

CITY OF DUNN
FINANCIAL STATEMENTS
DUNN, NORTH CAROLINA
FOR THE YEAR ENDED JUNE 30, 2019

CITY OF DUNN
COMPREHENSIVE ANNUAL FINANCIAL REPORT
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JUNE 30, 2019

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Mayor
Oscar N. Harris

Mayor Pro Tem
Frank McLean

Council Members
Buddy Maness
Dr. Gwen McNeill
Billy Tart
Chuck Turnage
Dr David L. Bradham

City Manager
Steven Neuschafer

February 12, 2020

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, 2019 has been submitted by the City's Finance Department. It is the comprehensive publication of the City's financial position at June 30, 2019, 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, 2019 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 of North Carolina, 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 9,541.

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 city's manager and attorney. The City'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. City 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, parks 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 city'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 north/south corridor and the North Carolina Department of Transportation is undergoing a major widening project to improve this roadway throughout North Carolina. In the immediate area there are 12 hotels which offer over 700 rooms. In fiscal year 2019, hotel receipts were over \$10,200,000 in the Dunn area.

The per capita income continues to increase while the overall unemployment rate has remained very steady in the City.

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 completed, underway, or still in the planning stage.

The City has completed a \$1,898,000 project to replace all the City's water meters with new smart meters allowing electronic reading. This will reduce the City's operating budget that required meters to be read individually and will allow more accurate readings. The City has financed the project with a 15 year installment loan.

The City has approved a \$1,175,000 renovation to Tart Park. Bids received for this work were in excess of this amount and therefore the City is working to reduce the scope of the renovation to meet the approved amount. The City was awarded a grant in the amount of \$850,000 from the State of North Carolina. The City will finance the remaining \$325,000 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. Bids received for this work exceeded the funds available so the city is working to adjust the work to meet the approved amount. The City was awarded a loan at 0% interest for twenty years with the State of North Carolina 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 to fund projects at this time. The tax base of the City is not growing quickly. This is a situation that may require thorough review to increase revenue needed 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 City's manager on or before April 30th each year. The City's manager and the Finance Director use 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. (PM&P) 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, 2019 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, 2018. This was the 10th 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 along with assistance from Rebecca A. Meyer, CPA, CGMA. The preparation of this report was also made possible by the assistance of the audit firm 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

James O. Roberts, MPA
Finance Director



where community matters



Government Finance Officers Association

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

Presented to

**City of Dunn
North Carolina**

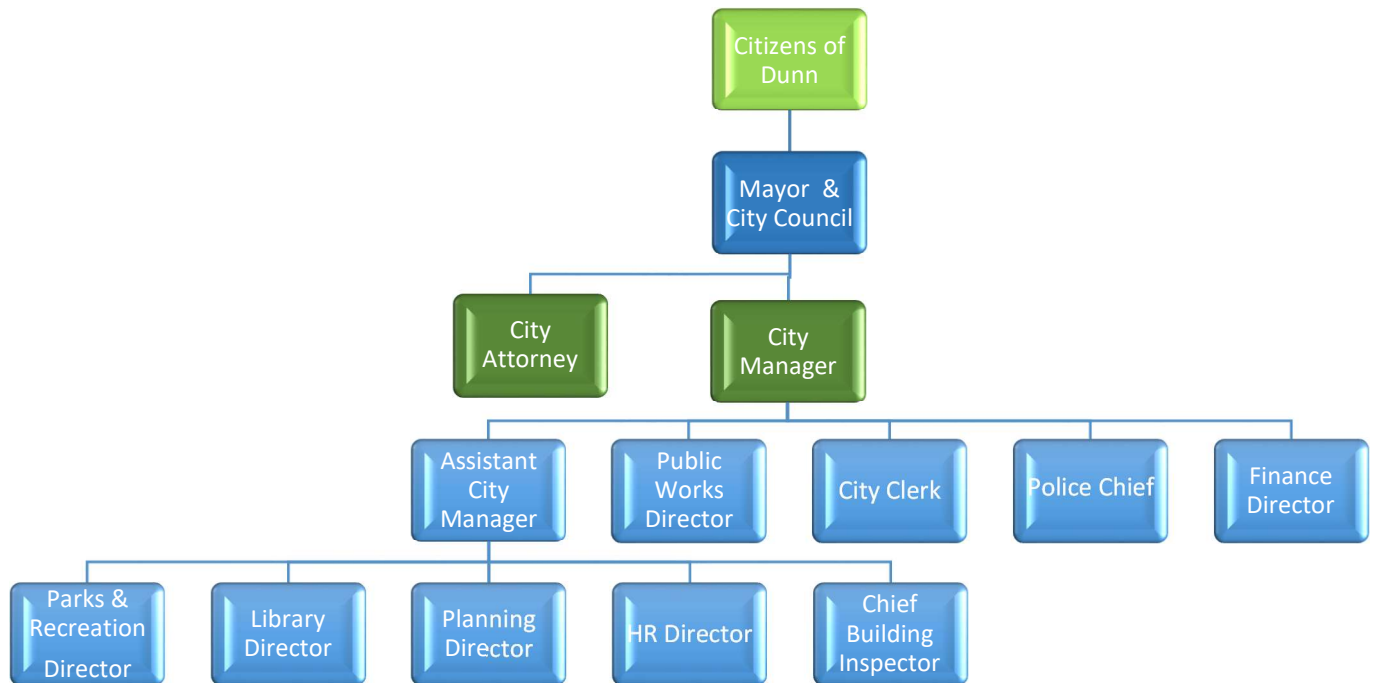
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2018

Christopher P. Morrell

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

David Bradham
District 6

Appointed Staff

Steven Neuschafer
City Manager

P. Tilghman Pope
City Attorney

FINANCIAL SECTION



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Accountants

Medical Group
Management
Association

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Dunn, North Carolina, as of and for the year ended June 30, 2019, 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 1.63%, 2.60% and 11.31%, 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, 2019, 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 18 through 29, the Other Postemployment Benefits' Schedule of Changes in the Total OPEB Liability and Related Ratios, on page 76, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability and Contributions, on pages 72 through 73, and 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 on pages 74 through 75 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 February 12, 2020 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

February 12, 2020

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, 2019. 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

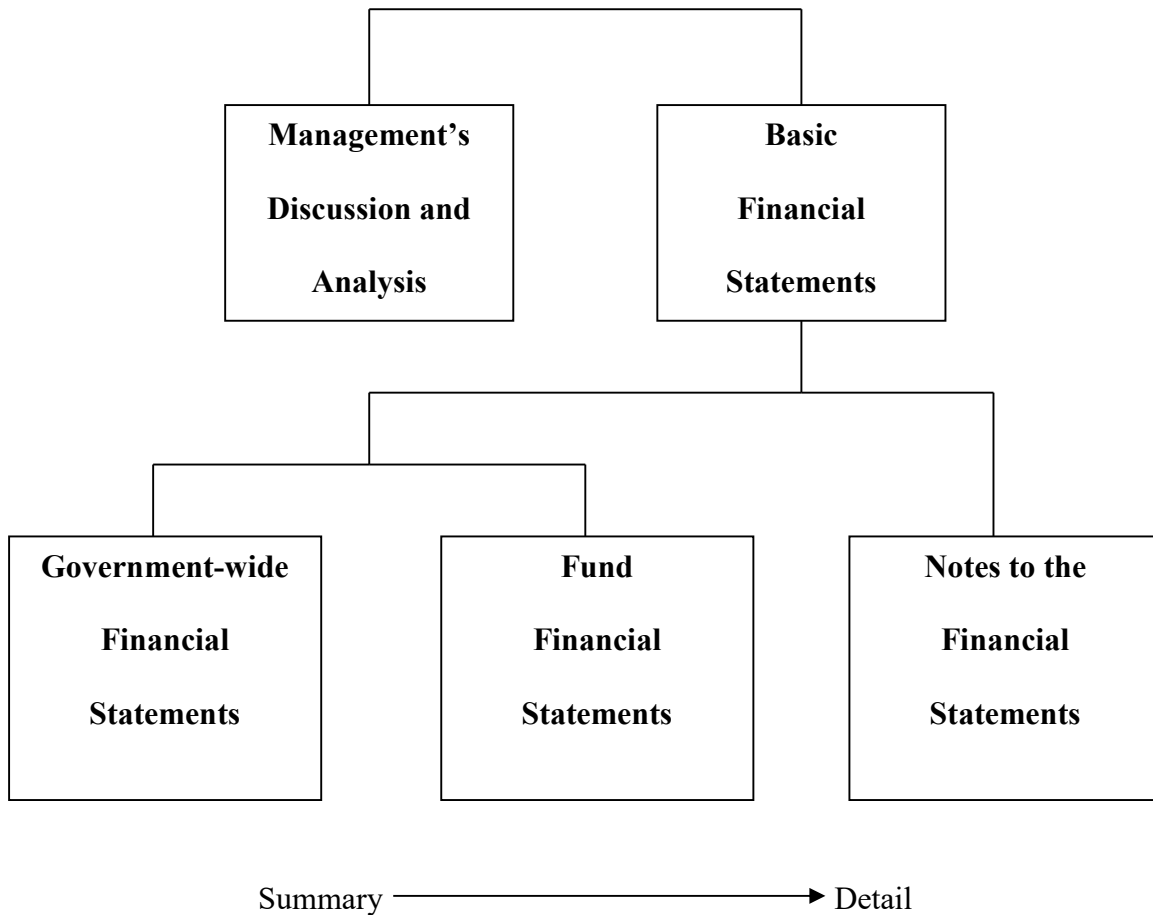
- The assets and deferred outflows of resources of the City of Dunn exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$30,369,887 (net position).
- As of the close of the current fiscal year, the City of Dunn's governmental funds reported combined ending fund balances of \$5,451,761, an increase of \$744,653 in comparison with the prior year. Approximately 48% of this total amount, or \$2,611,061 is non spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$2,835,700 or 27.62% of total general fund expenditures for the fiscal year.
- The City of Dunn's total debt increased by \$1,177,738 (10%) 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 with no change from last year.

Overview of the Financial Statements

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

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

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

The next section of the basic financial statements is the **Notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the 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 is the difference between the City's total assets and deferred outflows of resources and total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the City's financial condition.

The government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) component units. The governmental activities include most of the City's basic services such as public safety, parks and recreation, and general administration. Property taxes and state and federal grant funds finance most of these activities. The business-type activities are those that the City charges customers to provide. These include the water and sewer 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 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 41 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 on pages 71-76 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 \$30,369,887 at the close of the most recent fiscal year, June 30, 2019.

By far the largest portion (88.8%) 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 (18.7%) represents resources that are subject to external restrictions on how they may be used. The remaining balance is unrestricted. The negative balance is primarily a function of the City’s obligation for pension and other post-retirement benefit liabilities which are not expected to be liquidated in the short-term.

The City of Dunn's Net Position

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 9,167,562	\$ 8,366,965	\$ 5,402,531	\$ 5,340,382	\$ 14,570,093	\$ 13,707,347
Capital assets	12,677,670	12,711,836	25,525,775	23,994,640	38,203,445	36,706,476
Total Assets	21,845,232	21,078,801	30,928,306	29,335,022	52,773,538	50,413,823
Deferred outflows of resources	1,390,264	1,004,627	494,569	314,527	1,884,833	1,319,154
Long-term liabilities outstanding	13,414,590	13,380,903	7,964,510	8,090,434	21,379,100	21,471,337
Other liabilities	1,399,178	1,274,152	1,168,353	1,089,641	2,567,531	2,363,793
	14,813,768	14,655,055	9,132,863	9,180,075	23,946,631	23,835,130
Deferred inflows of resources	261,978	255,325	79,875	94,949	341,853	350,274
Net position						
Net investment in capital assets	6,512,326	6,444,745	20,457,636	20,102,111	26,969,962	26,546,856
Restricted	5,665,759	4,981,763	-	-	5,665,759	4,981,763
Unrestricted	(4,018,335)	(2,979,308)	1,752,501	1,362,055	(2,265,834)	(1,617,253)
Total net position	\$ 8,159,750	\$ 8,447,200	\$ 22,210,137	\$ 21,464,166	\$ 30,369,887	\$ 29,911,366

City of Dunn Changes in Net Position
Figure 3

	Governmental Activities	Governmental Activities	Business Type Activities	Business Type Activities	Total	Total
	2019	2018	2019	2018	2019	2018
Revenues:						
Program revenues:						
Charges for services	\$ 1,677,086	\$ 1,523,423	\$ 5,066,510	\$ 4,873,477	\$ 6,743,596	\$ 6,396,900
Operating grants and contributions	505,590	492,699	51,731	97,433	557,321	590,132
Capital grants and contributions	138,126	-	-	383,882	138,126	383,882
General revenues:						
Property taxes	4,273,456	4,260,553	-	-	4,273,456	4,260,553
Other taxes	3,259,876	2,985,066	-	-	3,259,876	2,985,066
Grants and contributions not restricted to specific programs	125,000	125,000	-	-	125,000	125,000
Other	672,413	554,300	158,478	269,066	830,891	823,366
Total revenues	\$ 10,651,547	\$ 9,941,041	\$ 5,276,719	\$ 5,623,858	\$ 15,928,266	\$ 15,564,899
Expenses:						
General government	2,499,021	2,447,292	-	-	2,499,021	2,447,292
Public safety	4,277,813	3,164,633	-	-	4,277,813	3,164,633
Transportation	1,582,991	1,552,433	-	-	1,582,991	1,552,433
Environmental protection	1,012,038	826,201	-	-	1,012,038	826,201
Culture and recreation	1,376,979	1,179,906	-	-	1,376,979	1,179,906
Interest on long-term debt	190,155	199,655	-	-	190,155	199,655
Stormwater	-	-	5,952	274,919	5,952	274,919
Water and sewer	-	-	4,524,796	5,588,695	4,524,796	5,588,695
Total expenses	\$ 10,938,997	\$ 9,370,120	\$ 4,530,748	\$ 5,863,614	\$ 15,469,745	\$ 15,233,734
Change in net position before transfers	(287,450)	570,921	745,971	(239,756)	458,521	331,165
Change in net position	(287,450)	570,921	745,971	(239,756)	458,521	331,165
Net position, July 1	8,447,200	9,561,261	21,464,166	23,189,119	29,911,366	32,750,380
Restatement	-	(1,684,982)	-	(1,485,197)	-	(3,170,179)
Net position, beginning, restated	8,447,200	7,876,279	21,464,166	21,703,922	29,911,366	29,580,201
Net position, June 30	\$ 8,159,750	\$ 8,447,200	\$ 22,210,137	\$ 21,464,166	\$ 30,369,887	\$ 29,911,366

Governmental activities: Governmental activities decreased the City's net position by \$287,450. Key elements of this decrease are due to an increase in the OPEB and pension liabilities offset by an increase in deferred outflows related to those liabilities. Pension and OPEB expense increased by \$880,867 over prior year due to changes in assumptions and the difference between expected and actuarial experience. These additional expenses were offset by increases in program revenues over prior year of \$68,129, additional net investment earnings, which increased by \$61,276, and increases in tax revenues of \$287,713. The remaining differences are due to normal fluctuations in operational expenses.

Business-type activities: Business-type activities increased the City of Dunn's net position by \$745,971. Key elements of this increase were due to reduction in stormwater costs, which decreased \$268,967 as a result of reduced maintenance expenditures for the year, and decreases in water and sewer costs, which decreased \$1,102,592 due to a decrease in sewer line repair and maintenance expenditures. These decreases in expenditures were also accompanied by a reduction in overall business-type revenues of \$347,139, which was primarily caused by the decrease in capital grants and contributions and other one-time reimbursements.

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 \$2,835,700 while total fund balance reached \$5,416,207. The City currently has an available fund balance of 27.62% of general fund expenditures, while total fund balance represents 52.76%.

At June 30, 2019, the governmental funds of the City of Dunn reported a combined fund balance of \$5,451,761.

