



where community matters

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2017

Prepared by City of Dunn Finance Department

**CITY OF DUNN
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
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INTRODUCTORY SECTION



FINANCE DEPARTMENT
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Mayor
Oscar N. Harris

Mayor Pro Tem
Billy Barfield

Council Members
Buddy Maness
Dr. Gwen McNeill
Frank McLean
Billy Tart
Chuck Turnage

City Manager
Steven Neuschafer

October 30, 2017

To the 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 ending June 30, 2017 has been submitted by the City's Finance Department. It is the comprehensive publication of the City's financial position at June 30, 2017, and the results of operations for the fiscal year. 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 ending June 30, 2017 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 fairly represents the financial position and the results of operations of the City's funds over the last fiscal year.

GAAP requires management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City of Dunn's MD&A can be found immediately following the report of the independent auditors.

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 9,647.

The City of Dunn is operating under the council-manager form of government. Policy-making and legislative authority are vested in a governing council consisting of the mayor and six council members. The governing council is responsible for, among other things, passing ordinances, adopting the budget, appointing committees, and hiring both the government's manager and attorney. The government's manager is responsible for carrying out the policies and ordinances of the governing council, for overseeing the day-to-day operations of the government and for appointing the heads of the various departments. The council is elected from wards on a non-partisan basis. Council members serve four-year concurrent terms. The mayor is elected at large on a non-partisan basis for a four-year term.

The City of Dunn provides a range of services, including police protection, solid waste and recycling services, the construction and maintenance of streets, curbs, gutters, sidewalks, storm water, water and sewer services, and recreational activities. The City of Dunn 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.

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 impact on the local economy. Dunn is located on the I-95 corridor. In the immediate area there are 12 hotels which offer over 700 rooms. In fiscal year 2017, hotel receipts were over \$19,000,000 in the Dunn area.

Rooms-to-Go opened a retail store and distribution facility inside the City's corporate limits in October 2015. This facility created 220 new jobs and will add in excess of \$58,000,000 to the City's tax base.

Long-term Financial Planning

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

The City has approved a \$1,175,000 renovation to Tart Park. The City was awarded a grant in the amount of \$350,000 from the State of North Carolina. The City will finance the remaining \$825,000 over a twenty year period.

The City also has approved a \$3,000,000 project to replace the aeration system at the waste water treatment plant. The City has applied for a grant/loan combination with the State of NC to finance the project.

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 borrowing. 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.

Financial Information

Budget Control: The annual budget serves as the foundation for the City of Dunn's financial planning and control. All departments of the City of Dunn are required to submit requests for appropriation to the government's manager on or before April 30th each year. The government's manager uses these requests as the starting point for developing a proposed budget. The government's manager then presents this proposed budget to the council for review prior to June 1. The council is required to hold public hearings on the proposed budget and to adopt a final budget no later than June 30, the close of the City of Dunn's fiscal year. The appropriated budget is prepared by fund, function (e.g., public safety), and department, (e.g., police).

Internal Control: To provide a reasonable basis for making these representations, management of the City of Dunn has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of Dunn's financial statements in conformity with GAAP. Because the cost of internal

controls should not outweigh their benefits, the City of Dunn's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

Other Information:

Independent Audit: The General Statutes of North Carolina require an annual independent financial audit of all local government units in the State. The City of Dunn's financial statements have been audited by PETWAY MILLS & PEARSON, P.A. which is a firm of licensed certified public accountants. PM&P 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 certain circumstances. The auditor's report on the basic financial statements, 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 sections.

As a recipient of federal and state assistance programs, the City is responsible for ensuring that adequate internal controls are in place to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is subject to periodic evaluation by management. As a part of the City's single audit, tests are made to determine the adequacy of the internal control structure, including a portion related to federal and state financial assistance programs, as well as to determine the City has complied with applicable laws and regulations. The results of the City's single audit for fiscal year June 30, 2017 provided no instances of material weaknesses in the internal control structure or significant violations of applicable laws and regulations.


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 ending June 30, 2016. This was the 8th consecutive year in which the City has received this recognition. To be awarded the 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 only one year.

Acknowledgements: The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the finance department. The preparation of this report was also made possible by the assistance of PETWAY MILLS & PEARSON, P.A. We would like to express our appreciation to all City departments who assisted and contributed in the preparation of this report. Credit also must be given to the mayor and the governing council for their continued support for maintaining the highest standards of professionalism in the management of the City of Dunn's finances.

Respectfully submitted,



Steven Neuschafer
City Manager



Mark H. Stephens, CPA
Finance Director



Government Finance Officers Association

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

Presented to

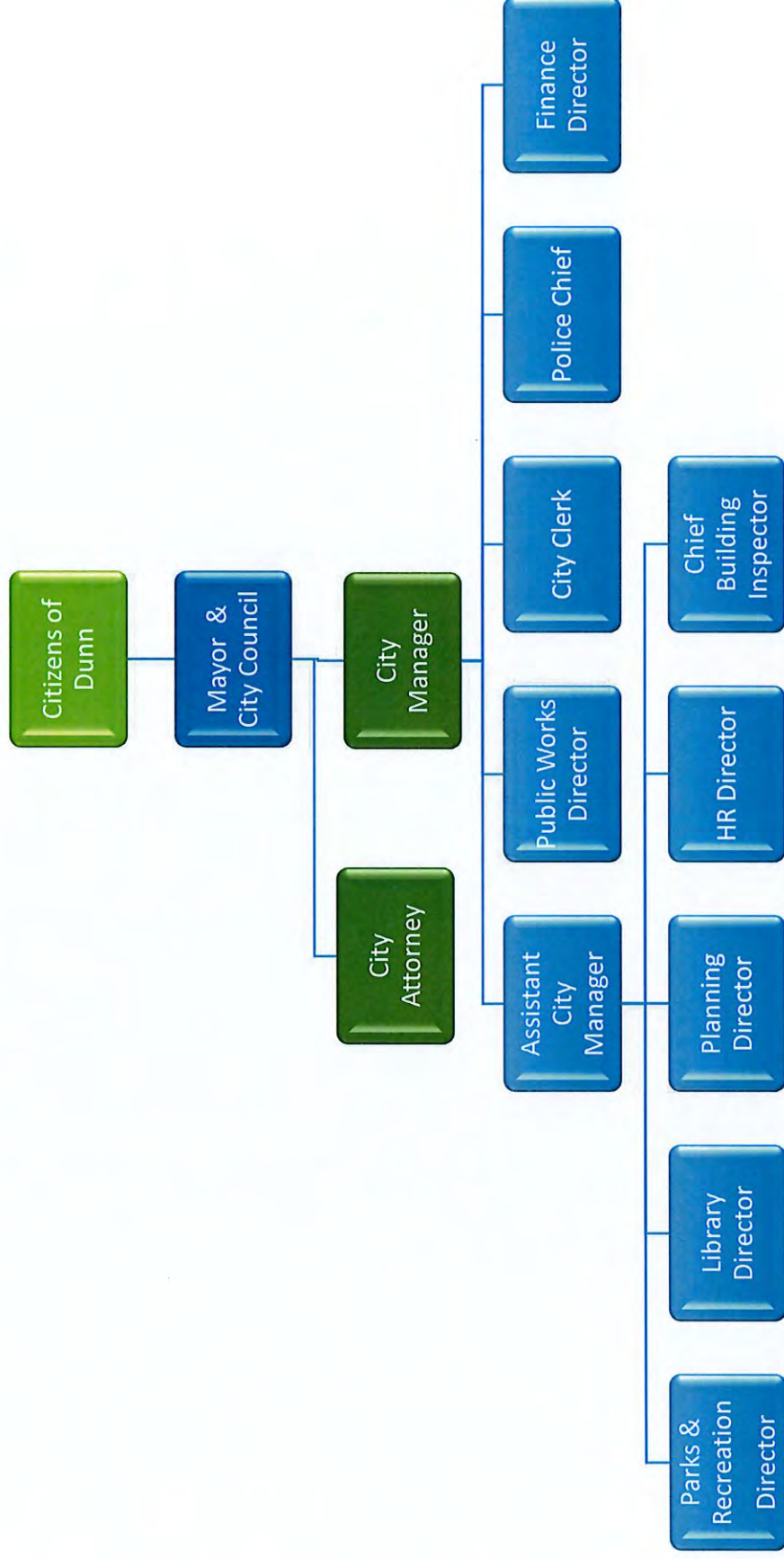
**City of Dunn
North Carolina**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2016

Executive Director/CEO

City of Dunn Organizational Chart



City Council Members

Oscar N. Harris

Mayor

E. Frank Maness III

District 1

Dr. Gwen McNeill

District 2

Frank McLean

District 3

Billy N. Tart

District 4

Charles Turnage

District 5

Billy Barfield

District 6

Appointed Staff

Steven Neuschafer

City Manager

P. Tilghman Pope

City Attorney

FINANCIAL SECTION



Independent Auditor's Report

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

**PETWAY
MILLS &
PEARSON, PA**

CERTIFIED PUBLIC ACCOUNTANTS

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Memberships:

North Carolina
Association of
Certified Public
Accountants

American Institute
of Certified Public
Accountants

Medical Group
Management
Association

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, 2017, 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 1.62%, 2.27% and 13.44%, 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, 2017, 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 on pages 20 through 28, the Law Enforcement Officers' Special Separation Allowance schedules of the Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll, and the Other Postemployment Benefits' Schedules of Funding Progress and Schedules of Employer Contributions on pages 67 through 70, and the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability (Asset) and Contributions on pages 71 and 72, 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 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 24, 2017 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

PETWAY MILLS & PEARSON, PA
Certified Public Accountants
Zebulon, North Carolina

October 24, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

**Management's Discussion and Analysis
City of Dunn, North Carolina**

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, 2017. 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

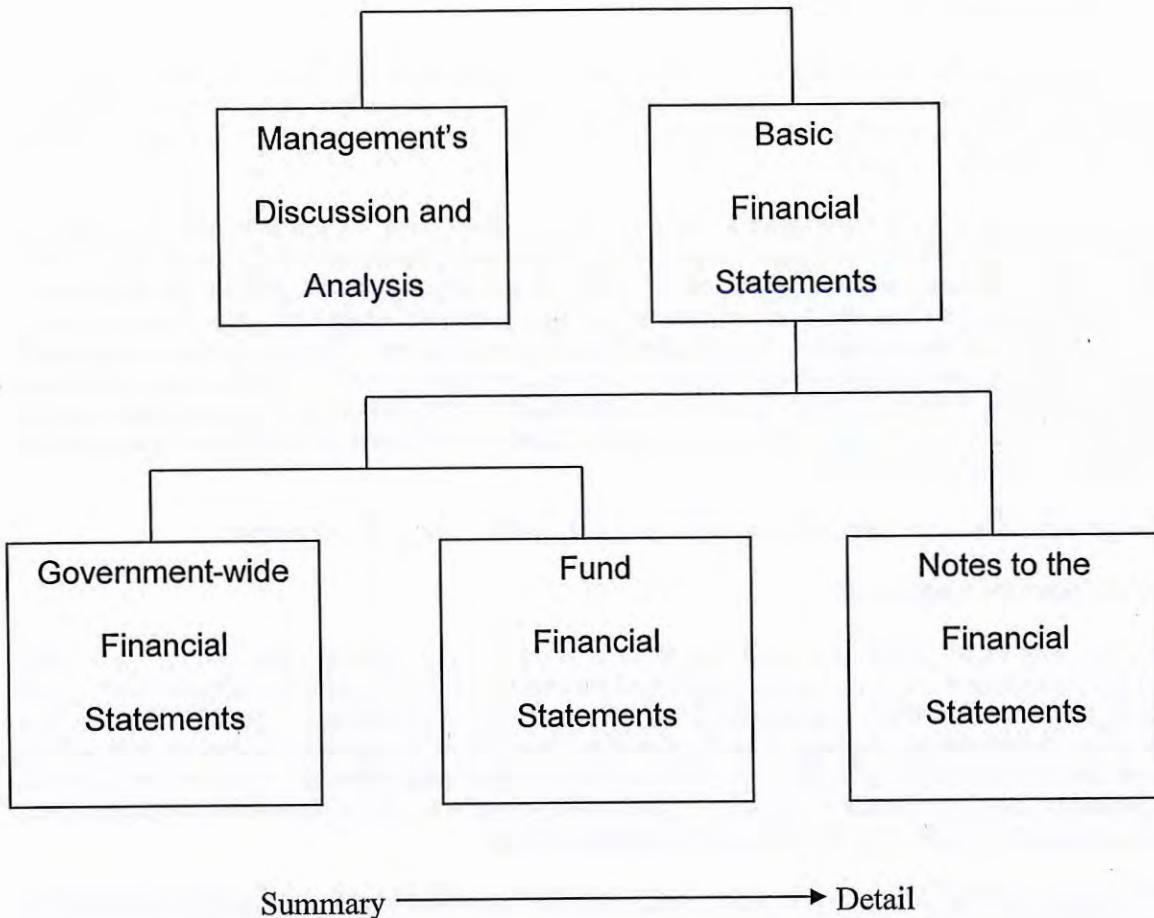
- The assets and deferred outflows of resources of the City of Dunn exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$32,750,380 (net position).
- The government's total net position increased by \$657,142 primarily due to a decrease in general fund expenditures and an increase in property and sales tax.
- As of the close of the current fiscal year, the City of Dunn's governmental funds reported combined ending fund balances of \$4,059,932 an increase of \$199,037 in comparison with the prior year. Approximately 45% of this total amount, or \$1,817,101 is non spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$2,069,164 or 20.52 percent of total General Fund expenditures for the fiscal year.
- The City of Dunn's total debt decreased by \$1,029,334 (7.59%) during the current fiscal year.
- The City of Dunn currently has an A+ bond rating with Standard and Poors, and a rating of A3 with Moody's Investment Service.

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

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **supplemental information** is provided to show details about the City's individual funds. Budgetary information required by the 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 short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the City's programs. The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

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

Management Discussion and Analysis
City of Dunn, North Carolina

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 begin on page 40 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 beginning on page 67-89 of this report.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as one useful indicator of a government's financial condition. The assets of the City of Dunn exceeded liabilities by \$32,750,380 at the close of the most recent fiscal year.

By far the largest portion (81.45%) reflects the City of Dunn'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, 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 (14.99%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of (3.56%) is unrestricted.

