,209,496
Water and Sewer revolving loans	-	-	3,727,347	3,946,603	3,727,347	3,946,603
Total	\$ 5,288,337	\$ 5,580,300	\$ 7,670,166	\$ 8,240,799	\$ 12,958,503	\$ 13,821,099

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to eight percent (8%) of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the City of Dunn is \$47,787,414. The City has no bonds authorized but un-issued at June 30, 2014.

Additional information regarding the City of Dunn's long-term debt can be found in section III, note B-6 in the Notes to the Financial Statements of this report.

Budget Highlights for the Fiscal Year Ending June 30, 2015

Governmental Activities: The City's tax rate remained unchanged at \$0.50 per \$100 of value for the coming fiscal year. Property taxes account for 40% of the total General Fund Revenue. The remaining revenues for the City primarily include Sales Tax, Utility Franchise Taxes and charges for services. These revenues are projected to bring in \$2.7 million, or 31% of the total General Fund Revenues. Combined, these revenue sources account for approximately 71% of the General Fund Revenues. Conservative budgeting practices have afforded the City the opportunity to fund its needs without raising the property tax rate. Budgeted expenditures in the General Fund are relatively the same. No new positions have been added and the current employment levels were kept intact to maintain current City service levels.

Business Activities: Operating revenues in the Water and Sewer Fund result primarily from water and sewer sales. These revenues account for 91% of the Water and Sewer Fund budget. Additional revenues come from tap fees, inspection fees, meter fees and reconnection fees. Water and sewer rates increased 5% for the new budget year. Budgeted expenses in the Water and Sewer Fund are relatively the same as well. No new positions have been added and the current employment levels were kept intact to maintain current City service levels.

Management Discussion and Analysis
City of Dunn, North Carolina

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, City of Dunn, Post Office 1065, Dunn, North Carolina, 28335.

City of Dunn

North Carolina

**BASIC FINANCIAL
STATEMENTS**



**City of Dunn
Statement of Net Position
June 30, 2014**

	Primary Government			City of Dunn ABC Board
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 372,949	\$ 928,953	\$ 1,301,902	\$ 226,693
Investments	2,066,694	-	2,066,694	-
Taxes receivables (net)	168,261	-	168,261	-
Interest receivable (net)	2,123	-	2,123	1
Accounts receivable (net)	513,675	718,093	1,231,768	128
Pledges receivable	39,450	-	39,450	-
Due from other governments	564,097	15,466	579,563	-
Grants receivable	-	416,365	416,365	-
Current portion of note receivable	-	94,643	94,643	-
Inventories	30,176	62,759	92,935	201,166
Prepaid items	86,070	-	86,070	795
Restricted cash and investments	480,439	126,727	607,166	-
Total current assets	4,323,934	2,363,006	6,686,940	428,783
Non-current assets:				
Note receivable	-	2,382,346	2,382,346	-
Capital assets (Note 4):				
Land, non-depreciable improvements, and construction in progress	6,536,911	765,190	7,302,101	-
Other capital assets, net of depreciation	2,378,559	22,800,291	25,178,850	350,063
Total capital assets	8,915,470	23,565,481	32,480,951	350,063
Total non-current assets	8,915,470	25,947,827	34,863,297	350,063
Total assets	13,239,404	28,310,833	41,550,237	778,846
LIABILITIES				
Current liabilities:				
Accounts payable	470,615	183,205	653,820	50,522
Accrued interest	147,755	81,140	228,895	-
Customer deposits	-	126,727	126,727	-
Due within one year	675,402	733,167	1,408,569	-
Total current liabilities	1,293,772	1,124,239	2,418,011	50,522
Long-term liabilities:				
Due in more than one year	6,417,783	7,450,056	13,867,839	-
Total liabilities	7,711,555	8,574,295	16,285,850	50,522
DEFERRED INFLOWS OF RESOURCES				
Prepaid (Taxes/Privilege Licenses)	489	-	489	-
Total deferred inflows of resources	489	-	489	-
NET POSITION				
Net Investment in capital assets	3,627,133	17,951,590	21,578,723	350,063
Restricted for:				
Public safety	320,483	-	320,483	-
Transportation	446,362	-	446,362	-
Stabilization by State Statute	944,702	-	944,702	-
Culture and Recreation	15,120	-	15,120	-
Working Capital	-	-	-	56,700
Unrestricted	173,560	1,784,948	1,958,508	321,560
Total net position	\$ 5,527,360	\$ 19,736,538	\$ 25,263,898	\$ 728,323

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

**City of Dunn
Statement of Activities
For the Year Ended June 30, 2014**

Functions/Programs	Program Revenues					Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government			
						Business-type Activities	Total	City of Dunn ABC Board	
Primary government:									
Governmental Activities:									
General government	\$ 1,548,470	\$ 461,784	\$ 109,333	\$ -	\$ (977,353)	\$ -	\$ (977,353)	\$ -	-
Public safety	4,024,211	-	380,860	-	(3,643,351)	-	(3,643,351)	-	-
Transportation	1,481,341	34,941	451,894	-	(994,506)	-	(994,506)	-	-
Environmental protection	599,302	678,051	-	-	78,749	-	78,749	-	-
Culture and recreation	852,692	83,670	25,612	112,130	(631,280)	-	(631,280)	-	-
Library	246,004	-	-	-	(246,004)	-	(246,004)	-	-
Interest on long-term debt	45,353	-	-	-	(45,353)	-	(45,353)	-	-
Total governmental activities	8,797,373	1,258,446	967,699	112,130	(6,459,098)	-	(6,459,098)	-	-
Business-type activities:									
Water and sewer	5,122,206	4,672,187	-	416,365	-	(33,654)	(33,654)	-	-
Total business-type activities	5,122,206	4,672,187	-	416,365	-	(33,654)	(33,654)	-	-
Total primary government	\$ 13,919,579	\$ 5,930,633	\$ 967,699	\$ 528,495	(6,459,098)	(33,654)	(6,492,752)	-	-
Component unit:									
ABC Board	\$ 1,927,019	\$ 1,909,501	\$ -	\$ -	-	-	-	(17,518)	(17,518)
Total component unit	\$ 1,927,019	\$ 1,909,501	\$ -	\$ -	-	-	-	(17,518)	(17,518)
General revenues:									
Taxes:									
Property taxes, levied for general purpose					3,985,873	-	3,985,873	-	-
Privilege licenses					66,558	-	66,558	-	-
Local option sales taxes					1,344,468	-	1,344,468	-	-
Utility franchise tax					553,412	-	553,412	-	-
Video programming distribution					78,038	-	78,038	-	-
Beer and wine tax					41,236	-	41,236	-	-
Solid waste disposal tax					5,760	-	5,760	-	-
Grants and contributions not restricted to specific programs					110,000	-	110,000	6,000	6,000
Unrestricted investment earnings					17,850	101,992	119,842	220	220
Sales of assets					17,497	-	17,497	-	-
Miscellaneous					387,782	55,104	442,886	-	-
Total general revenues and transfers					6,608,474	157,096	6,765,570	6,220	6,220
Change in net assets					149,376	123,442	272,818	(11,298)	(11,298)
Net position, beginning					5,377,984	19,613,096	24,991,080	739,621	739,621
Net position, ending					\$ 5,527,360	\$ 19,736,538	\$ 25,263,898	\$ 728,323	\$ 728,323

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

**City of Dunn
Balance Sheets
Governmental Funds
June 30, 2014**

	Major Fund		
	General	Total Non-major Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 258,252	\$ 114,697	\$ 372,949
Restricted cash and investments	480,439	-	480,439
Investments	2,066,694	-	2,066,694
Receivables, net:			
Taxes	168,261	-	168,261
Accounts	513,675	-	513,675
Pledges	39,450	-	39,450
Due from other governments	391,088	173,009	564,097
Prepaid items	86,070	-	86,070
Inventories	30,176	-	30,176
Total assets	<u>4,034,105</u>	<u>287,706</u>	<u>4,321,811</u>
LIABILITIES			
Liabilities:			
Accounts payable and accrued liabilities	324,129	146,486	470,615
Total liabilities	<u>324,129</u>	<u>146,486</u>	<u>470,615</u>
DEFERRED INFLOWS OF RESOURCES			
Property taxes receivable	168,261	-	168,261
Prepaid (Taxes/Privilege Licenses)	489	-	489
Total deferred inflows of resources	<u>168,750</u>	<u>-</u>	<u>168,750</u>
FUND BALANCES			
Non Spendable			
Prepaid Expenses	86,070	-	86,070
Inventories	30,176	-	30,176
Restricted			
Stabilization by State Statute	944,702	-	944,702
Transportation	446,362	-	446,362
Public Safety	18,958	301,525	320,483
Culture and recreation	15,120	-	15,120
Assigned			
Culture and recreation	-	-	-
Streets	-	-	-
Unassigned	1,999,838	(160,305)	1,839,533
Total fund balances	<u>3,541,226</u>	<u>141,220</u>	<u>3,682,446</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 4,034,105</u>	<u>\$ 287,706</u>	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	8,915,470
Liabilities for earned revenues considered deferred inflows of resources in fund statements.	170,384
Some liabilities, including bonds payable and accrued interest, are not due and payable in the current period and therefore are not reported in the funds.	(7,240,940)
Net position of governmental activities	<u>\$ 5,527,360</u>

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

City of Dunn
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2014

	Major Funds		
	General Fund	Total Non-Major Funds	Total Governmental Funds
REVENUES			
Ad valorem taxes	\$ 3,959,238	\$ -	\$ 3,959,238
Other taxes and licenses	66,558	-	66,558
Unrestricted intergovernmental	2,132,914	-	2,132,914
Restricted intergovernmental	752,237	179,942	932,179
Permits and fees	289,552	-	289,552
Sales and services	933,953	-	933,953
Investment earnings	17,821	29	17,850
Miscellaneous	570,373	-	570,373
Private Donations	-	-	-
Total revenues	8,722,646	179,971	8,902,617
EXPENDITURES			
Current:			
General government	1,474,587	-	1,474,587
Public safety	3,583,075	93,458	3,676,533
Transportation	1,376,111	-	1,376,111
Environmental protection	584,670	-	584,670
Culture and recreation	730,745	-	730,745
Library	231,410	-	231,410
Debt service:			
Principal	408,678	-	408,678
Interest and other charges	75,063	-	75,063
Capital outlay	359,394	445,725	805,119
Total expenditures	8,823,733	539,183	9,362,916
Excess (deficiency) of revenues over expenditures	(101,087)	(359,212)	(460,299)
OTHER FINANCING SOURCES (USES)			
Sales of capital assets	17,497	-	17,497
Installment purchase obligations issued	132,000	-	132,000
Total other financing sources (uses)	149,497	-	149,497
Net change in fund balance	48,410	(359,212)	(310,802)
Fund balances, beginning	3,481,731	500,432	3,982,163
Change in reserve for inventories	11,085	-	11,085
Fund balances, ending	\$ 3,541,226	\$ 141,220	\$ 3,682,446

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

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

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

Net changes in fund balances - total governmental funds	\$	(310,802)
Change in fund balance due to change in reserve for inventory		11,085

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	805,120	
Depreciation expense for governmental assets	<u>(394,952)</u>	
		410,168

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

Change in unavailable revenue for tax revenues		26,636
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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.

291,963

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.

Accrued interest	14,465	
Compensated absences	(13,502)	
Net pension obligation	(6,290)	
Other postemployment benefits	(274,347)	

Total changes in net position of governmental activities	<u>\$</u>	<u>149,376</u>
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The notes to the financial statements are an integral part of this statement.

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

General Fund				
	Original	Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:				
Ad valorem taxes	\$ 3,917,300	\$ 3,917,300	\$ 3,959,238	\$ 41,938
Other taxes and licenses	44,000	44,000	66,558	22,558
Unrestricted intergovernmental	2,190,700	2,190,700	2,132,914	(57,786)
Restricted intergovernmental	734,900	947,400	752,237	(195,163)
Permits and fees	177,000	177,000	289,552	112,552
Sales and services	1,004,000	1,004,000	933,953	(70,047)
Investment earnings	10,000	10,000	17,821	7,821
Other	569,000	579,486	570,373	(9,113)
Total revenues	8,646,900	8,869,886	8,722,646	(147,240)
Expenditures:				
Current:				
General government	1,489,700	1,582,159	1,474,587	107,572
Public safety	3,614,200	3,612,419	3,583,075	29,344
Transportation	1,312,900	1,386,258	1,376,111	10,147
Environmental protection	577,300	583,800	584,670	(870)
Culture and recreation	735,900	736,000	730,745	5,255
Library	243,200	256,100	231,410	24,690
Debt service:				
Principal retirement	408,800	408,800	408,678	122
Interest and other charges	75,400	75,400	75,063	337
Capital Outlay	336,500	334,242	359,394	(25,152)
Total expenditures	8,793,900	8,975,178	8,823,733	151,445
Revenues over (under) expenditures	(147,000)	(105,292)	(101,087)	4,205
Other financing sources (uses):				
Sale of fixed assets	15,000	19,000	17,497	(1,503)
Installment purchase proceeds	132,000	132,000	132,000	-
Unappropriated fund balance	-	(45,708)	-	45,708
Total other financing sources (uses)	147,000	105,292	149,497	44,205
Revenues and other sources over (under) expenditures and other uses	\$ -	\$ -	48,410	\$ 48,410
Fund balances, beginning			3,481,731	
Change in reserve for inventories			11,085	
Fund balances, ending			\$ 3,541,226	

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

**City of Dunn
Statement of Net Position
Proprietary Fund
June 30, 2014**

Exhibit 7

	<u>Water and Sewer Fund</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 928,953
Accounts receivable (net) - billed	452,946
Accounts receivable - other	265,147
Due from other governments	15,466
Grants receivable	416,365
Current portion of note receivable	94,643
Inventories	62,759
Restricted cash	126,727
Total current assets	<u>2,363,006</u>
Noncurrent assets:	
Note receivable	<u>2,382,346</u>
Capital assets:	
Land and other non-depreciable assets	765,190
Other capital assets, net of depreciation	<u>22,800,291</u>
Capital assets (net)	<u>23,565,481</u>
Total noncurrent assets	<u>25,947,827</u>
Total assets	<u>28,310,833</u>
LIABILITIES	
Current liabilities:	
Accounts payable and accrued liabilities	264,345
Customer deposits	126,727
Compensated absences - current	42,827
General obligation bonds payable - current	130,000
Note payable - current	560,340
Total current liabilities	<u>1,124,239</u>
Noncurrent liabilities:	
Other noncurrent liabilities:	
Compensated absences	52,344
Other postemployment benefits	417,886
General obligation bonds payable - noncurrent (net)	1,410,000
Note payable - noncurrent	5,569,826
Total noncurrent liabilities	<u>7,450,056</u>
Total liabilities	<u>8,574,295</u>
NET POSITION	
Net investment in capital assets	17,951,590
Restricted for Capital Projects	-
Unrestricted	1,784,948
Total net position	<u>\$ 19,736,538</u>

