

CITY OF DUNN, NORTH CAROLINA
ANNUAL COMPREHENSIVE FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2021

PREPARED BY THE FINANCE
DEPARTMENT OF THE CITY OF DUNN

CITY OF DUNN, NORTH CAROLINA
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June 30, 2021

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INTRODUCTORY SECTION

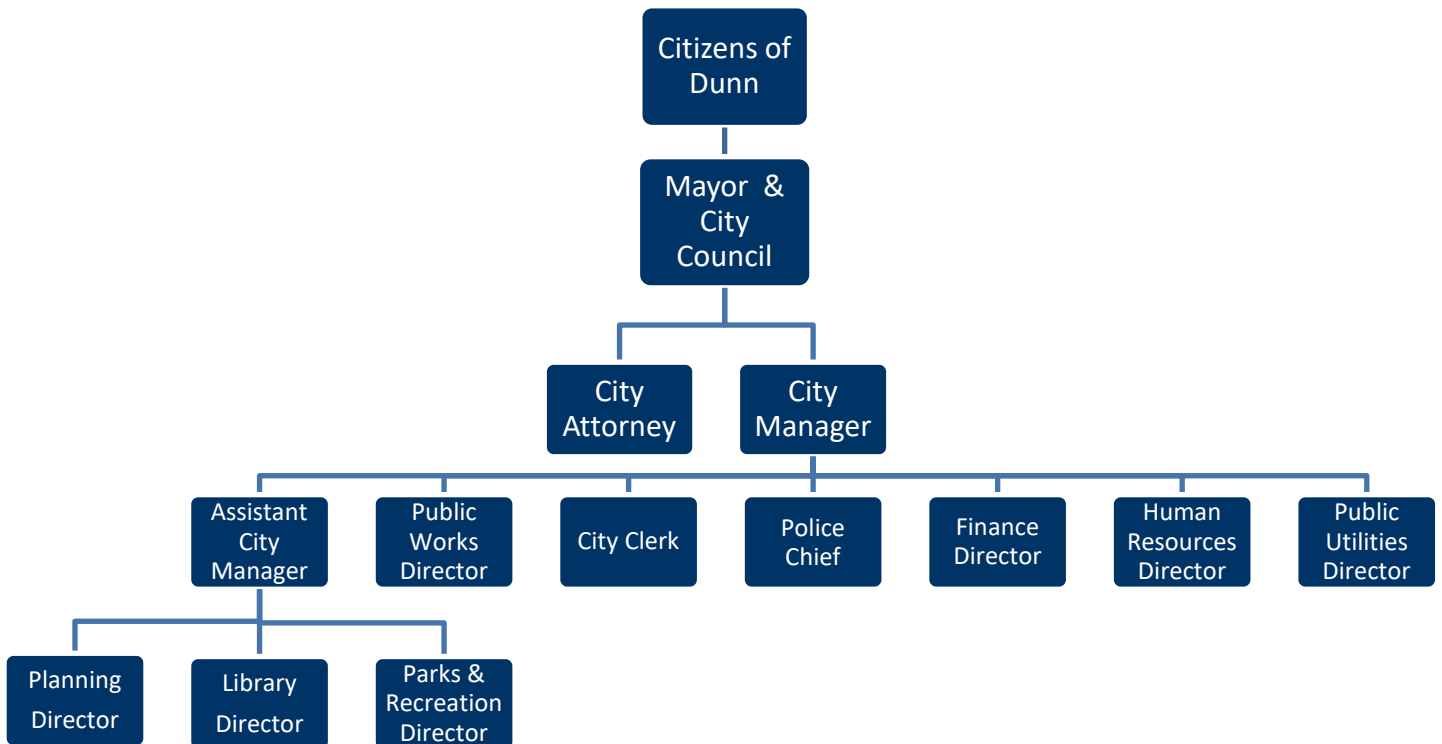
City Council Members

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

Appointed Staff

Steven Neuschafer, City Manager
James Roberts, Finance Director
P. Tilghman Pope, City Attorney

City of Dunn Organization Chart





401 E Broad St • PO Box 1065 • Dunn, North Carolina 28335
(910) 230-3500 • CityofDunn.org

Mayor
William P. Elmore Jr.
Mayor Pro Tem
Dr. David L. Bradham
Council Members
J. Wesley Sills
April L. Gaulden
Frank McLean
Billy Tart
Chuck Turnage
City Manager
Steven Neuschafer

January 26, 2022

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

The Annual Comprehensive Financial Report of the City of Dunn for the fiscal year ending June 30, 2021 has been submitted by the City's Finance Department. It is the comprehensive publication of the City's financial position at June 30, 2021, 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, 2021 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's management. 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.