The City of Dunn's Net Position

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 7,539,495	\$ 7,362,862	\$ 5,592,003	\$ 5,163,474	\$ 13,131,498	\$ 12,526,336
Capital assets	13,243,782	13,030,213	24,499,902	25,183,483	37,743,684	38,213,696
Total Assets	20,783,277	20,393,075	30,091,905	30,346,957	50,875,182	50,740,032
Deferred outflows of resources	1,032,304	245,607	365,426	86,202	1,397,730	331,809
Long-term liabilities outstanding	11,022,425	9,362,883	6,261,629	6,421,875	17,284,054	15,784,758
Other liabilities	1,100,923	1,171,893	984,859	975,653	2,085,782	2,147,546
	12,123,348	10,534,776	7,246,488	7,397,528	19,369,836	17,932,304
Deferred inflows of resources	130,820	3,286,288	21,724	50,663	152,544	3,336,951
Net position						
Net investment in capital assets	6,436,177	5,763,263	20,201,704	20,535,569	26,637,881	26,298,832
Restricted	4,870,545	1,567,845	30,000	-	4,900,545	1,567,845
Unrestricted	(1,745,461)	(513,490)	2,957,415	2,449,399	1,211,954	1,935,909
Total net position	\$ 9,561,261	\$ 6,817,618	\$ 23,189,119	\$ 22,984,968	\$ 32,750,380	\$ 29,802,586

Management Discussion and Analysis
City of Dunn, North Carolina

City of Dunn Changes in Net Position
Figure 3

	Governmental Activities 2017	Governmental Activities 2016	Business Type Activities 2017	Business Type Activities 2016	Total 2017	Total 2016
Revenues:						
Program revenues:						
Charges for services	\$ 1,442,569	\$ 1,432,258	\$ 4,850,817	\$ 4,859,614	\$ 6,293,386	\$ 6,291,872
Operating grants and contributions	764,107	776,902	-	-	764,107	776,902
Capital grants and contributions	54,000	351,848	-	146,153	54,000	498,001
General revenues:						
Property taxes	4,272,245	3,990,356	-	-	4,272,245	3,990,356
Other taxes	2,781,240	2,460,359	-	-	2,781,240	2,460,359
Grants and contributions not restricted to specific programs	144,500	128,800	-	-	144,500	128,800
Other	559,990	625,987	158,470	156,828	718,460	782,815
Total revenues	10,018,651	9,766,510	5,009,287	5,162,595	15,027,938	14,929,105
Expenses:						
General government	2,610,109	1,904,648	-	-	2,610,109	1,904,648
Public safety	3,271,705	3,235,533	-	-	3,271,705	3,235,533
Transportation	1,507,138	1,387,659	-	-	1,507,138	1,387,659
Environmental protection	823,681	659,849	-	-	823,681	659,849
Culture and recreation	1,133,907	978,131	-	-	1,133,907	978,131
Interest on long-term debt	219,120	247,360	-	-	219,120	247,360
Stormwater	-	-	58,192	27,517	58,192	27,517
Water and sewer	-	-	4,746,944	4,830,250	4,746,944	4,830,250
Total expenses	9,565,660	8,413,180	4,805,136	4,857,767	14,370,796	13,270,947
Change in net position before transfers	452,991	1,353,330	204,151	304,828	657,142	1,658,158
Change in net position	452,991	1,353,330	204,151	304,828	657,142	1,658,158
Net position, July 1	6,817,618	5,464,288	22,984,968	22,680,140	29,802,586	28,144,428
Restatement/change in accounting principle	2,290,652	-	-	-	2,290,652	-
Net position, beginning, restated	9,108,270	5,464,288	22,984,968	22,680,140	32,093,238	28,144,428
Net position, June 30	\$ 9,561,261	\$ 6,817,618	\$ 23,189,119	\$ 22,984,968	\$ 32,750,380	\$ 29,802,586

Management Discussion and Analysis
City of Dunn, North Carolina

Governmental activities: Governmental activities increased the City's net position by \$452,991. Key elements of this increase are as follows:

- Increase in property and sales taxes
- No increase in expenditures

Business-type activities: Business-type activities increased the City of Dunn's net position by \$204,151. Key elements of this increase are as follows:

- Decrease in Expenditures

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, City of Dunn's fund balance available in the General Fund was \$2,069,164 while total fund balance reached \$3,984,265. The City currently has an available fund balance of 20.52% of General Fund expenditures, while total fund balance represents 39.52%.

At June 30, 2017, the governmental funds of the City of Dunn reported a combined fund balance of \$4,059,932.

General Fund Budgetary Highlights - During the fiscal year, the City of Dunn 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 increase in grant receipts.

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 \$2,882,223. The Water and Sewer fund experienced an increase in net position of \$183,390. Factors concerning the finances of this fund have already been addressed in the discussion of the City's business-type activities. Unrestricted net position of the Stormwater Fund amounted to \$75,192.

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, 2017, totals \$37,743,684 (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):

- Purchase of a new police cars

Management Discussion and Analysis
 City of Dunn, North Carolina

- Purchase of Public Works Equipment
- Renovations to City Hall
- No significant Retirements, dispositions, or demolitions were recorded this year

City of Dunn's Capital Assets

Figure 4

(net of depreciation)

	Governmental		Business-type		Total	
	Activities	Activities	Activities	Activities	2017	2016
	2017	2016	2017	2016		
Land	\$ 1,624,003	\$ 1,624,003	\$ 181,746	\$ 181,746	\$ 1,805,749	\$ 1,805,749
Buildings and system	4,206,826	1,072,035	23,936,179	24,544,385	28,143,005	25,616,420
Improvements other than buildings	6,323,126	6,515,564	-	-	6,323,126	6,515,564
Equipment	352,898	176,099	287,071	341,221	639,969	517,320
Other	8,048	8,048	72,450	82,452	80,498	90,500
Vehicles and motorized equipment	690,920	521,237	22,456	33,679	713,376	554,916
Construction in progress	37,961	3,113,227	-	-	37,961	3,113,227
Total	\$ 13,243,782	\$ 13,030,213	\$ 24,499,902	\$ 25,183,483	\$ 37,743,684	\$ 38,213,696

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

Long-term Debt - As of June 30, 2017, the City of Dunn had total bonded debt outstanding of \$1,180,000. This amount is backed by the full faith, credit, and taxing power of the City of Dunn. Additionally, the City had \$8,246,582 outstanding for installment purchase debt and \$3,069,579 outstanding on water and sewer revolving loans, and \$33,103 outstanding on capital leases.

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

Figure 5

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Capital Leases	\$ 1,229	\$ 9,368	\$ 31,874	\$ 50,970	\$ 33,103	\$ 60,338
General obligation bonds	-	-	1,180,000	1,275,000	1,180,000	1,275,000
Installment purchases	6,901,189	7,324,590	1,345,393	1,609,835	8,246,582	8,934,425
Water and Sewer revolving loans	-	-	3,069,579	3,288,835	3,069,579	3,288,835
Total	\$ 6,902,418	\$ 7,333,958	\$ 5,626,846	\$ 6,224,640	\$ 12,529,264	\$ 13,558,598

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the City of Dunn is \$54,985,722. The City has no bonds authorized but un-issued at June 30, 2017.

Additional information regarding the City of Dunn's long-term debt can be found on pages 59-63 of this report.

Economic Factors and Next Year's Budgets and Rates

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

- Inflationary trends in the region compare favorably to national indices.
- The long-term economic forecast for the City of Dunn continues to look stable; commercial and industrial entities continue to adjust to national trends.
- Unemployment rate in Harnett County/Dunn at April 30, 2017 was 4.8%
- A new housing subdivision was approved for 36 units.
- Downtown District continues to experience growth with new business openings and the hiring of Downtown Development Coordinator.

Budget Highlights for the Fiscal Year Ending June 30, 2018

Governmental Activities: The tax rate remained at 50 cent per 100. Sales Tax Distribution were projected to increase by 15.00% due to the new distribution method passed by the NC General Assembly. Fund Balance was not appropriated to balance the budget. Health insurance premiums decrease 26.55% due to changing to the State Health Plan. Police cars and public works equipment were budgeted as capital outlay and funded through loans with USDA-Rural Development. \$400,000 was budgeted to start a yearly street resurfacing plan.

Business Activities: A 10% rate increase was approved for sewer rates. Health insurance decrease by 26.55% due to switching to the State Health Plan. Several small capital outlay items were budgeted.

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 Mark H. Stephens, CPA, Finance Director, City of Dunn, and 401 East Broad Street, Dunn, NC, 28334.

BASIC FINANCIAL STATEMENTS

	2019	2018	2017	2016
ASSETS				
Current assets				
Cash and cash equivalents	1,234,567	1,123,456	1,012,345	901,234
Accounts receivable	2,345,678	2,234,567	2,123,456	2,012,345
Inventory	3,456,789	3,345,678	3,234,567	3,123,456
Prepaid expenses	456,789	445,678	434,567	423,456
Other current assets	567,890	556,789	545,678	534,567
Non-current assets				
Property, plant, and equipment	10,123,456	10,234,567	10,345,678	10,456,789
Intangible assets	1,234,567	1,345,678	1,456,789	1,567,890
Other non-current assets	234,567	245,678	256,789	267,890
LIABILITIES AND EQUITY				
Current liabilities				
Accounts payable	1,234,567	1,345,678	1,456,789	1,567,890
Short-term debt	2,345,678	2,456,789	2,567,890	2,678,901
Other current liabilities	345,678	356,789	367,890	378,901
Non-current liabilities				
Long-term debt	4,567,890	4,678,901	4,789,012	4,890,123
Other non-current liabilities	567,890	578,901	589,012	590,123
Equity				
Common stock	10,000,000	10,000,000	10,000,000	10,000,000
Retained earnings	1,234,567	1,123,456	1,012,345	901,234
Other equity	234,567	245,678	256,789	267,890

City of Dunn
Statement of Net Position
June 30, 2017

	Primary Government			City of Dunn ABC Board
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 192,725	\$ 2,447,547	\$ 2,640,272	\$ 264,433
Restricted cash and investments	512,253	138,572	650,825	-
Investments	2,444,806	-	2,444,806	-
Taxes receivables (net)	88,472	-	88,472	-
Accounts receivable (net)	503,609	722,643	1,226,252	427
Due from other governments	651,074	-	651,074	-
Prepaid items	17,269	-	17,269	-
Current portion of note receivable	-	106,722	106,722	-
Inventories	29,287	101,970	131,257	203,104
Total current assets	4,439,495	3,517,454	7,956,949	467,964
Non-current assets:				
Note receivable	3,100,000	2,074,549	5,174,549	-
Capital assets (Note 4):				
Land, non-depreciable improvements, and construction in progress	1,661,964	181,746	1,843,710	-
Other capital assets, net of depreciation	11,581,818	24,318,156	35,899,974	347,395
Total capital assets	13,243,782	24,499,902	37,743,684	347,395
Total non-current assets	16,343,782	26,574,451	42,918,233	347,395
Total assets	20,783,277	30,091,905	50,875,182	815,359
DEFERRED OUTFLOWS OF RESOURCES				
Contributions to pension plan in current year	262,420	90,997	353,417	9,698
Pension deferrals	769,884	274,429	1,044,313	23,207
Total deferred outflows of resources	1,032,304	365,426	1,397,730	32,905
LIABILITIES				
Current liabilities:				
Accounts payable	289,179	120,857	410,036	61,363
Accrued interest	175,684	30,032	205,716	-
Customer deposits	-	138,572	138,572	-
Due within one year	636,060	695,398	1,331,458	-
Total current liabilities	1,100,923	984,859	2,085,782	61,363
Long-term liabilities:				
Net Pension liability	1,147,066	431,951	1,579,017	25,680
Total pension liability	1,031,368	-	1,031,368	-
Due in more than one year	8,843,991	5,829,678	14,673,669	-
Total liabilities	12,123,348	7,246,488	19,369,836	87,043
DEFERRED INFLOWS OF RESOURCES				
Prepaid Taxes	152	-	152	-
Pension deferrals	130,820	21,724	152,544	900
Total deferred inflows of resources	130,972	21,724	152,696	900
NET POSITION				
Net investment in capital assets	6,436,177	20,201,704	26,637,881	347,395
Restricted for:				
Public safety	153,846	-	153,846	-
Transportation	270,962	-	270,962	-
Stabilization by State Statute	1,250,924	-	1,250,924	-
USDA loan reserves	94,813	-	94,813	-
Harnett Training School	3,100,000	-	3,100,000	-
Other restrictions	-	30,000	30,000	-
Working capital	-	-	-	69,198
Unrestricted	(1,745,461)	2,957,415	1,211,954	343,728
Total net position	\$ 9,561,261	\$ 23,189,119	\$ 32,750,380	\$ 760,321

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, 2017**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			City of Dunn ABC Board
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
Primary government:								
Governmental Activities:								
General government	\$ 2,610,109	\$ 414,489	\$ 25,000	\$ -	\$ (2,170,620)	\$ -	\$ (2,170,620)	\$ -
Public safety	3,271,705	95,082	108,370	25,000	(3,043,253)	-	(3,043,253)	-
Transportation	1,507,138	36,373	420,960	29,000	(1,020,805)	-	(1,020,805)	-
Environmental protection	823,681	818,216	184,134	-	178,669	-	178,669	-
Culture and recreation	893,959	78,409	25,643	-	(789,907)	-	(789,907)	-
Library	239,948	-	-	-	(239,948)	-	(239,948)	-
Interest on long-term debt	219,120	-	-	-	(219,120)	-	(219,120)	-
Total governmental activities	9,565,660	1,442,569	764,107	54,000	(7,304,984)	-	(7,304,984)	-
Business-type activities:								
Water and sewer	4,746,944	4,771,864	-	-	-	24,920	24,920	-
Stormwater	58,192	78,953	-	-	-	20,761	20,761	-
Total business-type activities	4,805,136	4,850,817	-	-	-	45,681	45,681	-
Total primary government	\$ 14,370,796	\$ 6,293,386	\$ 764,107	\$ 54,000	(7,304,984)	45,681	(7,259,303)	-
Component unit:								
ABC Board	\$ 2,318,281	\$ 2,333,467	\$ -	\$ -	-	-	-	15,186
Total component unit	\$ 2,318,281	\$ 2,333,467	\$ -	\$ -	-	-	-	15,186
General revenues:								
Taxes:								
Property taxes, levied for general purpose					4,272,245	-	4,272,245	-
Other taxes and licenses					37,369	-	37,369	-
Local option sales taxes					1,954,070	-	1,954,070	-
Utility sales tax					739,912	-	739,912	-
Beer and wine tax					43,447	-	43,447	-
Solid waste disposal tax					6,442	-	6,442	-
Grants and contributions not restricted to specific programs					144,500	-	144,500	-
Unrestricted investment earnings					7,968	90,967	98,935	132
Special items - sale of assets					6,363	-	6,363	-
Miscellaneous					545,659	67,503	613,162	-
Total general revenues and transfers					7,757,975	158,470	7,916,445	132
Change in net assets					452,991	204,151	657,142	15,318
Net position, beginning, previously reported					6,817,618	22,984,968	29,802,586	745,003
Prior period adjustment					3,100,000	-	3,100,000	-
Change in accounting principle					(809,348)	-	(809,348)	-
Net position, beginning, restated					9,108,270	22,984,968	32,093,238	745,003
Net position, ending					\$ 9,561,261	\$ 23,189,119	\$ 32,750,380	\$ 760,321

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

City of Dunn
Balance Sheets
Governmental Funds
June 30, 2017

	Major Fund		Total Governmental Funds
	General	Total Non-major Funds	
ASSETS			
Cash and cash equivalents	\$ 192,725	\$ -	\$ 192,725
Restricted cash and investments	436,586	75,667	512,253
Investments	2,444,806	-	2,444,806
Receivables, net:			
Taxes	88,472	-	88,472
Accounts	501,850	-	501,850
Due from other governments	651,074	-	651,074
Prepaid Items	17,269	-	17,269
Inventories	29,287	-	29,287
Total assets	<u>\$ 4,362,069</u>	<u>\$ 75,667</u>	<u>\$ 4,437,736</u>
LIABILITIES			
Liabilities:			
Accounts payable and accrued liabilities	\$ 289,180	\$ -	\$ 289,180
Total liabilities	<u>289,180</u>	<u>-</u>	<u>289,180</u>
DEFERRED INFLOWS OF RESOURCES			
Property taxes receivable	88,472	-	88,472
Prepaid Taxes	152	-	152
Total deferred inflows of resources	<u>88,624</u>	<u>-</u>	<u>88,624</u>
FUND BALANCES			
Non Spendable			
Inventories	29,287	-	29,287
Prepays	17,269	-	17,269
Restricted			
Stabilization by State Statute	1,250,924	-	1,250,924
Transportation	270,962	-	270,962
Public Safety	153,846	-	153,846
USDA Loan Reserves	94,813	-	94,813
Assigned			
Cultural and Recreation	-	75,667	75,667
Subsequent year's expenditures	98,000	-	98,000
Unassigned	2,069,164	-	2,069,164
Total fund balances	<u>3,984,265</u>	<u>75,667</u>	<u>4,059,932</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 4,362,069</u>	<u>\$ 75,667</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.	13,243,782
Other long-term assets	3,100,000
Other long-term (accrued interest receivable from taxes) are not available to pay for current-period expenditures and therefore are inflows resources in the funds.	1,759
Deferred outflows of resources related to pensions are reported in funds	1,032,304
Earned revenues considered deferred inflows of resources in fund statements	88,472
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds	(9,480,051)
Net pension liability	(1,147,066)
Total pension liability	(1,031,368)
Deferred inflows of resources related to pensions are not reported in the funds	(130,820)
Other long-term liabilities (accrued interest are not due and payable in the current period and therefore are not reported in the funds)	(175,684)
Rounding	1
Net position of governmental activities	<u>\$ 9,561,261</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, 2017