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

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

	<u>Water and Sewer Fund</u>
OPERATING REVENUES	
Charges for services	\$ 4,472,339
Water and sewer taps	6,808
Other operating revenues	193,040
Total operating revenues	<u>4,672,187</u>
OPERATING EXPENSES	
Water and sewer administration	888,098
Water and sewer operations	1,058,612
Water supply, pump and filtering	1,133,096
Sewage treatment plant operations	975,819
Depreciation and amortization	774,718
Total operating expenses	<u>4,830,343</u>
Operating income (loss)	<u>(158,156)</u>
NONOPERATING REVENUES (EXPENSES)	
Investment earnings	101,992
Tower site rental	55,104
Interest and other charges	(291,863)
Total nonoperating revenue (expenses)	<u>(134,767)</u>
Income (loss) before contributions and transfers	(292,923)
Capital contributions	416,365
Total income (loss) after contributions and transfers	<u>123,442</u>
Change in net position	123,442
Total net position, beginning	19,613,096
Total net position, ending	<u><u>\$ 19,736,538</u></u>

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

Exhibit 9

**City of Dunn
Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended June 30, 2014**

	<u>Water and Sewer Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 4,708,572
Cash paid for goods and services	(1,989,956)
Cash paid to or on behalf of employees for services	(1,946,124)
Net customer deposits	(1,263)
Other operating revenues	(114,941)
Net cash provided (used) by operating activities	<u>656,288</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Due from other funds	58,442
Due from other governments	53,070
Transfers to other funds	<u>-</u>
Net cash provided (used) by noncapital financing activities	<u>111,512</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(527,256)
Principal payments from note receivable	90,938
Proceeds from Installment Financing	74,370
Principal paid on bond maturities and equipment contracts	(645,003)
Interest paid on bond maturities and equipment contracts	(253,328)
Net cash provided (used) by capital and related financing activities	<u>(1,260,279)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and dividends	101,992
Tower site rental	55,104
Net cash provided (used) by investing activities	<u>157,096</u>
Net increase (decrease) in cash and cash equivalents	(335,383)
Balances, beginning	1,391,063
Balances, ending	<u>\$ 1,055,680</u>

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

Exhibit 9

**City of Dunn
Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended June 30, 2014**

<u>Water and Sewer Fund</u>	
Reconciliation of operating income to net cash provided by operating activities	
Operating income	\$ (158,156)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	774,718
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	36,385
(Increase) decrease in accounts receivable - other	(114,941)
(Increase) decrease in inventory	(5,209)
Increase (decrease) in accounts payable and accrued liabilities	12,708
Increase (decrease) in customer deposits	(1,263)
Increase (decrease) in accrued vacation pay	4,043
Increase (decrease) in accrued other postemployment benefits	108,003
Total adjustments	814,444
Net cash provided by operating activities	<u>\$ 656,288</u>

Noncash investing, capital, and financing activities:

None.

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

City of Dunn

North Carolina

**NOTES TO THE BASIC
FINANCIAL STATEMENTS**



City of Dunn, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2014

The City of Dunn, North Carolina (the City) is located in the eastern part of the state and has a 2013 population of approximately 9,427. The City is governed by an elected mayor and a six-member council. The City's major operations include police protection, sanitary services, parks and recreation, water and sewer systems, and general administration services.

I. Summary of Significant Accounting Policies

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

A. Reporting Entity

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

City of 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.

B. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities display information about the primary government and its component unit. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. Interfund services provided and used are not eliminated in the process of consolidation. These statements distinguish between the *governmental* and *business-type activities* of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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

Fund Financial Statements: The fund financial statements provide information about the City's funds. Separate statements for each fund category – *governmental and proprietary* – are presented. The

emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as 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 and investment earnings, result from non-exchange transactions or ancillary activities.

The City reports the following major governmental funds:

General Fund. The General Fund is the general operating fund of the City. 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.

The City reports the following non-major governmental funds:

Downtown Revitalization Capital Project Fund. This fund is used to account for improvements to the infrastructure in the downtown area.

Tyler Park Renovations Capital Project Fund. This fund is used to account for improvements to Tyler Park.

Emergency Telephone System Special Revenue Fund. This fund is used to account for the fees charged to telephone customers to fund the 911 system.

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.

C. Measurement Focus and Basis of Accounting

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

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

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. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Grant revenues which are unearned at year-end are recorded as unearned revenues.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net 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.

D. Budgetary Data

The City's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund, Emergency Telephone Special Revenue Fund and the Enterprise Funds. Project Ordinances are adopted for the Downtown Revitalization Capital Project, Tyler Park Renovations, Highway 301 Pipeline Extension for Eastover Sanitary District/Elevated Water Tank, and I-95 Corridor Sewer System Improvements. All annual appropriations lapse at the fiscal-year end. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the object level for the multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations by more than \$5,000. All amendments must be approved by the governing board. During the year, several amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

A budget calendar is included in the North Carolina General Statutes that prescribes the last day on which certain steps of that budget procedure are to be performed. The following schedule lists the tasks to be performed and the date by which each is required to be completed.

April 30 – Each department head will transmit to the budget officer the budget requests and the revenue estimates for their department for the budget year.

June 1 – The budget and the budget message shall be submitted to the governing board. The public hearing on the budget shall be scheduled at this time.

July 1 – The budget ordinance shall be adopted by the governing board.

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

1. Deposits and Investments

All deposits of the City and the ABC Board are made in board-designated official depositories and are secured as required by State law [G.S. 159-31]. The City and the ABC Board may designate, as an

official depository, any bank or savings association whose principal office is located in North Carolina. Also, the City and the ABC Board may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

State law [G.S. 159-30(c)] authorizes the City and the ABC Board to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT).

The City's and the ABC Board's investments are reported at fair value as determined by quoted market prices. The securities of the NCCMT Cash Portfolio, a SEC-registered (2a-7) money market mutual fund, are valued at fair value, which is the NCCMT's share price.

2. Cash and Cash Equivalents

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

3. Restricted Assets

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 cash because they can only be used for public safety. Powell Bill funds are also classified as restricted cash because they can be expended only for the purposes of maintaining, repairing, constructing, reconstructing or widening of local streets per G.S. 136-41.1 through 136-41.4.

City of Dunn Restricted Cash

Governmental Activities

General Fund

Streets - Powell Bill	\$ 446,362
Public Safety - Drug Forfeiture	18,957
Culture and recreation - USDA reserve	15,120
Total Governmental Activities	<u>480,439</u>

Business-type Activities

Water and Sewer Fund

Customer Deposits	126,727
Total Business-type Activities	<u>126,727</u>

Total Restricted Cash	<u><u>\$ 607,166</u></u>
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4. Ad Valorem Taxes Receivable

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

schedule of discounts that apply to taxes that are paid prior to the due date. In the City's General Fund, ad valorem tax revenues are reported net of such discounts.

5. Allowances for Doubtful Accounts

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

6. Inventory and Prepaid Items

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

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

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

7. Capital Assets

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

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

Asset Class	Estimated Useful Lives
Buildings	30
Improvements	20
Vehicles	5
Furniture and equipment	7
Computer equipment	3
Data handling equipment except computers	5
Heavy duty general purpose trucks	5
Tractor units-over road use	7
Trailers	7

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

Asset Class	Estimated Useful Lives
Buildings	10 - 40

Furniture and equipment
Leasehold Improvements

3 - 10
15 - 40

8. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The City has no items that meet this criterion. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred inflows of resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The City has only two items that meet the criterion for this category- prepaid (taxes/privilege licenses) and property taxes receivable.

9. Long-Term Obligations

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

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

10. Compensated Absences

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

The City's sick leave 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 has no obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

11. Net Position/Fund Balances

Net Position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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

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

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

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

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

Committed Fund Balance – portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of City of Dunn's governing body (highest level of decision-making authority). Any changes or removal of specific purpose requires majority action by the governing body.

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

Cultural and Recreation – portion of fund balance that has been budgeted by the board for renovations to Tyler Park Renovations.

Streets – portion of fund balance that has been budgeted by the board for downtown street revitalization.

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

The City of Dunn 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.

II. Stewardship, Compliance, and Accountability

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

1. Noncompliance with North Carolina General Statutes

None.

B. Deficit Fund Balance or Net Position of Individual Funds

The Tyler Park Renovation Capital Project Fund had a deficit fund balance of \$24,960 at June 30, 2014 due to contributions for the project being recorded in the General Fund. The Downtown Revitalization Capital Project Fund had a deficit fund balance of \$135,345 at June 30, 2014 due to accrual of a settlement with the contractor subsequent to year end.

C. Excess of Expenditures over Appropriations

For the fiscal year ended June 30, 2014, the expenditures made in the City's General Fund exceeded the authorized appropriations made by the governing board for environmental protection by \$870 and for capital outlay by \$25,152. These over-expenditures occurred because of a vacancy in the finance director position at year end. This position was filled just after year end. Management and the Board will more closely review the budget reports to ensure compliance in future years.

III. Detail Notes on All Funds

A. Assets

1. Deposits

All the deposits of the City and the ABC Board are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the City's or the ABC Board's agents in these units' names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the City and the ABC Board, these deposits are considered to be held by the City's and the ABC Board's agents in their names. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the City, the ABC Board or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the City and the ABC Board under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The City and the ABC Board have no policy regarding custodial credit risk.

At June 30, 2014, the City's deposits had a carrying amount of \$1,290,497 and a bank balance of \$1,474,171. Of the bank balance, \$250,000 was covered by federal depository insurance and the remainder of \$974,171 was covered by collateral held under the Pooling Method. The carrying amount of deposits for the ABC Board was \$224,443 and the bank balance was \$310,144. At June 30, 2014, the bank balances exceeded federal depository insurance coverage. The remaining bank balance of \$60,144 was covered by collateral held under the Pooling Method. At June 30, 2014, the City's petty cash fund totaled \$1,070.

2. Investments

The investments of the City and the ABC Board are categorized to give an indication of the level of custodial risk assumed by each of these entities at year-end. The investments in the North Carolina Capital Management Trust are exempt from risk categorization because neither the City nor the ABC Board owns any identifiable securities, but are shareholders of a percentage of the fund.

	<u>Cost Value</u>	<u>Fair Value</u>
North Carolina Capital Management Trust		
Cash Portfolio	<u>\$2,452,527</u>	<u>\$2,452,527</u>
First Citizens Bank		
Investment Note	<u>\$ 255,000</u>	<u>\$ 231,668</u>

The City and the ABC Board have no policy regarding credit risk. The City's investment in the North Carolina Capital Management Trust Cash Portfolio carried a credit rating of AAAM by Standard and Poor's as of June 30, 2014.

3. Receivables

Note Receivable

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.

Note Receivable-monthly payments are \$16,000, including interest at 4.00%, thru August 2032	<u>\$2,476,989</u>
Amount to be collected within more than one year	<u>\$2,382,346</u>

Allowances for Doubtful Accounts

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

<u>Fund</u>	<u>June 30, 2014</u>
General Fund	
Taxes Receivable	\$58,850
Interest Receivable	21,465
Sanitation Charges	3,891

Accounts receivable consists of:

General Fund	
Trade	\$ 231,525
Special Assessments	<u>282,150</u>
	<u>\$ 513,675</u>
Water and Sewer Fund	
Trade	<u>\$ 718,093</u>

4. Capital Assets

Primary Government

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated				
Land	\$ 1,492,963	\$ -	\$ -	\$ 1,492,963
Construction in Progress	4,621,869	445,725	23,646	5,043,948
Total capital assets not being depreciated	6,114,832	445,725	23,646	6,536,911
Capital assets being depreciated				
Buildings	3,180,283	23,965	-	3,204,248
Other improvements	852,019	138,664	-	990,683
Equipment	2,003,334	48,366	-	2,051,700
Vehicles and motorized equipment	1,672,638	172,046	-	1,844,684
Other	532,003	-	-	532,003
Total capital assets being depreciated	8,240,277	383,041	-	8,623,318
Less accumulated depreciation for:				
Buildings	1,790,136	116,288	-	1,906,424
Other improvements	593,322	25,846	-	619,168
Equipment	1,769,724	18,450	-	1,788,174
Vehicles and motorized equipment	1,239,048	217,442	-	1,456,490
Other	457,577	16,926	-	474,503
Accumulated depreciation	5,849,807	\$ 394,952	\$ -	6,244,759
Total capital assets, depreciated, net	2,390,470			2,378,559
Governmental activity capital assets, net	<u>\$ 8,505,302</u>			<u>\$ 8,915,470</u>

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

General government	\$ 41,335
Public safety	172,505
Transportation	73,383
Environmental protection	10,042
Cultural and recreational	94,408
Library	3,279
	<u>\$ 394,952</u>

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
Capital assets not being depreciated				
Land	\$ 181,746	\$ -	\$ -	\$ 181,746
Construction in progress	116,831	466,613	-	583,444
Total capital assets not being depreciated	298,577	466,613	-	765,190
Capital assets being depreciated				
Buildings	822,885	-	-	822,885
Equipment	738,742	81,440	-	820,182
Plant distribution systems	39,879,657	-	-	39,879,657
Vehicles	390,853	19,498	-	410,351
Other Assets	196,357	-	-	196,357
Total capital assets being depreciated	42,028,494	100,938	-	42,129,432
Less accumulated depreciation for:				
Buildings	610,825	18,036	-	628,861
Equipment	463,255	56,876	-	520,131
Plant distribution systems	17,101,814	631,381	-	17,733,195
Vehicles	350,444	16,999	-	367,443
Other Assets	28,087	51,424	-	79,511
Accumulated Depreciation	18,554,425	\$ 774,716	\$ -	19,329,141
Capital assets, depreciated, net	23,474,069			22,800,291
Business-type activities capital asset	<u>\$ 23,772,646</u>			<u>\$ 23,565,481</u>

Discretely presented component unit

Activity for the ABC Board for the year ended June 30, 2014 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land	\$191,572	\$ -	\$ -	\$191,572
Capital assets being depreciated:				
Buildings	335,527	-	-	335,527
Furniture and equipment	156,236	-	-	156,236
Land improvements	10,094	3,250	-	13,344
Total capital assets being depreciated	501,857	3,250	-	505,107
Less accumulated depreciation for:				
Buildings	197,895	8,227	-	206,122
Furniture and equipment	126,820	5,259	-	132,079
Land improvements	7,653	762	-	8,415
Total accumulated depreciation	332,368	\$ 14,248	\$ -	346,616
Total capital assets being depreciated, net	169,489			158,491
ABC capital assets, net	<u>\$361,061</u>			<u>\$350,063</u>

B. Liabilities

1. Pension Plan Obligations

a. Local Governmental Employees' Retirement System

Plan Description. The City of Dunn and the ABC Board contribute to the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS provides retirement and disability benefits to plan members and beneficiaries. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy. Plan members are required to contribute six percent of their annual covered salary. The City and the ABC Board are required to contribute at an actuarially determined rate. For the City, the current rate for employees not engaged in law enforcement and for law enforcement officers is 7.07% and 7.25%, respectively, of annual covered payroll. For the ABC Board, the current rate for employees not engaged in law enforcement is 7.07% of annual covered payroll. The contribution requirements of members and of the City of Dunn and the ABC Board are established and may be amended by the North Carolina General Assembly. The City's contributions to LGERS for the years ended June 30, 2014, 2013 and 2012 were \$358,848, \$329,254 and \$325,922 respectively. The ABC Board's contributions to LGERS for the years ended June 30, 2014, 2013 and 2012 were \$7,888, \$6,965 and \$6,101, respectively. The contributions made by the City and the ABC Board equaled the required contributions for each year.

b. Law Enforcement Officers Special Separation Allowance

1. *Plan Description.*

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

All full time law enforcement officers of the City are covered by the Separation Allowance. At December 31, 2013, the Separation Allowance's membership consisted of:

Retirees receiving benefits	3
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>38</u>
Total	<u>41</u>

A separate report was not issued for the plan.