Budget Highlights for the Fiscal Year Ending June 30, 2019

Governmental Activities: The tax rate remained at 50 cents per \$100. Sales Tax Distribution were increased by 15.4%, \$332,241, due to the new distribution method passed by the NC General Assembly. Fund Balance was not appropriated to balance the budget. Health insurance premiums decreased 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. Powell Bill funds were carried over to the 2019/2020 budget year to continue a street resurfacing plan using funds in an “every other year” scenario.

Business Activities: A 25% rate increase was approved for sewer rates beginning on July 1, 2019. Water rates were adjusted upward by approximately 5% for the coming year. Health insurance expenses will remain steady through the State Health Plan for another year. Several small capital outlay items were budgeted with no new positions added for the coming year.

General Fund: 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 budget amendments to increase total expenditures by \$821,988 during the year. The largest component of the change, \$460,888, was to account for anticipated increases of capital outlay for police vehicles for which the City was awaiting delivery. Some of these vehicles remained undelivered as of year-end, which resulted in a surplus of the amended budget for capital outlay versus actual of \$184,543. The remainder of the change was related to increases in the expenditures of various functions based on operational needs of the City.

Additionally, there was a significant favorable variance between final budget and actual results of \$965,685 for the transportation department. This was primarily due to budgeted amounts for street repairs and improvements that were anticipated to be completed during the year utilizing state Powell Bill funds which have been deferred by the City until fiscal year 2020.

Proprietary Funds - The City of Dunn’s proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to \$1,502,740. The Water and Sewer fund experienced an increase in net position of \$617,770. 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 \$249,761 with additional income expected due to increased fees to businesses.

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, 2019, totals \$38,203,445 (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):

- Total meter replacements for Water/Sewer using automatic meter reading, Waste Water Treatment Plant Aeration Replacement and Magnolia Street Water line projects total approximately \$1,900,000.
- Equipment and Machinery for the Water/Sewer fund and General Fund make up over \$300,000.
- Police vehicles are on a regular replacement schedule and include over \$200,000 in this year.
- Land was purchased and 3 more pieces of property should be purchased within the year.
- No significant dispositions, or demolitions were recorded this year.

City of Dunn's Capital Assets

Figure 3

(net of depreciation)

	Governmental Activities	Governmental Activities	Business-type Activities	Business-type Activities	Total	Total
	2019	2018	2019	2018	2019	2018
Land	\$ 1,650,641	\$ 1,624,003	\$ 195,551	\$ 181,746	\$ 1,846,192	\$ 1,805,749
Buildings and system	3,947,316	4,148,656	22,691,756	23,266,281	26,639,072	27,414,937
Improvements other than buildings	6,002,031	6,134,587	-	-	6,002,031	6,134,587
Equipment	298,145	275,940	531,244	371,858	829,389	647,798
Other	-	-	58,927	64,932	58,927	64,932
Vehicles	688,347	528,650	122,287	13,359	810,634	542,009
Construction in progress	91,190	-	1,926,010	96,464	2,017,200	96,464
Total	\$ 12,677,670	\$ 12,711,836	\$ 25,525,775	\$ 23,994,640	\$ 38,203,445	\$ 36,706,476

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, 2019, the City of Dunn had total bonded debt outstanding of \$869,000. This amount is backed by the full faith, credit, and taxing power of the City of Dunn. Additionally, the City had \$9,031,202 outstanding for installment purchase debt and \$2,631,067 outstanding on water and sewer revolving loans.

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

Figure 4

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Capital leases	\$ -	\$ -	\$ -	\$ 16,206	\$ -	\$ 16,206
General obligation bonds	-	-	869,000	1,026,000	869,000	1,026,000
Direct borrowing agreements	6,317,892	6,386,138	2,713,310	1,074,864	9,031,202	7,461,002
Direct placement Water and Sewer revolving loans	-	-	2,631,067	2,850,324	2,631,067	2,850,324
Total	\$ 6,317,892	\$ 6,386,138	\$ 6,213,377	\$ 4,967,394	\$ 12,531,269	\$ 11,353,532

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the City of Dunn is \$55,004,523. The City has no bonds authorized but un-issued at June 30, 2019.

Additional information regarding the City of Dunn's long-term debt can be found on pages 64-67 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.

- Economic 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.
- The unemployment rate in Harnett County/Dunn as of April 30, 2019 was 5.4%.
- Our Downtown District continues to experience growth with new business openings and stability within the Downtown Development Committee.
- Several vacant retail spaces are now occupied at the Harnett Crossing Shopping Center.
- New businesses within the City limits and expansions to existing businesses have provided new jobs with excellent pay.

Requests for Information

This report is designed to provide an overview of the City's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to James O. Roberts, MPA, Finance Director, City of Dunn, and 401 East Broad Street, Dunn, NC, 28334.

BASIC FINANCIAL STATEMENTS

City of Dunn
Statement of Net Position
June 30, 2019

	Primary Government			
	Governmental Activities	Business-type Activities	Total	City of Dunn ABC Board
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 163,362	\$ 758,628	\$ 921,990	\$ 309,922
Restricted cash and cash equivalents	333,277	468,690	801,967	-
Investments	4,592,865	-	4,592,865	-
Restricted investments	802,514	-	802,514	-
Taxes receivables (net)	79,497	-	79,497	-
Accounts receivable (net)	595,536	762,937	1,358,473	299
Due from other governments	754,685	107,850	862,535	-
Internal balances	(1,299,476)	1,299,476	-	-
Prepaid items	2,924	-	2,924	-
Current portion of note receivable	-	115,595	115,595	-
Inventories	42,378	41,471	83,849	239,986
Total current assets	6,067,562	3,554,647	9,622,209	550,207
Non-current assets:				
Note receivable	3,100,000	1,847,884	4,947,884	-
Capital assets (Note 4):				
Land, non-depreciable improvements, and construction in progress	1,741,831	2,121,561	3,863,392	191,572
Other capital assets, net of depreciation	10,935,839	23,404,214	34,340,053	137,640
Total capital assets	12,677,670	25,525,775	38,203,445	329,212
Total non-current assets	15,777,670	27,373,659	43,151,329	329,212
Total assets	\$ 21,845,232	\$ 30,928,306	\$ 52,773,538	\$ 879,419
DEFERRED OUTFLOWS OF RESOURCES				
Contributions to pension plan - LGERS	\$ 306,076	\$ 119,029	\$ 425,105	\$ -
Contributions to pension plan - LEO	16,827	-	16,827	-
Pension Deferrals - LGERS	719,968	279,987	999,955	34,663
Pension Deferrals - LEO	101,684	-	101,684	-
Pension Deferrals - OPEB	245,709	95,553	341,262	-
Total deferred outflows of resources	1,390,264	494,569	1,884,833	34,663
LIABILITIES				
Current liabilities:				
Accounts payable	535,088	185,834	720,922	69,277
Accrued interest	155,860	75,495	231,355	-
Liabilities to be paid from restricted assets	-	138,761	138,761	-
Due within one year	708,230	768,263	1,476,493	-
Total current liabilities	1,399,178	1,168,353	2,567,531	69,277
Long-term liabilities:				
Net Pension liability - LGERS	1,270,133	493,941	1,764,074	27,283
Total pension liability - LEO	1,214,771	-	1,214,771	-
Total OPEB liability	5,040,430	1,960,167	7,000,597	-
Due in more than one year	5,889,256	5,510,402	11,399,658	-
Total liabilities	14,813,768	9,132,863	23,946,631	96,560
DEFERRED INFLOWS OF RESOURCES				
Prepaid Taxes	1,216	-	1,216	-
Pension deferrals - LGERS	45,351	17,636	62,987	141
Pension deferrals - LEO	55,368	-	55,368	-
Pension deferrals - OPEB	160,043	62,239	222,282	-
Total deferred inflows of resources	261,978	79,875	341,853	141
NET POSITION				
Net Investment in capital assets	6,512,326	20,457,636	26,969,962	329,212
Restricted for:				
Public safety	208,234	-	208,234	-
Harnett Training School	3,135,554	-	3,135,554	-
Transportation	739,455	-	739,455	-
Stabilization by State Statute	1,429,968	-	1,429,968	-
USDA Debt Service	152,548	-	152,548	-
Working Capital	-	-	-	77,869
Unrestricted	(4,018,335)	1,752,501	(2,265,834)	410,300
Total net position	\$ 8,159,750	\$ 22,210,137	\$ 30,369,887	\$ 817,381

**City of Dunn
Statement of Activities
For the Year Ended June 30, 2019**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	City of Dunn ABC Board
					Governmental Activities	Business-type Activities		
Primary government:								
Governmental Activities:								
General government	\$ 2,499,021	\$ 455,025	\$ -	\$ 49,936	\$ (1,994,060)	\$ -	\$ (1,994,060)	\$ -
Public safety	4,277,813	51,113	79,402	-	(4,147,298)	-	(4,147,298)	-
Transportation	1,582,991	149,344	294,107	-	(1,139,540)	-	(1,139,540)	-
Environmental protection	1,012,038	944,354	96,263	-	28,579	-	28,579	-
Culture and recreation	1,069,411	77,250	35,818	88,190	(868,153)	-	(868,153)	-
Library	307,568	-	-	-	(307,568)	-	(307,568)	-
Interest on long-term debt	190,155	-	-	-	(190,155)	-	(190,155)	-
Total governmental activities	10,938,997	1,677,086	505,590	138,126	(8,618,195)	-	(8,618,195)	-
Business-type activities:								
Water and sewer	4,524,796	4,932,357	51,731	-	-	459,292	459,292	-
Stormwater	5,952	134,153	-	-	-	128,201	128,201	-
Total business-type activities	4,530,748	5,066,510	51,731	-	-	587,493	587,493	-
Total primary government	\$ 15,469,745	\$ 6,743,596	\$ 557,321	\$ 138,126	(8,618,195)	587,493	(8,030,702)	-
Component unit:								
ABC Board	\$ 1,992,213	\$ 2,024,593	\$ 6,000	\$ -	-	-	-	38,380
Total component unit	\$ 1,992,213	\$ 2,024,593	\$ 6,000	\$ -	\$ -	\$ -	\$ -	38,380
General revenues:								
Taxes:								
Property taxes, levied for general purpose					4,273,456	-	4,273,456	-
Other taxes and licenses					221,377	-	221,377	-
Local option sales taxes					2,235,863	-	2,235,863	-
Utility franchise state tax revenue					753,957	-	753,957	-
Beer and wine state tax revenue					41,661	-	41,661	-
Solid waste disposal state tax revenue					7,018	-	7,018	-
Grants and contributions not restricted to specific programs					125,000	-	125,000	-
Unrestricted investment earnings					101,189	81,903	183,092	189
Miscellaneous					571,224	76,575	647,799	-
Total general revenues and transfers					8,330,745	158,478	8,489,223	189
Change in net assets					(287,450)	745,971	458,521	38,569
Net position, beginning					8,447,200	21,464,166	29,911,366	778,812
Net position, ending					\$ 8,159,750	\$ 22,210,137	\$ 30,369,887	\$ 817,381

**City of Dunn
Balance Sheets
Governmental Funds
June 30, 2019**

	Major Fund		
	General	Total Non-major Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 163,362	\$ -	\$ 163,362
Restricted cash and cash equivalents	297,723	35,554	333,277
Investments	4,592,865	-	4,592,865
Restricted investments	802,514	-	802,514
Receivables, net:			
Taxes	79,497	-	79,497
Accounts	595,536	-	595,536
Due from other governments	666,495	88,190	754,685
Due from other funnds	83,440	-	83,440
Prepaid Items	2,924	-	2,924
Inventories	42,378	-	42,378
Total assets	7,326,734	123,744	7,450,478
LIABILITIES			
Liabilities:			
Accounts payable and accrued liabilities	530,338	4,750	535,088
Due to other funds	1,299,476	83,440	1,382,916
Total liabilities	1,829,814	88,190	1,918,004
DEFERRED INFLOWS OF RESOURCES			
Property taxes receivable	79,497	-	79,497
Prepaid Taxes	1,216	-	1,216
Total deferred inflows of resources	80,713	-	80,713
FUND BALANCES			
Non Spendable			
Prepaid items	2,924	-	2,924
Inventories	42,378	-	42,378
Restricted			
Stabilization by State Statute	1,429,968	-	1,429,968
Transportation	739,455	-	739,455
Public Safety	208,234	-	208,234
USDA Debt Service	152,548	-	152,548
Harnett Training School	-	35,554	35,554
Assigned			
Subsequent year's expenditures	5,000	-	5,000
Unassigned	2,835,700	-	2,835,700
Total fund balances	5,416,207	35,554	5,451,761
Total liabilities, deferred inflows of resources and fund balances			
	\$ 7,326,734	\$ 123,744	

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.	12,677,670
Other long term assets	3,100,000
Deferred outflows of resources related to pensions are not reported in funds	322,903
Deferred outflows of resources related to OPEB are not reported in funds	-
Pension related deferrals	1,067,361
Earned revenues considered deferred inflows of resources in fund statements	79,497
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds	(6,597,486)
Net pension liability - LGERS	(1,270,133)
Total pension liability - LEO	(1,214,771)
Total OPEB liability	(5,040,430)
Deferred inflows of resources related to pensions are not reported in the funds	(100,719)
Deferred inflows of resources related to OPEB are not reported in the funds	(160,043)
Other long-term liabilities (accrued interest is not due and payable in the current period and therefore are not reported in the funds)	(155,860)
Net position of governmental activities	<u>\$ 8,159,750</u>

City of Dunn
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2019

	Major Funds		
	General Fund	Total Non-Major Funds	Total Governmental Funds
REVENUES			
Ad valorem taxes	\$ 4,273,456	\$ -	\$ 4,273,456
Other taxes and licenses	180,715	-	180,715
Unrestricted intergovernmental	3,163,499	-	3,163,499
Restricted intergovernmental	608,981	88,190	697,171
Permits and fees	170,430	-	170,430
Sales and services	1,307,400	-	1,307,400
Investment earnings	101,189	-	101,189
Other	757,687	-	757,687
Total revenues	<u>10,563,357</u>	<u>88,190</u>	<u>10,651,547</u>
EXPENDITURES			
Current:			
General government	2,259,995	454	2,260,449
Public safety	3,460,284	-	3,460,284
Transportation	1,300,908	-	1,300,908
Environmental protection	978,691	-	978,691
Culture and recreation	723,613	-	723,613
Library	264,608	-	264,608
Debt service:			
Principal	522,246	-	522,246
Interest and other charges	198,578	-	198,578
Capital outlay	557,345	103,471	660,816
Total expenditures	<u>10,266,268</u>	<u>103,925</u>	<u>10,370,193</u>
Excess (deficiency) of revenues over expenditures	<u>297,089</u>	<u>(15,735)</u>	<u>281,354</u>
OTHER FINANCING SOURCES (USES)			
Direct borrowing loan proceeds	454,000	-	454,000
Total other financing sources (uses)	<u>454,000</u>	<u>-</u>	<u>454,000</u>
Net change in fund balance	751,089	(15,735)	735,354
Fund balance, beginning	4,655,819	51,289	4,707,108
Change in reserve for inventories	9,299	-	9,299
Fund balances, ending	<u>\$ 5,416,207</u>	<u>\$ 35,554</u>	<u>\$ 5,451,761</u>

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, 2019

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

Net changes in fund balances - total governmental funds	\$	735,354
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period

Capital outlay expenditures which were capitalized	660,816	
Depreciation expense for governmental assets	<u>(694,982)</u>	
		(34,166)

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.