	Major Funds		Total Governmental Funds
	General Fund	Total Non-Major Funds	
REVENUES			
Ad valorem taxes	\$ 4,284,741	\$ -	\$ 4,284,741
Other taxes and licenses	37,369	-	37,369
Unrestricted intergovernmental	2,868,871	-	2,868,871
Restricted intergovernmental	920,038	-	920,038
Permits and fees	200,541	-	200,541
Sales and services	1,112,743	-	1,112,743
Investment earnings	7,968	-	7,968
Other	592,511	-	592,511
Total revenues	10,024,782	-	10,024,782
EXPENDITURES			
Current:			
General government	2,146,402	19,556	2,165,958
Public safety	3,055,693	-	3,055,693
Transportation	1,341,992	-	1,341,992
Environmental protection	799,224	-	799,224
Culture and recreation	683,268	-	683,268
Library	227,154	-	227,154
Debt service:			
Principal	865,540	-	865,540
Interest and other charges	234,114	-	234,114
Capital outlay	727,922	166,549	894,471
Total expenditures	10,081,309	186,105	10,267,414
Excess (deficiency) of revenues over expenditures	(56,527)	(186,105)	(242,632)
OTHER FINANCING SOURCES (USES)			
Transfers from other funds	-	75,000	75,000
Transfers to other funds	(75,000)	-	(75,000)
Sales of capital assets	7,669	-	7,669
Installment purchase obligations issued	434,000	-	434,000
Total other financing sources (uses)	366,669	75,000	441,669
Net change in fund balance	310,142	(111,105)	199,037
Fund balances, beginning	3,671,268	186,772	3,858,040
Change in reserve for inventories	2,855	-	2,855
Fund balances, ending	\$ 3,984,265	\$ 75,667	\$ 4,059,932

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, 2017

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

Net changes in fund balances - total governmental funds	\$	199,037	
Change in fund balance due to change in reserve for inventory		2,855	
<p>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</p>			
Capital outlay expenditures which were capitalized	894,471		
Depreciation expense for governmental assets	(679,597)		
Loss on disposal of fixed asset	<u>(1,305)</u>		
			213,569
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities			262,420
Benefit payments paid and administrative expense for the LEOSSA are not included on the Statement of Activities			27,910
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			(12,496)
<p>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. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>			
New long-term debt issued	(434,000)		
Principal payment on long-term debt	865,540		
Decreased in accrued interest payable	<u>14,994</u>		
			446,534
<p>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.</p>			
Compensated absences		(10,901)	
Pension Expense		(337,284)	
Other postemployment benefits		(338,654)	
Rounding			1
Total changes in net position of governmental activities			<u>\$ 452,991</u>

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, 2017**

	General Fund			
	Original	Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:				
Ad valorem taxes	\$ 4,090,300	\$ 4,249,300	\$ 4,284,741	\$ 35,441
Other taxes and licenses	36,000	36,000	37,369	1,369
Unrestricted intergovernmental	2,653,500	2,873,500	2,868,871	(4,629)
Restricted intergovernmental	714,800	868,900	920,038	51,138
Permits and fees	164,700	164,700	200,541	35,841
Sales and services	1,099,000	1,099,000	1,112,743	13,743
Investment earnings	11,800	11,800	7,968	(3,832)
Other	538,000	583,000	592,511	9,511
Total revenues	<u>9,308,100</u>	<u>9,886,200</u>	<u>10,024,782</u>	<u>138,582</u>
Expenditures:				
Current:				
General government	2,122,300	2,182,200	2,146,402	35,798
Public safety	3,172,700	3,153,300	3,055,693	97,607
Transportation	1,382,700	1,426,700	1,341,992	84,708
Environmental protection	843,300	819,300	799,224	20,076
Culture and recreation	701,300	686,900	683,268	3,632
Library	257,100	257,100	227,154	29,946
Debt service:				
Principal retirement	565,541	865,541	865,540	1
Interest and other charges	224,359	235,359	234,114	1,245
Capital Outlay	524,800	757,800	727,922	29,878
Total expenditures	<u>9,794,100</u>	<u>10,384,200</u>	<u>10,081,309</u>	<u>302,891</u>
Revenues over (under) expenditures	<u>(486,000)</u>	<u>(498,000)</u>	<u>(56,527)</u>	<u>441,473</u>
Other financing sources (uses):				
Sale of fixed assets	11,500	11,500	7,669	(3,831)
Installment purchase proceeds	442,000	442,000	434,000	(8,000)
Transfers to other funds	-	(75,000)	(75,000)	-
Appropriated Fund Balance	32,500	119,500	-	(119,500)
Total other financing sources (uses)	<u>486,000</u>	<u>498,000</u>	<u>366,669</u>	<u>(131,331)</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>\$ -</u>	<u>310,142</u>	<u>\$ 310,142</u>
Fund balances, beginning			3,671,268	
Change in reserve for inventories			2,855	
Fund balances, ending			<u>\$ 3,984,265</u>	

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

City of Dunn
Statement of Net Position
Proprietary Funds
June 30, 2017

	Major Fund Water and Sewer Fund	Non-Major Stormwater Fund	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 2,380,299	\$ 67,248	\$ 2,447,547
Restricted cash and investments	138,572	-	138,572
Accounts receivable (net) - billed	527,265	7,944	535,209
Accounts receivable - other	187,434	-	187,434
Current portion of note receivable	106,722	-	106,722
Inventories	101,970	-	101,970
Total current assets	<u>3,442,262</u>	<u>75,192</u>	<u>\$ 3,517,454</u>
Noncurrent assets:			
Note receivable	2,074,549	-	2,074,549
Capital assets:			
Land and other non-depreciable assets	181,746	-	181,746
Other capital assets, net of depreciation	24,318,156	-	24,318,156
Capital assets (net)	<u>24,499,902</u>	<u>-</u>	<u>24,499,902</u>
Total noncurrent assets	<u>26,574,451</u>	<u>-</u>	<u>26,574,451</u>
Total assets	<u>30,016,713</u>	<u>75,192</u>	<u>30,091,905</u>
DEFERRED OUTFLOWS OF RESOURCES			
Contributions to pension plan in current fiscal year	90,997	-	90,997
Pension deferrals	274,429	-	274,429
Total deferred outflows of resources	<u>365,426</u>	<u>-</u>	<u>365,426</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	120,857	-	120,857
Accrued interest payable	30,032	-	30,032
Customer deposits	138,572	-	138,572
Compensated absences - current	35,650	-	35,650
General obligation bonds payable - current	154,000	-	154,000
Note payable - current	505,748	-	505,748
Total current liabilities	<u>984,859</u>	<u>-</u>	<u>984,859</u>
Noncurrent liabilities:			
Other noncurrent liabilities:			
Compensated absences	37,105	-	37,105
Other postemployment benefits	825,475	-	825,475
Net Pension Liability	431,951	-	431,951
General obligation bonds payable - noncurrent (net)	1,026,000	-	1,026,000
Note payable - noncurrent	3,941,098	-	3,941,098
Total noncurrent liabilities	<u>6,261,629</u>	<u>-</u>	<u>6,261,629</u>
Total liabilities	<u>7,246,488</u>	<u>-</u>	<u>7,246,488</u>
DEFERRED INFLOWS OF RESOURCES			
Pension deferrals	21,724	-	21,724
Total deferred inflows of resources	<u>21,724</u>	<u>-</u>	<u>21,724</u>
NET POSITION			
Net investment in capital assets	20,201,704	-	20,201,704
Other restrictions	30,000	-	30,000
Unrestricted	2,882,223	75,192	2,957,415
Total net position	<u>\$ 23,113,927</u>	<u>\$ 75,192</u>	<u>\$ 23,189,119</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 Funds
For the Year Ended June 30, 2017

	Major Fund Water and Sewer Fund	Non-Major Stormwater Fund	Total
OPERATING REVENUES			
Charges for services	\$ 4,592,575	\$ 78,953	\$ 4,671,528
Water and sewer taps	12,269	-	12,269
Other operating revenues	167,020	-	167,020
Total operating revenues	4,771,864	78,953	4,850,817
OPERATING EXPENSES			
Water and sewer administration	993,128	-	993,128
Water and sewer operations	832,009	-	832,009
Water supply, pump and filtering	987,555	-	987,555
Sewage treatment plant operations	983,810	-	983,810
Stormwater operations	-	58,192	58,192
Depreciation and amortization	785,979	-	785,979
Total operating expenses	4,582,481	58,192	4,640,673
Operating income (loss)	189,383	20,761	210,144
NONOPERATING REVENUES (EXPENSES)			
Investment earnings	90,967	-	90,967
Tower site rental	67,503	-	67,503
Interest and other charges	(164,463)	-	(164,463)
Total nonoperating revenue (expenses)	(5,993)	-	(5,993)
Change in net position	183,390	20,761	204,151
Total net position, beginning	22,930,537	54,431	22,984,968
Total net position, ending	\$ 23,113,927	\$ 75,192	\$ 23,189,119

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

City of Dunn
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2017

	Major Fund Water and Sewer Fund	Non-Major Stormwater Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 4,742,720	\$ 78,233	\$ 4,820,953
Cash paid for goods and services	(1,771,129)	(72,592)	(1,843,721)
Cash paid to or on behalf of employees for services	(1,907,566)	-	(1,907,566)
Net customer deposits	5,184	-	5,184
Other operating revenues	8,032	-	8,032
Net cash provided (used) by operating activities	<u>1,077,241</u>	<u>5,641</u>	<u>1,082,882</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Due from other governments	40,241	-	40,241
Total cash flows used by noncapital financing activities	<u>40,241</u>	<u>-</u>	<u>40,241</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	(102,399)	-	(102,399)
Proceeds from long-term debt	1,180,000	-	1,180,000
Principal payment from note receivable	102,544	-	102,544
Interest payment from note receivable	89,456	-	89,456
Principal paid on bond maturities and equipment contracts	(1,777,794)	-	(1,777,794)
Interest paid on bond maturities and equipment contracts	(170,428)	-	(170,428)
Net cash provided (used) by capital and related financing activities	<u>(678,621)</u>	<u>-</u>	<u>(678,621)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and dividends	1,510	-	1,510
Tower site rental	67,503	-	67,503
Net cash provided (used) by investing activities	<u>69,013</u>	<u>-</u>	<u>69,013</u>
Net increase (decrease) in cash and cash equivalents	<u>507,874</u>	<u>5,641</u>	<u>513,515</u>
Balances, beginning	2,010,997	61,607	2,072,604
Balances, ending	<u>\$ 2,518,871</u>	<u>\$ 67,248</u>	<u>\$ 2,586,119</u>

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

City of Dunn
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2017

	<u>Major Fund</u> <u>Water and</u> <u>Sewer Fund</u>	<u>Non-Major</u> <u>Stormwater</u> <u>Fund</u>	<u>Total</u>
Reconciliation of operating income to net cash provided by operating activities			
Operating income	\$ 189,383	\$ 20,761	\$ 210,144
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	785,979	-	785,979
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	(29,143)	(720)	(29,863)
(Increase) decrease in accounts receivable - other	8,031	-	8,031
(Increase) decrease in inventory	(35,962)	-	(35,962)
(Increase) decrease in deferred outflows of resources-pensions	(279,224)	-	(279,224)
Increase (decrease) in net pension liability	324,113	-	324,113
Increase (decrease) in deferred inflows of resources-pensions	(28,939)	-	(28,939)
Increase (decrease) in accounts payable and accrued liabilities	5,543	(14,400)	(8,857)
Increase (decrease) in customer deposits	5,184	-	5,184
Increase (decrease) in accrued vacation pay	(6,057)	-	(6,057)
Increase (decrease) in accrued other postemployment benefits	138,333	-	138,333
Total adjustments	<u>887,858</u>	<u>(15,120)</u>	<u>872,738</u>
Net cash provided by operating activities	<u>\$ 1,077,241</u>	<u>\$ 5,641</u>	<u>\$ 1,082,882</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 Financial Statements
For the Fiscal Year Ended June 30, 2017

The City of Dunn, North Carolina (the City) is located in the eastern part of the state and has a 2016 population of approximately 9,647. 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.

City of Dunn, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2017

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:

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

Dunn City Hall and Harnett Training School Capital Project Fund. This fund is used to account for improvements to City Hall and Harnett Training School.

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.

The City reports the following non major enterprise fund:

Stormwater Fund. This fund is used to account for the City's stormwater management.

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. Sales taxes are considered a

City of Dunn, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2017

shared revenue for the City of Dunn because the tax is levied by Harnett County and then remitted to and distributed by the State. Most intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. All taxes, including those dedicated for specific purposes are reported as general revenues rather than program revenues. Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then 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, and the Enterprise Funds. Project Ordinances are adopted for the Tart Park Renovations, Dunn City Hall and Harnett Training School Renovations. 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. Non-participating interest earning contracts are accounted for at cost. The NCCMT Government Portfolio, a SEC-registered (2a-7) external investment pool, is measured at amortized cost, which is the NCCMT's share price. The NCCMT- Term Portfolio's securities are valued at fair value.

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

**City of Dunn, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2017**

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	\$ 270,962
Public Safety - Drug Forfeiture	70,811
USDA reserve	94,813
Culture and recreation - Harnett Training School	75,667
Total Governmental Activities	512,253

Business-type Activities

Water and Sewer Fund

Customer Deposits	138,572
Total Business-type Activities	138,572

Total Restricted Cash	\$ 650,825
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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.

City of Dunn, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2017

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. Donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Capital assets 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	3 - 10
Leasehold Improvements	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 two items that meet this criterion, contributions made to the pension plan in the 2017 fiscal year and pension deferrals. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The City has several items that meet the criterion for this category- prepaid taxes, property taxes receivable and deferrals of pension expense that result from the implementation of GASB Statement 68.

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

City of Dunn, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2017

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 drug enforcement expenditures.

Restricted for USDA Loan Reserves – portion of fund balance reserved as required by loan agreements with USDA.

City of Dunn, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2017

Restricted for Harnett Training School – portion of fund balance reserved for activities associated for Harnett Training School.

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

Assigned fund balance – portion of fund balance that the 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 the Harnett Training School

Unassigned fund balance – portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds. The general fund is the only governmental fund that reports a positive unassigned balance.

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.

12. Pensions

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

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

None.

C. Excess of Expenditures over Appropriations

None.

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

City of Dunn, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2017

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, 2017, the City's deposits had a carrying amount of \$3,290,027 and a bank balance of \$3,416,357. Of the bank balance, \$500,000 was covered by federal depository insurance and the remainder of \$2,916,357 was covered by collateral held under the Pooling Method. The carrying amount of deposits for the ABC Board was \$262,183 and the bank balance was \$369,977. At June 30, 2017, the bank balances exceeded federal depository insurance coverage. The remaining bank balance of \$119,977 was covered by collateral held under the Pooling Method. At June 30, 2017, the City's petty cash fund totaled \$1,070.