2. *Summary of Significant Accounting Policies:*

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

Method Used to Value Investments. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

3. *Contributions.*

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

The annual required contribution for the current year was determined as part of the December 31, 2013 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 5.00% investment rate of return (net of administrative expenses) and (b) projected salary increases of 4.5% to 7.85% per year. Both (a) and (b) included an inflation component of 3.00%. The assumptions did not include postretirement benefit increases. The actuarial value of assets was market value. The unfunded actuarial accrued liability is being amortized as a level dollar on a closed basis. The remaining amortization period at December 31, 2013 was 17 years.

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

Annual required contribution	\$ 72,720
Interest on net pension obligation	5,384
Adjustment to annual required contribution	<u>(8,773)</u>
Annual pension cost	69,331
Contributions made	<u>63,041</u>
Increase (decrease) in net pension obligation	6,290
Net pension obligation beginning of year	107,681
Net pension obligation end of year	<u>\$ 113,971</u>

3 Year Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2012	\$ 63,799	98.81%	\$ 86,633
6/30/2013	\$ 67,931	69.02%	\$ 107,681
6/30/2014	\$ 69,331	90.93%	\$ 113,971

4. Funded Status.

As of December 31, 2013, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and the unfunded actuarial accrued liability (UAAL) was \$623,694. The covered payroll (annual payroll of active employees covered by the plan) was \$1,537,642 and the ratio of the UAAL to the covered payroll was 40.56%.

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

c. Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description. The City contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the City. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. The 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 to participate in the Supplemental Retirement Income Plan. In addition, the City of Dunn Board of Alcoholic Control 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 five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2014 were \$90,982, which consisted of \$74,465 from the City and \$16,517 from the law enforcement officers. The City has also elected to contribute each month an amount equal to two percent of each eligible employee's salary for each non-law enforcement employee. Contributions for the year ended June 30, 2014 were \$121,119, which consisted of \$73,577 from the City and \$47,542 from the non-law enforcement employees. The ABC Board also contributes each month an amount equal to two percent of each participant's salary, and all amounts are vested immediately. Contributions for the years ended June 30, 2014 and 2013 were \$10,230 and \$8,723, respectively, which consisted of \$2,232 and \$2,067 from the City of Dunn Board of Alcoholic Control and \$7,998 and \$6,656 from the participants.

d. Other Postemployment Benefits

Healthcare Benefits

Plan Description. According to a City resolution, the City provides post-employment health care 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 obtains health care coverage through private insurers. The City Council may amend the benefit provisions. A separate report was not issued for the plan.

Years of Service with the City	Percentage Paid by the City	Percentage Paid by the Retiree
Less than 15	Not eligible	Not eligible
15 - 20	25%	75%
20 - 25	50%	50%
25 or more	100%	0%

Future Medicare eligible retirees will continue coverage through the City's BCBS Plan F, and current Medicare eligible retirees are under different Medicare supplement plans.

Membership of the Plan consisted of the following at December 31, 2012, the date of the latest actuarial valuation:

	General Employees:	Law Enforcement Officers:
Retirees and dependents receiving benefits	21	10
Terminated plan members entitled to but not yet receiving benefits	-	-
Active plan members	91	39
Total	112	49

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

The current Annual Required Contribution (ARC) rate is 10.12% of annual covered payroll. For the current year, the City made no contribution. The City obtains healthcare coverage through private insurers. The City's required contributions, under a City resolution, for employees not engaged in law enforcement and for law enforcement officers represented 0% and 0% of covered payroll, respectively. There were no contributions made by employees. The City's obligation to contribute to Plan is established and may be amended by the City Council.

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

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

Annual required contribution	\$ 484,454
Interest on net OPEB obligation	54,253
Adjustment to annual required contribution	(51,829)
Annual OPEB cost (expense)	486,878
Contributions made	(104,528)
Increase (decrease) in net OPEB obligation	382,350
Net OPEB obligation, beginning of year	1,356,333
Net OPEB obligation, end of year	<u>\$ 1,738,683</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2014 were as follows:

Trend Information			
For Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	\$ 515,552	29.8%	\$ 1,030,690
2013	\$ 483,681	32.7%	\$ 1,356,333
2014	\$ 486,878	21.5%	\$ 1,738,683

Funded Status and Funding Progress. As of December 31, 2012, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and, thus, the unfunded actuarial accrued liability (UAAL) was \$5,626,119. The covered payroll (annual payroll of active employees covered by the plan) was \$4,789,753, and the ratio of the UAAL to the covered payroll was 117.5 percent. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

In the December 31, 2012 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.00 percent investment rate of return (net of administrative expenses), which is the expected long-term investment returns on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual medical cost trend increase of 8.50 to 5.00 percent annually. The investment rate included a 3.00 percent inflation assumption. The actuarial value of assets, if any, was determined using techniques that spread the effects of short-term volatility in the market value of investments over a 5 year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2012, was 30 years.

2. Other Employment Benefits

The City has also 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 month's salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000 or be less than \$25,000. All death benefit payments are made from the Death Benefit Plan. The City has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. The City considers these contributions to be immaterial.

2. Accounts Payable

Accounts payable is composed of the following elements:

General Fund	
Trade	\$ 117,214
Accrued payroll	206,915
	<u>\$ 324,129</u>
Downtown Revitalization Capital Project Fund	
Trade	\$ 143,825
	<u>\$ 143,825</u>
Emergency Telephone System	
Trade	\$ 2,661
	<u>\$ 2,661</u>
Water and Sewer Fund	
Trade	\$ 86,979
Other	84,820
Accrued payroll	52,251
	<u>\$ 224,050</u>
Rooms to Go Water and Sewer Improvements	
Trade	\$ 40,295
	<u>\$ 40,295</u>

3. Deferred Inflows of Resources

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

	Unavailable Revenue	Unearned Revenue
Prepaid taxes not yet earned (General Fund)	\$ -	\$ 489
Taxes receivable (net) (General Fund)	168,261	-
	<u>\$ 168,261</u>	<u>\$ 489</u>

4. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City participates in three self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these

pools, the City obtains general liability and auto liability coverage of \$1 million per occurrence, property coverage up to the total insured values of the property policy, workers' compensation coverage up to statutory limits, and employee health coverage. The liability and property exposures are reinsured through commercial carriers for claims in excess of retentions as selected by the Board of Trustees each year. Stop loss insurance is purchased by the Board of Trustees to protect against large medical claims that exceed certain dollar cost levels. Specific information on the limits of the reinsurance, excess and stop loss policies purchased by the Board of Trustees can be obtained by contacting the Risk Management Services Department of the NC League of Municipalities. The pools are audited annually by certified public accountants, and the audited financial statements are available to the City upon request.

The City carries commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage in the prior year, and settled claims have not exceeded coverage in any of the past three fiscal years.

The City's insurer has advised the City that it is in an area that carries low risk of damages due to floods and the City has elected not to purchase flood insurance based on the insurer's assessment.

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

City of Dunn ABC Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The ABC Board has commercial property, general liability, workmen's compensation, and employee health coverage. The ABC Board also has liquor legal liability coverage. There have been no significant reductions in insurance coverage from coverage in the prior year and settled claims have not exceeded coverage in any of the past three fiscal years. In accordance with G.S. 18B-700(i), each board member and the employees designated as the general manager and finance officer are bonded in the amount of \$50,000 secured by a corporate security.

5. Claims and Judgments

At June 30, 2014, the City was a defendant to legal action and subsequent to year end the City reached a settlement agreement in which the City would pay \$140,000. This amount is accrued as payable in the financial statements.

6. Long-Term Obligations

a. Capital Leases

The City has entered into an agreement to lease certain equipment. The lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the date of its inception.

The agreement was executed on October 15, 2013 to lease water sewer truck camera equipment and requires 5 annual payments of \$16,546. Title passes to the City at the end of the lease term.

The following is an analysis of the asset recorded under the capital lease at June 30, 2014:

Classes of Property	Cost	Accumulated Depreciation	Net Book Value
Equipment	\$ 74,370	\$ 9,916	\$ 64,454
Total	\$ 74,370	\$ 9,916	\$ 64,454

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2014 were as follows:

Year Ending June 30	
2015	\$ 16,546
2016	16,546
2017	16,546
2018	16,546
2019	16,546
Total minimum lease payments	82,730
Less: amount representing interest	(8,360)
Present value of the minimum lease payments	<u>\$ 74,370</u>

b. Installment Purchases

General Fund

In July 2004, the City entered into an installment purchase contract for \$950,000 to finance the recreation facility at Tart Park. The contract requires principal payments beginning in the fiscal year 2006 with interest at 4.17%. The balance of this note is \$380,000 at June 30, 2014.

In September 2009, the City entered into an installment purchase contract for \$225,000 to finance five police cars and a boom truck. The contract requires principal payments beginning in the fiscal year 2011 with interest at 3.40%. The balance of this note is \$48,058 at June 30, 2014.

In August 2009, the City entered into an installment purchase contract for \$1,000,000 to finance street resurfacing. The contract requires principal payments beginning in the fiscal year 2011 with interest at 3.93%. The balance of this note is \$600,000 at June 30, 2014.

In May 2010, the City entered into an installment purchase contract for \$109,000 to finance the City Hall's roof replacement. The contract requires principal payments beginning in the fiscal year 2011 with interest at 2.77%. The balance of this note is \$21,759 at June 30, 2014. (65% - \$14,313 of this note is held by the general fund and 35% - 7,446 is held by the water and sewer fund.)

In August 2010, the City entered into an installment purchase contract for \$190,000 to finance seven police cars and a tractor. The contract requires principal payments beginning in the fiscal year 2012 with interest at 2.44%. The balance of this note is \$78,736 at June 30, 2014.

In September 2011, the City entered into an installment purchase contract to finance five police cars. The contract requires principal payments beginning in the fiscal year 2013 with interest at 1.73%. The balance of this note is \$67,794 at June 30, 2014.

In July 2012, the City entered into an installment purchase contract to finance five police cars. The contract requires principal payments beginning in the fiscal year 2014 with interest at 1.86%. The balance of this note is \$100,913 at June 30, 2014.

In November 2012, the City entered into an installment purchase contract for \$975,000 to construct improvements to Tyler Park. The contract requires principal payments beginning in the fiscal year 2014 with interest at 2.45%. The balance of this note is \$877,500 at June 30, 2014.

In August 2013, the City entered into a financing agreement for \$2,989,000 to finance improvements to Downtown infrastructure. The contract requires principal payments beginning in the fiscal year 2015 with interest at 3.5%. The balance of this note is \$2,989,000 at June 30, 2014.

In November 2013, the City entered into an installment purchase contract for \$132,000 to finance six police vehicles. The contract requires principal payments beginning in the fiscal year 2015 with interest at 3.125%. The balance of this note is \$132,000 at June 30, 2014.

Future minimum payments of General Fund installment purchases are as follows:

<u>Year</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 678,790	\$ 508,866	\$ 169,924
2016	606,554	451,658	154,896
2017	548,958	407,209	141,749
2018	523,750	394,157	129,593
2019	489,505	371,902	117,603
2020-2024	1,513,997	1,065,809	448,188
2025-2029	906,865	580,482	326,383
2030-2034	906,865	689,430	217,435
2035-2039	906,861	818,824	88,037
	<u>\$ 7,082,145</u>	<u>\$ 5,288,337</u>	<u>\$ 1,793,808</u>

Water and Sewer Fund

In August 2001, the City entered into an installment purchase contract for \$1,000,000 to finance improvements at the water and sewer plant. The financing contract required principal payments beginning August 2002, with interest at 5.28%. The balance of this note is \$200,000 at June 30, 2014.

In May 2010, the City entered into an installment purchase contract for \$109,000 to finance the City Hall's roof replacement. The contract requires principal payments beginning in the fiscal year 2011 with interest at 2.77%. The balance of this note is \$21,759 at June 30, 2014. (65% - \$14,313 of this note is held by the general fund and 35% - \$7,446 is held by the water and sewer fund.)

In January 2012, the City entered into an installment purchase contract for \$3,500,000 to finance a water transmission line to Eastover Sanitary District and an elevated storage tank. In September 2013, the City made a prepayment of \$902,187 leaving a balance of \$2,282,529. The financing contract required nine annual payments of \$284,343 beginning January 2014, with interest at 2.30%. The balance of this note is \$2,056,275 at June 30, 2014.

In December 2012, the City entered into an installment purchase contract for \$80,000 to finance a backhoe. The financing contract required principal payments beginning December 2013, with interest at 2.33%. The balance of this note is \$64,728 at June 30, 2014.