The General Statutes of North Carolina require an annual independent financial audit of all local government units in the State. The City's financial statements have been audited by Bernard Robinson & Company, L.L.P. (BRC), which is a firm of licensed certified public accountants. BRC 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 independent auditor concluded that the City's financial statements, for the fiscal year ended June 30, 2021, are fairly presented in accordance with accounting principles generally accepted in the United States of America. The independent auditor's report on the basic financial statements, combining and individual fund statements and schedules is presented as the first component of the financial section of this report.

Where community begins!

GAAP requires that 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 9,664.

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 1 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, a 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 2021, hotel receipts were over \$7,850,000 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. In previous years, the City used reserves to pay for capital projects. However, given the current economic state, the City will finance projects through long-term loans versus using reserves when possible. 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 completed a \$3,000,000 renovation to Tart Park. The City was awarded a grant in the amount of \$850,000 from the State of North Carolina. The City has financed the remaining \$2,185,000 over a 20 year period.

The City has also completed a \$3,000,000 project to replace the aeration system at the waste water treatment plant. The City was awarded a loan at 0% interest for 20 years with the State of North Carolina through the State Revolving Fund to finance the project.

The City was given over \$3,000,000 in American Rescue Plan funds. These will be used for infrastructure revitalization as required.

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. However, the City is completing the revaluation of city properties through Harnett County. This will become effective in September of 2022.

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).

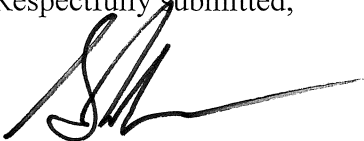
Internal Control: To provide a reasonable basis for making these representations, management of the City of Dunn has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information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

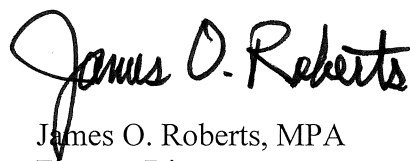
As a recipient of federal and state assistance programs, the City is responsible for ensuring that adequate internal controls are in place to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is subject to periodic evaluation by management. For the Federal Government, actual expenses determine the need for a Single Audit. This year that audit was not required. In the past, 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.

Acknowledgements: The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the finance department. The preparation of this report was also made possible by the assistance of Bernard Robinson & Company, L.L.P. 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

FINANCIAL SECTION



Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Dunn, North Carolina (the "City"), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City'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.

Auditor's Responsibility

Our responsibility is to express an opinion on these basic financial statements based on our audit. We did not audit the financial statements of the City of Dunn ABC Board, which represents 100 percent of the assets, net position, and revenues of the discretely presented component unit. Those financial 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 the basic financial statements are free of 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 basic financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the basic financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the basic 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 City'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 basic 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, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, and each major fund and aggregate remaining fund information of the City of Dunn, North Carolina as of June 30, 2021, 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 Management's Discussion and Analysis on pages 4 through 12; Schedule of the Proportionate Share of Net Pension Liability and Schedule of Contributions - Local Government Employees' Retirement System (Exhibit 11) on page 56; Schedule of Changes in Total Pension Liability - Law Enforcement Officers' Special Separation Allowance and Schedule of Total Pension Liability as a Percentage of Covered Payroll (Exhibit 12) on page 57; and the Schedule of Changes in the Total OPEB Liability and Related Ratios (Exhibit 13) on page 58 be presented to supplement the basic financial statements. Such information, although not a required 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 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 an opinion on the financial statements that collectively comprise the basic financial statements of City of Dunn, North Carolina. The combining and individual fund statements, budgetary schedules, other schedules, and Schedule of Expenditures of Federal and State Awards, as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and the State Single Audit Implementation Act, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund budgetary schedules, other schedules, and the Schedule of Expenditures of Federal and State Awards, as listed on the table of contents, 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, Schedule of Expenditures of Federal and State Awards, and other schedules, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 18, 2022 on our consideration of the City of Dunn, North Carolina's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and on the results of that testing, and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Bernard Robinson & Company, L.L.P.

Greensboro, North Carolina
April 18, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2021

As management of the City of Dunn, North Carolina (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2021. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the City's financial statements, which follow this narrative.