2. Investments

At June 30, 2017, the City's investment balances were as follows:

Investments by Type	Valuation Measurement Method	Book Value at 6/30/2017	Maturity	Rating
NC Capital Management Trust-Government Portfolio	Amortized Cost	\$1,114,487	N/A	AAAm
NC Capital Management Trust-Term Portfolio	Fair Value Level 1	\$1,043,668	N/A	Unrated
First Citizens Bank Investment Note	Fair Value Level 1	\$286,651	N/A	N/A
Total:		\$2,444,806		

The City and the ABC Board have no policy regarding credit risk.

3. Receivables

a. Notes Receivable

General Fund

The City has financed the renovation of Harnett Training School. The School will be used to house apartments for rent to the public. Harnett Training School, LLC will repay the city annually over a 20 year period. The original amount of the notes receivable was \$3,100,000, and repayment to the City is dependent on the profitability performance measures of Harnett Training School. No cash was received from activities related to this transaction during fiscal year 2017.

Note Receivable-annual payments vary thru August 2034 \$3,100,000

Water and Sewer Fund

The City has financed the construction of a water line to the Eastover Sanitary District. Eastover Sanitary District will repay the city monthly over a 20 year period. The original amount of the note receivable was \$2,604,064.

City of Dunn, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2017

Note Receivable-monthly payments are \$16,000, including interest at 4.00%, thru August 2032	<u>\$2,181,271</u>
Amount to be collected within more than one year	<u>\$2,074,549</u>

b. 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:

Fund	June 30, 2017
General Fund	
Taxes receivable	\$54,192
Sanitation charges	4,299
Water and Sewer Fund	
Accounts receivable	\$25,525

c. Accounts Receivable

Accounts receivable consists of:

General Fund	
Trade	\$ 347,924
Special Assessments	158,225
	<u>\$ 506,149</u>
Water and Sewer Fund	
Trade	\$ 552,790
Miscellaneous Billings	10,619
Interest	32,768
Dunn Development Corporation	142,770
Special Assessments	1,277
	<u>\$ 740,224</u>
Stormwater Fund	
Trade	<u>\$ 7,944</u>

City of Dunn, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2017

4. Capital Assets

Primary Government

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated				
Land	\$ 1,624,003	\$ -	\$ -	\$ 1,624,003
Construction in Progress	3,113,228	204,510	3,279,777	37,961
Total capital assets not being depreciated	4,737,231	204,510	3,279,777	1,661,964
Capital assets being depreciated				
Buildings	3,204,248	3,326,093	-	6,530,341
Other improvements	7,196,002	-	-	7,196,002
Equipment	1,798,523	254,070	-	2,052,593
Vehicles and motorized equipment	2,041,327	389,577	71,662	2,359,242
Other	468,585	-	-	468,585
Total capital assets being depreciated	14,708,685	3,969,740	71,662	18,606,763
Less accumulated depreciation for				
Buildings	2,132,214	191,300	-	2,323,514
Other improvements	678,490	192,437	-	870,927
Equipment	1,618,276	77,271	-	1,695,547
Vehicles and motorized equipment	1,520,086	218,589	70,354	1,668,321
Other	466,636	-	-	466,636
Accumulated depreciation	6,415,702	\$ 679,597	\$ 70,354	7,024,945
Total capital assets, depreciated, net	8,292,983			11,581,818
Governmental activity capital assets, net	<u>\$ 13,030,214</u>			<u>\$ 13,243,782</u>

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

General government	\$ 118,818
Public safety	187,847
Transportation	150,508
Environmental protection	22,850
Cultural and recreational	192,493
Library	7,081
	<u>\$ 679,597</u>

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
Capital assets not being depreciated				
Land	\$ 181,746	\$ -	\$ -	\$ 181,746
Total capital assets not being depreciated	181,746	-	-	181,746
Capital assets being depreciated				
Buildings	822,885	29,503	-	852,388
Equipment	975,258	10,346	-	985,604
Plant distribution systems	43,380,972	62,550	-	43,443,522
Vehicles	431,024	-	-	431,024
Other Assets	202,407	-	-	202,407
Total capital assets being depreciated	45,812,546	102,399	-	45,914,945
Less accumulated depreciation for:				
Buildings	664,933	18,364	-	683,297
Equipment	634,037	64,496	-	698,533
Plant distribution systems	18,994,539	681,895	-	19,676,434
Vehicles	397,345	11,223	-	408,568
Other Assets	119,956	10,001	-	129,957
Accumulated Depreciation	20,810,810	\$ 785,979	\$ -	21,596,789
Capital assets, depreciated, net	25,001,736			24,318,156
Business-type activities capital asset	<u>\$ 25,183,482</u>			<u>\$ 24,499,902</u>

City of Dunn, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2017

Discretely presented component unit

Activity for the ABC Board for the year ended June 30, 2017 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land	\$ 191,572	\$ -	\$ -	\$ 191,572
Capital assets being depreciated:				
Buildings	368,337	-	-	368,337
Furniture and equipment	166,012	1,065	-	167,077
Land improvements	13,344	-	-	13,344
Total capital assets being depreciated	547,693	1,065	-	548,758
Less accumulated depreciation for:				
Buildings	223,212	9,068	-	232,280
Furniture and equipment	143,977	5,789	-	149,766
Land improvements	10,064	825	-	10,889
Total accumulated depreciation	377,253	\$ 15,682	\$ -	392,935
Total capital assets being depreciated, net	170,440			155,823
ABC capital assets, net	<u>\$ 362,012</u>			<u>\$ 347,395</u>

B. Liabilities

1. Pension Plan Obligations

a. Local Governmental Employees' Retirement System

Plan Description. The City of Dunn and the ABC Board are participating employers in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the 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.

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

City of Dunn, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2017

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. City of Dunn employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The City of Dunn's contractually required contribution rate for the year ended June 30, 2017, was 8.00% of compensation for law enforcement officers and 7.36% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the City of Dunn were \$353,417 for the year ended June 30, 2017.

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

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

At June 30, 2017, the City reported a liability of \$1,579,017 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015. The total pension liability was then rolled forward to the measurement date of June 30, 2016 utilizing update procedures incorporating the actuarial assumptions. The City's proportion of the net pension liability was based on a projection of the City's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2016, the City's proportion was 0.0744%, which was a decrease of 0.0100% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the City recognized pension expense of \$408,642. At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 29,667	\$ 55,331
Changes of assumptions	108,149	-
Net difference between projected and actual earnings on pension plan investments	872,997	-
Changes in proportion and differences between City contributions and proportionate share of contributions	5,590	74,127
City contributions subsequent to the measurement date	353,417	-
Total	\$ 1,369,820	\$ 129,458

City of Dunn, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2017

\$353,417 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2018. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2018	\$	125,848
2019		125,940
2020		394,300
2021		240,857
		<u>886,945</u>
	\$	<u>886,945</u>

Actuarial Assumptions. The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.50 to 7.75 percent, including inflation and productivity factor
Investment rate of return	7.25 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2014 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	6.0%	4.0%
Total	<u>100%</u>	

City of Dunn, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2017

The information above is based on 30 year expectations developed with the consulting actuary for the 2016 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

Discount rate. The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's proportionate share of the net pension asset to changes in the discount rate. The following presents the City's proportionate share of the net pension asset calculated using the discount rate of 7.25 percent, as well as what the City's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25 percent) or one percentage point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Discount Rate (7.25%)	1% Increase (8.25%)
City's proportionate share of the net pension liability (asset)	\$ 3,747,745	\$ 1,579,017	\$ (232,465)

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

b. Law Enforcement Officers Special Separation Allowance

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 under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to .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, 2016, the Separation Allowance's membership consisted of:

Retirees receiving benefits	3
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	40
Total	43

A separate report was not issued for the plan.

2. Summary of Significant Accounting Policies:

City of Dunn, North Carolina
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Basis of Accounting. The City has chosen to fund the Separation Allowance on a pay as you go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

The Separation Allowance has no assets accumulated in a trust that meets the following criteria which are outlined in GASB Statements 73:

3. Actuarial Assumptions.

The entry age actuarial cost method was used in the December 31, 2015 valuation. The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.50 – 7.35 percent, including inflation and productivity factor
Discount rate	3.86 percent

4. 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. The City paid \$47,573 as benefits came due for the reporting period.

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

At June 30, 2017, the City reported a total pension liability of \$1,031,368. The total pension liability was measured as of December 31, 2016 based on a December 31, 2015 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2016 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2017, the City recognized pension expense of \$83,387.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	23,086
Benefit payments and administrative expenses subsequent to the measurement date	27,910	-
Total	<u>\$ 27,910</u>	<u>\$ 23,086</u>

\$27,910 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date to the measurement date will be recognized as a decrease of the total pension liability in the year end June 30, 2018. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

City of Dunn, North Carolina
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For the Fiscal Year Ended June 30, 2017

Year ended June 30:	
2018	\$ 4,356
2019	4,356
2020	4,356
2021	4,356
2022	4,356
Thereafter	1,306
	<u>\$ 23,086</u>

\$27,910 paid as benefits came due subsequent to the measurement date are reported as deferred outflows of resources.

Sensitivity of the City's total pension liability to changes in the discount rate. The following presents the City's total pension liability calculated using the discount rate of 3.86 percent, as well as what the City's total pension liability would be if it were calculated using a discount rate that is 1-percentage –point lower (2.86 percent) or 1-percentage point higher (4.86 percent) than the current rate:

	1% Decrease <u>(2.86%)</u>	Discount Rate <u>(3.86%)</u>	1% Decrease <u>(4.86%)</u>
Total pension liability	\$ 1,129,166	\$ 1,031,368	\$ 942,299

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

	<u>2017</u>
Beginning Balance	\$ 1,018,865
Service Cost at End of Year	51,994
Interest	35,524
Change in benefits terms	-
Difference between expected and actuarial experience	-
Changes of assumptions and other inputs	(27,442)
Benefit payments	(47,573)
Other	-
Ending balance of the total pension liability	<u>\$ 1,031,368</u>

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

The actuarial assumptions used in the December 31, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

City of Dunn, North Carolina
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For the Fiscal Year Ended June 30, 2017

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, 2017 were \$100,506, which consisted of \$85,223 from the City and \$15,283 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, 2017 were \$104,043, which consisted of \$60,544 from the City and \$43,499 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, 2017 and 2016 were \$20,867 and \$16,918, respectively, which consisted of \$2,657, \$2,515 from the City of Dunn Board of Alcoholic Control and \$18,210, and \$14,403 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, 2015, the date of the latest actuarial valuation:

	General Employees:	Law Enforcement Officers:
Retirees and dependents receiving benefits	22	10
Terminated plan members entitled to but not yet receiving benefits	-	-
Active plan members	72	37
Total	94	47

City of Dunn, North Carolina
Notes to the Financial Statements
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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 14.45% of annual covered payroll. The City obtains healthcare coverage through private insurers. The City's contributions totaled \$176,351 in fiscal year 2017. 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:

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, 2017 were as follows:

For Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2015	\$ 524,241	21.8%	\$ 2,148,441
2016	\$ 652,425	21.6%	\$ 2,660,148
2017	\$ 653,339	27.0%	\$ 3,137,136
			Annual required contribution
			\$ 648,584
			Interest on net OPEB obligation
			106,406
			Adjustment to annual required contribution
			(101,651)
			Annual OPEB cost (expense)
			653,339
			Contributions made
			(176,351)
			Increase (decrease) in net OPEB obligation
			476,988
			Net OPEB obligation, beginning of year
			2,660,148
			Net OPEB obligation, end of year
			<u>\$ 3,137,136</u>

Funded Status and Funding Progress. As of December 31, 2015, 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 \$7,622,436. The covered payroll (annual payroll of active employees covered by the plan) was \$4,273,902 and the ratio of the UAAL to the covered payroll was 179.28% 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.

City of Dunn, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2017

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, 2015 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 7.75 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 7 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, 2015, 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	\$ 106,290
Accrued payroll	182,889
	<u>\$ 289,179</u>
Water and Sewer Fund	
Trade	\$ 65,477
Accrued payroll	55,380
	<u>\$ 120,857</u>

3. Deferred Outflows/Inflows of Resources

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

Contributions to pension plan in current fiscal year	\$ 353,417
Pension deferrals - LGERS	1,016,403
Pension deferrals - LEO	27,910
	<u>\$ 1,397,730</u>

**City of Dunn, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2017**

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

Prepaid taxes not yet earned (General Fund)	\$ 152
Pension deferrals - LGERS	129,458
Pension deferrals - LEO	23,086
	<u>\$ 152,696</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 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 surety.

5. Claims and Judgments

At June 30, 2017, the City was a defendant to various lawsuits. In the opinion of the City's management and the City attorney, the ultimate outcome of these legal matters will not have a material adverse effect on the City's financial position.

6. Long-Term Obligations

a. Capital Leases

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

One agreement was executed on October 15, 2013 to lease water sewer truck camera equipment and requires 5 annual payments of \$16,546. This lease is recorded in the water and sewer fund and the balance of the lease at June 30, 2017 is \$31,213. A second agreement was executed on August 15, 2014 to lease gym equipment. This lease is split between the general fund (65%) and water and sewer fund (35%). The balance of the lease at June 30, 2017 is \$2,249. 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, 2017:

Classes of Property	Cost	Accumulated Depreciation	Net Book Value
Equipment	\$ 110,950	\$ 74,657	\$ 36,293
Total	<u>\$ 110,950</u>	<u>\$ 74,657</u>	<u>\$ 36,293</u>

City of Dunn, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2017

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2017 were as follows:

Year Ending June 30	Total	Governmental Activities	Business-Type Activities
2018	\$ 18,457	\$ 1,242	\$ 17,215
2019	16,546	-	16,546
Total minimum lease payments	35,003	1,242	33,761
Less: amount representing interest	(1,900)	(13)	(1,887)
Present value of the minimum lease payments	<u>\$ 33,103</u>	<u>\$ 1,229</u>	<u>\$ 31,874</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 \$190,000 at June 30, 2017.

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 \$0 at June 30, 2017.

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 \$585,000 at June 30, 2017.

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 \$2,744,977 at June 30, 2017.

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 \$69,044 at June 30, 2017.

In July 2014, the City entered into an installment purchase contract for \$700,000 to construct phase 2 improvements to Tyler Park. The contract requires principal payments beginning in the fiscal year 2016 with interest at 2.67%. The balance of this note is \$560,000 at June 30, 2017.

In August 2014, the City entered into an installment purchase contract for \$137,000 to finance six police vehicles. The contract requires principal payments beginning in the fiscal year 2016 with interest at 3.751%. The balance of this note is \$101,476 at June 30, 2017.

In August 2014, the City entered into an installment purchase contract for \$2,200,000 to renovate the Harnett Training School (\$2,000,000) and City Hall (\$200,000). The contract requires interest only payments for 12 months and principal payments beginning in the fiscal year 2017 with interest at 2.85% for the initial term. After the initial term the fixed rate cap will be 9.75% or 85% of the Wall Street Journal prime rate, the lesser of the two. This loan matures in August 2025. The balance of this note is \$2,112,295 at June 30, 2017.

In March 2016, the City entered into an installment purchase contract for \$120,000 to finance five police vehicles. The contract requires principal payments beginning in the fiscal year 2017 with interest at 3.125%. The balance of this note is \$104,397 at June 30, 2017.