Future minimum payments of these installment purchases are as follows:

<u>Year</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 386,365	\$ 326,788	\$ 59,577
2016	375,185	325,159	50,026
2017	371,665	331,109	40,556
2018	301,478	270,529	30,949
2019	284,343	259,621	24,722
2020-2022	853,028	815,243	37,785
	<u>\$ 2,572,064</u>	<u>\$ 2,328,449</u>	<u>\$ 243,615</u>

c. General Obligation Indebtedness

The City's general obligation bonds serviced by the governmental funds were issued in February 2004 in the amount of \$2,795,000 to finance the construction of facilities utilized in the operations of the water and sewer system and which are being retired by its resources are reported as long-term debt in the Water and Sewer Fund. All general obligation bonds are collateralized by the full faith, credit, and taxing power of the City. Principal and interest requirements are appropriated when due.

Bonds payable at June 30, 2014 are comprised of the following individual issues:

General Obligation Bonds

Serviced by the Water and Sewer Fund:

Water and Sewer Refunding bonds
due on June 1 and December 1 due in installments
of varying amounts through June 1, 2025; initial
interest at 2.375% increasing to 4.35% at maturity. \$1,540,000

Annual debt service requirements to maturity for general obligation bonds, including interest of \$382,642 on the Water Treatment Plant Expansion bonds, are as follows:

Year	Total	Principal	Interest
2015	\$ 190,273	\$ 130,000	\$ 60,273
2016	191,177	135,000	56,177
2017	186,587	135,000	51,587
2018	186,727	140,000	46,727
2019	186,478	145,000	41,478
2020-2024	835,310	715,000	120,310
2025	146,090	140,000	6,090
	<u>\$ 1,922,642</u>	<u>\$ 1,540,000</u>	<u>\$ 382,642</u>

At June 30, 2014, the City of Dunn had a legal debt margin of \$ 47,787,414.

d. Revolving Water and Sewer Loans

In August 2010 the City entered into a promissory note from the Water Pollution Control Revolving Loan Fund of in the amount of \$4,385,114. This note was used to finance replacing gravity sewer lines, upgrading lift stations and construction of equalization basin at the wastewater treatment facility. The promissory note requires principal payments beginning May 2012 with interest at 2.50%. The balance of this note is \$3,727,347 at June 30, 2014.

Annual debt service requirements to maturity for the revolving water and sewer loan, including interest of \$838,653 is as follows:

Year	Total	Principal	Interest
2015	\$ 312,440	\$ 219,256	\$ 93,184
2016	306,958	219,256	87,702
2017	301,477	219,256	82,221
2018	295,995	219,256	76,739
2019	290,514	219,256	71,258
2020-2024	1,370,348	1,096,278	274,070
2025-2029	1,233,313	1,096,278	137,035
2030-2031	454,955	438,511	16,444
	<u>\$ 4,566,000</u>	<u>\$ 3,727,347</u>	<u>\$ 838,653</u>

f. Changes in Long-Term Liabilities

	Balance 7/1/2013	Increases	Decreases	Balance 6/30/2014	Current Portion
Governmental Activities:					
Installment purchase	\$5,580,300	\$132,000	\$423,963	\$5,288,337	\$508,866
Compensated absences	356,578	13,502	-	370,080	166,536
Unfunded pension contribution	107,681	6,290	-	113,971	-
Other postemployment benefits	1,046,450	274,347	-	1,320,797	-
Total Governmental Activities	\$7,091,009	\$426,139	\$423,963	\$7,093,185	\$675,402
Business-type Activities					
Capital lease	\$ -	\$ 74,370	\$ -	\$ 74,370	\$ 14,296
Installment purchases	2,629,196	-	300,747	2,328,449	326,788
General obligation bonds	1,665,000	-	125,000	1,540,000	130,000
Water pollution control revolving loan	3,946,603	-	219,256	3,727,347	219,256
Compensated absences	91,128	4,043	-	95,171	42,827
Other postemployment benefits	309,883	108,003	-	417,886	-
Total Business-type Activities	\$8,641,810	\$186,416	\$645,003	\$8,183,223	\$733,167

Compensated absences, unfunded pension contributions, other postemployment benefits for governmental activities have typically been liquidated in the General Fund.

7. Fund Balance

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

Total Fund Balance - General Fund	\$ 3,541,226
Less:	
Prepaid Expenses	86,070
Inventories	30,176
Stabilization by State Statute	944,702
Transportation-Powell Bill	446,362
Public Safety-Drug Foreiture	18,958
Culture and Recreation	15,120
Remaining Fund Balance	\$ 1,999,838

The City of Dunn 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.

IV. Commitments

The City has contracted with Republic Services of NC, LLC to provide solid waste services until June 30, 2015. The City must pay \$9.40 per unit each month, which includes curbside recycling, in addition to a monthly service fee that is adjusted annually. The City paid \$433,067 to Republic Services of NC, LLC for services provided during the year ended June 30, 2014.

The City has contracted with Time Warner Cable to allow the City to place an antenna on their tower until October 31, 2014. The City is obligated to pay Time Warner Cable \$3,940 during the year ended June 30, 2015. The City paid \$11,703 to Time Warner Cable for tower rent during the year ended June 30, 2014.

The City has leased various pieces of office equipment through various agreements and estimated commitments for the years ended June 30, 2015, 2016 and 2017 are \$29,000, \$15,000 and \$10,000, respectively.

The City has leased building space to Johnson-Lee-Harnett Community Action, Inc. The lease calls for monthly lease payments in the amount of \$1,463. The lease is for a ten year period ending March 2020. The amount collected for fiscal year ended June 30, 2014 is \$17,556. Future payments for the remaining lease term are \$100,947. The leased assets have no net value as the property was donated to the City.

The City has entered into agreements with Rooms to Go and Fairfield Inn & Suites stating that beginning with the first tax year in which both the facility is operational and the facility's improvements are assessed as fully completed and occupied, an incentive is to be paid to each entity in the form of an 80% refund of City ad valorem taxes. The refund is to be paid over a possible 10 year period and depends on each entity continuing to own and operate the facility during that time.

V. 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 statements for the City of Dunn Housing Authority.

VI. Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

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

VII. Subsequent Events

The City has evaluated 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.

Subsequent to June 30, 2014 the City has obtained a \$2.2 million loan, and the City will loan to Dunn Community Development Corporation \$2 million. The City will keep \$.2 million for projects related to Dunn Community Development Corporation projects. NC Community Development Corporation has loaned the City \$500,000 which will also be loaned to Dunn Community Development Corporation, and Dunn Community Development Corporation is expected to repay these loans.

KHEC manages the tax credits related to properties that Dunn Community Development Corporation is trying to restore with these loans. The City has placed \$600,000 in a contingency fund for any possible losses on the tax credits and this amount will be committed fund balance. All of the other transactions affect unrestricted fund balance and the City will record notes receivable on its books for the loans.

Subsequent to year end the City settled a legal matter as described above in the Claims and Judgments footnote.

City of Dunn

North Carolina

REQUIRED SUPPLEMENTAL FINANCIAL DATA

This section contains additional information required by generally accepted accounting principles. Presentation conforms to requirements of Local Government Commission in North Carolina.

Schedule of Funding Progress for the Law Enforcement Officers' Special Separation Allowance

Schedule of Employer Contributions for the Law Enforcement Officers' Special Separation Allowance

Notes to the Required Schedules for the Law Enforcement Officers' Special Separation Allowance

Schedule of Funding Progress for the Health Care Plan Allowance

Schedule of Employer Contributions for the Health Care Plan Allowance

Notes to the Required Schedule for the Health Care Plan Allowance



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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (VAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
12/31/2007	\$ -	\$ 379,022	\$ 379,022	0%	\$ 1,331,530	28.47%
12/31/2008	-	477,767	477,767	0%	1,416,319	33.73%
12/31/2009	-	653,706	653,706	0%	1,415,579	46.18%
12/31/2010	-	598,793	598,793	0%	1,397,667	42.84%
12/31/2011	-	615,763	615,763	0%	1,465,451	42.02%
12/31/2012	-	620,338	620,338	0%	1,527,561	40.61%
12/31/2013	-	623,694	623,694	0%	1,537,642	40.56%

City of Dunn
Law Enforcement Officers' Special Separation Allowance
Required Supplementary Information
Schedule of Employer Contributions

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2007	\$ 42,879	68.21%
2008	46,382	82.11%
2009	43,560	102.13%
2010	52,277	112.74%
2011	69,016	83.86%
2012	64,628	97.54%
2013	68,990	67.96%
2014	72,720	86.69%

Notes to the Required Schedules:

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

Valuation date:	12/31/2013
Actuarial cost method:	Projected unit credit
Amortization method:	Level dollar closed
Remaining amortization period:	17 years
Asset valuation method:	Market value
Actuarial assumptions:	
Investment rate of return*	5.00%
Projected salary increases	4.25%-7.85%
*Includes inflation at	3.00%
Cost of living adjustments	None

**City of Dunn
Health Care Plan
Required Supplementary Information
Schedule of Funding Progress**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
12/31/2009	\$ -	\$ 4,764,850	\$4,764,850	0%	\$ 4,603,646	103.50%
12/31/2010	-	5,875,173	5,875,173	0%	4,564,952	128.70%
12/31/2011	-	5,678,696	5,678,696	0%	4,705,632	120.70%
12/31/2012		5,626,119	5,626,119	0%	4,789,753	117.50%

**City of Dunn
Health Care Plan
Required Supplementary Information
Schedule of Employer Contributions**

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2010	\$ 406,380	0.00%
2011	\$ 406,380	35.50%
2012	\$ 514,357	29.88%
2013	\$ 481,838	32.80%
2014	\$ 484,454	21.58%

Notes to the Required Schedules:

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

Valuation date: 12/31/2012

Actuarial cost method: Projected unit credit

Amortization method: Level percent of pay, open

Remaining amortization period: 30 years

Asset valuation method: Market value

Actuarial assumptions:

Investment rate of return* 4.00%

Medical cost trend rate

Pre-Medicare trend rate 8.50% - 5.00%

Post-Medicare trend rate 6.25% - 5.00%

Year of Ultimate trend rate 2018

*Includes inflation at 3.00%

City of Dunn

North Carolina

INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES

This section contains additional information on the Governmental and Proprietary Funds (budget to actual comparison) and other schedules (ad valorem taxes receivables and current tax levy).



**City of Dunn
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Annual Budget and Actual
For the Fiscal Year Ended June 30, 2014**

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Ad valorem taxes:			
Taxes	\$	\$ 3,937,028	\$
Penalties and interest		22,210	
Total	3,917,300	3,959,238	41,938
Other taxes and licenses:			
Privilege licenses		66,558	
Total	44,000	66,558	22,558
Unrestricted intergovernmental:			
Local option sales taxes		1,344,468	
Utility franchise tax		553,412	
Video programming distribution		54,152	
PEG Channel Fees		23,886	
Beer and wine tax		41,236	
ABC profit distribution		110,000	
Solid waste disposal tax		5,760	
Total	2,190,700	2,132,914	(57,786)
Restricted intergovernmental:			
Powell Bill allocation		301,283	
ABC law enforcement		8,000	
Controlled substance tax		13,739	
N. C. Department of Transportation		103,552	
Harnett County BOE School Resource Officer		52,835	
Community Transformation Grant		35,000	
National Police Athletic League Grant		5,560	
21st Learning Center Grant		105,098	
USDA		28,000	
Senior Center		17,837	
Rural Center Grant		81,333	
Total	947,400	752,237	(195,163)
Permits and fees:			
Permits and fees		289,552	
Total	177,000	289,552	112,552
Sales and services:			
Cemetery lots		59,152	
Cemetery opening/closing fee		95,525	
Recreation department, concessions, entry fees		60,070	
Rentals		41,155	
Garbage and recycling collection		678,051	
Total	1,004,000	933,953	(70,047)
Investment earnings	10,000	17,821	7,821

**City of Dunn
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Annual Budget and Actual
For the Fiscal Year Ended June 30, 2014**

	Budget	Actual	Variance Positive (Negative)
Other revenues			
County recreation distribution		7,000	
Dunn Area Tourism-I95 Area Light Reimbursement		22,000	
Miscellaneous		33,577	
Special assessments		18,185	
Donations and gifts		41,461	
Parks and recreation pledges		112,130	
Harnett Health Contractual Payment		340,625	
Loss on investment		(4,605)	
Total	579,486	570,373	(9,113)
Total revenues	8,869,886	8,722,646	(147,240)
Expenditures:			
General Government			
Governing Body			
Salaries and employee benefits		18,073	
Other operating expenditures		81,063	
Total	93,900	99,136	(5,236)
Administration			
Salaries and employee benefits		265,238	
Other operating expenditures		186,624	
Total	478,767	451,862	26,905
Finance			
Salaries and employee benefits		127,203	
Other operating expenditures		64,280	
Total	202,000	191,483	10,517
Non-Departmental			
Other operating expenditures		419,367	
Total	449,492	419,367	30,125
Building inspector			
Salaries and employee benefits		137,331	
Other operating expenditures		105,217	
Total	250,100	242,548	7,552
Planning and zoning			
Salaries and employee benefits		53,518	
Other operating expenditures		16,673	
Total	107,900	70,191	37,709
Total general government	1,582,159	1,474,587	107,572
Public safety:			
Police:			
Salaries and employee benefits		2,843,923	
Other operating expenditures		394,738	
Capital outlay		159,963	
Total	3,567,986	3,398,624	169,362

**City of Dunn
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Annual Budget and Actual
For the Fiscal Year Ended June 30, 2014**

	Budget	Actual	Variance Positive (Negative)
Police athletic league			
Salaries and employee benefits		100,398	
Other operating expenditures		126,229	
Capital outlay		12,083	
Total	213,000	238,710	(25,710)
PAL - National PAL Mentoring Grant			
Salaries and employee benefits		108,184	
Other operating expenditures		9,603	
Total	7,433	117,787	(110,354)
Total public safety	3,788,419	3,755,121	33,298
Transportation:			
Streets			
Salaries and employee benefits		712,278	
Other operating expenditures		466,677	
Capital outlay		100,717	
Total	1,322,300	1,279,672	42,628
Powell Bill - street repairs and construction			
Salaries and employee benefits		80,093	
Other operating expenditures		117,063	
Capital outlay		27,525	
Total	192,200	224,681	(32,481)
Total transportation	1,514,500	1,504,353	10,147
Environmental protection			
Sanitation			
Salaries and employee benefits		83,233	
Other operating expenditures		501,437	
Total environmental protection	583,800	584,670	(870)
Culture and recreation:			
Parks and recreation			
Salaries and employee benefits		425,151	
Other operating expenditures		220,508	
Capital outlay		40,101	
Total	679,400	685,760	(6,360)
Senior center operations			
Salaries and employee benefits		71,247	
Other operating expenditures		13,839	
Total	86,600	85,086	1,514
Total culture and recreation	766,000	770,846	(4,846)