Issuance of direct placement installment debt	(454,000)	
Principal payment on long-term debt	522,246	
Decrease in accrued interest payable	<u>8,425</u>	
		76,671

Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	306,076
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Benefit payments paid and administrative expense for the LEOSA are not included on the Statement of Activities	16,827
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Change in unavailable revenue for tax revenues	9,312

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Compensated absences	3,202	
Pension Expense	(476,413)	
OPEB Expense	(924,313)	

Total changes in net position of governmental activities	\$	<u>(287,450)</u>
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City of Dunn
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2019

General Fund				
	Original	Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:				
Ad valorem taxes	\$ 4,266,100	\$ 4,266,100	\$ 4,273,456	\$ 7,356
Other taxes and licenses	217,000	217,000	180,715	(36,285)
Unrestricted intergovernmental	3,056,100	3,056,100	3,163,499	107,399
Restricted intergovernmental	585,800	771,900	608,981	(162,919)
Permits and fees	202,300	202,300	170,430	(31,870)
Sales and services	1,204,000	1,204,000	1,307,400	103,400
Investment earnings	47,000	47,000	101,189	54,189
Other	625,700	627,700	757,687	129,987
Total revenues	<u>10,204,000</u>	<u>10,392,100</u>	<u>10,563,357</u>	<u>171,257</u>
Expenditures:				
Current:				
General government	2,388,000	2,397,000	2,259,995	137,005
Public safety	3,300,500	3,493,000	3,460,284	32,716
Transportation	2,249,500	2,274,500	1,300,908	973,592
Environmental protection	852,700	986,700	978,691	8,009
Culture and recreation	763,700	756,700	723,613	33,087
Library	267,300	274,900	264,608	10,292
Debt service:				
Principal retirement	554,675	554,675	522,246	32,429
Interest and other charges	207,625	207,625	198,578	9,047
Capital Outlay	281,000	741,888	557,345	184,543
Total expenditures	<u>10,865,000</u>	<u>11,686,988</u>	<u>10,266,268</u>	<u>1,420,720</u>
Revenues over (under) expenditures	<u>(661,000)</u>	<u>(1,294,888)</u>	<u>297,089</u>	<u>1,591,977</u>
Other financing sources (uses):				
Sale of capital assets	20,000	20,000	-	(20,000)
Direct borrowing proceeds	241,000	491,000	454,000	(37,000)
Appropriated Fund Balance	400,000	783,888	-	(783,888)
Total other financing sources (uses)	<u>661,000</u>	<u>1,294,888</u>	<u>454,000</u>	<u>(840,888)</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>\$ -</u>	<u>751,089</u>	<u>\$ 751,089</u>
Fund balance, beginning			4,655,819	
Change in reserve for inventories			9,299	
Fund balances, ending			<u>\$ 5,416,207</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, 2019**

	Major Fund	Non-Major	
	Water and Sewer Fund	Stormwater Fund	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 560,927	\$ 197,701	\$ 758,628
Restricted cash and investments	468,690	-	468,690
Accounts receivable (net) - billed	547,844	14,300	562,144
Accounts receivable - other	200,793	-	200,793
Due from other governments	70,090	37,760	107,850
Due from other funds	1,299,476	-	1,299,476
Current portion of note receivable	115,595	-	115,595
Inventories	41,471	-	41,471
Total current assets	3,304,886	249,761	3,554,647
Noncurrent assets:			
Note receivable	1,847,884	-	1,847,884
Capital assets:			
Land and other non-depreciable assets	2,121,561	-	2,121,561
Other capital assets, net of depreciation	23,404,214	-	23,404,214
Capital assets (net)	25,525,775	-	25,525,775
Total noncurrent assets	27,373,659	-	27,373,659
Total assets	30,678,545	249,761	30,928,306
DEFERRED OUTFLOWS OF RESOURCES			
Contributions to pension plan	119,029	-	119,029
Pension deferrals	279,987	-	279,987
OPEB deferrals	95,553	-	95,553
Total deferred outflows of resources	494,569	-	494,569
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	185,834	-	185,834
Accrued interest payable	75,495	-	75,495
Liabilities to be paid from restricted assets	138,761	-	138,761
Compensated absences - current	31,991	-	31,991
General obligation bonds payable - current	154,000	-	154,000
Note payables - current	582,272	-	582,272
Total current liabilities	1,168,353	-	1,168,353
Noncurrent liabilities:			
Other noncurrent liabilities:			
Compensated absences	33,297	-	33,297
Other postemployment benefits	1,960,167	-	1,960,167
Net pension liability	493,941	-	493,941
General obligation bonds payable - noncurrent (net)	715,000	-	715,000
Note payables - noncurrent	4,762,105	-	4,762,105
Total noncurrent liabilities	7,964,510	-	7,964,510
Total liabilities	9,132,863	-	9,132,863
DEFERRED INFLOWS OF RESOURCES			
OPEB deferrals	62,239	-	62,239
Pension deferrals	17,636	-	17,636
Total deferred inflows of resources	79,875	-	79,875
NET POSITION			
Net investment in capital assets	20,457,636	-	20,457,636
Unrestricted	1,502,740	249,761	1,752,501
Total net position	\$ 21,960,376	\$ 249,761	\$ 22,210,137

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, 2019

	Major Fund	Non-Major	
	Water and	Stormwater	
	Sewer Fund	Fund	Total
OPERATING REVENUES			
Charges for services	\$ 4,757,255	\$ 134,153	\$ 4,891,408
Water and sewer taps	9,500	-	9,500
Other operating revenues	165,602	-	165,602
Total operating revenues	4,932,357	134,153	5,066,510
OPERATING EXPENSES			
Water and sewer administration	716,797	-	716,797
Water and sewer operations	880,606	-	880,606
Water supply, pump and filtering	1,001,265	-	1,001,265
Sewage treatment plant operations	974,362	-	974,362
Stormwater expenditures	-	5,952	5,952
Depreciation and amortization	783,448	-	783,448
Total operating expenses	4,356,478	5,952	4,362,430
Operating income (loss)	575,879	128,201	704,080
NONOPERATING REVENUES (EXPENSES)			
Investment earnings	831	-	831
Grant Revenue	51,731	-	51,731
Tower site rental	76,575	-	76,575
Interest revenue	81,072	-	81,072
Interest and other charges	(168,318)	-	(168,318)
Total nonoperating revenue (expenses)	41,891	-	41,891
Change in net position	617,770	128,201	745,971
Total net position, beginning	21,342,606	121,560	21,464,166
Total net position, ending	\$ 21,960,376	\$ 249,761	\$ 22,210,137

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, 2019

	Major Fund	Non-Major	
	Water and	Stormwater	
	Sewer Fund	Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 4,917,803	\$ 129,300	\$ 5,047,103
Cash paid for goods and services	(1,945,775)	(5,952)	(1,951,727)
Cash paid to or on behalf of employees for services	(2,114,156)	-	(2,114,156)
Net customer deposits	338	-	338
Prepaid items	3,895	-	3,895
Other operating revenues	(3,719)	-	(3,719)
Net cash provided (used) by operating activities	858,386	\$ 123,348	\$ 981,734
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Interfund Activity	(1,125,796)	-	(1,125,796)
Grant Revenue	51,731	-	51,731
Total cash flows used by noncapital financing activities	(1,074,065)	-	(1,074,065)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	(2,261,688)	-	(2,261,688)
Proceeds from long-term debt	1,898,000	-	1,898,000
Principal payment from note receivable	111,070	-	111,070
Interest payment from note receivable	80,930	-	80,930
Principal paid on bond maturities and equipment contracts	(652,016)	-	(652,016)
Interest paid on bond maturities and equipment contracts	(118,263)	-	(118,263)
Net cash provided (used) by capital and related financing activities	(941,967)	-	(941,967)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and dividends	973	-	973
Tower site rental	76,575	-	76,575
Net cash provided (used) by investing activities	77,548	-	77,548
Net increase (decrease) in cash and cash equivalents	(1,080,098)	123,348	(956,750)
Balances, beginning	2,109,715	74,353	2,184,068
Balances, ending	\$ 1,029,617	\$ 197,701	\$ 1,227,318
Reconciliation to Statement of Net Position - Proprietary Funds			
Cash and cash equivalents	\$ 560,927	\$ 197,701	\$ 758,628
Restricted cash and investments	468,690	-	468,690
	\$ 1,029,617	\$ 197,701	\$ 1,227,318

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

City of Dunn
Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended June 30, 2019

	Major Fund	Non-Major	
	Water and	Stormwater	
	Sewer Fund	Fund	Total
Reconciliation of operating income to net cash provided by operating activities			
Operating income	\$ 575,879	\$ 128,201	\$ 704,080
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	783,448	-	783,448
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	(14,553)	(4,853)	(19,406)
(Increase) decrease in accounts receivable - other	(3,718)	-	(3,718)
(Increase) decrease in prepaid items	3,895	-	3,895
(Increase) decrease in inventory	15,057	-	15,057
(Increase) decrease in deferred outflows of resources-pensions	(165,327)	-	(165,327)
(Increase) decrease in deferred outflows of resources-OPEB	(14,715)	-	(14,715)
Increase (decrease) in net pension liability	175,733	-	175,733
Increase (decrease) in deferred inflows of resources-pensions	8,925	-	8,925
Increase (decrease) in accounts payable and accrued liabilities	(99,969)	-	(99,969)
Increase (decrease) in customer deposits	338	-	338
Increase (decrease) in accrued vacation pay	(17,956)	-	(17,956)
Increase (decrease) in OPEB liability	(364,652)	-	(364,652)
Increase (decrease) in deferred inflows of resources-OPEB	(23,999)	-	(23,999)
Total adjustments	282,507	(4,853)	277,654
Net cash provided by operating activities	\$ 858,386	\$ 123,348	\$ 981,734

Noncash investing, capital, and financing activities:

None.

City of Dunn, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

The City of Dunn, North Carolina (the City) is located in the eastern part of the state and has a 2019 population of approximately 9,541. 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 result from non-exchange transactions. Other non-operating revenues are ancillary activities such as investment earnings.

City of Dunn, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

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 Water and Sewer Fund includes two sub-funds: Waste Water Treatment Plant Aeration Replacement and Automated Meter Reading System, which are capital projects of the Water and Sewer Fund. Activity of these sub-funds are combined with the activity of the Water and Sewer Fund for financial reporting purposes.

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.

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

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

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

City of Dunn, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

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

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax, collected and held by the State at year-end on behalf of the City are recognized as revenue. Sales taxes are considered a shared revenue for the City 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 as well as the Water and Sewer Fund sub-funds, the Waste Water Treatment Plant Aeration Replacement and Automated Meter Reading System capital project funds. 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.

City of Dunn, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

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 fair value. The NCCMT Term Portfolio is bond fund, has no rating and is measured at fair value. As of June 30, 2019, The Term portfolio has a duration of .11 years. Because the NCCMT Government and Term Portfolios have a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months.

In accordance with State law, the City has invested in securities which are callable, and which provide for periodic interest rate increases in specific increments until maturity. These investments are reported at fair value as determined by quoted market prices.

2. Cash and Cash Equivalents

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

3. Restricted Assets

The unexpended direct placement installment proceeds of the Water and Sewer Fund and the General Fund issued by the City are classified as restricted assets for the enterprise fund and general fund, respectively, because their use is completely restricted to the purpose for which the debt originally issued. 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 assets because they can only be used for public safety. Powell Bill funds are also classified as restricted assets because they can be expended only for the purposes of maintaining, repairing, constructing, reconstructing or widening of local streets per G.S. 136-41.1 through 136-41.4.

City of Dunn Restricted Cash and Investments

Governmental Activities

General Fund

Streets - Powell Bill	\$ 739,455
Public Safety	179,678
USDA reserve	152,548
Unexpended proceeds from direct borrowing	28,556

Capital Projects

Harnett Training School	35,554
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Total Governmental Activities	1,135,791
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Business-type Activities

Water and Sewer Fund

Unexpended proceeds from direct borrowing	329,929
Customer deposits	138,761

Total Business-type Activities	468,690
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Total Restricted Cash and Investments	<u>\$ 1,604,481</u>
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City of Dunn, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

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 consumed rather than when purchased.

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

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

City of Dunn, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

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 five items that meet this criterion, contributions made to the LGERS pension plan in the 2019 fiscal year, contributions made to the LEO pension plan in the 2019 fiscal year, OPEB deferrals, LGERS pension deferrals, and LEO 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 OPEB deferrals, LGERS pension deferrals, and LEO pension deferrals.

9. Long-Term Obligations

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

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

10. Compensated Absences

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

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

City of Dunn, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

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.

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

Restricted for Transportation - 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.

Restricted for Culture and Recreation – portion of fund balance that has been restricted as required by loan agreements for renovations to the 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.

City of Dunn, North Carolina
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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 may report 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 liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental Employees' Retirement System (LGERS) and additions to/deductions from LGERS' fiduciary net position have been determined on the same basis as they are reported by LGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The City of Dunn'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. The following immaterial findings have been reported in the management letter.

The audit report was submitted late due to significant turnover in key management positions in the accounting department.

The City failed to file the December 2018 LGC 203 report by the January 25, 2019 deadline due to significant turnover in key management positions in the accounting department.

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 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 formal policies regarding custodial credit risk for deposits but rely on the State Treasurer to enforce standards of minimum capitalization for all pooling method

City of Dunn, North Carolina
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financial institutions and to monitor them for compliance. The City and ABC Board comply with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2019, the City's deposits had a carrying amount of \$1,722,887 and a bank balance of \$1,764,652. Of the bank balance, \$750,000 was covered by federal depository insurance and the remainder of \$1,014,652 was covered by collateral held under the Pooling Method. The carrying amount of deposits for the ABC Board was \$307,272 and the bank balance was \$400,605. At June 30, 2019, the bank balances exceeded federal depository insurance coverage. The remaining bank balance of \$150,605 was covered by collateral held under the Pooling Method. At June 30, 2019, the City's petty cash fund totaled \$1,070.

2. Investments

At June 30, 2019, the City's investment balances were as follows:

Investments by Type	Valuation Measurement Method	Book Value at 6/30/2019	Maturity	Rating
NC Capital Management Trust-Government Portfolio	Fair Value Level 1	\$2,776,508	N/A	AAAm
NC Capital Management Trust-Term Portfolio	Fair Value Level 1	\$2,325,008	.11 years ^a	Unrated
Government Agency – Federal Home Loan Bank ^b	Fair Value Level 2	\$110,003	June 26, 2020	Moody's: Aaa Standard & Poor's: AA+
Government Agency – Federal Home Loan Bank ^b	Fair Value Level 2	\$94,334	August 23, 2021	Moody's: Aaa Standard & Poor's: AA+
Government Agency – Federal Farm Credit Bank ^b	Fair Value Level 2	\$89,526	August 17, 2023	Moody's: Aaa Standard & Poors: AA+
Total:		\$5,395,379		

All investments are measured using the market approach: using prices and other relevant information generated by market transactions involving identical or comparable assets or a group of assets. Level of fair value hierarchy: Level 1 debt securities are valued using directly observable, quoted prices (unadjusted) in active markets for identical assets. Level 2 debt securities are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' benchmark quoted prices.

Interest Rate Risk. The City and ABC Board have no formal investment policies regarding interest rate risk.

^a This is the duration for the Term Portfolio

^b July 28, 2019 are the bonds' call dates

City of Dunn, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

Credit risk. The City and ABC Board have no formal policies regarding credit risk. However, the City has internal management procedures that limits the City's investments to the provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. The investments in the Federal Home Loan Bank and Federal Farm Credit Bank are rated AA+ by Standard and Poor's and Aaa by Moody's Investors Service. The City's investment in the NC Capital Management Trust Government Portfolio carried a credit rating of AAAm by Standard & Poor's as of June 30, 2019. The City's investment in the NC Capital Management Trust Term Portfolio is unrated. The Term Portfolio is authorized to invest in obligations of the U.S. government and agencies, and in high grade money market instruments as permitted under North Carolina General Statutes 159-30 as amended.

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 2019.

Note Receivable-annual payments vary thru August 2034	<u>\$3,100,000</u>
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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.