In July 2016, the City entered into an installment purchase contract for \$128,000 to finance sanitation vehicle. The contract requires principal payments beginning in the fiscal year 2018 with interest at 2.12%. The balance of this note is \$128,000 at June 30, 2017.

In March 2017, the City entered into an installment purchase contract for \$125,000 to finance five police vehicles. The contract requires principal payments beginning in the fiscal year 2018 with interest at 2.75%. The balance of this note is \$125,000 at June 30, 2017.

City of Dunn, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2017

In March 2017, the City entered into an installment purchase contract for \$181,000 to finance public works equipment. The contract requires principal payments beginning in the fiscal year 2018 with interest at 2.75%. The balance of this note is \$181,000 at June 30, 2017.

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

<u>Year</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 740,643	\$ 515,144	\$ 225,499
2019	732,061	523,927	208,134
2020	723,583	533,068	190,515
2021	627,174	454,393	172,781
2022	623,792	463,486	160,306
2023-2027	3,229,481	2,666,445	563,036
2028-2032	906,865	644,951	261,914
2033-2037	906,865	766,001	140,864
2038-2039	533,678	333,774	199,904
	<u>\$ 9,024,142</u>	<u>\$ 6,901,189</u>	<u>\$ 2,122,953</u>

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 \$1,328,648 at June 30, 2017.

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 \$16,745 at June 30, 2017.

Future minimum payments of these installment purchases are as follows:

<u>Year</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 301,478	\$ 270,529	\$ 30,949
2019	284,343	259,621	24,722
2020	284,343	265,592	18,751
2021	284,343	271,701	12,642
2022	284,343	277,950	6,393
	<u>\$ 1,438,850</u>	<u>\$ 1,345,393</u>	<u>\$ 93,457</u>

c. General Obligation Bonds

The City's general obligation bonds issue to finance the construction of facilities utilize 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, 2017 are comprised of the following individual issues:

Serviced by the Water and Sewer Fund:

\$1,180,000 General Obligation Refunding bonds due on June 1 each year in installments of varying amounts through June 1, 2025; interest at 2.14 percent

City of Dunn, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2017

Annual debt service requirements to maturity for general obligation bonds, including interest of \$110,764 on the Water Treatment Plant Expansion bonds, are as follows:

<u>Year</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 179,252	\$ 154,000	\$ 25,252
2019	178,974	157,000	21,974
2020	172,596	154,000	18,596
2021	167,302	152,000	15,302
2022	161,048	149,000	12,048
2023-2025	431,592	414,000	17,592
	<u>\$ 1,290,764</u>	<u>\$ 1,180,000</u>	<u>\$ 110,764</u>

At June 30, 2017, the City of Dunn had a legal debt margin of \$ 54,985,722.

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 \$3,069,579 at June 30, 2017.

Annual debt service requirements to maturity for the revolving water and sewer loan, including interest of \$575,550 is as follows:

<u>Year</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 295,996	\$ 219,256	\$ 76,740
2019	290,514	219,256	71,258
2020	285,033	219,256	65,777
2021	279,551	219,256	60,295
2022	274,070	219,256	54,814
2023-2027	1,288,128	1,096,279	191,849
2028-2031	931,834	877,020	54,814
	<u>\$ 3,645,126</u>	<u>\$ 3,069,579</u>	<u>\$ 575,547</u>

City of Dunn, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2017

f. Changes in Long-Term Liabilities

	Balance 7/1/2016	Increases	Decreases	Balance 6/30/2017	Current Portion
Governmental Activities:					
Installment purchase	\$ 7,324,590	\$ 434,000	\$ 857,401	\$ 6,901,189	\$ 515,144
Capital lease	9,368	-	8,139	1,229	1,229
Compensated absences	255,071	17,599	6,698	265,972	119,687
Total pension liability	209,517	821,851	-	1,031,368	-
Net pension liability (LGERS)	270,764	876,302	-	1,147,066	-
Other postemployment benefits	1,973,005	338,656	-	2,311,661	-
Total Governmental Activities	\$ 10,042,315	\$ 2,488,408	\$ 872,238	\$ 11,658,485	\$ 636,060
Business-type Activities					
Capital leases	\$ 50,970	\$ -	\$ 19,096	\$ 31,874	\$ 15,963
Installment purchases	1,609,835	-	264,442	1,345,393	270,529
General obligation bonds	1,275,000	1,180,000	1,275,000	1,180,000	154,000
Water pollution control revolving loan	3,288,835	-	219,256	3,069,579	219,256
Compensated absences	78,812	2,181	8,238	72,755	35,650
Net pension liability (LGERS)	107,838	324,113	-	431,951	-
Other postemployment benefits	687,142	138,333	-	825,475	-
Total Business-type Activities	\$ 7,098,432	\$ 1,644,627	\$ 1,786,032	\$ 6,957,027	\$ 695,398

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	\$ 3,984,265
Less:	
Inventories	29,287
Prepays	17,269
Stabilization by State Statute	1,250,924
Transportation - Powell Bill	270,962
Public Safety - drug forfeiture	153,846
USDA loan reserves	94,813
Subsequent year's expenditures	98,000
Remaining fund balance	\$ 2,069,164

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.

City of Dunn, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2017

8. Encumbrances

The outstanding encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remained unperformed at year-end.

General Fund	\$98,000
Water and Sewer Fund	\$30,000

9. Interfund Activity

The following transfers were made during the fiscal year ending June 30, 2017:

- General Fund Transferred \$75,000 to the Harnett Training School Capital Project Fund

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

IV. Commitments

The City has leased various pieces of office equipment through various agreements and estimated commitments for the years ended June 30, 2017 and 2018 are \$14,000 and \$14,000, 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, 2017 is \$17,556. Future payments for the remaining lease term are \$48,279. The leased assets have no net value as the property was donated to the City.

The City has entered into an agreement with Central Carolina Community College for the College to operate the Dunn Enrichment Center. The Center provides leisure and recreational activities to senior citizens of the City. The City will reimburse the College the salary and benefits of two full time employees. During the fiscal year which ended June 30, 2017 the City paid Central Carolina Community College \$39,778 for these services.

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. There were no subsequent events during this period that required disclosure.

VIII. Change in Accounting Principle

The City implemented Governmental Accounting Standards Board (GASB) No. Statement 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, in the fiscal year ending June 30,

City of Dunn, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2017

2017. The implementation of the statement required the City to record beginning total pension liability and the effects on net position of benefit payments and administrative expenses paid by the City to the Law Enforcement Officers' Special Separation Allowance during the measurement period (fiscal year ending December 31, 2016). As a result, net position for the governmental activities decreased by \$809,348.

IX. Prior Period Adjustment/Restatement

In 2015, the City recorded a note receivable in governmental activities for \$3,100,000. The related revenue was recorded as a deferred inflow. As a result, net position for governmental activities increased by \$3,100,000.

X. Special Items

During the fiscal year ended June 30, 2017, management elected to dispose of various pieces of equipment taken out of service. Proceeds from disposals were \$7,669.

XI. Economic Development Incentive

Harnett County entered into an Economic Development Incentive Agreement with Rooms to Go Distribution Company, LLC (RTG), under North Carolina General Statutes 158-7.1. Under the Statute, counties and cities may grant appropriations to businesses to increase economic development. In the agreement, Harnett County and the City of Dunn are to repay RTG 80% of its ad valorem tax base for the span of 10 years.

For the fiscal year ended June 30, 2017, the City appropriated \$234,737 to RTG.

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 Changes in Total Pension Liability

Schedule of Total Pension Liability as a Percentage of Covered Payroll

Schedule of Funding Progress for the Other Postemployment Benefits

Schedule of Employer Contributions for the Other Postemployment Benefits

Schedule of the Proportionate Share of Net Pension Liability (Asset) for Local Government Employees' Retirement System

Schedule of Contributions to the Local Government Employees' Retirement System

City of Dunn
Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance
June 30, 2017

	2017
Beginning balance	\$ 1,018,865
Service cost	51,994
Interest on the total pension liability	35,524
Change of benefits terms	-
Difference between expected and actual experience in the measurement of the total pension liability	-
Changes of assumptions or other inputs	(27,442)
Benefit payments	(47,573)
Other changes	-
Ending balance of the total pension liability	\$ 1,031,368

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

City of Dunn
Schedule of Pension Liability as a Percentage of Covered Payroll
Law Enforcement Officers' Special Separation Allowance
June 30, 2017

Total pension liability	<u>2017</u>
Covered payroll	\$ 1,031,368
Total pension liability as a percentage of covered payroll	1,789,543
	57.63%

Notes to the schedules:

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

**City of Dunn
Other Postemployment Benefits
Required Supplementary Information
Schedule of Funding Progress**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial 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%
12/31/2013	-	6,295,072	6,295,072	0%	5,019,043	125.40%
12/31/2015	-	7,622,436	7,622,436	0%	4,273,902	178.30%

**City of Dunn
Other Postemployment Benefits
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%
2015	\$ 521,133	21.97%
2016	\$ 648,584	21.70%
2017	\$ 648,584	27.19%

Notes to the Required Schedules:

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

Valuation date:	12/31/2015
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	7.75% - 5.00%
Post-Medicare trend rate	5.75% - 5.00%
Year of Ultimate trend rate	2022
*Includes inflation at	3.00%

City of Dunn
City of Dunn's Proportionate Share of Net Pension Liability (Asset)
Required Supplementary Information
Last Four Years*

Local Government Employees' Retirement System

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Dunn's proportion of the net pension liability (asset) (%)	0.07440%	0.08436%	0.09114%	0.08990%
Dunn's proportion of the net pension liability (asset) (\$)	\$ 1,579,017	\$ 378,602	\$ (537,494)	\$ 1,083,640
Dunn's covered-employee payroll	\$ 4,687,189	\$ 5,117,775	\$ 5,353,179	\$ 5,324,921
Dunn's proportionate share of the net pension liability (asset) as a percentage of its covered-employee	33.69%	7.40%	(10.04%)	20.35%
Plan fiduciary net position as a percentage of the total pension liability**	91.47%	98.09%	102.64%	95.35%

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

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

Schedule is intended to show information for ten years, additional years will be displayed as it becomes available

**City of Dunn
City of Dunn's Contributions
Required Supplementary Information
Last Four Fiscal Years**

Local Government Employees' Retirement System

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 353,417	\$ 323,409	\$ 354,647	\$ 358,846
Contributions in relation to the contractually required contribution	353,417	323,409	354,647	358,846
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Dunn's covered-employee payroll	\$ 4,761,067	\$ 4,687,189	\$ 5,117,775	\$ 5,353,179
Contributions as a percentage of covered-employee payroll	7.42%	6.90%	6.93%	6.70%

Schedule is intended to show information for ten years, additional years will be displayed as it becomes available

**INDIVIDUAL FUND FINANCIAL STATEMENTS
AND SCHEDULES**

This section contains additional information on the Governmental
and Proprietary Funds (budget to actual comparison).

**City of Dunn
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Annual Budget and Actual
For the Fiscal Year Ended June 30, 2017**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Ad valorem taxes:			
Taxes		\$ 4,267,355	
Penalties and interest		17,386	
Total	<u>\$ 4,249,300</u>	<u>4,284,741</u>	<u>\$ 35,441</u>
Other taxes and licenses:			
DMV license		37,369	
Total	<u>36,000</u>	<u>37,369</u>	<u>1,369</u>
Unrestricted intergovernmental:			
Local option sales taxes		1,954,070	
Utility sales tax		739,912	
Beer and wine tax		43,447	
ABC profit distribution		125,000	
Solid waste disposal tax		6,442	
Total	<u>2,873,500</u>	<u>2,868,871</u>	<u>(4,629)</u>
Restricted intergovernmental:			
Powell Bill allocation		298,535	
ABC law enforcement		8,000	
Controlled substance tax		41,872	
N. C. Department of Transportation		14,373	
Harnett County BOE School Resource Officer		58,210	
USDA grant-vehicles/equipment		54,000	
Governor's Highway Safety Grant		95,370	
EPA-Brownsfield Grant		184,134	
FEMA-Hurricane Matthew		122,425	
Rural Center Grant		25,000	
Senior Center		18,119	
Total	<u>868,900</u>	<u>920,038</u>	<u>51,138</u>
Permits and fees:			
Permits and fees		200,541	
Total	<u>164,700</u>	<u>200,541</u>	<u>35,841</u>

**City of Dunn
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Annual Budget and Actual
For the Fiscal Year Ended June 30, 2017**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Sales and services:			
Cemetery lots		84,489	
Cemetery opening/closing fee		112,325	
Recreation department, concessions, entry fees		75,159	
Rentals		22,554	
Garbage and recycling collection		818,216	
Total	<u>1,099,000</u>	<u>1,112,743</u>	<u>13,743</u>
Investment earnings	<u>11,800</u>	<u>7,968</u>	<u>(3,832)</u>
Other revenues			
Dunn Area Tourism-Downtown Revitalization		20,000	
Dunn Area Tourism-I95 Area Light Reimbursement		22,000	
Miscellaneous		87,899	
Special assessments		3,368	
Donations and gifts		542	
Parks and recreation pledges		108,350	
Harnett Health Contractual Payment		350,352	
Total	<u>583,000</u>	<u>592,511</u>	<u>9,511</u>
Total revenues	<u>9,886,200</u>	<u>10,024,782</u>	<u>138,582</u>
Expenditures:			
General Government			
Governing Body			
Salaries and employee benefits		19,802	
Other operating expenditures		37,658	
Total	<u>68,500</u>	<u>57,460</u>	<u>11,040</u>
Administration			
Salaries and employee benefits		291,208	
Other operating expenditures		172,245	
Total	<u>468,200</u>	<u>463,453</u>	<u>4,747</u>
Finance			
Salaries and employee benefits		121,583	
Other operating expenditures		87,056	
Total	<u>211,700</u>	<u>208,639</u>	<u>3,061</u>

**City of Dunn
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Annual Budget and Actual
For the Fiscal Year Ended June 30, 2017**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Non-Departmental			
Other operating expenditures		776,854	
Total	<u>780,000</u>	<u>776,854</u>	<u>3,146</u>
Building inspector			
Salaries and employee benefits		290,012	
Other operating expenditures		85,874	
Total	<u>386,800</u>	<u>375,886</u>	<u>10,914</u>
Planning and zoning			
Salaries and employee benefits		65,639	
Other operating expenditures		198,471	
Total	<u>267,000</u>	<u>264,110</u>	<u>2,890</u>
Total general government	<u>2,182,200</u>	<u>2,146,402</u>	<u>35,798</u>
Public safety:			
Police:			
Salaries and employee benefits		2,614,145	
Other operating expenditures		316,548	
Capital outlay		298,539	
Total	<u>3,291,300</u>	<u>3,229,232</u>	<u>62,068</u>
Police athletic league			
Donation		125,000	
Total	<u>125,000</u>	<u>125,000</u>	<u>-</u>
Total public safety	<u>3,416,300</u>	<u>3,354,232</u>	<u>62,068</u>

City of Dunn
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Annual Budget and Actual
For the Fiscal Year Ended June 30, 2017

	Budget	Actual	Variance Positive (Negative)
Transportation:			
Streets			
Salaries and employee benefits		638,641	
Other operating expenditures		569,699	
Capital outlay		227,339	
Total	1,449,700	1,435,679	14,021
Powell Bill - street repairs and construction			
Salaries and employee benefits		32,064	
Other operating expenditures		101,588	
Total	200,800	133,652	67,148
Total transportation	1,650,500	1,569,331	81,169
Environmental protection			
Sanitation			
Salaries and employee benefits		84,520	
Other operating expenditures		714,704	
Capital outlay		128,081	
Total environmental protection	955,300	927,305	27,995
Culture and recreation:			
Parks and recreation			
Salaries and employee benefits		388,756	
Other operating expenditures		250,965	
Capital outlay		73,963	
Total	776,900	713,684	63,216
Senior center operations			
Salaries and employee benefits		3,631	
Other operating expenditures		39,916	
Total	45,000	43,547	1,453
Total culture and recreation	821,900	757,231	64,669