**City of Dunn
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Annual Budget and Actual
For the Fiscal Year Ended June 30, 2014**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Library			
Salaries and employee benefits		178,015	
Other operating expenditures		53,395	
Capital outlay		19,005	
Total library	<u>256,100</u>	<u>250,415</u>	<u>5,685</u>
Debt service			
Principal retirement		408,678	
Interest and other charges		75,063	
Total debt service	<u>484,200</u>	<u>483,741</u>	<u>459</u>
Total expenditures	<u>8,975,178</u>	<u>8,823,733</u>	<u>151,445</u>
Revenues over (under) expenditures	<u>(105,292)</u>	<u>(101,087)</u>	<u>4,205</u>
Other financing sources (uses):			
Unappropriated fund balance	(45,708)	-	45,708
Sale of fixed assets	19,000	17,497	(1,503)
Installment purchase proceeds	132,000	132,000	-
Total	<u>105,292</u>	<u>149,497</u>	<u>(1,503)</u>
Revenues and other financing sources over expenditures and other financing uses	<u>\$ -</u>	48,410	<u>\$ 2,702</u>
Fund balances, beginning		3,481,731	
Change in reserve for inventories		11,085	
Fund balances, ending		<u>\$ 3,541,226</u>	

**City of Dunn
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2014**

	Tyler Park Renovations Capital Project Fund	Downtown Revitalization Capital Project Fund	Emergency Telephone System - Special Revenue Fund	Total Nonmajor Governmental Funds
Assets				
Cash and cash equivalents	\$ -	\$ -	\$ 114,697	\$ 114,697
Internal balances	(26,279)	(150,298)	176,577	-
Restricted cash	-	-	-	-
Due from other governments	1,319	158,778	12,912	173,009
Total assets	<u><u>\$ (24,960)</u></u>	<u><u>\$ 8,480</u></u>	<u><u>\$ 304,186</u></u>	<u><u>\$ 287,706</u></u>
Liabilities and Fund Balances				
Liabilities				
Accounts payable and accrued liabilities	\$ -	\$ 143,825	\$ 2,661	\$ 146,486
Due to other funds	-	-	-	-
Total liabilities	<u>-</u>	<u>143,825</u>	<u>2,661</u>	<u>146,486</u>
Fund balances				
Restricted	-	-	301,525	301,525
Unassigned	(24,960)	(135,345)	-	(160,305)
Total fund balances	<u>(24,960)</u>	<u>(135,345)</u>	<u>301,525</u>	<u>141,220</u>
Total liabilities and fund balances	<u><u>\$ (24,960)</u></u>	<u><u>\$ 8,480</u></u>	<u><u>\$ 304,186</u></u>	<u><u>\$ 287,706</u></u>

City of Dunn
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Governmental Funds
June 30, 2014

	Tyler Park Renovations Capital Project Fund	Downtown Revitalization Capital Project Fund	Emergency Telephone System - Special Revenue Fund	Total Nonmajor Governmental Funds
Revenues				
Restricted intergovernmental	\$ -	\$ 25,000	\$ 154,942	\$ 179,942
Investment earnings	-	29	-	29
Total revenues	-	25,029	154,942	179,971
Expenditures				
Transportation	-	-	-	-
Public safety	-	-	93,458	93,458
Capital Outlay	49,242	396,483	-	445,725
Total expenditures	49,242	396,483	93,458	539,183
Revenues over (under) expenses	(49,242)	(371,454)	61,484	(359,212)
Other financing sources (uses):				
Transfer from General Fund	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Excess (deficiency) of revenues and other financing sources over expenditures	(49,242)	(371,454)	61,484	(359,212)
Fund balance, beginning	24,282	236,109	240,041	500,432
Fund balance, ending	\$ (24,960)	\$ (135,345)	\$ 301,525	\$ 141,220

City of Dunn
Downtown Revitalization - Capital Project Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2014

	Project Authorization	Prior Years	Current Year	Total Project To Date	Variance Favorable (Unfavorable)
Revenues:					
Interest Income	\$ -	\$ 3,311	\$ 29	\$ 3,340	\$ 3,340
Total revenues	-	3,311	29	3,340	3,340
Expenditures:					
Construction-Streets/Sidewalks	1,017,000	1,882,621	140,000	2,022,621	(1,005,621)
Construction-Utility Work	1,480,000	523,166	149,239	672,405	807,595
Administration	401,000	431,415	107,244	538,659	(137,659)
Contingency	102,000	-	-	-	102,000
Total expenditures	3,000,000	2,837,202	396,483	3,233,685	(233,685)
Revenues over (under) expenditures	(3,000,000)	(2,833,891)	(396,454)	(3,230,345)	(230,345)
Other financing sources (uses):					
Installment purchase obligations issued	2,919,000	2,989,000	-	2,989,000	70,000
NC DOT reimbursement	-	-	25,000	25,000	25,000
Transfer from Water/Sewer Fund	81,000	81,000	-	81,000	-
Total other financing sources (uses)	3,000,000	3,070,000	25,000	3,095,000	95,000
Revenues and other financing sources over (under) expenditures	\$ -	\$ 236,109	\$ (371,454)	\$ (135,345)	\$ (135,345)
Fund balance, beginning			236,109		
Fund balance, ending			\$ (135,345)		

City of Dunn
Tyler Park Renovations - Capital Project Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2014

	Project Authorization	Prior Years	Current Year	Total Project To Date	Variance Favorable (Unfavorable)
Revenues:					
PARTF Grant	\$ 500,000	\$ 450,000	\$ -	\$ 450,000	\$ (50,000)
Private Contributions	-	360,268	-	360,268	360,268
Interest Income	-	35	-	35	35
Total revenues	500,000	810,303	-	810,303	310,303
Expenditures:					
Construction	1,883,000	1,513,608	20,999	1,534,607	348,393
Administration	273,500	237,599	28,243	265,842	7,658
Contingency	93,500	9,814	-	9,814	83,686
Total expenditures	2,250,000	1,761,021	49,242	1,810,263	439,737
Revenues over (under) expenditures	(1,750,000)	(950,718)	(49,242)	(999,960)	750,040
Other financing sources (uses):					
Installment purchase obligations issued	1,750,000	975,000	-	975,000	(775,000)
Total other financing sources (uses)	1,750,000	975,000	-	975,000	(775,000)
Revenues and other financing sources over (under) expenditures	\$ -	\$ 24,282	\$ (49,242)	\$ (24,960)	\$ (24,960)
Fund balance, beginning			24,282		
Fund balance, ending			\$ (24,960)		

City of Dunn
Emergency Telephone System - Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Fiscal Year Ended June 30, 2014

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues			
Restricted intergovernmental	\$ 165,000	\$ 154,942	\$ (10,058)
Expenditures			
Public safety		93,458	
Capital Outlay		-	
Total expenditures	<u>165,000</u>	<u>93,458</u>	<u>71,542</u>
Revenues over (under) expenditures	<u>-</u>	<u>61,484</u>	<u>61,484</u>
Other financing sources (uses)			
Transfer to General Fund	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	61,484	<u>\$ 61,484</u>
Fund balance, beginning		<u>240,041</u>	
Fund balance, ending		<u>\$ 301,525</u>	

**City of Dunn
Water and Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Fiscal Year Ended June 30, 2014**

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Water sales	\$	\$ 2,905,617	\$
Sewer charges		1,545,116	
Fireline protection charge		21,606	
Total	<u>4,622,000</u>	<u>4,472,339</u>	<u>(149,661)</u>
Water and sewer taps	<u>8,000</u>	<u>6,808</u>	<u>(1,192)</u>
Other operating revenues			
Reconnect fees		48,632	
Impact fees		49,964	
Returned check fees		3,228	
Penalties		67,775	
Miscellaneous		23,441	
Total other operating revenues	<u>150,000</u>	<u>193,040</u>	<u>43,040</u>
Nonoperating revenues:			
Tower site rental		55,104	
Interest earnings		930	
Total nonoperating revenues	<u>55,900</u>	<u>56,034</u>	<u>134</u>
Total revenues	<u>4,835,900</u>	<u>4,728,221</u>	<u>(107,679)</u>
Expenditures:			
Water and sewer administration and finance			
Salaries and employee benefits		449,738	
Postage		25,837	
Supplies		11,935	
Other operating expenditures		376,688	
Total	<u>870,808</u>	<u>864,198</u>	<u>6,610</u>
Water and sewer operations			
Salaries and employee benefits		507,607	
Telephone		6,252	
Utilities		10,036	
Travel		3,419	
Maintenance and repairs		85,698	
Automotive supplies and fuel		26,064	
Supplies		16,317	
Meters		105,466	
Infiltration		112,959	
Other operating expenditures		153,619	
Capital outlay		81,440	
Total	<u>1,199,870</u>	<u>1,108,877</u>	<u>90,993</u>

City of Dunn
Water and Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Fiscal Year Ended June 30, 2014

	Budget	Actual	Variance Positive (Negative)
Water supply, pump and filtering			
Salaries and employee benefits		450,060	
Telephone		2,950	
Utilities		208,041	
Travel		2,364	
Maintenance		41,606	
Supplies		5,163	
Chemicals		310,980	
Independent lab test		7,383	
Contract services		62,322	
Other operating expenditures		12,738	
Capital outlay		19,498	
Total	<u>1,141,000</u>	<u>1,123,105</u>	<u>17,895</u>
Sewage treatment plant operations			
Salaries and employee benefits		542,762	
Telephone		3,209	
Utilities		211,715	
Travel		1,323	
Maintenance		56,286	
Supplies		4,366	
Chemicals		52,510	
Independent lab test		5,663	
Contract services		48,657	
Other operating expenditures		21,847	
Total	<u>979,800</u>	<u>948,338</u>	<u>31,462</u>
Debt service:			
Principal retirement		645,003	
Interest and other charges		253,327	
Total debt service	<u>906,500</u>	<u>898,330</u>	<u>8,170</u>
Total expenditures	<u>5,097,978</u>	<u>4,942,848</u>	<u>155,130</u>
Other financing sources (uses):			
Unappropriated fund balance	(4,292)	-	4,292
Debt Payment from Eastover Sanitary District	192,000	192,000	-
Installment purchase proceeds	74,370	74,370	-
Total other financing sources (uses)	<u>262,078</u>	<u>266,370</u>	<u>4,292</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>\$ 51,743</u>	<u>\$ 51,743</u>

City of Dunn
Water and Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Fiscal Year Ended June 30, 2014

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Revenues and other sources over expenditures and other uses		\$ 51,743	
Reconciling items:			
Principal retirement		645,003	
Capital outlay		100,938	
Capital contributions		416,365	
Principal payments from note receivable		(90,938)	
Depreciation and amortization		(774,718)	
Change in accrued vacation pay		(4,042)	
Change in accrued other postemployment benefits		(108,003)	
Change in accrued interest		(38,536)	
Installment Financing		(74,370)	
Total reconciling items		<u>71,699</u>	
Change in net position		<u>\$ 123,442</u>	

City of Dunn
I-95 Corridor Sewer System Improvements
Schedule of Revenues, Expenditures, and Changes in Fund Balance (Non - GAAP)
Budget and Actual
For the Fiscal Year ended June 30, 2014 and From Inception

	Actual			Variance
	Project Authorization	Prior Years	Current Year	Favorable (Unfavorable)
Expenditures:				
Construction	\$ 1,165,000	\$ -	\$ -	\$ 1,165,000
Administration	265,000	116,831	-	148,169
Contingency	120,000	-	-	120,000
Total expenditures	1,550,000	116,831	-	1,433,169
Excess (Deficit) of revenues over (under) expenditures	(1,550,000)	(116,831)	-	(1,433,169)
Other financing sources (uses):				
Contribution-Love's Truck Stops	1,000,000	-	-	(1,000,000)
Rural Center Grant	70,000	-	-	(70,000)
Transfers from Water/Sewer Fund	480,000	-	-	(480,000)
Total other financing sources (uses)	1,550,000	-	-	(1,550,000)
Excess (Deficit) of revenues & other financing sources over (under) expenditures & other financing uses	\$ -	\$ (116,831)	\$ -	\$ (116,831)

Reconciliation of Modified Accrual Basis to Full Accrual Basis:

Excess (Deficit) of Revenues & Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>\$ (116,831)</u>
Expenditures Recorded as Construction in Progress	<u>\$ 116,831</u>

City of Dunn
Rooms to Go Water and Sewer Improvements
Schedule of Revenues, Expenditures, and Changes in Fund Balance (Non - GAAP)
Budget and Actual
For the Fiscal Year ended June 30, 2014 and From Inception

		Actual			Variance
	Project Authorization	Prior Years	Current Year	Total Project To Date	Favorable (Unfavorable)
Expenditures:					
Construction including contingency	\$ 2,080,100	\$ -	\$ 242,652	\$ 242,652	\$ 1,837,448
Engineering services	338,000	-	212,163	212,163	125,837
Legal/Acquisition	39,000	-	1,298	1,298	37,702
Grant Administration	30,000	-	10,500	10,500	19,500
Application Fee	11,000	-	-	-	11,000
Total expenditures	2,498,100	-	466,613	466,613	2,031,487
Excess (Deficit) of revenues over (under) expenditures	(2,498,100)	-	(466,613)	(466,613)	(2,031,487)
Other financing sources (uses):					
NC Rural Center	1,000,000	-	-	-	(1,000,000)
CDBG-ED	1,000,000	-	76,163	76,163	(923,837)
Golden Leaf Foundation	448,100	-	340,202	340,202	(107,898)
Transfers from Water/Sewer Fund	50,000	-	-	-	(50,000)
Total other financing sources (uses)	2,498,100	-	416,365	416,365	(2,081,735)
Excess (Deficit) of revenues & other financing sources over (under) expenditures & other financing uses	\$ -	\$ -	\$ (50,248)	\$ (50,248)	\$ (50,248)

Reconciliation of Modified Accrual Basis to Full Accrual Basis:

Excess (Deficit) of Revenues & Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>\$ (50,248)</u>
Expenditures Recorded as Construction in Progress	<u>\$ 466,613</u>