Note Receivable-monthly payments are \$16,000, including interest at 4.00%, thru August 2032	<u>\$1,963,479</u>
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Amount to be collected within more than one year	<u>\$1,847,884</u>
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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:

<u>Fund</u>	<u>June 30, 2019</u>
General Fund	
Taxes receivable	\$54,281
Sanitation charges	4,299
Water and Sewer Fund	
Accounts receivable	\$25,525

City of Dunn, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

c. Accounts Receivable

Accounts receivable consists of:

General Fund	
Trade	\$ 464,781
Special Assessments	130,755
	<u>\$ 595,536</u>
Water and Sewer Fund	
Trade	\$ 551,223
Miscellaneous Billings	12,332
Interest	41,235
Dunn Development Corporation	142,571
Special Assessments	1,276
	<u>\$ 748,637</u>
Stormwater Fund	
Trade	<u>\$ 14,300</u>

4. Capital Assets

Primary Government

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated				
Land	\$ 1,624,003	\$ 26,638	\$ -	\$ 1,650,641
Construction in Progress	-	91,190	-	91,190
Total capital assets not being depreciated	1,624,003	117,828	-	1,741,831
Capital assets being depreciated				
Buildings	6,670,331	-	-	6,670,331
Other improvements	7,196,003	59,059	-	7,255,062
Equipment	2,052,593	81,333	-	2,133,926
Vehicles and motorized equipment	2,338,690	402,596	-	2,741,286
Other	468,585	-	-	468,585
Total capital assets being depreciated	18,726,202	542,988	-	19,269,190
Less accumulated depreciation for				
Buildings	2,521,675	201,340	-	2,723,015
Other improvements	1,061,415	191,616	-	1,253,031
Equipment	1,776,653	59,128	-	1,835,781
Vehicles and motorized equipment	1,810,040	242,899	-	2,052,939
Other	468,585	-	-	468,585
Accumulated depreciation	7,638,368	\$ 694,983	\$ -	8,333,351
Total capital assets, depreciated, net	11,087,834			10,935,839
Governmental activity capital assets, net	<u>\$ 12,711,837</u>			<u>\$ 12,677,670</u>

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

General government	\$ 45,972
Public safety	174,539
Transportation	160,620
Environmental protection	22,850
Cultural and recreational	283,921
Library	7,081
	<u>\$ 694,983</u>

City of Dunn, North Carolina
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For the Fiscal Year Ended June 30, 2019

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
Capital assets not being depreciated				
Land	\$ 181,746	\$ 13,805	\$ -	\$ 195,551
Construction in Progress	96,464	1,829,546	-	1,926,010
Total capital assets not being depreciated	278,210	1,843,351	-	2,121,561
Capital assets being depreciated				
Buildings	876,488	-	-	876,488
Equipment	1,094,242	235,251	-	1,329,493
Plant distribution systems	43,443,522	115,599	-	43,559,121
Vehicles	431,024	120,382	-	551,406
Other Assets	202,407	-	-	202,407
Total capital assets being depreciated	46,047,683	471,232	-	46,518,915
Less accumulated depreciation for:				
Buildings	703,902	20,103	-	724,005
Equipment	722,384	75,865	-	798,249
Plant distribution systems	20,349,827	670,021	-	21,019,848
Vehicles	417,665	11,454	-	429,119
Other Assets	137,475	6,005	-	143,480
Accumulated Depreciation	22,331,253	\$ 783,448	\$ -	23,114,701
Capital assets, depreciated, net	23,716,430			23,404,214
Business-type activities capital asset	<u>\$ 23,994,640</u>			<u>\$ 25,525,775</u>

Discretely presented component unit

Activity for the ABC Board for the year ended June 30, 2019 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land	\$ 191,572	\$ -	\$ -	\$ 191,572
Capital assets being depreciated:				
Buildings	374,657	-	-	374,657
Furniture and equipment	163,367	3,765	-	167,132
Land improvements	13,344	-	-	13,344
Total capital assets being depreciated	551,368	3,765	-	555,133
Less accumulated depreciation for:				
Buildings	241,699	9,489	-	251,188
Furniture and equipment	150,644	4,060	-	154,704
Land improvements	11,339	262	-	11,601
Total accumulated depreciation	403,682	\$ 13,811	\$ -	417,493
Total capital assets being depreciated, net	147,686			137,640
ABC capital assets, net	<u>\$ 339,258</u>			<u>\$ 329,212</u>

City of Dunn, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

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, by calling (919) 981-5454, or at www.osc.nc.gov.

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

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. City of Dunn employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The City of Dunn's contractually required contribution rate for the year ended June 30, 2019, was 8.50% of compensation for law enforcement officers and 7.75% 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 \$425,105 for the year ended June 30, 2019.

City of Dunn, North Carolina
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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, 2019, the City reported a liability of \$1,764,074 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017. The total pension liability was then rolled forward to the measurement date of June 30, 2018 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, 2018, the City's proportion was 0.07436%, which was a decrease of 0.00418% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the City recognized pension expense of \$471,849. At June 30, 2019, 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	\$ 272,155	\$ 9,132
Changes of assumptions	468,117	-
Net difference between projected and actual earnings on pension plan investments	242,155	-
Changes in proportion and differences between City contributions and proportionate share of contributions	17,528	53,855
City contributions subsequent to the measurement date	425,105	-
Total	<u>\$ 1,425,060</u>	<u>\$ 62,987</u>

\$425,105 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, 2020. Other amounts reported as deferred inflows and deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2019	\$ 449,910
2020	296,559
2021	55,841
2022	134,658
2023	-
	<u>\$ 936,968</u>

City of Dunn, North Carolina
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Actuarial Assumptions. The total pension liability in the December 31, 2017 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 8.10 percent, including inflation and productivity factor
Investment rate of return	7.00 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, 2017 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, 2018 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
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	100%	

The information above is based on 30 year expectations developed with the consulting actuary for the 2017 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

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

City of Dunn, North Carolina
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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 7.00 percent, as well as what the City's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent) or one percentage point higher (8.00 percent) than the current rate:

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
City's proportionate share of the net pension liability (asset)	\$ 4,237,457	\$ 1,764,074	\$ (302,725)

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 multi-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, 2017, the Separation Allowance's membership consisted of:

Retirees receiving benefits	3
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	35
Total	<u>38</u>

A separate report was not issued for the plan.

2. Summary of Significant Accounting Policies:

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

City of Dunn, North Carolina
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For the Fiscal Year Ended June 30, 2019

3. Actuarial Assumptions.

The entry age actuarial cost method was used in the December 31, 2017 valuation. The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	3.50 – 7.35 percent, including inflation and productivity factor
Discount rate	3.64 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 \$41,278 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, 2019, the City reported a total pension liability of \$1,214,771. The total pension liability was measured as of December 31, 2018 based on a December 31, 2017 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2018 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2019, the City recognized pension expense of \$102,631.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 50,709	\$ -
Changes of assumptions	50,975	55,368
Benefit payments and administrative expenses subsequent to the measurement date	16,827	-
Total	<u>\$ 118,511</u>	<u>\$ 55,368</u>

\$16,827 paid as benefits came due subsequent to the measurement date have been reported as deferred outflows of resources. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2020	\$ 11,223
2021	11,223
2022	11,223
2023	14,273
2024	(1,626)
Thereafter	0
	<u>\$ 46,316</u>

City of Dunn, North Carolina
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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 3.64 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 (2.64 percent) or 1-percentage point higher (4.64 percent) than the current rate:

	1% Decrease	Discount Rate	1% Decrease
	<u>(2.64%)</u>	<u>(3.64%)</u>	<u>(4.64%)</u>
Total pension liability	\$ 1,320,411	\$ 1,214,771	\$ 1,118,272

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

	<u>2019</u>
Beginning Balance	\$ 1,186,225
Service Cost at End of Year	54,575
Interest	36,833
Difference between expected and actuarial experience	27,950
Changes of assumptions and other inputs	(49,534)
Benefit payments	(41,278)
Ending balance of the total pension liability	<u>\$ 1,214,771</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, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014. The discount rate used to measure the total pension liability is the S&P Municipal Bond 20 Year High Grade Rate Index. Mortality rates are based on the RP-2014 based rates projected to 2015 using MP-2015, projected forward generationally from 2015 using MP-2015. Rates are adjusted for males and females.

City of Dunn, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

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

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

	LGERS	LEOSSA	Total
Pension Expense	\$ 471,849	\$ 102,631	\$ 574,480
Pension Liability	1,764,074	1,214,771	2,978,845
Proportionate share of the net pension liability	0.07436%	n/a	

Deferred of Outflows of Resources

Differences between expected and actual experience	272,155	50,709	322,864
Changes of assumptions	468,117	50,975	519,092
Net difference between projected and actual earnings on plan investments	242,155	-	242,155
Changes in proportion and differences between contributions and proportionate share of contributions	17,528	-	17,528
Benefit payments and administrative costs paid subsequent to the measurement date	425,105	16,827	441,932

Deferred of Inflows of Resources

Differences between expected and actual experience	9,132	-	9,132
Changes of assumptions	-	55,368	55,368
Changes in proportion and differences between contributions and proportionate share of contributions	53,855	-	53,855

c. Supplemental Retirement Income Plan for Law Enforcement Officers

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

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

Funding Policy. Article 12E of G.S. Chapter 143 requires the City to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. 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, 2019 were \$320,548, which consisted of \$264,497 from the City and \$56,052 from the law enforcement officers. The ABC Board also contributes each month an amount equal to two percent of each

City of Dunn, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

participant's salary, and all amounts are vested immediately. Contributions for the years ended June 30, 2019 were \$11,213.

d. Other Postemployment Benefits

Healthcare Benefits

Plan Description. According to a City resolution, the City provides post-employment health care benefits through its single employer plan 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%

Employees hired on or after July 1, 2017 will only be eligible for retiree insurance after completion of twenty (20) or more years of service with the City

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 July 1, 2017, the date of the latest actuarial valuation:

	General Employees:	Law Enforcement Officers:
Retirees and dependents receiving benefits	21	10
Terminated plan members entitled to but not yet receiving benefits	-	-
Active plan members	72	37
Total	93	47

Total OPEB Liability

The City's total OPEB liability of \$7,000,597 was measured as of June 30, 2019 and was determined by an actuarial valuation as of July 1, 2017.

Actuarial assumptions and other inputs. The total OPEB liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.25 percent
Salary increases	3.00 percent, average, including inflation
Discount rate	3.50 percent, net of investment expense, including inflation
Healthcare cost trend rates	8.00 percent for 2017-18, decreasing to 5.00 percent for 2020-21 and after

The discount rate is based on Bond Buyer 20-bond General Obligation Index as of the measurement date.

City of Dunn, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at 7/1/2018	\$ 6,345,931
Changes for the year	
Service cost	258,525
Interest	252,957
Differences between expected and actual experience	(23,951)
Changes of assumptions	379,926
Benefit payments	(212,791)
Net changes	<u>654,666</u>
Balance at 6/30/2019	<u><u>\$ 7,000,597</u></u>

Changes in assumptions and other inputs reflect a change in the discount rate from 3.90% to 3.50%.

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

The actuarial assumptions used in the July 1, 2017 valuation were based on the results of an actuarial experience study for the period January 2010 through December 2014.

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.50 percent) or 1-percentage-point higher (4.50 percent) than the current discount rate:

	<u>1% Decrease</u>	<u>Discount Rate (3.50%)</u>	<u>1% Increase</u>
Total OPEB liability	\$ 8,096,192	\$ 7,000,597	\$ 6,103,684

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

	<u>1% Decrease (7.0% decreasing to 4.0%)</u>	<u>Discount Rate (8.0% decreasing to 5.0%)</u>	<u>1% Increase (9.0% decreasing to 6.0%)</u>
Total OPEB liability	\$ 5,860,381	\$ 7,000,597	\$ 8,464,195

City of Dunn, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

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

For the year ended June 30, 2019, the City recognized OPEB expense of \$523,994. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 9,338	\$ 20,925
Changes of assumptions	331,924	201,357
Benefit payments and administrative costs made subsequent to the measurement date	-	-
Total	<u>\$ 341,262</u>	<u>\$ 222,282</u>

Because the plan's measurement date is the same as the City's fiscal year end, there are no deferred outflows of resources related to benefit payments and administrative expenses made subsequent to the measurement date. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2020	\$ 12,512
2021	12,512
2022	12,512
2023	12,512
2024	12,512
Thereafter	56,420
	<u>\$ 118,980</u>

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. Because all death benefit payments are made from the Death Benefit Plan and not by the City, the City does not determine the number of eligible participants. The City has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. Contributions are determined as a percentage of monthly payroll based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. The City considers these contributions to be immaterial.

City of Dunn, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

2. Accounts Payable

Accounts payable is composed of the following elements:

General Fund

Trade	\$ 317,621
Accrued salaries and benefits	212,717
	<u>\$ 530,338</u>

Water and Sewer Fund

Trade	\$ 126,855
Accrued salaries and benefits	58,979
	<u>\$ 185,834</u>

Tart Park Renovations Capital Projects Fund

Trade	\$ 4,750
	<u>\$ 4,750</u>

3. Deferred Outflows/Inflows of Resources

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

Contributions to pension plan -LGERS	\$ 425,105
Contributions to pension plan -LEO	16,827
Pension deferrals - LGERS	999,955
Pension deferrals - LEO	101,684
Pension deferrals - OPEB	341,262
	<u>\$ 1,884,833</u>

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

Prepaid taxes not yet earned (General Fund)	\$ 1,216
Pension deferrals - LGERS	62,987
Pension deferrals - LEO	55,368
Pension deferrals - OPEB	222,282
	<u>\$ 341,853</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, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

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, 2019, 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 agreement to lease certain equipment. The lease agreement qualified as a capital lease for accounting purposes and, therefore, was recorded at the present value of the future minimum lease payments as of the date of its inception.

An agreement was executed on October 15, 2013 to lease water sewer truck camera equipment and required 5 annual payments of \$16,546. This lease was recorded in the water and sewer fund and was paid in full at June 30, 2019. Title passed to the City at the end of the lease term.

b. Direct Borrowing Purchases

General Fund

In July 2004, the City entered into a direct borrowing agreement for \$950,000 to finance the recreation facility at Tart Park. The property is pledged as collateral for the debt while the debt is outstanding. The contract requires principal payments beginning in the fiscal year 2006 with interest at 4.17%. The balance of this note is \$63,334 at June 30, 2019.

In November 2012, the City entered into a direct borrowing agreement for \$975,000 to construct improvements to Tyler Park. The property is pledged as collateral for the debt while the debt is outstanding. The contract requires principal payments beginning in the fiscal year 2014 with interest at 2.45%. The balance of this note is \$390,000 at June 30, 2019.

In August 2013, the City entered into a direct borrowing agreement for \$2,989,000 to finance improvements to Downtown infrastructure. The property is pledged as collateral for the debt while the debt is outstanding. The contract requires principal payments beginning in the fiscal year 2015 with interest at 3.5%. The balance of this note is \$2,571,833 at June 30, 2019.

In November 2013, the City entered into a direct borrowing agreement for \$132,000 to finance six police vehicles. The vehicles are pledged as collateral for the debt while the debt is outstanding. The contract requires principal payments beginning in the fiscal year 2015 with interest at 3.125%. The balance of this note is \$23,733 at June 30, 2019.

In July 2014, the City entered into a direct borrowing agreement for \$700,000 to construct phase 2 improvements to Tyler Park. The property is pledged as collateral for the debt while the debt is outstanding. The contract requires principal payments beginning in the fiscal year 2016 with interest at 2.67%. The balance of this note is \$420,000 at June 30, 2019.

In August 2014, the City entered into a direct borrowing agreement for \$137,000 to finance six police vehicles. The vehicles are pledged as collateral for the debt while the debt is outstanding. The contract requires principal payments beginning in the fiscal year 2016 with interest at 3.751%. The balance of this note is \$63,852 at June 30, 2019.

City of Dunn, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

In August 2014, the City entered into a direct borrowing agreement for \$2,200,000 to renovate the Harnett Training School (\$2,000,000) and City Hall (\$200,000). The properties are pledged as collateral for the debt while the debt is outstanding. 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 \$1,939,296 at June 30, 2019.