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$32,947,066 (net position).
- The government's total net position increased by \$1,045,641.
- As of the close of the current fiscal year, the City's total governmental funds reported combined ending fund balances of \$6,640,230 with a net increase of \$1,843,354 in fund balance. This increase is primarily due to intergovernmental revenues exceeding budget while general government and transportation expenses were below budget, offset by the funding of capital projects and property purchases. Approximately 55% of fund balance or \$3,688,348 is unassigned.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$4,201,962 or 37% of total General Fund expenditures for the fiscal year. The combined unassigned and assigned fund balance for the General Fund was \$4,551,962 or 40% of total General Fund expenditures for the fiscal year.
- The City's total long-term liabilities increased by \$4,384,302 during the current fiscal year.
- The business-type activities revenue increased by \$542,996 (9%).

Overview of the Financial Statements

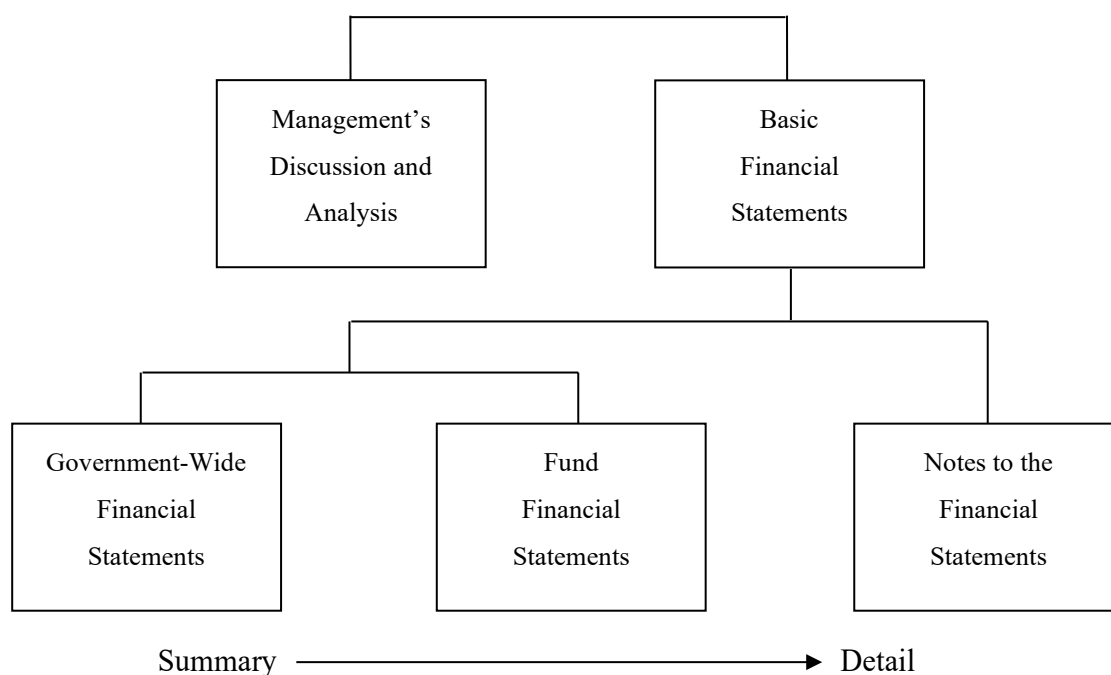
This discussion and analysis are intended to serve as an introduction to the City of Dunn, North Carolina's basic financial statements. The City's basic financial statements consist of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial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

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2021

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

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

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

Government-Wide Financial Statements

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2021

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

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

Fund Financial Statements

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

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

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2021

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

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

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

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

Figure 2

	Governmental Activities		Business-Type Activities		Totals	
	2021	2020	2021	2020	2021	2020
Assets:						
Current and other assets	\$ 10,288,224	\$ 9,384,624	\$ 6,061,398	\$ 4,664,596	\$ 16,349,622	\$ 14,049,220
Capital assets	16,003,846	14,423,444	28,871,763	26,858,800	44,875,609	41,282,244
Deferred outflows of resources	2,342,484	1,938,019	746,538	703,158	3,089,022	2,641,177
Total assets	<u>28,634,554</u>	<u>25,746,087</u>	<u>35,679,699</u>	<u>32,226,554</u>	<u>64,314,253</u>	<u>57,972,641</u>
Liabilities:						
Long-term liabilities	17,139,799	15,308,240	11,270,355	8,685,144	28,410,154	23,993,384
Other liabilities	648,814	1,591,795	669,995	923,313	1,318,809	2,515,108
Deferred inflows of resources	1,198,667	244,419	439,557	59,638	1,638,224	304,057
Total liabilities	<u>18,987,280</u>	<u>17,144,454</u>	<u>12,379,907</u>	<u>9,668,095</u>	<u>31,367,187</u>	<u>26,812,549</u>
Net Position:						
Net investment in capital assets	8,204,907	8,296,835	20,100,178	17,474,975	28,305,085	25,771,810
Restricted	5,202,266	5,250,288	-	-	5,202,266	5,250,288
Unrestricted	(3,759,899)	(4,945,490)	3,199,614	5,083,484	(560,285)	137,994
Total net position	<u>\$ 9,647,274</u>	<u>\$ 8,601,633</u>	<u>\$ 23,299,792</u>	<u>\$ 22,558,459</u>	<u>\$ 32,947,066</u>	<u>\$ 31,160,092</u>