City of Dunn

North Carolina

OTHER SCHEDULES

This section contains additional information
required on property taxes

Schedule of Ad Valorem Taxes Receivable

Analysis of Current Tax Levy



1989 ★ 2013

**City of Dunn
General Fund
Schedule of Ad Valorem Taxes Receivable
June 30, 2014**

Fiscal Year	Uncollected Balance June 30, 2013	Additions	Collections and Credits	Abatements and Adjustments	Uncollected Balance June 30, 2014
2013-2014	\$ -	\$ 3,749,639	\$ (3,626,198)	\$ (71,303)	\$ 52,138
2012-2013	71,433	-	(51,394)	531	20,570
2011-2012	25,339	-	(4,575)	(3,396)	17,368
2010-2011	31,888	-	(812)	1,018	32,094
2009-2010	42,024	-	(360)	649	42,313
2008-2009	14,934	-	(357)	672	15,249
2007-2008	11,275	-	(611)	857	11,521
2006-2007	10,287	-	(90)	255	10,452
2005-2006	9,682	-	(123)	1,360	10,919
2004-2005	18,119	-	(83)	(3,549)	14,487
	<u>\$ 234,981</u>	<u>\$ 3,749,639</u>	<u>\$ (3,684,603)</u>	<u>\$ (72,906)</u>	<u>\$ 227,111</u>
Less:					
	Allowance for Doubtful Accounts - Taxes				(58,850)
Add:					
	Accrued Interest Receivable				23,588
	Allowance for Doubtful Accounts - Interest				(21,465)
					<u>\$ 170,384</u>
<u>Reconcilement with revenues:</u>					
	Ad valorem taxes-General Fund				\$ 3,959,238
Reconciling items:					
	Taxes Written Off				33,056
	Municipal Service District Taxes				(34,596)
	State DMV Collections				(248,874)
	Deferred taxes collected				(2,011)
	Interest and Penalties				(22,210)
	Subtotal				<u>(274,635)</u>
	Total collections and credits				<u>\$ 3,684,603</u>

City of Dunn
Analysis of Current Tax Levy
City - Wide Levy
For the Fiscal Year Ended June 30, 2014

				Total Levy		
	City - Wide		Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles	
	Property Valuation	Rate				
Original levy:						
Property taxed at current						
Real and personal property	\$ 705,496,295	0.50	\$ 3,567,808	\$ 3,567,808	\$	-
Registered motor vehicles taxed						
at prior year's rate	33,648,039	0.50	181,831	-		181,831
Releases	-		(71,303)	(66,384)		(4,919)
Total Property Valuation	<u>\$ 739,144,334</u>		<u>\$ 3,678,336</u>	<u>\$ 3,501,424</u>	<u>\$</u>	<u>176,912</u>
Net levy			3,678,336	3,501,424		176,912
Uncollected taxes at June 30, 2014			(52,138)	(37,076)		(15,062)
Current year's taxes collected			<u>\$ 3,626,198</u>	<u>\$ 3,464,348</u>	<u>\$</u>	<u>161,850</u>
Current levy collection percentage			<u>98.58%</u>	<u>98.94%</u>		<u>91.49%</u>

City of Dunn

North Carolina

STATISTICAL SECTION

This part of the comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial information, note disclosures, and required supplementary information says about the government's overall financial health.

Financial Trends - These tables contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.

Revenue Capacity - These tables contain information to help the reader assess the government's most significant local revenue source, the property tax.

Debt Capacity - These tables present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.

Demographic and Economic - These tables offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.

Operating Information - These tables contain service and infrastructure data to help the reader understand how the information in the government'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)

Table 1

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Governmental activities										
Net investment in capital assets										
Restricted	\$ 2,166,698	\$ 3,155,931	\$ 3,220,178	\$ 3,254,670	\$ 2,969,433	\$ 1,981,891	\$ 2,332,056	\$ 1,165,191	\$ 2,925,002	\$ 3,627,133
Unrestricted	876,957	522,762	373,733	436,810	522,128	479,067	791,384	2,720,291	1,837,471	1,726,667
Total governmental activities net position	3,724,536	2,899,629	2,640,858	2,830,735	2,741,583	2,814,673	1,853,557	847,595	615,511	173,560
	\$ 6,768,191	\$ 6,578,322	\$ 6,234,769	\$ 6,522,215	\$ 6,233,144	\$ 5,275,431	\$ 4,976,997	\$ 4,733,077	\$ 5,377,984	\$ 5,527,360
Business-type activities										
Net investment in capital assets										
Restricted	\$ 10,782,804	\$ 13,147,663	\$ 13,213,140	\$ 13,523,322	\$ 13,725,056	\$ 14,649,312	\$ 17,296,915	\$ 16,061,004	\$ 15,530,084	\$ 17,951,590
Unrestricted	3,431,607	1,878,005	2,146,589	2,121,454	1,992,477	1,532,549	772,541	3,620,425	4,083,012	1,784,948
Total business-type activities net position	\$ 14,214,411	\$ 15,025,668	\$ 15,359,729	\$ 15,644,776	\$ 15,717,533	\$ 16,181,861	\$ 18,069,456	\$ 19,681,429	\$ 19,613,096	\$ 19,736,538
Primary government										
Net investment in capital assets										
Restricted	\$ 12,949,502	\$ 16,303,594	\$ 16,433,318	\$ 16,777,992	\$ 16,694,489	\$ 16,631,003	\$ 19,628,971	\$ 17,226,195	\$ 18,455,086	\$ 21,578,723
Unrestricted	876,957	522,762	373,733	436,810	522,128	479,067	791,384	2,720,291	1,837,471	1,726,667
Total primary government net position	7,156,143	4,777,634	4,787,447	4,952,189	4,734,060	4,347,222	2,626,098	4,468,020	4,698,523	1,958,508
	\$ 20,982,602	\$ 21,603,990	\$ 21,594,498	\$ 22,166,991	\$ 21,950,677	\$ 21,457,292	\$ 23,046,453	\$ 24,414,506	\$ 24,991,080	\$ 25,263,896

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

Table 2

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Expenses										
Governmental activities:										
General government	\$ 1,603,320	\$ 1,701,254	\$ 1,827,277	\$ 2,036,184	\$ 1,947,905	\$ 1,876,598	\$ 1,753,876	\$ 1,800,246	\$ 1,946,686	\$ 1,548,470
Public safety	3,252,407	3,413,909	3,762,558	4,316,119	3,624,401	3,904,128	4,043,216	3,981,466	3,969,606	4,024,211
Transportation	1,529,991	1,533,762	2,405,631	1,450,770	1,586,563	2,526,510	1,488,162	1,458,777	1,478,572	1,481,341
Economic and physical development	692,023	347,014	-	-	-	-	-	-	-	-
Environmental protection	330,440	403,285	365,949	357,034	375,025	400,090	532,238	510,908	570,653	599,302
Cultural and recreational	532,879	632,266	709,982	727,091	778,682	755,265	843,247	794,430	807,335	852,692
Library	190,583	185,384	202,731	212,154	231,023	253,678	244,025	254,314	236,562	246,004
Community Services	6,407	6,406	2,207	13,207	23,207	-	6,650	31,784	-	-
Interest on long-term debt	12,359	73,995	68,241	65,081	61,154	55,919	171,645	118,702	132,584	45,353
Total governmental activities expenses	\$ 8,150,409	\$ 8,297,275	\$ 9,344,577	\$ 9,177,640	\$ 8,627,960	\$ 9,772,188	\$ 9,063,059	\$ 8,950,627	\$ 9,141,998	\$ 8,797,373
Business-type activities:										
Water and sewer	3,690,338	3,744,257	3,322,499	3,304,781	3,646,090	4,043,652	3,944,868	4,128,782	4,343,372	5,122,206
Total business-type activities	3,690,338	3,744,257	3,322,499	3,304,781	3,646,090	4,043,652	3,944,868	4,128,782	4,343,372	5,122,206
Total primary government expenses	\$ 11,840,747	\$ 12,041,532	\$ 12,667,076	\$ 12,482,421	\$ 12,274,050	\$ 13,815,840	\$ 13,007,927	\$ 13,079,409	\$ 13,485,370	\$ 13,919,579
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 734,877	\$ 887,984	\$ 355,318	\$ 322,791	\$ 220,530	\$ 327,721	\$ 396,846	\$ 329,677	\$ 383,550	\$ 461,784
Public safety	203,615	181,071	199,394	218,303	5,646	-	-	-	-	-
Transportation	-	-	-	49,568	50,800	17,476	38,354	35,310	35,550	34,941
Economic and physical development	-	163,962	-	-	-	-	-	-	-	-
Environmental protection	344,576	349,023	480,026	495,508	531,981	552,444	646,979	644,207	687,723	678,051
Cultural and recreational	54,034	55,536	49,733	88,198	84,505	95,823	76,419	77,791	78,035	83,670
Operating grants and contributions	717,318	537,098	465,430	697,010	920,422	903,855	1,073,718	851,155	889,292	967,699
Capital grants and contributions	140,361	140,000	365,000	-	-	97,358	-	-	809,668	112,130
Total governmental activities program revenues	\$ 2,194,781	\$ 2,314,674	\$ 1,914,901	\$ 1,871,378	\$ 1,813,884	\$ 1,994,677	\$ 2,232,316	\$ 1,938,140	\$ 2,883,818	\$ 2,338,275
Business-type activities:										
Charges for services:										
Water and sewer	3,895,612	3,999,101	4,055,953	4,245,516	4,105,603	4,172,441	4,478,773	4,553,134	4,567,460	4,672,187
Operating grants and contributions	2,495	84,666	-	-	-	-	-	-	-	-
Capital grants and contributions	-	321,018	-	10,000	182,100	615,335	1,628,676	1,563,889	-	416,365
Total business-type activities program revenues	3,898,107	4,404,785	4,055,953	4,255,516	4,287,703	4,787,776	6,107,449	6,117,023	4,567,460	5,088,552
Total primary government program revenues	\$ 6,092,888	\$ 6,719,459	\$ 5,970,854	\$ 6,126,894	\$ 6,101,587	\$ 6,782,453	\$ 8,339,765	\$ 8,055,163	\$ 7,451,278	\$ 7,426,827
Net revenue (expense)										
Governmental activities	\$ (5,955,628)	\$ (5,982,601)	\$ (7,429,676)	\$ (7,306,262)	\$ (6,814,076)	\$ (7,777,511)	\$ (6,830,743)	\$ (7,012,487)	\$ (6,258,180)	\$ (6,459,098)
Business-type activities	207,769	660,528	733,454	950,735	641,613	744,124	2,162,581	1,988,241	224,088	(33,654)
Total primary government net revenue/expense	\$ (5,747,859)	\$ (5,322,073)	\$ (6,696,222)	\$ (6,355,527)	\$ (6,172,463)	\$ (7,033,387)	\$ (4,668,162)	\$ (5,024,246)	\$ (6,034,092)	\$ (6,492,752)

Table 2 (cont.)

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes:										
Property taxes, levied for general purpose	\$ 2,767,465	\$ 2,849,807	\$ 3,324,738	\$ 3,414,334	\$ 3,144,801	\$ 3,712,764	\$ 3,593,590	\$ 3,652,523	\$ 3,661,971	\$ 3,985,873
Other taxes	2,047,817	1,966,867	375,434	179,376	2,187,140	1,976,842	2,008,585	2,062,487	2,239,860	2,089,472
Unrestricted grants and contributions	6,000	6,000	2,224,641	2,425,216	168,911	155,474	135,404	126,227	131,950	110,000
Permit and Fees	-	-	-	-	-	-	-	-	-	-
Sales and Service	-	-	-	-	-	-	-	-	-	-
Unrestricted investment earnings	84,674	127,938	149,275	174,075	71,400	18,180	14,263	12,728	9,190	17,850
Miscellaneous	584,199	857,875	485,811	578,181	545,616	571,263	440,467	458,602	463,343	405,279
Gain/(Loss) on Disposal of Equipment	(12,209)	(15,555)	29,784	55,208	(242,863)	35,275	-	-	-	-
Special items - donated assets	-	-	-	-	-	5,000	-	-	-	-
Special items - loss on investment	-	-	-	-	-	-	-	-	(18,727)	-
Transfers	-	-	496,440	767,318	650,000	345,000	340,000	456,000	415,500	-
Total government activities	5,477,946	5,792,732	7,086,123	7,593,708	6,525,005	6,819,798	6,532,309	6,768,567	6,903,087	6,608,474
Business-type activities:										
Unrestricted investment earnings	35,532	114,620	59,494	55,064	25,166	4,726	2,838	3,250	62,572	101,992
Miscellaneous	34,720	36,109	37,553	43,511	57,530	59,831	62,176	76,482	53,367	55,104
Gain/(Loss) on Disposal of Equipment	-	-	-	3,065	(1,552)	647	-	-	-	-
Special items - donated assets	-	-	-	-	-	-	-	-	7,140	-
Transfers	-	-	(496,440)	(767,318)	(650,000)	(345,000)	(340,000)	(456,000)	(415,500)	-
Total business-type activities	70,252	150,729	(399,393)	(665,688)	(568,856)	(279,796)	(274,986)	(376,268)	(292,421)	157,096
Total primary government	\$ 5,548,198	\$ 5,943,461	\$ 6,686,730	\$ 6,928,020	\$ 5,956,149	\$ 6,540,002	\$ 6,257,323	\$ 6,392,299	\$ 6,610,666	\$ 6,765,570
Change in Net Position										
Governmental activities	\$ (477,682)	\$ (189,869)	\$ (343,553)	\$ 287,446	\$ (289,071)	\$ (957,713)	\$ (298,434)	\$ (243,920)	\$ 644,907	\$ 149,376
Business-type activities	278,021	811,257	334,061	285,047	72,757	464,328	1,887,595	1,611,973	(68,333)	123,442
Total primary government	\$ (199,661)	\$ 621,388	\$ (9,492)	\$ 572,493	\$ (216,314)	\$ (493,385)	\$ 1,589,161	\$ 1,368,053	\$ 576,574	\$ 272,818

City of Dunn
Governmental Activities Tax Revenues By Source
Last Ten Fiscal Years
(accrual basis of accounting)

Table 3

<u>Fiscal Year</u>	<u>Property Tax</u> ⁽¹⁾	<u>Tax Rate</u>
2005	2,752,049	0.46
2006	2,874,229	0.46
2007	3,254,776	0.52
2008	3,436,790	0.52
2009	3,214,818	0.48
2010	3,714,518	0.48
2011	3,628,709	0.48
2012	3,657,181	0.48
2013	3,672,427	0.48
2014	3,959,238	0.50

Notes:

(1) - City of Dunn only levies a property tax.