In March 2016, the City entered into a direct borrowing agreement for \$120,000 to finance five police vehicles. The vehicles are pledged as collateral for the debt while the debt is outstanding. The contract requires principal payments beginning in the fiscal year 2017 with interest at 3.125%. The balance of this note is \$72,219 at June 30, 2019.

In July 2016, the City entered into a direct borrowing agreement for \$128,000 to finance a sanitation vehicle. The vehicle is pledged as collateral for the debt while the debt is outstanding. The contract requires principal payments beginning in the fiscal year 2018 with interest at 2.12%. The balance of this note is \$78,442 at June 30, 2019.

In March 2017, the City entered into a direct borrowing agreement \$125,000 to finance five police vehicles. The vehicles are pledged as collateral for the debt while the debt is outstanding. The contract requires principal payments beginning in the fiscal year 2018 with interest at 2.75%. The balance of this note is \$92,126 at June 30, 2019.

In March 2017, the City entered into a direct borrowing agreement for \$181,000 to finance public works equipment. The vehicles are pledged as collateral for the debt while the debt is outstanding. The contract requires principal payments beginning in the fiscal year 2018 with interest at 2.75%. The balance of this note is \$149,058 at June 30, 2019.

In January 2019, the City entered into a direct borrowing agreement for \$204,000 to finance vehicles for various City departments. The vehicles are pledged as collateral for the debt while the debt is outstanding. The contract requires principal payments beginning in the fiscal year 2020 with interest at 3.66%. The balance of this note is \$204,000 at June 30, 2019.

In April 2019, the City entered into a direct borrowing agreement for \$125,000 to finance five police vehicles. The vehicles are pledged as collateral for the debt while the debt is outstanding. The contract requires principal payments beginning in the fiscal year 2020 with interest at 3.50%. The balance of this note is \$125,000 at June 30, 2019.

In April 2019, the City entered into a direct borrowing agreement for \$125,000 to finance six vehicles. The vehicles are pledged as collateral for the debt while the debt is outstanding. The contract requires principal payments beginning in the fiscal year 2020 with interest at 3.50%. The balance of this note is \$125,000 at June 30, 2019.

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

<u>Year</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ 789,144	582,413	206,731
2021	692,790	505,549	187,241
2022	690,115	517,205	172,910
2023	626,138	478,032	148,106
2024	508,188	371,094	137,094
2025-2029	2,791,775	2,363,261	428,514
2030-2034	906,865	690,888	215,977
2035-2039	906,863	809,450	97,413
	<u>\$ 7,911,878</u>	<u>\$ 6,317,892</u>	<u>\$ 1,593,986</u>

City of Dunn, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

Water and Sewer Fund

In January 2012, the City entered into a direct borrowing agreement for \$3,500,000 to finance a water transmission line to Eastover Sanitary District and an elevated storage tank. The infrastructure is pledged as collateral for the debt while the debt is outstanding. 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 \$815,309 at June 30, 2019.

In September 2019, the City entered into a direct borrowing agreement for \$1,898,000 to finance electronically read water meters for the City. The equipment is pledged as collateral for the debt while the debt is outstanding. The financing contract required fifteen annual payments of \$166,321 beginning September 2019, which includes interest at 3.63%. The balance of this note is \$1,898,000 at June 30, 2019.

Future minimum payments of these direct borrowing agreements are as follows:

<u>Year</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ 450,664	\$ 363,016	\$ 87,648
2021	450,664	372,661	78,003
2022	450,730	382,641	68,089
2023	166,321	108,423	57,898
2024	166,321	112,359	53,962
2025-2029	831,606	626,016	205,590
2030-2034	831,608	748,194	83,414
	<u>\$ 3,347,914</u>	<u>\$ 2,713,310</u>	<u>\$ 634,604</u>

c. General Obligation Bonds

In March 2017, the City received direct placement general obligation refunding bonds from BB&T for the purpose of the construction of facilities utilized in the operations of the water and sewer system, and which are being retired by its resources, are reported as long-term debt in the Water and Sewer Fund. All general obligation bonds are collateralized by the full faith, credit, and taxing power of the City. The amount of the issuance is \$1,180,000 and is expected to have a final maturity date of June 1, 2025. The bonds are expected to bear an interest rate of 2.14%

Future maturities of the bonds are as follows:

<u>Year</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ 172,596	\$ 154,000	\$ 18,596
2021	167,302	152,000	15,302
2022	161,048	149,000	12,048
2023	149,860	141,000	8,860
2024	143,842	138,000	5,842
2025	137,890	135,000	2,890
	<u>\$ 932,538</u>	<u>\$ 869,000</u>	<u>\$ 63,538</u>

At June 30, 2019, the City of Dunn had a legal debt margin of \$55,004,523.

d. Revolving Water and Sewer Loans

In August 2010 the City entered into a direct placement agreement 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 \$2,631,068 at June 30, 2019.

City of Dunn, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

Annual debt service requirements to maturity for the revolving water and sewer loan, including interest of \$427,549 is as follows:

<u>Year</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ 285,033	\$ 219,256	\$ 65,777
2021	279,551	219,256	60,295
2022	274,070	219,256	54,814
2023	268,589	219,256	49,333
2024	263,107	219,256	43,851
2025-2029	1,233,313	1,096,278	137,035
2030-2031	454,953	438,509	16,444
	<u>\$ 3,058,616</u>	<u>\$ 2,631,067</u>	<u>\$ 427,549</u>

e. Changes in Long-Term Liabilities

	Balance			Balance	Current
	7/1/2018	Increases	Decreases	6/30/2019	Portion
Governmental Activities:					
Direct borrowing agreements	\$ 6,386,138	\$ 454,000	\$ 522,246	\$ 6,317,892	\$ 582,413
Compensated absences	282,796	-	3,202	279,594	125,817
Total pension liability (LEO)	1,186,225	28,546	-	1,214,771	-
Net pension liability (LGERS)	881,666	388,467	-	1,270,133	-
Total OPEB liability	4,021,112	1,019,318	-	5,040,430	-
	<u>\$ 12,757,937</u>	<u>\$ 1,890,331</u>	<u>\$ 525,448</u>	<u>\$ 14,122,820</u>	<u>\$ 708,230</u>
Business-type Activities:					
Capital lease	\$ 16,206	\$ -	\$ 16,206	\$ -	\$ -
Direct borrowing agreements	1,074,864	1,898,000	259,554	2,713,310	363,016
General obligation bonds	1,026,000	-	157,000	869,000	154,000
Direct placement water pollution control revolving agreement	2,850,323	-	219,256	2,631,067	219,256
Compensated absences	83,244	-	17,956	65,288	31,991
Net pension liability (LGERS)	318,208	175,733	-	493,941	-
Total OPEB liability	2,324,819	-	364,652	1,960,167	-
	<u>\$ 7,693,664</u>	<u>\$ 2,073,733</u>	<u>\$ 1,034,624</u>	<u>\$ 8,732,773</u>	<u>\$ 768,263</u>

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

City of Dunn, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

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	\$ 5,416,207
Less:	
Prepaid Expenses	2,924
Inventories	42,378
Stabilization by State Statute	1,429,968
Transportation - Powell Bill	739,455
Public Safety	208,234
USDA loan reserves	152,548
Subsequent year's expenditures	5,000
Remaining fund balance	<u>\$ 2,835,700</u>

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.

8. Interfund Balances and Activity

Balances due to/from other funds at June 30, 2019, consist of the following:

Due to the Water & Sewer Fund from the General Fund	\$ 1,299,476
Due from the General Fund to the Water & Sewer Fund	(1,299,476)
Due to the General Fund from the Tart Park Renovations Capital Project Fund	83,440
Due from the Tart Park Renovations Capital Project Fund to the General Fund	(83,440)

The Tart Park Renovations Capital Project Fund interfund balance resulted from the reimbursement of capital project expenditures.

The Town Council has established pooled cash accounts for the purpose of maximizing investment returns to increase fund balances. Inter-fund balances exist for short periods of time due to timing differences between revenue collection patterns and expenditure payment schedules to adequately respond to cash flow needs of the City. These inter-fund balances are generally repaid within 90 days or less of period end.

9. 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	\$5,000
Water and Sewer Fund	\$212,250

City of Dunn, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

IV. Commitments

The City has leased various pieces of office equipment through various agreements. Estimated commitments for these operating leases are as follows:

2020	\$	15,432
2021		12,300
2022		19,133
2023		2,050
	\$	<u>48,915</u>

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, 2019 is \$16,091. Future payments for the remaining lease term are \$14,632. 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, 2019 the City paid Central Carolina Community College \$40,310 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.

The board of the Averasboro Tourism Development Authority is appointed by the City Council of the City of Dunn. The City is accountable for the Authority because it appoints its governing board; however, the City is not financially accountable for the Authority. The City provides accounting and payroll functions for the Authority at no cost. At June 30, 2019, the Authority owed the City \$28,251 for reimbursement of salaries and benefits paid by the City on behalf of the 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.

City of Dunn, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

VIII. 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, 2019, the City appropriated \$234,547 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 Proportionate Share of Net Pension Liability for Local Government Employees' Retirement System

Schedule of Contributions to Local Government Employees' Retirement System

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

Schedule of Total Pension Liability as a Percentage of Covered Payroll - Law Enforcement Officers' Special Separation Allowance

Schedule of Changes in the Total OPEB Liability and Related Ratios

City of Dunn
City of Dunn's Proportionate Share of Net Pension Liability (Asset)
Required Supplementary Information
Last Six Fiscal Years*
Local Government Employees' Retirement System

	2019	2018	2017	2016	2015	2014
City of Dunn's proportion of the net pension liability (asset) (%)	0.07436%	0.07854%	0.07440%	0.08436%	0.09114%	0.08990%
City of Dunn's proportion of the net pension liability (asset) (\$)	\$ 1,764,074	\$ 1,199,874	\$ 1,579,017	\$ 378,602	\$ (397,745)	\$ -
City of Dunn's covered payroll	\$ 3,173,479	\$ 3,059,599	\$ 3,071,318	\$ 2,951,064	\$ 3,111,883	\$ 3,229,714
City of Dunn's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	55.59%	39.22%	51.41%	12.83%	-12.78%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	91.63%	94.18%	91.47%	98.09%	102.64%	94.35%

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

City of Dunn
City of Dunn's Contributions
Required Supplementary Information
Last Six Fiscal Years
Local Government Employees' Retirement System

	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 425,105	\$ 372,732	\$ 353,417	\$ 323,409	\$ 354,647	\$ -
Contributions in relation to the contractually required contribution	425,105	372,732	353,417	323,409	354,647	-
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City of Dunn's covered payroll	\$3,343,756	\$3,173,479	\$3,059,599	\$3,071,318	\$2,951,064	\$3,111,883
Contributions as a percentage of covered payroll	12.71%	11.75%	11.55%	10.53%	12.02%	0.00%

City of Dunn
Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance
Required Supplementary Information
June 30, 2019

	2019	2018	2017
Beginning balance	\$ 1,186,225	\$ 1,031,368	\$ 1,018,865
Service cost	54,575	48,393	51,994
Interest on the total pension liability	36,833	38,855	35,524
Differences between expected and actual experience in the measurement of the total pension liability	27,950	41,130	-
Changes of assumptions or other inputs	(49,534)	76,023	(27,442)
Benefit payments	(41,278)	(49,544)	(47,573)
Ending balance of the total pension liability	<u>\$ 1,214,771</u>	<u>\$ 1,186,225</u>	<u>\$ 1,031,368</u>

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

City of Dunn
Schedule of Total Pension Liability as a Percentage of Covered Payroll
Law Enforcement Officers' Special Separation Allowance
June 30, 2019

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total pension liability	\$ 1,214,771	\$ 1,186,225	\$ 1,031,368
Covered payroll	1,702,739	1,783,214	1,789,543
Total pension liability as a percentage of covered payroll	71.34%	66.52%	57.63%

Notes to the schedules:

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

City of Dunn
Schedule of Changes in the Total OPEB Liability and Related Ratios
June 30, 2019

	2019	2018
Total OPEB Liability		
Service cost	\$ 258,525	\$ 272,002
Interest	252,957	233,305
Differences between expected and actual experience	(23,951)	12,496
Changes of assumptions	379,926	(269,443)
Benefit payments	(212,791)	(209,744)
Net change in total OPEB Liability	654,666	38,616
Total OPEB Liability - beginning	6,345,931	6,307,315
Total OPEB Liability - ending	\$ 7,000,597	\$ 6,345,931
Covered payroll	5,177,549	5,026,747
Total OPEB liability as a percentage of covered payroll	135.21%	126.24%

Notes to Schedule

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

Fiscal year	Rate
2019	3.50%
2018	3.90%

**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, 2019

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Ad valorem taxes:			
Taxes	\$	\$ 4,256,211	\$
Penalties and interest		17,245	
Total	4,266,100	4,273,456	7,356
Other taxes and licenses:			
DMV license		180,715	
Total	217,000	180,715	(36,285)
Unrestricted intergovernmental:			
Local option sales taxes		2,235,863	
Utility franchise tax		753,957	
Beer and wine tax		41,661	
ABC profit distribution		125,000	
Solid waste disposal tax		7,018	
Total	3,056,100	3,163,499	107,399
Restricted intergovernmental:			
Powell Bill allocation		294,107	
ABC law enforcement		8,000	
Controlled substance tax		42,464	
N. C. Department of Transportation		20,708	
Harnett County BOE School Resource Officer		51,112	
Governor's Highway Safety Grant		14,770	
USDA Grant		49,936	
NC DEQ - Recycling Grant		14,168	
EPA-Brownsfield Grant		96,263	
Senior Center		17,453	
Total	771,900	608,981	(162,919)
Permits and fees:			
Permits and fees		170,430	
Total	202,300	170,430	(31,870)

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, 2019

	Budget	Actual	Variance Positive (Negative)
Sales and services:			
Cemetery lots		60,864	
Cemetery opening/closing fee		207,640	
Recreation department, concessions, entry fees		73,106	
Rentals		41,901	
Garbage and recycling collection		923,889	
Total	1,204,000	1,307,400	103,400
Investment earnings	47,000	101,189	54,189
Other revenues			
Dunn Area Tourism-Downtown Revitalization		20,000	
Dunn Area Tourism-I95 Area Light Reimbursement		22,000	
Tourism Reimbursement for Salary & Benefits		106,636	
Miscellaneous		146,855	
Special assessments		2,222	
Donations and gifts		357	
Parks and recreation pledges		99,158	
Harnett Health Contractual Payment		360,459	
Total	627,700	757,687	129,987
Total revenues	10,392,100	10,563,357	171,257
Expenditures:			
General Government			
Governing Body			
Salaries and employee benefits		21,127	
Other operating expenditures		44,606	
Total	72,100	65,733	6,367
Administration			
Salaries and employee benefits		401,296	
Other operating expenditures		227,690	
Capital outlay		29,638	
Total	658,075	658,624	(549)
Finance			
Salaries and employee benefits		138,131	
Other operating expenditures		88,763	
Total	215,200	226,894	(11,694)

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, 2019

	Budget	Actual	Variance Positive (Negative)
Non-Departmental			
Other operating expenditures		761,554	
Total	781,400	761,554	19,846
Building inspector			
Salaries and employee benefits		369,054	
Other operating expenditures		207,774	
Capital outlay		40,206	
Total	741,000	617,034	123,966
Total general government	2,467,775	2,329,839	137,936
Public safety:			
Police:			
Salaries and employee benefits		2,851,304	
Other operating expenditures		418,100	
Capital outlay		181,690	
Total	3,670,200	3,451,094	219,106
Police athletic league			
Donation		190,880	
Total	191,300	190,880	420
Total public safety	3,861,500	3,641,974	219,526