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, 2017

	Budget	Actual	Variance Positive (Negative)
Library			
Salaries and employee benefits		171,381	
Other operating expenditures		55,773	
Total library	<u>257,100</u>	<u>227,154</u>	<u>29,946</u>
Debt service			
Principal retirement		865,540	
Interest and other charges		234,114	
Total debt service	<u>1,100,900</u>	<u>1,099,654</u>	<u>1,246</u>
Total expenditures	<u>10,384,200</u>	<u>10,081,309</u>	<u>302,891</u>
Revenues over (under) expenditures	<u>(498,000)</u>	<u>(56,527)</u>	<u>441,473</u>
Other financing sources (uses):			
Sale of fixed assets	11,500	7,669	(3,831)
Transfer to Harnett Training School Capital Project	(75,000)	(75,000)	-
Installment purchase proceeds	442,000	434,000	(8,000)
Appropriated Fund Balance	119,500	-	(119,500)
Total	<u>498,000</u>	<u>366,669</u>	<u>(131,331)</u>
Revenues and other financing sources over expenditures and other financing uses	<u>\$ -</u>	310,142	<u>\$ 310,142</u>
Fund balances, beginning		3,671,268	
Change in reserve for inventories		2,855	
Fund balances, ending		<u>\$ 3,984,265</u>	

**City of Dunn
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2017**

	Tart Park Renovations Capital Project Fund	Dunn City Hall and Harnett Training School Capital Project Fund	Total Nonmajor Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
Assets			
Restricted cash and investments	\$ -	\$ 75,667	\$ 75,667
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ -</u>	<u>\$ 75,667</u>	<u>\$ 75,667</u>
Liabilities and Fund Balances			
Fund balances			
Restricted	\$ -	\$ -	\$ -
Assigned	<u> </u>	<u>75,667</u>	<u>75,667</u>
Total fund balances	<u> </u>	<u>75,667</u>	<u>75,667</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 75,667</u>	<u>\$ 75,667</u>

City of Dunn
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Governmental Funds
June 30, 2017

	<u>Tart Park Renovations Capital Project Fund</u>	<u>Dunn City Hall and Harnett Training School Capital Project Fund</u>	<u>Total Nonmajor Governmental Funds</u>
Expenditures			
General government	\$ -	\$ 19,556	\$ 19,556
Capital outlay	<u>-</u>	<u>166,549</u>	<u>166,549</u>
Total expenditures	<u>-</u>	<u>186,105</u>	<u>186,105</u>
Revenues over (under) expenses	<u>-</u>	<u>(186,105)</u>	<u>(186,105)</u>
Other financing sources (uses):			
Transfer from General Fund	<u>-</u>	<u>75,000</u>	<u>75,000</u>
Total other financing sources (uses)	<u>-</u>	<u>75,000</u>	<u>75,000</u>
Excess (deficiency) of revenues and other financing sources over expenditures	-	(111,105)	(111,105)
Fund balance, beginning	<u>\$ -</u>	<u>186,772</u>	<u>\$ 186,772</u>
Fund balance, ending		<u>\$ 75,667</u>	

City of Dunn
Tart 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, 2017

	Project Authorization	Prior Years	Current Year	Total Project To Date	Variance Favorable (Unfavorable)
Revenues:					
Restricted intergovernmental	\$ 350,000	\$ -	\$ -	\$ -	\$ (350,000)
Total revenues	<u>350,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(350,000)</u>
Expenditures:					
Construction	1,000,000	-	-	-	1,000,000
Administration	125,000	-	-	-	125,000
Contingency	50,000	-	-	-	50,000
Total expenditures	<u>1,175,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,175,000</u>
Revenues over (under) expenditures	<u>(825,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>825,000</u>
Other financing sources (uses):					
Installment purchase	825,000	-	-	-	825,000
Total other financing sources (uses)	<u>825,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(825,000)</u>
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balance, beginning			<u>-</u>		
Fund balance, ending			<u>\$ -</u>		

City of Dunn
Dunn City Hall and Harnett Training School - 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, 2017

	Project Authorization	Prior Years	Current Year	Total Project To Date	Variance Favorable (Unfavorable)
Revenues:					
Restricted intergovernmental	\$ 500,000	\$ 500,000	\$ -	\$ 500,000	\$ -
Total revenues	<u>500,000</u>	<u>500,000</u>	<u>-</u>	<u>500,000</u>	<u>-</u>
Expenditures:					
Harnett Training School	3,175,000	2,998,448	101,551	3,099,999	75,001
City Hall Renovations	200,000	114,780	84,554	199,334	666
Total expenditures	<u>3,375,000</u>	<u>3,113,228</u>	<u>186,105</u>	<u>3,299,333</u>	<u>75,667</u>
Revenues over (under) expenditures	<u>(2,875,000)</u>	<u>(2,613,228)</u>	<u>(186,105)</u>	<u>(2,799,333)</u>	<u>75,667</u>
Other financing sources (uses):					
Installment purchase	2,200,000	2,200,000	-	2,200,000	-
Transfer from General Fund	675,000	600,000	75,000	675,000	-
Total other financing sources (uses)	<u>2,875,000</u>	<u>2,800,000</u>	<u>75,000</u>	<u>2,875,000</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ 186,772</u>	<u>(111,105)</u>	<u>\$ 75,667</u>	<u>\$ 75,667</u>
Fund balance, beginning			<u>186,772</u>		
Fund balance, ending			<u>\$ 75,667</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, 2017**

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Water sales	\$	\$ 2,720,787	\$
Sewer charges		1,846,864	
Fireline protection charge		24,924	
Total	<u>4,522,000</u>	<u>4,592,575</u>	<u>70,575</u>
Water and sewer taps	<u>8,000</u>	<u>12,269</u>	<u>4,269</u>
Other operating revenues			
Reconnect fees		54,944	
Impact fees		17,467	
Returned check fees		2,700	
Penalties		74,824	
Miscellaneous		17,085	
Total other operating revenues	<u>155,500</u>	<u>167,020</u>	<u>11,520</u>
Nonoperating revenues:			
Tower site rental		67,506	
Interest earnings		1,510	
Total nonoperating revenues	<u>63,900</u>	<u>69,016</u>	<u>5,116</u>
Total revenues	<u>4,749,400</u>	<u>4,840,880</u>	<u>91,480</u>
Expenditures:			
Water and sewer administration/finance			
Salaries and employee benefits		409,213	
Postage		20,030	
Supplies		14,488	
Other operating expenditures		426,754	
Total	<u>963,400</u>	<u>870,485</u>	<u>92,915</u>
Water and sewer operations			
Salaries and employee benefits		484,785	
Telephone		3,702	
Utilities		5,160	
Travel		3,601	
Maintenance and repairs		90,157	
Automotive supplies		20,458	
Supplies		34,889	
Meters		62,689	
Infiltration		32,150	
Other operating expenditures		83,250	
Capital outlay		10,345	
Total	<u>1,000,300</u>	<u>831,186</u>	<u>169,114</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, 2017

	Budget	Actual	Variance Positive (Negative)
Water supply, pump and filtering			
Salaries and employee benefits		454,986	
Telephone		4,617	
Utilities		170,174	
Travel		1,418	
Maintenance		35,209	
Supplies		6,675	
Chemicals		218,246	
Independent lab test		11,674	
Contract services		52,068	
Other operating expenditures		26,506	
Capital outlay		36,277	
Total	<u>1,142,300</u>	<u>1,017,850</u>	<u>124,450</u>
Sewage treatment plant operations			
Salaries and employee benefits		558,583	
Telephone		3,718	
Utilities		204,051	
Travel		2,345	
Maintenance		54,518	
Supplies		4,416	
Chemicals		56,494	
Independent lab test		6,469	
Contract services		61,791	
Other operating expenditures		22,992	
Capital outlay		55,777	
Total	<u>1,078,100</u>	<u>1,031,154</u>	<u>46,946</u>
Debt service:			
Principal retirement		637,794	
Interest and other charges		170,428	
Total debt service	<u>811,300</u>	<u>808,222</u>	<u>3,078</u>
Total expenditures	<u>4,995,400</u>	<u>4,558,897</u>	<u>436,503</u>
Other financing sources (uses):			
Appropriated fund balance	54,000	-	(54,000)
Debt Payment from Eastover Sanitary District	192,000	192,000	-
Total other financing sources (uses)	<u>246,000</u>	<u>192,000</u>	<u>(54,000)</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>\$ 473,983</u>	<u>\$ 473,983</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, 2017

	<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		\$ 473,983	
Reconciling items:			
Principal retirement		637,794	
Capital outlay		102,399	
Principal payments from note receivable		(102,544)	
Depreciation and amortization		(785,979)	
Decrease in compensated absences		6,057	
Decrease in accrued interest payable		5,964	
Increase in accrued other postemployment benefits		(138,333)	
Increase in net pension liability		(324,113)	
Increase in deferred outflows of resources - pensions		279,224	
Decrease in deferred inflows of resources - pensions		28,939	
Rounding		(1)	
Total reconciling items		<u>(290,593)</u>	
Change in net position		<u>\$ 183,390</u>	

City of Dunn
Stormwater Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Fiscal Year Ended June 30, 2017

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Stormwater fees	\$ 68,000	\$ 78,953	\$ 10,953
Total	<u>68,000</u>	<u>78,953</u>	<u>10,953</u>
Total revenues	<u>68,000</u>	<u>78,953</u>	<u>10,953</u>
Expenditures:			
Stormwater operations			
Materials		6,210	
Contracted services		35,182	
Engineering		16,800	
Total	<u>68,000</u>	<u>58,192</u>	<u>9,808</u>
Total expenditures	<u>68,000</u>	<u>58,192</u>	<u>9,808</u>
Revenues over expenditures	<u>\$ -</u>	<u>\$ 20,761</u>	<u>\$ 20,761</u>

OTHER SCHEDULES

This section contains additional information required
on property taxes.

Schedule of Ad Valorem Taxes Receivable
Analysis of Current Tax Levy

City of Dunn
General Fund
Schedule of Ad Valorem Taxes Receivable
June 30, 2017

Fiscal Year	Uncollected Balance July 1, 2016	Additions	Collections and Credits	Abatements and Adjustments	Uncollected Balance June 30, 2017
2016-2017	\$ -	\$ 4,262,209	\$ (4,195,846)	\$ (43,096)	\$ 23,267
2015-2016	24,039	-	(13,098)	(867)	10,074
2014-2015	11,682	-	(2,342)	(852)	8,489
2013-2014	8,260	-	(345)	(195)	7,720
2012-2013	9,472	-	(521)	62	9,013
2011-2012	8,199	-	(421)	766	8,544
2010-2011	25,358	-	(3,133)	-	22,225
2009-2010	37,561	-	(4,385)	-	33,176
2008-2009	13,010	-	(1,762)	-	11,248
2007-2008	9,171	-	(262)	-	8,909
	<u>\$ 146,752</u>	<u>\$ 4,262,209</u>	<u>\$ (4,222,115)</u>	<u>\$ (44,182)</u>	<u>\$ 142,664</u>

Less: allowance for uncollectible accounts
General Fund

(54,192)

Ad valorem taxes receivable-net

\$ 88,472

Reconcilement with revenues:

Ad valorem taxes-General Fund

\$ 4,284,741

Reconciling items:

Refund of Taxes paid

1,064

Municipal Service District Taxes

(41,417)

Interest and Penalties

(17,386)

Taxes written off

(4,887)

Subtotal

(62,626)

Total collections and credits

\$ 4,222,115

City of Dunn
 Analysis of Current Tax Levy
 City - Wide Levy
 For the Fiscal Year Ended June 30, 2017

	City - Wide		Total Levy		
			Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
	Property Valuation	Rate			
Original levy:					
Property taxed at current					
Real and personal property	\$ 852,441,800	0.50	\$ 4,262,209	\$ 3,897,092	\$ 365,117
Discoveries	5,419,200	0.50	27,096	27,096	-
Releases	(14,038,400)	0.50	(70,192)	(70,192)	-
Total Property Valuation	<u>\$ 843,822,600</u>		4,219,113	3,853,996	365,117
Net levy			4,219,113	3,853,996	365,117
Uncollected taxes at June 30, 2017			(23,267)	(23,267)	-
Current year's taxes collected			<u>\$ 4,195,846</u>	<u>\$ 3,830,729</u>	<u>\$ 365,117</u>
Current levy collection percentage			<u>99.45%</u>	<u>99.40%</u>	<u>100.00%</u>

STATISTICAL SECTION

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

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

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

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

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

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

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

Table 1

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Governmental activities										
Net investment in capital assets	\$ 3,254,670	\$ 2,969,433	\$ 1,981,691	\$ 2,332,056	\$ 1,165,191	\$ 2,925,002	\$ 3,627,133	\$ 4,244,430	\$ 5,696,256	\$ 6,436,177
Restricted	436,810	522,128	479,067	791,384	2,720,291	1,837,471	1,726,667	1,424,244	1,653,746	4,870,545
Unrestricted	2,830,735	2,741,583	2,814,673	1,853,557	847,595	615,511	173,560	(204,386)	(532,383)	(1,745,461)
Total governmental activities net position	\$ 6,522,215	\$ 6,233,144	\$ 5,275,431	\$ 4,976,997	\$ 4,733,077	\$ 5,377,984	\$ 5,527,360	\$ 5,464,288	\$ 6,817,619	\$ 9,561,261
Business-type activities										
Net investment in capital assets	\$ 13,523,322	\$ 13,725,056	\$ 14,649,312	\$ 17,296,915	\$ 16,061,004	\$ 15,530,084	\$ 17,951,590	\$ 20,284,577	\$ 20,535,568	\$ 20,201,704
Restricted	-	-	-	-	-	-	-	-	-	30,000
Unrestricted	2,121,454	1,992,477	1,532,549	772,541	3,620,425	4,083,012	1,784,948	2,395,563	2,449,400	2,957,415
Total business-type activities net position	\$ 15,644,776	\$ 15,717,533	\$ 16,181,861	\$ 18,069,456	\$ 19,681,429	\$ 19,613,096	\$ 19,736,538	\$ 22,680,140	\$ 22,984,968	\$ 23,189,119
Primary government										
Net investment in capital assets	\$ 16,777,992	\$ 16,694,489	\$ 16,631,003	\$ 19,628,971	\$ 17,226,195	\$ 18,455,086	\$ 21,578,723	\$ 24,529,007	\$ 26,231,824	\$ 26,637,881
Restricted	436,810	522,128	479,067	791,384	2,720,291	1,837,471	1,726,667	1,424,244	1,653,746	4,870,545
Unrestricted	4,952,189	4,734,060	4,347,222	2,626,098	4,468,020	4,698,523	1,958,508	2,191,177	1,917,017	1,211,954
Total primary government net position	\$ 22,166,991	\$ 21,950,677	\$ 21,457,292	\$ 23,046,453	\$ 24,414,506	\$ 24,991,080	\$ 25,263,898	\$ 28,144,428	\$ 29,802,587	\$ 32,720,380