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

Table 4

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Fund										
Non Spendable	\$ 8,318	\$ 57,851	\$ 6,140	\$ 3,893	\$ 22,430	\$ 23,803	\$ 90,522	\$ 46,038	\$ 48,234	\$ 116,246
Restricted	1,419,763	1,146,965	1,739,195	1,617,640	1,271,675	1,366,434	1,292,486	1,297,819	1,364,826	1,425,142
Assigned	38,087	-	-	-	-	-	-	-	-	-
Unassigned	1,859,751	1,985,720	1,258,133	1,506,421	1,972,352	1,980,220	2,016,283	2,116,425	2,068,671	1,999,838
Total General Fund	\$ 3,325,919	\$ 3,190,536	\$ 3,003,468	\$ 3,127,954	\$ 3,266,457	\$ 3,370,457	\$ 3,399,291	\$ 3,460,282	\$ 3,481,731	\$ 3,541,226
All other governmental funds										
Restricted	\$ 428,285	\$ 351,376	\$ 96,953	\$ 276,353	\$ 360,471	\$ 422,428	\$ 314,511	\$ 189,319	\$ 240,041	\$ 301,525
Assigned	-	-	-	-	-	42,126	305	-	260,391	-
Committed	-	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	(34,125)	-	(210,312)	(133,984)	-	(160,305)
Total all other governmental funds	\$ 428,285	\$ 351,376	\$ 96,953	\$ 276,353	\$ 326,346	\$ 464,554	\$ 104,504	\$ 55,335	\$ 500,432	\$ 141,220

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

Table 5

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Revenues										
Ad valorem taxes	\$ 2,771,314	\$ 2,874,229	\$ 3,254,776	\$ 3,436,790	\$ 3,214,818	\$ 3,714,518	\$ 3,628,709	\$ 3,657,181	\$ 3,672,427	\$ 3,959,238
Other taxes and licenses	262,339	256,422	290,127	179,376	41,284	41,997	67,994	70,065	207,325	66,558
Unrestricted intergovernmental	1,873,429	1,966,867	2,144,599	2,425,216	2,314,767	2,090,319	2,075,995	2,118,650	2,188,057	2,132,914
Restricted intergovernmental	857,679	677,098	821,155	697,010	900,572	1,004,498	1,031,092	811,501	1,233,958	932,179
Permits and fees	112,293	205,849	191,488	470,604	159,432	234,259	201,263	148,377	187,466	289,552
Sales and services	933,243	994,234	626,113	654,197	683,230	741,729	919,292	903,298	961,843	933,953
Investment earnings	84,674	127,938	149,275	174,075	71,401	18,180	14,262	12,728	9,227	17,850
Miscellaneous	844,859	1,044,746	957,089	602,694	596,416	585,454	504,333	513,851	584,035	570,373
Private Donations	-	-	-	-	-	-	-	-	359,668	-
Total revenues	7,739,830	8,147,383	8,434,622	8,639,962	7,981,920	8,430,954	8,442,940	8,235,651	9,404,006	8,902,617
Expenditures										
General government	1,567,278	1,654,086	1,728,588	2,230,400	1,893,611	1,782,354	1,671,999	1,709,906	1,867,599	1,474,587
Public Safety	3,046,163	3,234,583	3,518,092	4,125,444	3,406,640	3,558,174	3,731,418	3,641,699	3,611,487	3,676,533
Transportation	1,421,652	1,427,980	2,265,195	1,463,305	1,469,579	2,367,880	1,372,824	1,337,650	1,366,567	1,376,111
Environmental protection	320,712	336,099	350,345	343,937	360,970	382,692	522,197	496,935	557,002	584,670
Culture and recreation	509,270	604,902	678,774	765,350	751,328	703,903	727,090	677,456	690,733	730,745
Library	169,102	172,769	176,723	190,133	210,285	224,473	220,937	225,667	226,439	231,410
Community Service	6,407	6,406	2,207	13,207	23,207	-	6,650	31,785	-	-
Economic and physical development	692,023	403,285	-	-	-	-	-	-	-	-
Debt service	150,072	236,187	206,433	229,348	249,722	260,874	407,133	383,212	516,667	408,678
Principal	12,359	73,995	68,241	65,081	61,154	55,919	95,970	85,178	79,564	75,063
Interest and other charges	1,507,688	309,041	384,417	-	174,355	565,379	553,816	1,986,286	2,765,173	805,119
Capital outlay	9,402,726	8,459,333	9,379,015	9,426,205	8,600,851	9,901,648	9,310,034	10,575,774	11,681,231	9,362,916
Total expenditures	(1,662,896)	(311,950)	(944,393)	(786,243)	(618,931)	(1,470,694)	(867,094)	(2,340,123)	(2,277,225)	(460,299)
Excess of revenues over (under) expenditures										
Other financing sources (uses)										
Transfers in	-	-	914,910	767,318	650,000	345,000	340,000	533,106	415,500	-
Transfers out	-	-	(418,470)	-	-	-	-	(77,106)	-	-
Insurance Proceeds	-	-	-	25,055	-	-	-	-	-	-
Harnett County Reimbursement	-	-	-	55,209	19,850	-	-	-	-	-
Sale of capital assets	-	-	-	-	31,114	35,275	16,801	19,718	15,760	17,497
Loss on investment	-	-	-	-	-	-	-	-	(18,727)	-
Installment purchase obligations	1,731,000	100,187	4,813	240,300	125,000	1,334,000	190,000	3,114,000	1,100,000	132,000
Total other financing sources (uses)	1,731,000	100,187	501,253	1,087,882	825,964	1,714,275	546,801	3,589,718	1,512,533	149,497
Net change in fund balances	\$ 68,104	\$ (211,763)	\$ (443,140)	\$ 301,639	\$ 207,033	\$ 243,581	\$ (320,293)	\$ 1,249,595	\$ (764,692)	\$ (310,802)
Debt service as a percentage of noncapital expenditures	2.1%	3.8%	3.1%	3.1%	3.7%	3.4%	5.7%	5.5%	6.7%	5.7%

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

Table 6

Fiscal Year	Real and Personal Property	Motor Vehicle	Total Assessed Value	Ratio of Assessed Value to Estimated Actual Value ⁽¹⁾	Property Tax Rate ⁽²⁾
2005	550,221,826	58,483,239	608,705,065	100%	0.46
2006	563,265,887	58,188,284	621,454,171	100%	0.52
2007	586,263,602	55,799,732	642,063,334	100%	0.52
2008	562,518,654	62,596,865	625,115,519	100%	0.52
2009 ⁽³⁾	589,233,958	62,178,031	651,411,989	100%	0.48
2010	691,432,511	54,758,296	746,190,807	100%	0.48
2011	687,691,113	53,755,958	741,447,071	100%	0.48
2012	688,347,929	55,823,333	744,171,262	100%	0.48
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

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) A revaluation of all property is required every eight (8) years by North Carolina State Statute. The last revaluation occurred as of December 31, 2009.

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

Table 7

Fiscal Year	City of Dunn⁽¹⁾	Harnett County⁽²⁾	Dunn Emergency Services⁽²⁾	Averasboro School District⁽²⁾	Combined Tax Rate Per \$100 of Assessed Value
2005	0.46	0.735	-	0.02	1.215
2006	0.52	0.735	-	0.02	1.275
2007	0.52	0.735	-	0.02	1.275
2008	0.52	0.735	-	0.02	1.275
2009	0.48	0.725	(3) 0.07	0.02	1.295
2010	0.48	0.725	0.07	0.02	1.295
2011	0.48	0.725	0.07	0.02	1.295
2012	0.48	0.725	0.07	0.02	1.295
2013	0.48	0.725	0.07	0.02	1.295
2014	0.50	0.725	0.07	0.02	1.315

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.
- (3) A revaluation of all property is required every eight (8) years by North Carolina State Statute. The last revaluation occurred as of December 31, 2009.

City of Dunn
Principal Property Taxpayers
June 30, 2014

Table 8

	2014				2005			
	Taxable		Percentage of Total Taxable Assessed		Taxable		Percentage of Total Taxable Assessed	
Taxpayer	Type of Enterprise	Assessed Value	Rank	Value	Assessed Value	Rank	Value	
Wal-Mart	Retail Store	\$ 12,318,880	1	1.67%	\$ 13,284,830	2	2.18%	
Duke Energy	Utility Company	10,601,998	2	1.43%	8,622,711	3	1.42%	
Wincor Properties, LLC	Real Estate	8,212,261	3	1.11%				
RPH Harnett Crossing	Shopping Center	8,065,690	4	1.09%	7,889,970	4	1.30%	
Carolina Telephone	Utility Company	7,021,022	5	0.95%	7,072,827	5	1.16%	
Apple Eight NC LP	Real Estate	6,996,400	6	0.95%				
NWD-T/A Dunbar	Packaging Plant	4,777,090	7	0.65%	5,299,914	7	0.87%	
Gray Properties	Manufacturer	4,723,560	8	0.64%	4,041,068	8	0.66%	
GG Retail Properties, LLC	Real Estate	4,694,300	9	0.64%				
Tilghman, Granville	Real Estate	4,644,790	10	0.63%				
Morganite, Inc.	Carbon Brushes				27,887,316	1	4.58%	
James P. & Judy Godwin	Real Estate				5,443,520	6	0.89%	
Dunn Shop Center, LTD	Shopping Center				3,764,290	9	0.62%	
Belks of Dunn	Retail Store				3,027,760	10	0.50%	
Totals		\$ 72,055,991		9.75%	\$ 86,334,206		14.18%	
Total Assessed Value		\$ 739,144,334			\$ 608,705,065			

Source: Harnett County Assessor's Office

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

Table 9

Fiscal Year	Tax Levy	Current Tax Collections	Percent of Taxes Collected	Delinquent Tax Collections (1)	Total Tax Collections	Ratio of Total Tax Collections to Total Tax Levy
2005	2,885,089	2,750,585	95.34%	124,151	2,874,736	99.64%
2006	2,857,596	2,774,241	97.08%	73,673	2,847,914	99.66%
2007	3,327,837	3,192,588	95.94%	124,962	3,317,550	99.69%
2008	3,228,085	3,119,085	96.62%	97,725	3,216,810	99.65%
2009	3,151,197	3,029,589	96.14%	106,674	3,136,263	99.53%
2010 (2)	3,581,716	3,449,544	96.31%	90,148	3,539,692	98.83%
2011	3,558,973	3,464,942	97.36%	62,143	3,527,085	99.10%
2012	3,572,022	3,489,428	97.69%	57,255	3,546,683	99.29%
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%

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.

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

Table 10

Fiscal Year	Governmental Activities		Business-Type Activities			Total Primary Government	Debt as a % of Assessed Valuation (4)		Per Capita (5)
	Installment Purchases	GO Bonds	Installment Purchases	Revolving Water and Sewer Loan					
2005	1,861,574 (1)	2,535,000	1,609,434	1,113,926		7,119,934	1.2%		733
2006	1,725,578	2,435,000	1,351,164	974,686		6,486,428	1.0%		661
2007	1,523,959	2,335,000	1,085,897	835,446		5,780,302	0.9%		585
2008	1,534,911	2,230,000	813,375	696,205		5,274,491	0.8%		522
2009	1,410,188	2,125,000	533,334	556,963		4,625,485	0.7%		453
2010	2,483,314 (2)	2,015,000	466,666	417,722		5,382,702	0.7%		519
2011	2,266,181	1,900,000	400,000	4,383,284 (6)		8,949,465	1.2%		966
2012	4,996,968 (3)	1,785,000	3,833,333 (7)	4,274,354		14,889,655	2.0%		1,578
2013	5,580,300 (8)	1,665,000	2,629,196	3,946,603		13,821,099	1.8%		1,466
2014	5,258,337	1,540,000	2,328,449	3,727,347		12,854,133	1.7%		1,346

Notes:

- (1) - Two installment purchase contracts were executed during fiscal year 2005 in the amount of \$1,882,667 for the construction of a recreation center and widening of US 421 .
- (2) - An installment purchase contract was executed during fiscal year 2010 in the amount of \$1,000,000 for street improvements.
- (3) - An installment purchase contract was executed during fiscal year 2012 in the amount of \$2,989,000 for downtown street improvements.
- (4) - Total primary government debt divided by assessed valuation. Assessed valuations can be found in Table 6, page 86.
- (5) - Total Debt divided by population. Population figures from NC State Demographer.
- (6) - 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.
- (7) - 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
- (8) - An installment purchase contract was executed during fiscal year 2013 in the amount of \$975,000 for renovation to Tyler Park

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

Table 11

<u>Fiscal Year</u>	<u>General Obligation Bonds (1)</u>	<u>Percentage of Assessed Property Value</u>	<u>Per Capita (2)</u>
2005	\$ 2,535,000	0.42%	261
2006	2,435,000	0.39%	248
2007	2,335,000	0.36%	236
2008	2,230,000	0.36%	221
2009	2,125,000	0.33%	208
2010	2,015,000	0.27%	194
2011	1,900,000	0.26%	205
2012	1,785,000	0.24%	189
2013	1,665,000	0.22%	177
2014	1,540,000	0.21%	161

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, 2014

Table 12

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable To Town (1)	Estimated Share of Overlapping Debt
Harnett County Debt Outstanding	\$ 137,149,779	10.08%	\$ 13,824,698
Subtotal, overlapping debt			13,824,698
City of Dunn direct debt			<u>5,258,337</u> (2)
Total direct and overlapping debt			<u><u>\$ 19,083,035</u></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.