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, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Transportation:			
Streets			
Salaries and employee benefits		787,226	
Other operating expenditures		467,659	
Capital outlay		152,707	
Total	<u>1,544,300</u>	<u>1,407,592</u>	<u>136,708</u>
Powell Bill - street repairs and construction			
Other operating expenditures		46,023	
Total	<u>875,000</u>	<u>46,023</u>	<u>828,977</u>
Total transportation	<u>2,419,300</u>	<u>1,453,615</u>	<u>965,685</u>
Environmental protection			
Sanitation			
Salaries and employee benefits		84,206	
Other operating expenditures		894,485	
Total environmental protection	<u>986,700</u>	<u>978,691</u>	<u>8,009</u>
Culture and recreation:			
Parks and recreation			
Salaries and employee benefits		410,668	
Other operating expenditures		272,635	
Capital outlay		153,104	
Total	<u>874,113</u>	<u>836,407</u>	<u>37,706</u>
Senior center operations			
Other operating expenditures		40,310	
Total	<u>40,400</u>	<u>40,310</u>	<u>90</u>
Total culture and recreation	<u>914,513</u>	<u>876,717</u>	<u>37,796</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, 2019

	Budget	Actual	Variance Positive (Negative)
Library			
Salaries and employee benefits		198,783	
Other operating expenditures		65,825	
Total library	<u>274,900</u>	<u>264,608</u>	<u>10,292</u>
Debt service			
Principal retirement		522,246	522,792
Interest and other charges		198,578	198,032
Total debt service	<u>762,300</u>	<u>720,824</u>	<u>41,476</u>
Total expenditures	<u>11,686,988</u>	<u>10,266,268</u>	<u>1,420,720</u>
Revenues over (under) expenditures	<u>(1,294,888)</u>	<u>297,089</u>	<u>1,591,977</u>
Other financing sources (uses):			
Sale of capital assets	20,000	-	(20,000)
Installment purchase proceeds	491,000	454,000	(37,000)
Appropriated Fund Balance	783,888	-	(783,888)
Total	<u>1,294,888</u>	<u>454,000</u>	<u>(840,888)</u>
Revenues and other financing sources over expenditures and other financing uses	<u>\$ -</u>	<u>751,089</u>	<u>\$ 751,089</u>
Fund balances, beginning		4,655,819	
Change in reserve for inventories		9,299	
Fund balances, ending		<u>\$ 5,416,207</u>	

City of Dunn
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2019

	Tart Park Renovations Capital Project Fund	Dunn City Hall and Harnett Training School Capital Project Fund
	<u> </u>	<u> </u>
Assets		
Restricted cash and cash equivalents	\$ -	\$ 35,554
Due from other governments	<u>88,190</u>	<u>-</u>
Total assets	<u><u>\$ 88,190</u></u>	<u><u>\$ 35,554</u></u>
Liabilities and Fund Balances		
Liabilities		
Accounts Payable and accrued liabilities	\$ 4,750	\$ -
Due to other funds	<u>83,440</u>	<u>-</u>
Total liabilities	<u>88,190</u>	<u>-</u>
Fund balances		
Restricted for culture and recreation	-	35,554
Unassigned	<u>-</u>	<u>-</u>
Total fund balances	<u>-</u>	<u>35,554</u>
Total liabilities and fund balances	<u><u>\$ 88,190</u></u>	<u><u>\$ 35,554</u></u>

City of Dunn
Combining Schedule of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Governmental Funds
June 30, 2019

	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>
Revenues			
Restricted intergovernmental	\$ 88,190	\$ -	\$ 88,190
Total revenues			
Expenditures			
Non-capital expenditures	-	454	454
Capital Outlay	<u>88,190</u>	<u>15,281</u>	<u>103,471</u>
Total expenditures	<u>88,190</u>	<u>15,735</u>	<u>103,925</u>
Revenues over (under) expenses	<u>-</u>	<u>(15,735)</u>	<u>(15,735)</u>
Fund balance, beginning	<u>-</u>	<u>51,289</u>	<u>51,289</u>
Fund balance, ending	<u><u>\$ -</u></u>	<u><u>\$ 35,554</u></u>	<u><u>\$ 35,554</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, 2019

	Project Authorization	Prior Years	Current Year	Total Project To Date	Variance Favorable (Unfavorable)
Revenues:					
Restricted intergovernmental	\$ 500,000	\$ 500,000	\$ -	\$ 500,000	\$ -
Total revenues	500,000	500,000	-	500,000	-
Expenditures:					
Harnett Training School	3,175,000	3,124,377	15,281	3,139,658	35,342
City Hall Renovations	200,000	199,334	454	199,788	212
Total expenditures	3,375,000	3,323,711	15,735	3,339,446	35,554
Revenues over (under) expenditures	(2,875,000)	(2,823,711)	(15,735)	(2,839,446)	35,554
Other financing sources (uses):					
Installment purchase	2,200,000	2,200,000	-	2,200,000	-
Transfer from General Fund	675,000	675,000	-	675,000	-
Total other financing sources (uses)	2,875,000	2,875,000	-	2,875,000	-
Revenues and other financing sources over (under) expenditures	\$ -	\$ 51,289	(15,735)	\$ 35,554	\$ 35,554
Fund balance, beginning			51,289		
Fund balance, ending			\$ 35,554		

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, 2019

	Project Authorization	Prior Years	Current Year	Total Project To Date	Variance Favorable (Unfavorable)
Revenues:					
Restricted intergovernmental	\$ 350,000	\$ -	\$ 88,190	\$ 88,190	\$ (261,810)
Total revenues	350,000	-	88,190	88,190	(261,810)
Expenditures:					
Construction	1,000,000	-	-	-	1,000,000
Administration	125,000	-	88,190	88,190	36,810
Contingency	50,000	-	-	-	50,000
Total expenditures	1,175,000	-	88,190	88,190	1,086,810
Revenues over (under) expenditures	(825,000)	-	-	-	825,000
Other financing sources (uses):					
Installment purchase	825,000	-	-	-	825,000
Total other financing sources (uses)	825,000	-	-	-	(825,000)
Revenues and other financing sources over (under) expenditures	\$ -	\$ -	\$ -	\$ -	\$ -
Fund balance, beginning			-		
Fund balance, ending			\$ -		

City of Dunn
Water and Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Fiscal Year Ended June 30, 2019

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Water sales	\$	\$ 2,741,863	\$
Sewer charges		1,989,712	
Fireline protection charge		25,680	
Total	<u>4,997,250</u>	<u>4,757,255</u>	<u>(239,995)</u>
Water and sewer taps	<u>13,000</u>	<u>9,500</u>	<u>(3,500)</u>
Other operating revenues			
Reconnect fees		58,257	
Returned check fees		2,825	
Penalties		79,208	
Miscellaneous		25,312	
Total other operating revenues	<u>150,500</u>	<u>165,602</u>	<u>15,102</u>
Nonoperating revenues:			
Grant Revenue		51,731	
Tower site rental		76,575	
Interest earnings		831	
Total nonoperating revenues	<u>131,235</u>	<u>129,137</u>	<u>(2,098)</u>
Total revenues	<u>5,291,985</u>	<u>5,061,494</u>	<u>(230,491)</u>
Expenditures:			
Water and sewer administration/finance			
Salaries and employee benefits		330,311	
Postage		21,280	
Supplies		13,808	
Other operating expenditures		414,653	
Total	<u>862,600</u>	<u>780,052</u>	<u>82,548</u>
Water and sewer operations			
Salaries and employee benefits		578,003	
Telephone		6,321	
Utilities		3,866	
Travel		4,746	
Maintenance and repairs		75,779	
Automotive supplies		18,306	
Supplies		19,684	
Meters		39,085	
Infiltration		33,968	
Other operating expenditures		214,602	
Capital outlay		255,107	
Total	<u>1,299,285</u>	<u>1,249,467</u>	<u>49,818</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, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Water supply, pump and filtering			
Salaries and employee benefits		473,462	
Telephone		5,133	
Utilities		215,109	
Travel		2,915	
Maintenance		68,670	
Supplies		2,344	
Chemicals		239,205	
Independent lab test		17,040	
Contract services		62,178	
Other operating expenditures		10,907	
Capital outlay		191,788	
Total	<u>1,379,100</u>	<u>1,288,751</u>	<u>90,349</u>
Sewage treatment plant operations			
Salaries and employee benefits		635,605	
Telephone		4,162	
Utilities		241,467	
Travel		1,285	
Maintenance		69,259	
Supplies		9,850	
Chemicals		60,373	
Independent lab test		12,254	
Contract services		51,107	
Other operating expenditures		18,282	
Capital outlay		27,588	
Total	<u>1,172,300</u>	<u>1,131,232</u>	<u>41,068</u>
Debt service:			
Principal retirement		652,016	
Interest and other charges		118,263	
Total debt service	<u>770,700</u>	<u>770,279</u>	<u>421</u>
Total expenditures	<u>5,483,985</u>	<u>5,219,781</u>	<u>264,204</u>
Other financing sources (uses):			
Debt Payment from Eastover Sanitary District	<u>192,000</u>	<u>192,000</u>	<u>-</u>
Total other financing sources (uses)	<u>192,000</u>	<u>192,000</u>	<u>-</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>\$ 33,713</u>	<u>\$ 33,713</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, 2019

	<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		\$ 33,713	
Reconciling items:			
Principal retirement		652,016	
Capital outlay		474,483	
Interest Income on Water/Sewer Capital Projects		142	
Principal payments from note receivable		(111,070)	
Depreciation and amortization		(783,448)	
Decrease in compensated absences		17,956	
Increase in accrued interest payable		(50,057)	
Decrease in OPEB liability		364,652	
Increase in deferred outflows of resources - OPEB		14,715	
Decrease in deferred inflows of resources - OPEB		23,999	
Increase in net pension liability		(175,733)	
Increase in deferred outflows of resources - pensions		165,327	
Increase in deferred inflows of resources - pensions		(8,925)	
Total reconciling items		<u>584,057</u>	
Change in net position		<u>\$ 617,770</u>	

City of Dunn
Waste Water Treatment Plant Aeration Replacement - Capital Project Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Non - GAAP)
From Inception and For the Fiscal Year Ended June 30, 2019

	Project Authorization	Prior Years	Current Year	Total Project To Date	Variance Favorable (Unfavorable)
Expenditures:					
Construction	\$ 2,500,000	\$ -	\$ -	\$ -	\$ 2,500,000
Administration/Engineering	333,400	73,340	78,860	152,200	181,200
Contingency	125,000	-	-	-	125,000
Total expenditures	2,958,400	73,340	78,860	152,200	2,806,200
Revenues over (under) expenditures	(2,958,400)	(73,340)	(78,860)	(152,200)	2,806,200
Other financing sources (uses):					
Installment purchase	2,958,400	-	-	-	2,958,400
Total other financing sources (uses)	2,958,400	-	-	-	(2,958,400)
Revenues and other financing sources over (under) expenditures	\$ -	\$ (73,340)	(78,860)	\$ (152,200)	\$ (152,200)

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

Add - capital outlay	78,860
Change in net position	-
Fund balance, beginning	-
Fund balance, ending	\$ -

City of Dunn
Automated Meter Reading System - Capital Project Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Non - GAAP)
From Inception and For the Fiscal Year Ended June 30, 2019

	Project Authorization	Current Year	Total Project To Date	Variance Favorable (Unfavorable)
Revenues:				
Interest Income	\$ -	\$ 142	\$ 142	\$ 142
Total revenues	-	142	142	142
Expenditures:				
Construction	\$ 1,633,280	\$ 1,621,122	\$ 1,621,122	\$ 12,158
Administration	134,000	140,118	140,118	(6,118)
Contingency	130,662	-	-	130,662
Total expenditures	1,897,942	1,761,240	1,761,240	136,702
Revenues over (under) expenditures	(1,897,942)	(1,761,098)	(1,761,098)	136,844
Other financing sources (uses):				
Direct placement installment purchase	1,897,942	1,898,000	1,898,000	(58)
Total other financing sources (uses)	1,897,942	1,898,000	1,898,000	58
Revenues and other financing sources over (under) expenditures	\$ -	136,902	\$ 136,902	\$ 136,902
Reconciliation from budgetary basis (modified accrual) to full accrual:				
Add - capital outlay		1,761,240		
Less - additions to long-term debt		(1,898,000)		
Change in net position		142		
Fund balance, beginning		-		
Fund balance, ending		\$ 142		

City of Dunn
Stormwater Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Fiscal Year Ended June 30, 2019

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Stormwater fees	\$ 134,000	\$ 134,153	\$ (153)
Total operating revenues	<u>134,000</u>	<u>134,153</u>	<u>153</u>
Expenditures:			
Engineering	15,000	-	15,000
Stormwater Contracted Services	<u>119,000</u>	<u>5,952</u>	<u>113,048</u>
Total expenditures	<u>134,000</u>	<u>5,952</u>	<u>128,048</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>\$ 128,201</u>	<u>\$ 128,201</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, 2019**

Fiscal Year	Uncollected Balance July 1, 2018	Additions	Collections and Credits	Abatements and Adjustments	Uncollected Balance June 30, 2019
2018-2019	\$ -	\$ 4,216,520	\$ (4,192,397)	\$ 4,467	\$ 28,590
2017-2018	33,028	-	(20,518)	(464)	12,046
2016-2017	13,982	-	(2,254)	(631)	11,097
2015-2016	7,967	-	(644)	(630)	6,693
2014-2015	6,819	-	(114)	(712)	5,993
2013-2014	6,844	-	(230)	(109)	6,505
2012-2013	7,516	-	(320)	(77)	7,119
2011-2012	7,264	-	(433)	(77)	6,754
2010-2011	19,674	-	(76)	-	19,598
2009-2010	29,664	-	(281)	-	29,383
	<u>\$ 132,758</u>	<u>\$ 4,216,520</u>	<u>\$ (4,217,267)</u>	<u>\$ 1,767</u>	<u>\$ 133,778</u>

Less: allowance for uncollectible accounts
General Fund

(54,281)

Ad valorem taxes receivable-net

\$ 79,497

Reconcilement with revenues:

Ad valorem taxes-General Fund

\$ 4,273,456

Reconciling items:

Municipal Service District Taxes

(38,228)

Interest and Penalties

(17,411)

Taxes Written Off

(550)

Subtotal

(56,189)

Total collections and credits

\$ 4,217,267

City of Dunn
Analysis of Current Tax Levy
City - Wide Levy
For the Fiscal Year Ended June 30, 2019

				Total Levy		
	City - Wide			Property excluding Registered Motor Vehicles	Registered Motor Vehicles	
	Property Valuation	Rate	Total Levy			
Original levy:						
Property taxed at current						
Real and personal property	\$ 843,304,000	0.50	\$ 4,216,520	\$ 3,867,178	\$ 349,342	
Discoveries	3,402,800		17,014	17,014		
Releases	(2,509,400)		(12,547)	(12,547)	-	
Total Property Valuation	<u>\$ 844,197,400</u>		<u>\$ 4,220,987</u>	<u>\$ 3,871,645</u>	<u>\$ 349,342</u>	
Net levy			4,220,987	3,871,645	349,342	
Uncollected taxes at June 30, 2019			(28,590)	(28,590)	-	
Current year's taxes collected			<u>\$ 4,192,397</u>	<u>\$ 3,843,055</u>	<u>\$ 349,342</u>	
Current levy collection percentage			<u>99.32%</u>	<u>99.26%</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									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Governmental activities										
Net investment in capital assets	\$ 1,981,691	\$ 2,332,056	\$ 1,165,191	\$ 2,925,002	\$ 3,627,133	\$ 4,244,430	\$ 5,696,256	\$ 6,436,177	\$ 6,444,745	\$ 6,512,326
Restricted	479,067	791,384	2,720,291	1,837,471	1,726,667	1,424,244	1,653,746	4,870,545	4,981,763	5,665,759
Unrestricted	2,814,673	1,853,557	847,595	615,511	173,560	(204,386)	(532,383)	(1,745,461)	(2,979,308)	(4,018,335)
Total governmental activities net position	\$ 5,275,431	\$ 4,976,997	\$ 4,733,077	\$ 5,377,984	\$ 5,527,360	\$ 5,464,288	\$ 6,817,619	\$ 9,561,261	\$ 8,447,200	\$ 8,159,750
Business-type activities										
Net investment in capital assets	\$ 14,649,312	\$ 17,296,915	\$ 16,061,004	\$ 15,530,084	\$ 17,951,590	\$ 20,284,577	\$ 20,535,568	\$ 20,201,704	\$ 20,102,110	\$ 20,457,636
Restricted	-	-	-	-	-	-	-	30,000	-	-
Unrestricted	1,532,549	772,541	3,620,425	4,083,012	1,784,948	2,395,563	2,449,400	2,957,415	1,362,055	1,752,501
Total business-type activities net position	\$ 16,181,861	\$ 18,069,456	\$ 19,681,429	\$ 19,613,096	\$ 19,736,538	\$ 22,680,140	\$ 22,984,968	\$ 23,189,119	\$ 21,464,165	\$ 22,210,137
Primary government										
Net investment in capital assets	\$ 16,631,003	\$ 19,628,971	\$ 17,226,195	\$ 18,455,086	\$ 21,578,723	\$ 24,529,007	\$ 26,231,824	\$ 26,637,881	\$ 26,546,855	\$ 26,969,962
Restricted	479,067	791,384	2,720,291	1,837,471	1,726,667	1,424,244	1,653,746	4,870,545	4,981,763	5,665,759
Unrestricted	4,347,222	2,626,098	4,468,020	4,698,523	1,958,508	2,191,177	1,917,017	1,211,954	(1,617,253)	(2,265,834)
Total primary government net position	\$ 21,457,292	\$ 23,046,453	\$ 24,414,506	\$ 24,991,080	\$ 25,263,898	\$ 28,144,428	\$ 29,802,587	\$ 32,720,380	\$ 29,911,365	\$ 30,369,887