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

Table 2

Expenses	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Governmental activities:										
General government	\$ 2,036,184	\$ 1,947,905	\$ 1,876,598	\$ 1,753,876	\$ 1,800,246	\$ 1,946,686	\$ 1,548,470	\$ 1,590,905	\$ 1,904,648	\$ 2,610,109
Public safety	4,316,119	3,624,401	3,904,128	4,043,216	3,981,466	3,969,606	4,024,211	3,933,301	3,235,533	3,271,705
Transportation	1,450,770	1,586,563	2,526,510	1,468,162	1,458,777	1,478,572	1,481,341	1,387,484	1,387,659	1,507,138
Environmental protection	357,034	375,025	400,090	532,238	510,908	570,653	599,302	622,719	659,849	823,681
Cultural and recreational	727,091	778,682	755,265	843,247	794,430	807,335	852,692	817,707	720,860	893,959
Library	212,154	231,023	253,678	244,025	254,314	236,562	246,004	263,638	257,271	239,948
Community Services	13,207	23,207	-	6,650	31,784	-	-	-	-	-
Interest on long-term debt	65,081	61,154	55,919	171,645	118,702	132,584	45,353	191,693	247,360	219,120
Total governmental activities expenses	\$ 9,177,640	\$ 8,627,960	\$ 9,772,188	\$ 9,063,059	\$ 8,950,627	\$ 9,141,998	\$ 8,797,373	\$ 8,807,447	\$ 8,413,180	\$ 9,565,660
Business-type activities:										
Water and sewer	3,304,781	3,646,090	4,043,652	3,944,868	4,128,782	4,343,372	5,122,206	4,686,053	4,857,768	4,746,944
Stormwater	-	-	-	-	-	-	-	-	-	58,192
Total business-type activities	3,304,781	3,646,090	4,043,652	3,944,868	4,128,782	4,343,372	5,122,206	4,686,053	4,857,768	4,805,136
Total primary government expenses	\$ 12,482,421	\$ 12,274,050	\$ 13,815,840	\$ 13,007,927	\$ 13,079,409	\$ 13,485,370	\$ 13,919,579	\$ 13,493,500	\$ 13,270,948	\$ 14,370,796
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 322,791	\$ 220,530	\$ 327,721	\$ 396,846	\$ 329,677	\$ 383,550	\$ 461,784	\$ 340,748	\$ 399,857	\$ 414,489
Public safety	218,303	5,646	-	-	-	-	-	44,159	188,947	95,082
Transportation	49,568	50,800	17,476	38,354	35,310	35,550	34,941	-	34,659	36,373
Environmental protection	495,508	531,981	552,444	646,979	644,207	687,723	678,051	738,992	721,184	818,216
Cultural and recreational	88,198	84,505	95,823	76,419	77,791	78,035	83,670	103,034	87,611	78,409
Operating grants and contributions	697,010	920,422	903,855	1,073,718	851,155	889,292	967,699	800,634	776,867	764,107
Capital grants and contributions	-	-	97,358	-	-	809,668	528,495	523,000	351,848	54,000
Total governmental activities program revenues	\$ 1,871,378	\$ 1,813,884	\$ 1,994,677	\$ 2,232,316	\$ 1,938,140	\$ 2,883,818	\$ 2,754,640	\$ 2,550,567	\$ 2,560,973	\$ 2,260,676
Business-type activities:										
Charges for services:										
Water and sewer	4,245,516	4,105,603	4,172,441	4,478,773	4,553,134	4,567,460	4,672,187	4,807,268	4,859,613	4,771,864
Stormwater	-	-	-	-	-	-	-	-	-	78,953
Capital grants and contributions	10,000	182,100	615,335	1,628,676	1,563,889	-	-	2,841,252	146,153	-
Total business-type activities program revenues	4,255,516	4,287,703	4,787,776	6,107,449	6,117,023	4,567,460	4,672,187	7,648,520	5,005,766	4,850,817
Total primary government program revenues	\$ 6,126,894	\$ 6,101,587	\$ 6,782,453	\$ 8,339,765	\$ 8,055,163	\$ 7,451,278	\$ 7,426,827	\$ 10,199,087	\$ 7,566,739	\$ 7,111,493
Net (expense)/revenue										
Governmental activities	\$ (7,306,262)	\$ (6,814,076)	\$ (7,777,511)	\$ (6,830,743)	\$ (7,012,487)	\$ (6,258,180)	\$ (6,042,733)	\$ (6,256,880)	\$ (5,852,207)	\$ (7,304,984)
Business-type activities	950,735	641,613	744,124	2,162,581	1,988,241	224,088	(450,019)	2,962,467	147,998	45,681
Total primary government net revenue/(expense)	\$ (6,355,527)	\$ (6,172,463)	\$ (7,033,387)	\$ (4,668,162)	\$ (5,024,246)	\$ (6,034,092)	\$ (6,492,752)	\$ (3,294,413)	\$ (5,704,209)	\$ (7,259,303)

Table 2 (cont.)

General Revenues and Other Changes in Net Position	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Governmental activities:										
Taxes:										
Property taxes, levied for general purpose	\$ 3,414,334	\$ 3,144,801	\$ 3,712,764	\$ 3,593,590	\$ 3,652,523	\$ 3,661,971	\$ 3,985,873	\$ 3,844,346	\$ 3,990,356	\$ 4,272,245
Other taxes	179,376	2,187,140	1,976,842	2,008,585	2,062,487	2,239,860	2,089,472	2,327,549	2,460,359	2,781,240
Unrestricted grants and contributions	2,425,216	168,911	155,474	135,404	126,227	131,950	110,000	110,000	128,800	144,500
Unrestricted investment earnings	174,075	71,400	18,180	14,263	12,728	9,190	17,850	14,606	29,593	7,968
Miscellaneous	578,181	545,616	571,263	440,467	458,602	463,343	405,279	431,073	439,986	545,659
Gain/(Loss) on Disposal of Equipment	55,208	(242,863)	35,275	-	-	-	-	2,582	-	-
Special items - sale of assets	-	-	-	-	-	-	-	-	25,404	6,363
Special items - donated assets	-	-	5,000	-	-	-	-	-	131,040	-
Special items - loss on investment	-	-	-	-	-	(18,727)	-	-	-	-
Transfers	767,318	650,000	345,000	340,000	456,000	415,500	-	-	-	-
Total government activities	7,593,708	6,525,005	6,819,798	6,532,309	6,768,567	6,903,087	\$ 6,608,474	\$ 6,730,156	\$ 7,205,538	\$ 7,757,975
Business-type activities:										
Unrestricted investment earnings	55,064	25,166	4,726	2,838	3,250	62,572	101,992	97,930	93,470	90,967
Miscellaneous	43,511	57,530	59,831	62,176	76,482	53,367	55,104	60,075	63,360	67,503
Gain/(Loss) on Disposal of Equipment	3,055	(1,552)	647	-	-	-	-	11,576	-	-
Special items - donated assets	-	-	-	-	-	7,140	-	-	-	-
Transfers	(767,318)	(650,000)	(345,000)	(340,000)	(456,000)	(415,500)	-	-	-	-
Total business-type activities	(665,688)	(568,856)	(279,796)	(274,986)	(376,268)	(292,421)	157,096	169,581	156,830	158,470
Total primary government	\$ 6,928,020	\$ 5,956,149	\$ 6,540,002	\$ 6,257,323	\$ 6,392,299	\$ 6,610,666	\$ 6,765,570	\$ 6,899,737	\$ 7,362,368	\$ 7,916,445
Change in Net Position										
Governmental activities	\$ 287,446	\$ (289,071)	\$ (957,713)	\$ (298,434)	\$ (243,920)	\$ 644,907	\$ 565,741	\$ 473,276	\$ 1,353,331	\$ 452,991
Business-type activities	285,047	72,757	464,328	1,887,595	1,611,973	(68,333)	(292,923)	3,132,048	304,828	204,151
Total primary government	\$ 572,493	\$ (216,314)	\$ (493,385)	\$ 1,589,161	\$ 1,368,053	\$ 576,574	\$ 272,818	\$ 3,605,324	\$ 1,658,159	\$ 657,142

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>	<u>Tax Rate</u>
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
2015	3,887,947	0.50
2016	4,012,290	0.50
2017	4,272,245	0.50

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

Table 4

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Fund										
Non Spendable	\$ 3,893	\$ 22,430	\$ 23,803	\$ 90,522	\$ 46,038	\$ 48,234	\$ 116,246	\$ 30,625	\$ 32,142	\$ 46,556
Restricted	1,617,640	1,271,675	1,366,434	1,292,486	1,297,819	1,364,826	1,425,142	1,424,244	1,653,747	1,770,545
Assigned	-	-	-	-	-	-	-	-	-	98,000
Unassigned	1,506,421	1,972,352	1,980,220	2,016,283	2,116,425	2,068,671	1,999,838	2,117,478	1,985,379	2,069,164
Total General Fund	<u>3,127,954</u>	<u>3,266,457</u>	<u>3,370,457</u>	<u>3,399,291</u>	<u>3,460,282</u>	<u>3,481,731</u>	<u>3,541,226</u>	<u>3,572,347</u>	<u>3,671,268</u>	<u>3,984,265</u>
All other governmental funds										
Restricted	276,353	360,471	422,428	314,511	189,319	240,041	301,525	-	-	-
Assigned	-	-	42,126	305	-	260,391	(160,305)	67,468	186,772	75,667
Committed	-	-	-	-	-	-	-	-	-	-
Unassigned	-	(34,125)	-	(210,312)	(133,984)	-	-	-	-	-
Total all other governmental funds	<u>\$ 276,353</u>	<u>\$ 326,346</u>	<u>\$ 464,554</u>	<u>\$ 104,504</u>	<u>\$ 55,335</u>	<u>\$ 500,432</u>	<u>\$ 141,220</u>	<u>\$ 67,468</u>	<u>\$ 186,772</u>	<u>\$ 75,667</u>

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

Table 5

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Revenues										
Ad valorem taxes	\$ 3,436,790	\$ 3,214,818	\$ 3,714,518	\$ 3,628,709	\$ 3,657,181	\$ 3,672,427	\$ 3,959,238	\$ 3,887,947	\$ 4,012,290	\$ 4,284,741
Other taxes and licenses	179,376	41,284	41,997	67,994	70,065	207,325	66,558	43,942	36,190	37,369
Unrestricted intergovernmental	2,425,216	2,314,767	2,090,319	2,075,995	2,118,650	2,188,057	2,132,914	2,393,607	2,539,169	2,868,871
Restricted intergovernmental	697,010	900,572	1,004,498	1,031,092	811,501	1,233,958	932,179	1,248,868	1,093,605	920,038
Permits and fees	470,604	159,432	234,259	201,263	148,377	187,466	289,552	216,875	206,985	200,541
Sales and services	654,197	683,230	741,729	919,292	903,298	961,843	933,953	1,003,235	1,002,666	1,112,743
Investment earnings	174,075	71,401	18,180	14,262	12,728	9,227	17,850	14,606	29,593	7,968
Miscellaneous	602,694	596,416	585,454	504,333	513,851	584,035	570,373	513,106	711,504	592,511
Private Donations	-	-	-	-	-	359,668	-	-	-	-
Total revenues	8,639,962	7,981,920	8,430,954	8,442,940	8,235,651	9,404,006	8,902,617	9,322,186	9,632,002	10,024,782
Expenditures										
General government	2,230,400	1,893,611	1,782,354	1,671,999	1,709,906	1,867,599	1,474,587	1,535,053	1,707,135	2,146,402
Public Safety	4,125,444	3,406,640	3,558,174	3,731,418	3,641,699	3,611,487	3,676,533	3,254,461	3,000,794	3,055,693
Transportation	1,463,305	1,469,579	2,367,880	1,372,824	1,337,650	1,366,567	1,376,111	1,309,052	1,308,013	1,341,992
Environmental protection	343,937	360,970	382,692	522,197	496,935	557,002	584,670	607,313	647,025	799,224
Culture and recreation	765,350	751,328	703,903	727,090	677,456	690,733	730,745	725,807	612,267	683,268
Library	190,133	210,285	224,473	220,937	225,667	226,439	231,410	251,963	247,091	227,154
Community Service	13,207	23,207	-	6,650	31,785	-	-	-	-	-
Debt service										
Principal	229,348	249,722	260,874	407,133	383,212	516,667	408,678	519,237	615,919	865,540
Interest and other charges	65,081	61,154	55,919	95,970	85,178	79,564	75,063	184,019	212,112	234,114
Capital outlay	-	174,355	565,379	553,816	1,986,286	2,765,173	805,119	3,379,997	1,388,561	727,922
Total expenditures	9,426,205	8,600,851	9,901,648	9,310,034	10,575,774	11,681,231	9,362,916	11,766,902	9,738,917	10,081,309
Excess of revenues over (under) expenditures	(786,243)	(618,931)	(1,470,694)	(867,094)	(2,340,123)	(2,277,225)	(460,299)	(2,444,716)	(106,915)	(56,527)
Other financing sources (uses)										
Transfers in	767,318	650,000	345,000	340,000	533,106	415,500	-	-	777,857	-
Transfers out	-	-	-	-	(77,106)	-	-	(498,713)	(777,857)	(75,000)
Insurance Proceeds	25,055	-	-	-	-	-	-	-	-	-
Harnett County Reimbursement	-	19,850	-	-	-	-	-	-	-	-
Sale of capital assets	55,209	31,114	35,275	16,801	19,718	15,760	17,497	14,494	25,404	7,669
Loss on investment	-	-	-	-	-	(18,727)	-	-	-	-
Capital Lease Proceeds	-	-	-	-	-	-	-	23,777	-	-
Installment purchase obligations	240,300	125,000	1,334,000	190,000	3,114,000	1,100,000	132,000	2,860,757	296,243	434,000
Total other financing sources (uses)	1,087,882	825,964	1,714,275	546,801	3,589,718	1,512,533	149,497	2,400,315	321,647	310,142
Net change in fund balances	\$ 301,639	\$ 207,033	\$ 243,581	\$ (320,293)	\$ 1,249,595	\$ (764,692)	\$ (310,802)	\$ (44,401)	\$ 214,732	\$ 253,615
Debt service as a percentage of noncapital expenditures	3.1%	3.7%	3.4%	5.7%	5.5%	6.7%	5.7%	8.4%	9.9%	11.8%

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

Table 6

Fiscal Year	Real and Personal Property	Personal Property	Total Assessed Value	Ratio of Assessed Value to Estimated Actual Value ⁽¹⁾	Property Tax Rate ⁽²⁾
2008	562,518,654	62,596,865	625,115,519	100%	0.52
2009	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
2015	701,263,136	57,067,989	758,331,125	100%	0.50
2016	738,999,170	54,300,322	793,299,492	100%	0.50
2017	782,593,029	61,229,571	843,822,600	100%	0.50

Notes:

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

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

**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
2008	0.52	0.735	-	0.02	1.275
2009	0.48	0.735	0.07	0.02	1.305
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	1.319
2015	0.50	0.750	0.07	0.02	1.340
2016	0.50	0.750	0.09	0.02	1.360
2017	0.50	0.750	0.09	0.02	1.360

Notes:

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

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

**City of Dunn
Principal Property Taxpayers
June 30, 2017**

Table 8

Taxpayer	Type of Enterprise	2017			2009(1)		
		Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Rooms to Go Distribution Co LLC	Distribution	\$ 58,684,370	1	6.95%			
Wal Mart	Retail Store	12,318,880	2	1.46%	\$ 12,553,977	2	1.93%
Duke Energy Progress Inc.	Utility Company	11,179,014	3	1.32%	9,617,861	3	1.48%
RPH Harnett Crossing NC LLC	Shopping Center	8,065,180	4	0.96%	7,181,270	5	1.10%
Wincor Properties, LLC	Real Estate	7,922,403	5	0.94%			
RTG Furniture Corp of Georgia	Distribution	7,631,490	6	0.90%			
MRCT3 Dunn LLC	Hotel	7,440,024	7	0.88%			
Gray Properties of NC LLC	Manufacturer	4,723,560	8	0.56%	7,672,685	4	1.18%
GG Retail Properties, LLC	Real Estate	4,694,300	9	0.56%	3,767,290	9	0.58%
Carolina Telephone	Utility Company	4,687,403	10	0.56%	7,034,409	6	1.08%
Energy Conversion Systems, LLC	Carbon Brushes				18,610,863	1	2.86%
Rylie Properties	Hotel				6,336,240	7	0.97%
NWD-T/A Dunbar	Packaging Plant				4,687,923	8	0.72%
Two Till LLC	Real Estate				3,529,560	10	0.54%
Totals		\$ 127,346,624		15.09%	\$ 80,992,078		12.43%
Total Assessed Value		\$ 843,822,600			\$ 651,411,989		

Source: Harnett County Assessor's Office

(1) - Only nine years presented due to ninth year of CAFR presentation

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

Table 9

<u>Fiscal Year</u>	<u>Tax Levy</u>	<u>Current Tax Collections</u>	<u>Percent of Taxes Collected</u>	<u>Delinquent Tax Collections (1)</u>	<u>Total Tax Collections</u>	<u>Ratio of Total Tax Collections to Total Tax Levy</u>
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%
2015	3,783,906	3,761,518	99.41%	-	3,761,518	99.41%
2016	3,966,497	3,942,458	99.39%	-	3,942,458	99.39%
2017	4,219,113	4,195,846	99.45%	26,269	4,222,115	100.07%

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 (3)	Per Capita (4)
	Capital Leases	Installment Purchases	Capital Leases	GO Bonds	Installment Purchases	Revolving Water and Sewer Loan			
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 (1)	-	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 (5)	8,949,465	1.2%	966
2012	-	4,996,968 (2)	-	1,785,000	3,833,333 (6)	4,274,354	14,889,655	2.0%	1,578
2013	-	5,580,300 (7)	-	1,665,000	2,629,196	3,946,603	13,821,099	1.8%	1,466
2014	-	5,288,337	74,370	1,540,000	2,402,819	3,727,347	13,032,873	1.8%	1,357
2015	17,868	7,653,635 (8)	69,598	1,410,000	2,071,259	3,508,091	14,730,451	1.9%	1,533
2016	9,368	7,324,590	50,970	1,275,000	1,609,835	3,288,835	13,558,598	1.8%	1,450
2017	1,229	6,901,189	31,874	1,180,000	1,345,393	3,069,579	12,529,264	1.8%	1,299

Notes:

- (1) - An installment purchase contract was executed during fiscal year 2010 in the amount of \$1,000,000 for street improvements.
- (2) - An installment purchase contract was executed during fiscal year 2012 in the amount of \$2,989,000 for downtown street improvements.
- (3) - Total primary government debt divided by assessed valuation. Assessed valuations can be found in Table 6, page 86.
- (4) - Total Debt divided by population. Population figures from NC State Demographer.
- (5) - A revolving water and sewer loan was executed during fiscal year 2011 in the amount of 4,385,114 for improvements to the Waste Water System.
- (6) - An installment purchase contract was executed during fiscal year 2012 in the amount of \$3,500,000 for construction of water transmission line to Eastover Sanitary District
- (7) - An installment purchase contract was executed during fiscal year 2013 in the amount of \$975,000 for renovation to Tyler Park
- (8) - Total installment purchases executed during fiscal year 2015 in the amount of \$2,884,535 for Phase II of Tyler Park, Harnett Training School, Gym Equipment & Police Cars
- (9) - Total installment purchases executed during fiscal year 2015 in the amount of \$2,884,535 for Phase II of Tyler Park, Harnett Training School, Gym Equipment & Police Cars

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>
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
2015	1,410,000	0.19%	148
2016	1,275,000	0.16%	133
2017	1,180,000	0.14%	122

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, 2017

Table 12

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable To Town (1)</u>	<u>Estimated Share of Overlapping Debt</u>
Harnett County Debt Outstanding	\$ 170,011,509	9.97%	\$ 16,950,147
Subtotal, overlapping debt			16,950,147
City of Dunn direct debt			<u>6,902,418</u>
Total direct and overlapping debt			<u><u>\$ 23,852,565</u></u>

Notes:

(1) - The percentage of overlapping debt applicable to the town is estimated using assessed property values. The applicable percentage is the total assessed value of the town 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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Debt limit	\$ 50,009,242	\$ 52,112,959	59,695,265	59,315,766	59,533,701	\$ 59,843,206	\$ 59,131,547	\$ 60,666,490	\$ 63,463,959	67,505,808
Total net debt applicable to limit	1,534,911	1,410,188	2,483,314	7,049,465	13,104,655	12,156,099	11,418,503	13,232,984	12,615,086	11,349,264
Legal debt margin	\$ 48,474,331	\$ 50,702,771	\$ 57,211,951	\$ 52,266,301	\$ 46,429,046	\$ -	\$ 47,713,044	\$ 47,433,506	\$ 50,848,873	\$ 56,156,544
Total net debt applicable to the limit as a percentage of debt limit	3.07%	2.71%	4.16%	11.88%	22.01%	20.31%	19.31%	21.81%	19.88%	

Legal Debt Margin Calculation for Fiscal Year 2017 (1)

Assessed Value	\$ 843,822,600
Debt Limit (8% of total assessed value)	67,505,808
Debt applicable to limit:	
General obligation bonds	1,180,000
Non bonded debt	11,349,264
Less: Statute exclusion for Water Bonds	<u>(1,180,000)</u>
Total net debt applicable to limit	<u>11,349,264</u>
	<u>\$ 56,156,544</u>

Notes:

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

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

Table 14

<u>Fiscal Year</u>	<u>Population(2)</u>	<u>Personal Income(2)</u>	<u>Per Capita Income(2)</u>	<u>Median Age(2)</u>	<u>School Enrollment(3)</u>	<u>Unemployment Rate(4)</u>
2008	110,098	2,231,025,872	20,264	35	18,876	6.6%
2009	112,030	2,253,268,992	20,113	35	18,968	11.8%
2010	115,761	2,210,303,772	19,094	35	18,518	10.7%
2011	114,678	2,147,345,550	18,725	34	18,764	11.8%
2012	121,417	2,254,013,124	18,564	34	19,011	11.2%
2013	122,355	2,310,551,820	18,884	34	19,378	10.5%
2014	123,316	2,370,873,416	19,226	34	19,868	7.4%
2015	125,717	2,400,566,115	19,095	34	20,099	7.3%
2016	127,348	2,431,710,060	19,095	34	20,269	5.4%
2017	130,881	2,730,701,184	20,864	34	20,357	4.8%

Notes:

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

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

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

(3) - US Department of Labor. Latest figures available are reflected.

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

Table 15

Employer	2017 ⁽¹⁾		2009 ⁽²⁾	
	Employees	Rank	Employees	Rank
Harnett County Schools	1,000+	1	1,000+	1
Food Lion	1,000+	2	1,000+	2
Harnett Health System	500-999	3	500-999	3
Carlie C's Operation Center Inc.	250-499	4	250-499	5
Rooms To Go	250-499	5	-	-
Wal-Mart Associates Inc.	250-499	6	250-499	4
Godwin Manufacturing Co Inc.	100-249	7	-	-
Tri-Arc Food Systems Inc.	100-249	8	-	-
Gray Metal South Inc.	100-249	9	-	-
City of Dunn	100-249	10	100-249	8
Affinity Health Services	-	-	100-249	6
KTL McDonalds LLC	-	-	100-249	7
Family Medical Supply, Inc.	-	-	100-249	10
Basic Home Health Care Inc.	-	-	100-249	9

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

(2) - Only nine years presented due to eighth year of CAFR presentatic

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

Table 16

Function	2009 (1)	2010	2011	2012	2013	2014	2015	2016	2017
General Government									
Administration	3	3	3	5	5	6	6	6	6
Finance	4	4	4	3	3	3	3	3	3
Economic & Physical Development									
Planning	2	2	2	1	1	1	1	1	1
Inspections	3	3	3	3	3	3	3	4	5
Public Safety									
Law Enforcement									
Officers	41	41	41	36	36	36	36	39	39
Civilians	12	11	11	16	16	16	5	4	4
Public Works									
Streets	18	18	18	17	16	16	16	16	14
Solid Waste	2	2	2	2	2	2	2	2	2
Fleet Maintenance	2	2	2	2	2	1	1	1	1
Parks & Recreation	11	11	11	10	10	10	10	9	8
Library	3	3	3	3	3	4	4	4	4
Public Utilities-Water/Sewer									
Finance	5	5	5	5	5	5	5	5	5
Distribution	8	8	8	8	8	8	8	8	8
Water Treatment	8	8	8	8	8	8	8	8	9
WasteWater Treatment	10	10	10	9	9	9	9	9	9
Total	132	131	131	128	127	128	117	119	118

Notes:

(1) - Only nine years presented due to ninth year of CAFR presentation

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

Table 17

	2009 (1)	2010	2011	2012	2013	2014	2015	2016	2017
Function:									
Public Safety									
Arrests	1,795	1,599	1,502	1,524	2,460	3,299	2,190	1,231	1,274
Traffic violations	3,614	3,565	4,343	4,072	4,423	3,613	3,396	3,186	3,236
Highways and streets									
Street resurfacing (miles)	-	7	-	-	-	1	2	0.34	0.39
Potholes repaired	550	600	525	670	700	615	750	210	191
Sidewalk repaired (linear ft.)	2,500	1,000	625	225	300	7,500	600	4,841	3,324
Street sweeping (miles)	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	1,782
Inspections									
Building permits issued	275	281	437	322	398	380	362	385	476
Sanitation									
Residential waste collected (tons/year)	3,450	3,331	2,911	2,819	2,799	2,742	2,663	2,814	2,782
Yard waste collected (tons/year)	1,686	3,590	3,487	3,293	3,140	2,637	2,642	825	1,148
Trash pick-up fee	12	12	15	15	15	16	17	17	17
Library									
Admissions	88,900	104,500	93,595	88,086	83,837	76,119	83,423	65,704	60,797
Volumes in Collection	25,000	33,300	37,430	38,154	41,157	41,913	42,630	44,784	45,112
Recreation									
Youth participation:									
Fall sports	371	385	317	310	330	359	360	343	291
Winter sports	162	216	204	308	224	213	220	314	216
Spring Sports	529	572	461	474	526	510	450	325	339
Water									
Utility customers	4,620	4,625	4,618	4,622	4,625	4,628	4,635	4,700	4,701
Average utility bill	46	47	48	48	48	48	52	55	58
New Customer Connections	19	14	12	16	7	10	10	12	13
Sanitary Sewer Overflows (SSO)	11	13	5	3	5	6	6	5	7
Average daily consumption (MGD)	4	3	3	3	3	3	2.9	2.74	2.73
Wastewater									
Average daily sewage treatment (MGD)	2	3	2	2	2	2	2.8	2.76	2.61

Notes:

(1) - Only nine years presented due to ninth year of CAFR presentation

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

Table 18

Function	2009 (1)	2010	2011	2012	2013	2014	2015	2016	2017
Public safety									
Police stations	1	1	1	1	1	1	1	1	1
Police patrol units	4	4	4	4	4	4	4	4	4
Police vehicles	33	33	33	33	47	43	43	45	45
911 Centers	1	1	1	1	1	1	0	0	0
Sanitation									
Collection trucks	2	2	2	2	2	2	2	2	2
Highways and streets									
Streets (miles)	65	65	65	65	65	65	65	65	65
Traffic signals	5	5	5	5	5	5	5	5	5
Culture and recreation									
Parks acreage	32	32	32	32	32	32	32	36	36
Parks	3	3	3	3	3	3	3	3	3
Baseball/Softball Fields	7	7	7	7	7	7	7	8	8
Pools	1	1	1	1	1	1	1	1	1
Tennis courts	5	5	5	5	5	5	5	3	3
Community centers	2	2	2	2	2	2	2	2	2
Water									
Water mains (feet)	454,080	454,080	454,080	454,080	454,080	454,080	454,080	459,360	459,360
Maximum daily capacity (millions of gallons per day)	6.0	6.0	6.0	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	396,000	406,560	406,560
Max daily treatment capacity (millions of gallons per day)	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75

Notes:

(1) - Only nine years presented due to ninth year of CAFR presentation

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***

**PETWAY
MILLS &
PEARSON, PA**

CERTIFIED PUBLIC ACCOUNTANTS

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North Carolina
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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
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, 2017, 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 24, 2017. Our report includes a reference to other auditors who audited the financial statements of the City of Dunn's ABC Board, as described in our report on the City of Dunn's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported separately by those auditors. The financial statements of the City of Dunn's ABC Board were not audited in accordance with *Government Auditing Standards*.

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 City's internal control.

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

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

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

PETWAY MILLS & PEARSON, PA
Certified Public Accountants
Zebulon, North Carolina

October 24, 2017

**CITY OF DUNN
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2017**

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
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Significant deficiency(ies) identified that are not considered to be material weaknesses?	_____ yes	_____ <u>X</u> _____ no
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Noncompliance material to financial statements noted

_____ yes	_____ <u>X</u> _____ no
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**CITY OF DUNN
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2017**

SECTION II. - FINANCIAL STATEMENT FINDINGS

None.

**CITY OF DUNN
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2017**

SECTION II. - FINANCIAL STATEMENT FINDINGS

None.

**CITY OF DUNN
SUMMARY SCHEDULE OF PRIOR YEARS' FINDINGS
FOR THE YEAR ENDED JUNE 30, 2017**

SECTION II. - FINANCIAL STATEMENT FINDINGS

There were no prior year financial statement audit findings.

CITY OF DUNN, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

Grantor/Pass-through/ Grantor-Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Federal Expenditures	State Expenditures
FEDERAL AWARDS				
US Department of Homeland Security Federal Emergency Management Agency Passed through NC Department of Public Safety	97.036	085-18320-00	\$ 90,319	\$ 30,106
US Environmental Protection Agency Brownsfields Assessment and Cleanup Cooperative Agreements	66.818	B85	184,134	-
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	12,118	-
US Department of Agriculture Rural Development Community Facilities Loans and Grants	10.766		360,000	-
US Department of Transportation Passed through NC Department of Transportation Governor's Highway Safety	20.600		95,370	-
TOTAL FEDERAL AWARDS			<u>741,941</u>	<u>30,106</u>
STATE AWARDS				
NC Department of Commerce Building Reuse Grant			-	25,000
NC Dept. of Transportation Powell Bill		DOT-4	-	249,073
TOTAL STATE AWARDS			<u>-</u>	<u>304,179</u>
TOTAL FEDERAL AND STATE ASSISTANCE			<u>\$ 741,941</u>	<u>\$ 304,179</u>

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

Note 1: 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 under the programs of the federal government and the State of North Carolina for the year ended June 30, 2017. Because the schedule of expenditures of federal and State awards presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position, or cash flows for the City of Dunn.

Note 2: Summary of Significant Accounting Policies

Expenditures reported in the schedule of expenditures of federal and State awards are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

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

Note 3: Loans Outstanding

The City of Dunn had the following loan balance outstanding at June 30, 2017 for the loan that the grantor has still imposed continuing compliance requirements. The loan made during the year is included in the schedule of expenditures of federal and State awards. The balance of the loan outstanding at June 30, 2017 consists of:

US Department of Agriculture Rural Development Community Facilities Loans and Grants	10.766	\$ 306,000
--	--------	------------