City of Dunn
Legal Debt Margin Information
Last Ten Fiscal Years

Table 13

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Debt limit	\$ 48,696,405	\$ 49,716,334	\$ 51,365,067	\$ 50,009,242	\$ 52,112,959	59,695,265	59,315,766	59,533,701	\$ 59,843,206	\$ 59,131,547
Total net debt applicable to limit	1,861,574	1,725,578	1,523,959	1,534,911	1,410,188	2,483,314	7,049,465	13,104,655	12,156,099	11,314,133
Legal debt margin	\$ 46,834,831	\$ 47,990,756	\$ 49,841,108	\$ 48,474,331	\$ 50,702,771	\$ 57,211,951	\$ 52,266,301	\$ 46,429,046	\$ 47,687,107	\$ 47,817,414
Total net debt applicable to the limit as a percentage of debt limit	3.82%	3.47%	2.97%	3.07%	2.71%	4.16%	11.88%	22.01%	20.31%	19.13%
Legal Debt Margin Calculation for Fiscal Year 2014 (1)										
Assessed Value	\$ 739,144,334									
Debt Limit (8% of total assessed value)	59,131,547									
Debt applicable to limit:										
General obligation bonds	1,540,000									
Non bonded debt	11,314,133									
Less: Statute exclusion for Water bonds	(1,540,000)									
Total net debt applicable to limit	11,314,133									
Legal Debt Margin	\$ 47,817,414									

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

Table 14

Fiscal Year	Population⁽²⁾	Personal Income⁽²⁾	Per Capita Income⁽²⁾	Median Age⁽²⁾	School Enrollment⁽²⁾	Unemployment Rate⁽²⁾
2005	101,737	2,530,097,453	24,869	33.42	17,892	5.6%
2006	103,884	3,348,596,856	32,234	33.58	18,274	5.2%
2007	106,283	2,170,298,860	20,420	34	18,876	5.1%
2008	110,098	2,231,025,872	20,264	35	18,968	6.6%
2009	112,030	2,253,268,992	19,968	35	18,518	11.8%
2010	115,761	2,210,303,772	28,015	35	18,764	10.7%
2011	114,678	2,147,345,550	18,725	34	19,011	11.8%
2012	121,417	2,254,013,124	18,884	34	19,378	11.2%
2013	122,355	n/a	18,884	34	19,868	10.5%
2014	123,316	n/a	19,226	34	19,847	7.4%

Notes:

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

(2) - Information used from Harnett County

**City of Dunn
Principal Employers
Current Year and Six Years Ago**

Table 15

Employer	2014 (1)		2009	
	Employees	Rank	Employees	Rank
Harnett County Schools	1,000+	1	1,000+	1
Food Lion	1,000+	2	1,000+	2
Betsy Johnson Hospital	500-999	3	500-999	3
Carlie C's Operation Center Inc	250-499	4	250-499	5
Wal-Mart	250-499	5	250-499	4
KTL McDonalds LLC	100-249	6	100-249	7
Family Medical Supply, Inc.	100-249	7	100-249	10
Tri-Arc Food Systems Inc.	100-249	8	-	-
City of Dunn	100-249	9	100-249	8
Affinity Health Services Inc	100-249	10	100-249	6
Basic Home Health Care Inc.	-	-	100-249	9

(1) - Data available from NC Department of Commerce.

City of Dunn
Full-time Equivalent Town Government Employees by Function
Last Six Fiscal Years (1)

Table 16

Function	Full-time Equivalent Employees as of June 30, 2014					
	2009 (1)	2010	2011	2012	2013	2014
General Government						
Administration	3	3	3	5	5	6
Finance	4	4	4	3	3	3
Economic & Physical Development						
Planning	2	2	2	1	1	1
Inspections	3	3	3	3	3	3
Public Safety						
Law Enforcement						
Officers	41	41	41	36	36	36
Civilians	12	11	11	16	16	16
Public Works						
Streets	18	18	18	17	16	17
Solid Waste	2	2	2	2	2	2
Fleet Maintenance	2	2	2	2	2	1
Parks & Recreation	11	11	11	10	10	10
Library	3	3	3	3	3	4
Public Utilities-Water/Sewer						
Finance	5	5	5	5	5	5
Distribution	8	8	8	8	8	8
Water Treatment	8	8	8	8	8	8
WasteWater Treatment	10	10	10	9	9	9
Total	132	131	131	128	127	129

Notes:

(1) - Only six years presented due to sixth year of CAFR presentation

City of Dunn
Operating Indicators by Function
Last Six Years ⁽¹⁾

Table 17

Function:	2009 ⁽¹⁾	2010	2011	2012	2013	2014
Public Safety						
Arrests	1,795	1,599	1,502	1,524	2,460	3,299
Traffic violations	3,614	3,565	4,343	4,072	4,423	3,613
Highways and streets		7	-	-	-	1
Street resurfacing (miles)		600	525	670	700	615
Potholes repaired		1,000	625	225	300	7,500
Sidewalk repaired (linear ft.)		2,000	2,000	2,000	2,000	2,000
Street sweeping (miles)						
Inspections						
Building permits issued	275	281	437	322	398	380
Sanitation						
Residential waste collected (tons/year)	3,450	3,331	2,911	2,819	2,799	2,742
Yard waste collected (tons/year)	1,686	3,590	3,487	3,293	3,140	2,637
Trash pick-up fee	12	12	15	15	15	16
Library						
Admissions	88,900	104,500	93,595	88,086	83,837	76,119
Volumes in Collection	25,000	33,300	37,430	38,154	41,157	41,913
Culture and recreation						
Senior Center Participants	250	300	355	370	375	350
Youth participation:						
Fall sports	371	385	317	310	330	359
Winter sports	162	216	204	308	224	213
Spring Sports	529	572	461	474	526	510
Water						
Utility customers	4,620	4,625	4,618	4,622	4,625	4,628
Average utility bill	46	47	48	48	48	48
New Customer Connections	19	14	12	16	7	10
Sanitary Sewer Overflows (SSO)	11	13	5	3	5	6
Average daily consumption (MGD)	4	3	3	3	3	3
Wastewater						
Average daily sewage treatment (MGD)	2	3	2	2	2	2

Notes:

(1) - Only Six years presented due to sixth year of CAFR presentation

City of Dunn
Capital Asset Statistics by Function
Last Six Fiscal Years

Table 18

Function	2009 (1)	2010	2011	2012	2013	2014
Public safety						
Police stations	1	1	1	1	1	1
Police patrol units	4	4	4	4	4	4
Police vehicles	33	33	33	33	47	43
911 Centers	1	1	1	1	1	1
Sanitation						
Collection trucks	2	2	2	2	2	2
Highways and streets						
Streets (miles)	65	65	65	65	65	65
Traffic signals	5	5	5	5	5	5
Culture and recreation						
Parks acreage	32	32	32	32	32	32
Parks	3	3	3	3	3	3
Baseball fields	7	7	7	7	7	7
Pools	1	1	1	1	1	1
Tennis courts	5	5	5	5	5	5
Community centers	2	2	2	2	2	2
Water						
Water mains (feet)	454,080	454,080	454,080	454,080	454,080	454,080
Maximum daily capacity						
(millions of gallons per day)	6.0	6.0	6.0	6.0	6.0	6.0
Sewer						
Sewer Lines (feet)	396,000	396,000	396,000	396,000	396,000	396,000
Max daily treatment capacity						
(millions of gallons per day)	3.75	3.75	3.75	3.75	3.75	3.75

Notes:

(1) - Only six years presented due to sixth year of CAFR presentation



City of Dunn

North Carolina

COMPLIANCE SECTION



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

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PEARSON, PA**

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To the Honorable Mayor and Members of the City Council
City of Dunn
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 the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Dunn, North Carolina, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City of Dunn's basic financial statements, and have issued our report thereon dated October 28, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Dunn's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Dunn's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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 may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings an questioned costs that we consider to be significant deficiencies. 2014-001 and 2014-002

Compliance and Other Matters

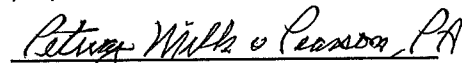
As part of obtaining reasonable assurance about whether the City of Dunn's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2014-001 and 2014-002.

City of Dunn's Response to Findings

The City of Dunn's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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



PETWAY MILLS & PEARSON, PA

Certified Public Accountants

Zebulon, North Carolina

October 28, 2014

Independent Auditors' Report on Compliance for Each Major Federal Program and on Internal Control over Compliance in Accordance with OMB Circular A-133 and the State Single Audit Implementation Act

**PETWAY
MILLS &
PEARSON, PA**

CERTIFIED PUBLIC ACCOUNTANTS

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

Report on Compliance for Each Major Federal Program

We have audited the City of Dunn's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on the City of Dunn's major federal program for the year ended June 30, 2014. The City of Dunn's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the City of Dunn's major federal program based on our audit of the types of compliance requirements referred to above. 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Dunn's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the City of Dunn's compliance.

Memberships:

North Carolina
Association of
Certified Public
Accountants

American Institute
of Certified Public
Accountants

Medical Group
Management
Association

Opinion on Each Major Federal Program

In our opinion, the City of Dunn complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2014.

Report on Internal Control Over Compliance

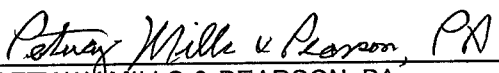
Management of the City of Dunn is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Dunn's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with

OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's 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 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.


PETWAYMILLS & PEARSON, PA
Certified Public Accountants
Zebulon, North Carolina

October 28, 2014

CITY OF DUNN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014

SECTION I. - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?	_____ yes	<u> X </u> no
Significant deficiency(ies) identified that are not considered to be material weaknesses?	<u> X </u> yes	_____ none reported
Noncompliance material to financial statements noted	_____ yes	<u> X </u> no

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified?	_____ yes	<u> X </u> no
Significant deficiency(ies) identified that are not considered to be material weaknesses?	_____ yes	<u> X </u> none reported

Type of auditors' report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133?

_____ yes X no

Identification of major federal programs:

Program Name

CFDA #

United States Department of Agriculture
Community Facilities Loans and Grants

10.766

Dollar threshold used to distinguish
between Type A and Type B Programs

\$300,000

Auditee qualified as low-risk auditee?

_____ yes X no

CITY OF DUNN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014

SECTION II. - FINANCIAL STATEMENT FINDINGS

SIGNIFICANT DEFICIENCY

Finding 2014-001

Criteria: North Carolina General Statutes require each fund to maintain a positive fund balance.

Condition: The Tyler Park Renovations Capital Project Fund and the Downtown Revitalization Capital Project Fund have deficit fund balances at June 30, 2014.

Effect: The City did not comply with North Carolina General Statutes.

Cause: Contributions for the Tyler Park Capital Project were recorded in the General Fund, and the City settled a legal matter related to the Downtown Capital Project Fund subsequent to year end and an accrual of the settlement was necessary.

Questioned costs: None.

Recommendation: We recommend contributions for the project be recorded in the Capital Project Fund or transferred from the General Fund. We recommend that management assess all contingencies at year end to determine if accruals should be made.

Views/planned corrective actions: The City will transfer project contributions to the Capital Project Fund from the General Fund. The City will assess contingencies at year end to determine if accruals should be made.

SIGNIFICANT DEFICIENCY

Finding 2014-002

Criteria: North Carolina General Statutes require all moneys expended by a local government to be included in the budget.

Condition: The City's General Fund expenditures exceeded authorized appropriations made by the governing board for environmental protection by \$870 and for capital outlay by \$25,152.

Effect: The City did not comply with North Carolina General Statutes.

Cause: The finance director position was vacant at year end and budget amendments were not made to cover these overages.

Questioned costs: None.

Recommendation: We recommend that the City review budget to actual reports regularly to ensure that all expenditures are accounted for in the budget.

Views/planned corrective actions: The finance director position was filled just after year end. The City will review budget to actual reports regularly to ensure that all expenditures are accounted for in the budget.

SECTION III. - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None Reported.

CITY OF DUNN
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2014

SECTION II. - FINANCIAL STATEMENT FINDINGS

SIGNIFICANT DEFICIENCY

Finding 2014-001

Contact Person: Drew Holland, Finance Director

Corrective Action: The City will transfer project contributions to the Capital Project Fund from the General Fund. The City will assess contingencies at year end to determine if accruals should be made.

SIGNIFICANT DEFICIENCY

Finding 2014-002

Contact Person: Drew Holland, Finance Director

Corrective Action: The finance director position was filled just after year end. The City will review budget to actual reports regularly to ensure that all expenditures are accounted for in the budget.

SECTION III. - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None Required.

CITY OF DUNN
SUMMARY SCHEDULE OF PRIOR YEARS' AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2014

SECTION II. - FINANCIAL STATEMENT FINDINGS

There were no prior year financial statement audit findings.

SECTION III. - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no prior year audit findings related to Federal Awards.

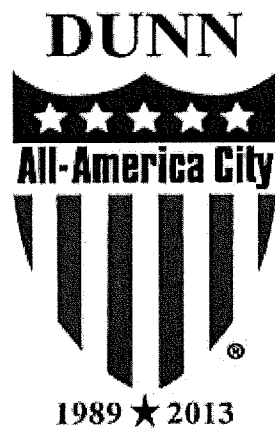
**CITY OF DUNN, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2014**

Grantor/Pass-through/ Grantor-Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Federal Expenditures	State Expenditures
FEDERAL AWARDS				
US Department of Justice				
Passed through National Police Athletic League, Inc.				
National PAL Recovery Act Mentoring sub grant	16.808	2013-JU-FX-0024	\$ 4,578	\$ -
US Department of Education				
Passed through NC Department of Public Instruction				
21st Century Community Learning Centers	84.287	B85	113,209	-
US Department of Health and Human Services				
Division of Aging and Adult Services:				
Passed through Mid Carolina Council of Government				
Senior Center Operations and Outreach	93.044	16-701, 20-701	11,837	-
US Department of Agriculture				
Rural Development				
Community Facilities Loans and Grants - Police Vehicles	10.766		160,000	-
Community Facilities Loans and Grants - Downtown Revitalization	10.766		140,807	-
US Department of Housing and Urban Development				
Community Development Block Grant - Economic Development	14.218		76,163	-
US Department of Transportation				
Enhancement Programs: Safe, Accountable, Flexible, Efficient	20.205-2		72,489	18,122
US Department of Transportation				
ACA-PPHF Community Transformation Grant (CTG) - Bike Plan	93.531		5,352	-
TOTAL FEDERAL AWARDS			<u>584,435</u>	<u>18,122</u>
STATE AWARDS				
Rural Economic Development Center, Inc.				
John A. McKay House		2012-211-60501-104	-	1,335
Harnett Health		2012-273-60701-107	-	79,999
NC Dept. of Transportation				
Powell Bill		DOT-4	-	352,181
Highway Construction Program		DOT-18	-	25,000
TOTAL STATE AWARDS			<u>-</u>	<u>458,515</u>
TOTAL FEDERAL AND STATE ASSISTANCE			<u>\$ 584,435</u>	<u>\$ 476,637</u>

Notes to the Schedule of Expenditures of Federal and State Financial Awards

Basis of Presentation

The accompanying schedule of expenditures of federal and State awards includes the federal and State grant activity of the City and is presented on the modified accrual basis of accounting. The information presented in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the State Single Audit Implementation Act. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.



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