**City of Dunn
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)
Table 2**

Expenses	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Governmental activities:										
General government	\$ 1,876,598	\$ 1,753,876	\$ 1,800,246	\$ 1,946,686	\$ 1,548,470	\$ 1,590,905	\$ 1,904,648	\$ 2,610,109	\$ 2,447,292	\$ 2,499,021
Public safety	3,904,128	4,043,216	3,981,466	3,969,606	4,024,211	3,933,301	3,235,533	3,271,705	3,164,633	4,277,813
Transportation	2,526,510	1,468,162	1,458,777	1,478,572	1,481,341	1,387,484	1,387,659	1,507,138	1,552,433	1,582,991
Environmental protection	400,090	532,238	510,908	570,653	599,302	622,719	659,849	823,681	826,201	1,012,038
Cultural and recreational	755,265	843,247	794,430	807,335	852,692	817,707	720,860	893,959	945,010	1,069,411
Library	253,678	244,025	254,314	236,562	246,004	263,638	257,271	239,948	234,896	307,568
Community Services	-	6,650	31,784	-	-	-	-	-	-	-
Interest on long-term debt	55,919	171,645	118,702	132,584	45,353	191,693	247,360	219,120	199,655	190,155
Total governmental activities expenses	<u>9,772,188</u>	<u>\$ 9,063,059</u>	<u>\$ 8,950,627</u>	<u>\$ 9,141,998</u>	<u>\$ 8,797,373</u>	<u>\$ 8,807,447</u>	<u>\$ 8,413,180</u>	<u>\$ 9,565,660</u>	<u>\$ 9,370,120</u>	<u>\$ 10,938,997</u>
Business-type activities:										
Water and sewer	4,043,652	3,944,868	4,128,782	4,343,372	5,122,206	4,686,053	4,857,768	4,746,944	5,588,695	4,524,796
Stormwater	-	-	-	-	-	-	-	58,192	274,919	5,952
Total business-type activities	<u>4,043,652</u>	<u>3,944,868</u>	<u>4,128,782</u>	<u>4,343,372</u>	<u>5,122,206</u>	<u>4,686,053</u>	<u>4,857,768</u>	<u>4,805,136</u>	<u>5,863,614</u>	<u>4,530,748</u>
Total primary government expenses	<u>\$ 13,815,840</u>	<u>\$ 13,007,927</u>	<u>\$ 13,079,409</u>	<u>\$ 13,485,370</u>	<u>\$ 13,919,579</u>	<u>\$ 13,493,500</u>	<u>\$ 13,270,948</u>	<u>\$ 14,370,796</u>	<u>\$ 15,233,734</u>	<u>\$ 15,469,745</u>
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 327,721	\$ 396,846	\$ 329,677	\$ 383,550	\$ 461,784	\$ 340,748	\$ 399,857	\$ 414,489	\$ 508,924	\$ 455,025
Public safety	-	-	-	-	-	44,159	188,947	95,082	75,581	51,113
Transportation	17,476	38,354	35,310	35,550	34,941	-	34,659	36,373	29,977	149,344
Environmental protection	552,444	646,979	644,207	687,723	678,051	738,992	721,184	818,216	828,234	944,354
Cultural and recreational	95,823	76,419	77,791	78,035	83,670	103,034	87,611	78,409	80,707	77,250
Operating grants and contributions	903,855	1,073,718	851,155	889,292	967,699	800,634	776,867	764,107	492,699	505,590
Capital grants and contributions	97,358	-	-	809,668	528,495	523,000	351,848	54,000	-	138,126
Total governmental activities program revenues	<u>\$ 1,994,677</u>	<u>\$ 2,232,316</u>	<u>\$ 1,938,140</u>	<u>\$ 2,883,818</u>	<u>\$ 2,754,640</u>	<u>\$ 2,550,567</u>	<u>\$ 2,560,973</u>	<u>\$ 2,260,676</u>	<u>\$ 2,016,122</u>	<u>\$ 2,320,802</u>
Business-type activities:										
Charges for services:										
Water and sewer	4,172,441	4,478,773	4,553,134	4,567,460	4,672,187	4,807,268	4,859,613	4,771,864	4,793,891	4,932,357
Stormwater	-	-	-	-	-	-	-	78,953	79,586	134,153
Operating grants and contributions	-	-	-	-	-	-	-	-	97,433	51,731
Capital grants and contributions	615,335	1,628,676	1,563,889	-	-	2,841,252	146,153	-	383,882	-
Total business-type activities program revenues	<u>4,787,776</u>	<u>6,107,449</u>	<u>6,117,023</u>	<u>4,567,460</u>	<u>4,672,187</u>	<u>7,648,520</u>	<u>5,005,766</u>	<u>4,850,817</u>	<u>5,354,792</u>	<u>5,118,241</u>
Total primary government program revenues	<u>\$ 6,782,453</u>	<u>\$ 8,339,765</u>	<u>\$ 8,055,163</u>	<u>\$ 7,451,278</u>	<u>\$ 7,426,827</u>	<u>\$ 10,199,087</u>	<u>\$ 7,566,739</u>	<u>\$ 7,111,493</u>	<u>\$ 7,370,914</u>	<u>\$ 7,439,043</u>
Net (expense)/revenue										
Governmental activities	\$ (7,777,511)	\$ (6,830,743)	\$ (7,012,487)	\$ (6,258,180)	\$ (6,042,733)	\$ (6,256,880)	\$ (5,852,207)	\$ (7,304,984)	\$ (7,353,998)	\$ (8,618,195)
Business-type activities	744,124	2,162,581	1,988,241	224,088	(450,019)	2,962,467	147,998	45,681	(508,822)	587,493
Total primary government net revenue/(expense)	<u>\$ (7,033,387)</u>	<u>\$ (4,668,162)</u>	<u>\$ (5,024,246)</u>	<u>\$ (6,034,092)</u>	<u>\$ (6,492,752)</u>	<u>\$ (3,294,413)</u>	<u>\$ (5,704,209)</u>	<u>\$ (7,259,303)</u>	<u>\$ (7,862,820)</u>	<u>\$ (8,030,702)</u>
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes:										
Property taxes, levied for general purpose	\$ 3,712,764	\$ 3,593,590	\$ 3,652,523	\$ 3,661,971	\$ 3,985,873	\$ 3,844,346	\$ 3,990,356	\$ 4,272,245	\$ 4,260,553	\$ 4,273,456
Other taxes	1,976,842	2,008,585	2,062,487	2,239,860	2,089,472	2,327,549	2,460,359	2,781,240	2,985,066	3,259,876
Unrestricted grants and contributions	155,474	135,404	126,227	131,950	110,000	110,000	128,800	144,500	125,000	125,000
Unrestricted investment earnings	18,180	14,263	12,728	9,190	17,850	14,606	29,593	7,968	39,913	101,189
Miscellaneous	571,263	440,467	458,602	463,343	405,279	431,073	439,986	545,659	514,387	571,224
Gain/(Loss) on Disposal of Equipment	35,275	-	-	-	-	2,582	-	-	-	-
Special items - sale of assets	-	-	-	-	-	-	25,404.00	6,363	-	-
Special items - donated assets	5,000	-	-	-	-	-	131,040	-	-	-
Special items - loss on investment	-	-	-	(18,727)	-	-	-	-	-	-
Transfers	345,000	340,000	456,000	415,500	-	-	-	-	-	-
Total government activities	<u>6,819,798</u>	<u>6,532,309</u>	<u>6,768,567</u>	<u>6,903,087</u>	<u>6,608,474</u>	<u>\$ 6,730,156</u>	<u>\$ 7,205,538</u>	<u>\$ 7,757,975</u>	<u>\$ 7,924,919</u>	<u>\$ 8,330,745</u>
Business-type activities:										
Unrestricted investment earnings	4,726	2,838	3,250	62,572	101,992	97,930	93,470	90,967	86,547	81,903
Miscellaneous	59,831	62,176	76,482	53,367	55,104	60,075	63,360	67,503	182,519	76,575
Gain/(Loss) on Disposal of Equipment	647	-	-	-	-	11,576	-	-	-	-
Special items - donated assets	-	-	-	7,140	-	-	-	-	-	-
Transfers	(345,000)	(340,000)	(456,000)	(415,500)	-	-	-	-	-	-
Total business-type activities	<u>(279,796)</u>	<u>(274,986)</u>	<u>(376,268)</u>	<u>(292,421)</u>	<u>157,096</u>	<u>169,581</u>	<u>156,830</u>	<u>158,470</u>	<u>269,066</u>	<u>158,478</u>
Total primary government	<u>\$ 6,540,002</u>	<u>\$ 6,257,323</u>	<u>\$ 6,392,299</u>	<u>\$ 6,610,666</u>	<u>\$ 6,765,570</u>	<u>\$ 6,899,737</u>	<u>\$ 7,362,368</u>	<u>\$ 7,916,445</u>	<u>\$ 8,193,985</u>	<u>\$ 8,489,223</u>
Change in Net Position										
Governmental activities	\$ (10,945)	\$ (480,178)	\$ 510,387	\$ 860,354	\$ 351,594	\$ 877,949	\$ (99,446)	\$ 334,034	\$ 570,921	\$ (287,450)
Business-type activities	1,882,785	1,713,255	(152,180)	(742,440)	3,119,563	317,579	202,511	(239,301)	(239,756)	745,971
Total primary government	<u>\$ 1,871,840</u>	<u>\$ 1,233,077</u>	<u>\$ 358,207</u>	<u>\$ 117,914</u>	<u>\$ 3,471,157</u>	<u>\$ 1,195,528</u>	<u>\$ 103,065</u>	<u>\$ 94,733</u>	<u>\$ 331,165</u>	<u>\$ 458,521</u>

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

Table 3

Fiscal Year	Property Tax	Tax Rate
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
2018	4,260,553	0.50
2019	4,273,456	0.50

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

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General Fund										
Non Spendable	\$ 23,803	\$ 90,522	\$ 46,038	\$ 48,234	\$ 116,246	\$ 30,625	\$ 32,142	\$ 46,556	\$ 33,079	\$ 45,302
Restricted	1,366,434	1,292,486	1,297,819	1,364,826	1,425,142	1,424,244	1,653,747	1,770,545	1,824,228	2,530,205
Assigned	-	-	-	-	-	-	-	98,000	6,000	5,000
Unassigned	1,980,220	2,016,283	2,116,425	2,068,671	1,999,838	2,117,478	1,985,379	2,069,164	2,792,512	2,835,700
Total General Fund	<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>	<u>\$ 4,655,819</u>	<u>\$ 5,416,207</u>
All other governmental funds										
Restricted	\$ 422,428	\$ 314,511	\$ 189,319	\$ 240,041	\$ 301,525	\$ -	\$ -	\$ -	\$ 51,289	\$ 35,554
Assigned	42,126	305	-	260,391	(160,305)	67,468	186,772	75,667	-	-
Committed	-	-	-	-	-	-	-	-	-	-
Unassigned	-	(210,312)	(133,984)	-	-	-	-	-	-	-
Total all other governmental funds	<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>	<u>\$ 51,289</u>	<u>\$ 35,554</u>

City of Dunn
Changes in Fund Balance of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
Table 5

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Revenues										
Ad valorem taxes	\$ 3,714,518	\$ 3,628,709	\$ 3,657,181	\$ 3,672,427	\$ 3,959,238	\$ 3,887,947	\$ 4,012,290	\$ 4,284,741	\$ 4,262,407	\$ 4,273,456
Other taxes and licenses	41,997	67,994	70,065	207,325	66,558	43,942	36,190	37,369	36,003	180,715
Unrestricted intergovernmental	2,090,319	2,075,995	2,118,650	2,188,057	2,132,914	2,393,607	2,539,169	2,868,871	3,074,062	3,163,499
Restricted intergovernmental	1,004,498	1,031,092	811,501	1,233,958	932,179	1,248,868	1,093,605	920,038	568,857	697,171
Permits and fees	234,259	201,263	148,377	187,466	289,552	216,875	206,985	200,541	226,317	170,430
Sales and services	741,729	919,292	903,298	961,843	933,953	1,003,235	1,002,666	1,112,743	1,102,925	1,307,400
Investment earnings	18,180	14,262	12,728	9,227	17,850	14,606	29,593	7,968	39,913	101,189
Miscellaneous	585,454	504,333	513,851	584,035	570,373	513,106	711,504	592,511	658,500	757,687
Private Donations	-	-	-	359,668	0	-	-	-	-	-
Total revenues	\$ 8,430,954	\$ 8,442,940	\$ 8,235,651	\$ 9,404,006	\$ 8,902,617	\$ 9,322,186	\$ 9,632,002	\$ 10,024,782	\$ 9,968,984	\$ 10,651,547
Expenditures										
General government	1,782,354	1,671,999	1,709,906	1,867,599	1,474,587	1,535,053	1,707,135	2,146,402	2,139,977	2,260,449
Public Safety	3,558,174	3,731,418	3,641,699	3,611,487	3,676,533	3,254,461	3,000,794	3,055,693	3,098,846	3,460,284
Transportation	2,367,880	1,372,824	1,337,650	1,366,567	1,376,111	1,309,052	1,308,013	1,341,992	1,436,435	1,300,908
Environmental protection	382,692	522,197	496,935	557,002	584,670	607,313	647,025	799,224	807,616	978,691
Culture and recreation	703,903	727,090	677,456	690,733	730,745	725,807	612,267	683,268	687,331	723,613
Library	224,473	220,937	225,667	226,439	231,410	251,963	247,091	227,154	239,603	264,608
Community Service	-	6,650	31,785	-	-	-	-	-	-	-
Debt service										
Principal	260,874	407,133	383,212	516,667	408,678	519,237	615,919	865,540	515,733	522,792
Interest and other charges	55,919	95,970	85,178	79,564	75,063	184,019	212,112	234,114	211,601	198,032
Capital outlay	565,379	553,816	1,986,286	2,765,173	805,119	3,379,997	1,388,561	894,471	180,874	660,816
Total expenditures	9,901,648	9,310,034	10,575,774	11,681,231	9,362,916	11,766,902	9,738,917	10,247,858	9,318,016	10,370,193
Excess of revenues over (under) expenditures	(1,470,694)	(867,094)	(2,340,123)	(2,277,225)	(460,299)	(2,444,716)	(106,915)	(223,076)	650,968	281,354
Other financing sources (uses)										
Transfers in	345,000	340,000	533,106	415,500	-	-	777,857	-	-	-
Transfers out	-	-	(77,106)	-	-	(498,713)	(777,857)	(75,000)	-	-
Insurance Proceeds	-	-	-	-	-	-	-	-	-	-
Harnett County Reimbursement	-	-	-	-	-	-	-	-	-	-
Sale of capital assets	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	1,334,000	190,000	3,114,000	1,100,000	132,000	2,860,757	296,243	434,000	-	454,000
Total other financing sources (uses)	1,714,275	546,801	3,589,718	1,512,533	149,497	2,400,315	321,647	143,593	-	454,000
Net change in fund balances	\$ 243,581	\$ (320,293)	\$ 1,249,595	\$ (764,692)	\$ (310,802)	\$ (44,401)	\$ 214,732	\$ (79,483)	\$ 650,968	\$ 735,354
Debt service as a percentage of noncapital expenditures	3.4%	5.7%	5.5%	6.7%	5.7%	8.4%	9.9%	11.8%	8.0%	7.4%

City of Dunn
Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years
Table 6

Fiscal Year	Real Property	Personal Property	Total Assessed Value	Ratio of Assessed Value to Estimated Actual Value ⁽¹⁾	Property Tax Rate ⁽²⁾
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
2018	782,586,835	61,147,365	843,734,200	100%	0.50
2019	773,225,934	70,971,466	844,197,400	100%	0.50

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
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
2018	0.50	0.750	0.09	0.02	1.360
2019	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 components.

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

City of Dunn
Principal Property Taxpayers
June 30, 2019
Table 8

Taxpayer	Type of Enterprise	2019			2010		
		Taxable Assessed	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed	Rank	Percentage of Total Taxable Assessed Value
		Value			Value		
ROOMS TO GO DISTRIBUTION CO LLC	Distribution	\$ 58,636,630	1	6.95%			
DUKE ENERGY PROGRESS INC	Utility Company	15,062,933	2	1.78%	\$ 10,777,089	2	1.44%
WAL-MART REAL ESTATE BUSINESS TRUST	Retail Store	11,042,810	3	1.31%	15,117,336	1	2.03%
WINCOR PROPERTIES LLC	Real Estate	7,378,460	4	0.87%			
MCRT3 DUNN LLC	Hotel	7,355,440	5	0.87%			
RCG-DUNN LLC,	Real Estate	7,027,210	6	0.83%	8,290,330	4	1.11%
DUNN HOSPITALITY VENTURES LLC	Hotel	6,640,170	7	0.79%			
RTG FURNITURE CORP OF GEORGIA	Distribution	5,564,138	8	0.66%			
GG RETAIL PROPERTIES LLC	Real Estate	4,331,190	9	0.51%	4,694,300	8	0.63%
PIEDMONT NATURAL GAS CO INC	Utility Company	3,687,991	10	0.44%			
CAROLINA TELEPHONE	Utility Company				8,034,468	5	1.08%
GRAY PROPERTINS OF NC, LLC	Manufacturer				8,497,677	3	1.14%
APPLE EIGHT NC LP	Real Estate				6,965,790	6	0.93%
TILGHMAN MEDICAL ASSOC.	Real Estate				4,348,440	9	0.58%
NWD-T/A DUNBAR	Packaging Plant				4,887,259	7	0.65%
TWO TILL, LLC	Real Estate				4,212,910	10	0.56%
Totals		<u>\$ 126,726,972</u>		15.01%	<u>\$ 75,825,599</u>		10.16%
Total Assessed Value		<u>\$ 844,197,400</u>			<u>\$ 746,190,807</u>		

Source: Harnett County Assessor's Office

City of Dunn
Property Tax Levies and Collections
Last Ten Fiscal Years
Table 9

Fiscal Year	Tax Levy	Current Tax Collections	Percent of Taxes Collected	Delinquent Tax Collections (1)	Total Tax Collections	Ratio of Total Tax Collections to Total Tax Levy
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%
2018 (2)	4,218,671	4,185,643	99.22%	21,167	4,206,810	99.72%
2019	4,220,987	4,192,397	99.32%	24,870	4,217,267	99.91%

Notes:

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

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

City of Dunn
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years
Table 10

Governmental Activities			Business-Type Activities				Total Primary Government	Debt as a % of Assessed Valuation ⁽³⁾	Per Capita ⁽⁴⁾
Fiscal Year	Capital Leases	Installment Purchases	Capital Leases	GO Bonds	Installment Purchases	Revolving Water and Sewer Loan			
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
2018	-	6,386,138	15,911	1,026,000	1,074,864	2,850,323	11,353,236	1.3%	1,166
2019	-	6,317,892 ⁽⁹⁾	-	869,000	2,713,309 ⁽¹⁰⁾	2,631,068	12,531,269	1.5%	1,313

Notes:

- (1) - An installment purchase contract was executed during fiscal year 2010 in the amount of \$1,000,000 for street improvements.
- (2) - An installment purchase contract was executed during fiscal year 2012 in the amount of \$2,989,000 for downtown street improvements.
- (3) - Total primary government debt divided by assessed valuation. Assessed valuations can be found in Table 6.
- (4) - Total Debt divided by population. Population figures from 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 2019 for governmental activities in the amount of \$454,000 for Police vehicles
- (10) - Total installment purchases executed during fiscal year 2019 for business-type activities in the amount of \$1,898,000 for electronically read water meters

City of Dunn
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years
Table 11

Fiscal Year	General Obligation Bonds (1)	Percentage of Assessed Property Value	Per Capita (2)
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
2018	1,026,000	0.12%	105
2019	869,000	0.10%	91

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, 2019
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	\$ 124,974,386	10.05%	\$ 12,559,926
Subtotal, overlapping debt			12,559,926
City of Dunn direct debt			<u>6,317,892</u> (2)
Total direct and overlapping debt			<u><u>\$ 18,877,818</u></u>

Notes:

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

(2) - Includes all governmental activities debt.

City of Dunn
Legal Debt Margin Information
Last Ten Fiscal Years
Table 13

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Debt limit	\$ 59,695,265	\$ 59,315,766	\$ 59,533,701	\$ 59,843,206	\$ 59,131,547	\$ 60,666,490	\$ 63,463,959	67,505,808	67,498,736	67,535,792
Total net debt applicable to limit	2,483,314	7,049,465	13,104,655	12,156,099	11,418,503	13,232,984	12,615,086	11,349,264	10,327,236	12,531,269
Legal debt margin	\$ 57,211,951	\$ 52,266,301	\$ 46,429,046	\$ -	\$ 47,713,044	\$ 47,433,506	\$ 50,848,873	\$ 56,156,544	\$ 57,171,500	\$ 55,004,523
Total net debt applicable to the limit as a percentage of debt limit	4.16%	11.88%	22.01%	20.31%	19.31%	21.81%	19.88%	16.81%	15.30%	18.56%

Legal Debt Margin Calculation for Fiscal Year 2019 (1)

Assessed Value	\$ 844,197,400
Debt Limit (8% of total assessed value)	67,535,792
Debt applicable to limit:	
General obligation bonds	869,000
Non bonded debt	11,662,269
Total net debt applicable to limit	12,531,269
	<u>\$ 55,004,523</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

Fiscal Year	Population(2)	Personal Income(2)	Per Capita Income(2)	Median Age(2)	School Enrollment(3)	Unemployment Rate(4)
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%
2018	132,754	2,816,243,356	21,214	34	20,390	3.7%
2019	134,214	3,163,558,194	23,571	35	20,685	5.4%

Notes:

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

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

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

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

**City of Dunn
Principal Employers
Last Ten Fiscal Years
Table 15**

Employer	2019 ⁽¹⁾		2010	
	Employees	Rank	Employees	Rank
Harnett County Schools	2358	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.	500-999	6	250-499	4
Godwin Manufacuring Co Inc.	100-249	7		
Tri-Arc Food Systems Inc.	100-249	8		
Affinity Health Services	100-249	9		
Gray Metal South Inc.	100-249	10	100-249	10
City of Dunn			100-249	6
Moody Dunbar			100-249	7
Family Medical Supply, Inc.			100-249	8
Lowes Home Centers Inc.			100-249	9

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

City of Dunn
Full-time Equivalent Town Government Employees by Function
Last Ten Fiscal Years
Table 16

Function	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General Government										
Administration	3	3	5	5	6	6	6	6	7	7
Finance	4	4	3	3	3	3	3	3	3	3
Economic & Physical Development										
Planning	2	2	1	1	1	1	1	1	1	2
Inspections	3	3	3	3	3	3	4	5	5	5
Public Safety										
Law Enforcement										
Officers	41	41	36	36	36	36	39	39	39	44
Civilians	11	11	16	16	16	5	4	4	4	4
Public Works										
Streets	18	18	17	16	16	16	16	14	15	18
Solid Waste	2	2	2	2	2	2	2	2	2	0
Fleet Maintenance	2	2	2	2	1	1	1	1	1	2
Parks & Recreation	11	11	10	10	10	10	9	8	8	10
Library	3	3	3	3	4	4	4	4	4	4
Public Utilities-Water/Sewer										
Finance	5	5	5	5	5	5	5	5	3	3
Distribution	8	8	8	8	8	8	8	8	10	11
Water Treatment	8	8	8	8	8	8	8	9	8	8
WasteWater Treatment	10	10	9	9	9	9	9	9	9	10
Total	131	131	128	127	128	117	119	118	119	131

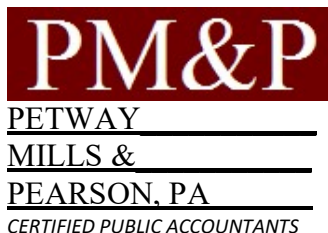
City of Dunn
Operating Indicators by Function
Last Ten Years
Table 17

Function:	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Public Safety										
Arrests	1,599	1,502	1,524	2,460	3,299	2,190	1,231	1,274	1,040	1,183
Traffic violations	3,565	4,343	4,072	4,423	3,613	3,396	3,186	3,236	3,523	3,471
Highways and streets										
Street resurfacing (miles)	7	-	-	-	1	2	0.34	0.39	0.10	-
Potholes repaired	600	525	670	700	615	750	210	191	214	212
Sidewalk repaired (linear ft.)	1,000	625	225	300	7,500	600	4,841	3,324	146	100
Street sweeping (miles)	2,000	2,000	2,000	2,000	2,000	2,000	2,000	1,782	1,656	1,700
Inspections										
Building permits issued	281	437	322	398	380	362	385	476	431	439
Sanitation										
Residential waste collected (tons/year)	3,331	2,911	2,819	2,799	2,742	2,663	2,814	2,782	2,624	2,934
Yard waste collected (tons/year)	3,590	3,487	3,293	3,140	2,637	2,642	825	1,148	2,010	2,808
Trash pick-up fee	12	15	15	15	16	17	17	17	17	23
Library										
Admissions	104,500	93,595	88,086	83,837	76,119	83,423	65,704	60,797	55,792	56,826
Volumes in Collection	33,300	37,430	38,154	41,157	41,913	42,630	44,784	45,112	45,399	44,397
Recreation										
Youth participation:										
Fall sports	385	317	310	330	359	360	343	291	295	356
Winter sports	216	204	308	224	213	220	314	216	212	347
Spring Sports	572	461	474	526	510	450	325	339	347	316
Water										
Utility customers	4,625	4,618	4,622	4,625	4,628	4,635	4,700	4,701	4,704	4,707
Average utility bill	47	48	48	48	48	52	55	58	60	60
New Customer Connections	14	12	16	7	10	10	12	13	10	26
Sanitary Sewer Overflows (SSO)	13	5	3	5	6	6	5	7	0	6
Average daily consumption (MGD)	3	3	3	3	3	2.9	2.74	2.73	2.88	2.89
Wastewater										
Average daily sewage treatment (MGD)	3	2	2	2	2	2.8	2.76	2.61	1.92	3.14

City of Dunn
Capital Asset Statistics by Function
Last Ten Fiscal Years
Table 18

Function	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Public safety										
Police stations	1	1	1	1	1	1	1	1	1	1
Police patrol units	4	4	4	4	4	4	4	4	4	4
Police vehicles	33	33	33	33	47	43	43	45	45	45
911 Centers	1	1	1	1	1	1	0	0	0	0
Sanitation										
Collection trucks	2	2	2	2	2	2	2	2	2	2
Highways and streets										
Streets (miles)	65	65	65	65	65	65	65	65	65	65
Traffic signals	5	5	5	5	5	5	5	5	5	5
Culture and recreation										
Parks acreage	32	32	32	32	32	32	32	36	36	36
Parks	3	3	3	3	3	3	3	3	3	3
Baseball/Softball Fields	7	7	7	7	7	7	7	8	8	8
Pools	1	1	1	1	1	1	1	1	1	1
Tennis courts	5	5	5	5	5	5	5	3	3	3
Community centers	2	2	2	2	2	2	2	2	2	2
Water										
Water mains (feet)	454,080	454,080	454,080	454,080	454,080	454,080	454,080	459,360	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	6.0
Sewer										
Sewer Lines (feet)	396,000	396,000	396,000	396,000	396,000	396,000	396,000	406,560	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	3.75

COMPLIANCE SECTION



C. Briggs Petway, Jr.
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Accountants

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Association

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

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, 2019, 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 February 12, 2020. 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

February 12, 2020

**CITY OF DUNN
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2019**

SECTION I. - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? _____ yes X no

Significant deficiency(ies) identified that are not
considered to be material weaknesses? _____ yes X no

Noncompliance material to financial
statements noted _____ yes X no

**CITY OF DUNN
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2019**

SECTION II. - FINANCIAL STATEMENT FINDINGS

None

**CITY OF DUNN
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2019**

SECTION II. - FINANCIAL STATEMENT FINDINGS

None

**CITY OF DUNN
SUMMARY SCHEDULE OF PRIOR YEARS' FINDINGS
FOR THE YEAR ENDED JUNE 30, 2019**

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, 2019**

Grantor/Pass-through/ Grantor-Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Federal Expenditures	State Expenditures
FEDERAL AWARDS				
US Environmental Protection Agency				
Brownfields Assessment and Cleanup Cooperative Agreements	66.818	BF-00D61117-0	\$ 96,263	\$ -
US Department of Agriculture				
Community Facilities Loans and Grants Program	10.766	Grant #00-17	25,000	
Community Facilities Loans and Grants Program	10.766	Loan #97-16	125,000	
Community Facilities Loans and Grants Program	10.766	Grant #00-19	25,000	
Community Facilities Loans and Grants Program	10.766	Loan #97-18	125,000	
			<u>300,000</u>	-
US Department of Justice				
Equitable Sharing Program	16.922	NCD 430100	35,277	-
US Department of Health and Human Services				
Division of Aging and Adult Services:				
Passed through Mid Carolina Council of Government				
Older American's Act	93.044	16-701, 20-701	7,839	-
NC State General Purpose Account			-	3,564
US Department of Transportation				
Passed through NC Department of Transportation				
Governor's Highway Safety	20.600	PT-16-06-15	14,770	-
STATE AWARDS				
NC Department of Environmental Quality				
Recycling Grant		7564	-	14,168
Division of Water Infrastructure				
Water Asset and Inventory Assessment		H-AIA-D-17-009	-	<u>51,731</u>
				65,899
NC Department of Natural and Cultural Resources				
Parks and Recreation Trust Fund Grant		2018-858	-	88,190
NC Dept. of Transportation				
Powell Bill		O 50000001 80	-	<u>294,107</u>
TOTAL FEDERAL AND STATE ASSISTANCE			<u>\$ 454,149</u>	<u>\$ 451,760</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 of Dunn under the programs of the State of North Carolina for the year ended June 30, 2019. Because the Schedule presents only a selected portion of the operations of the City of Dunn, it is not intended to and does not present the financial position, changes in net position, or cash flows of 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 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% de minimis indirect cost rate as allowed under the Uniform Guidance.