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the City of Dunn exceeded liabilities and deferred inflows by \$32,947,066 as of June 30, 2021. The City's net position for governmental activities and business-type activities were \$9,647,274 and \$23,299,792, respectively. The City's net position increased by \$1,786,974 for the fiscal year ended June 30, 2021.

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2021

However, the largest portion, \$28,305,085, reflects the City's net investment in capital assets (e.g. land, buildings, machinery, and equipment); less any related debt still outstanding that was issued to acquire those items. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's net investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the City's net position of \$5,202,266 represents resources that are subject to external restrictions on how they may be used. The remaining balance of (\$560,285) is unrestricted.

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

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

Figure 3

	Governmental Activities		Business-Type Activities		Totals	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program revenues:						
Charges for services	\$ 1,617,467	\$ 1,519,285	\$ 6,382,572	\$ 6,056,207	\$ 8,000,039	\$ 7,575,492
Operating grants and contributions	1,417,895	1,585,538	280,139	57,160	1,698,034	1,642,698
Capital grants and contributions	134,851	11,850	-	-	134,851	11,850
General revenues:						
Property taxes	4,460,198	4,206,987	-	-	4,460,198	4,206,987
Other taxes	3,679,772	3,441,957	-	-	3,679,772	3,441,957
Grants and contributions not restricted to specific programs	95,750	150,000	-	-	95,750	150,000
Investment earnings	2,548	75,419	72,216	77,050	74,764	152,469
Other	638,335	802,646	83,384	84,898	721,719	887,544
Total revenues	12,046,816	11,793,682	6,818,311	6,275,315	18,865,127	18,068,997
Expenses:						
General government	2,717,397	2,825,892	-	-	2,717,397	2,825,892
Public safety	4,404,678	3,941,555	-	-	4,404,678	3,941,555
Highways/streets	1,844,043	2,417,775	-	-	1,844,043	2,417,775
Environmental protection	735,302	798,707	-	-	735,302	798,707
Economic development	-	-	-	-	-	-
Culture and recreation	573,046	703,060	-	-	573,046	703,060
Interest on long-term debt	186,172	104,489	-	-	186,172	104,489
Stormwater	-	-	-	-	-	-
Water and sewer	-	-	6,076,978	5,926,993	6,076,978	5,926,993

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2021

	Governmental Activities		Business-Type Activities		Totals	
	2021	2020	2021	2020	2021	2020
Other	\$ 540,537	\$ 560,321	\$ -	\$ -	\$ 540,537	\$ 560,321
Total expenses	11,001,175	11,351,799	6,076,978	5,926,993	17,078,153	17,278,792
Increase in net position	1,045,641	441,883	741,333	348,322	1,786,974	790,205
Net position, July 1	8,601,633	8,159,750	22,558,459	22,210,137	31,160,092	30,369,887
Restatement	-	-	-	-	-	-
Net position, beginning, restated	8,601,633	8,159,750	22,558,459	22,210,137	31,160,092	30,369,887
Net position, June 30,	\$ 9,647,274	\$ 8,601,633	\$ 23,299,792	\$ 22,558,459	\$ 32,947,066	\$ 31,160,092

Governmental Activities - Governmental activities increased the City's net position by \$1,045,641, thereby accounting for 59% of the total increase in the net position of the City. Positive elements affecting net position were an increase in intergovernmental revenue and a strong property tax collection rate over 99%.

Business-Type Activities - Business-type activities of the City reported \$23,299,792 in net position, an increase of \$741,333. Positively impacting net position was a \$542,996 increase in revenue.

Financial Analysis of the City's Funds

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

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

The General Fund is the chief operating fund of the City of Dunn. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$4,201,962, while the total fund balance reached \$7,118,290. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 37% of total General Fund expenditures, while total fund balance is 63% of total General Fund expenditures.

At June 30, 2021, the governmental funds of the City of Dunn reported a fund balance of \$6,640,230 with a net increase in fund balance of \$1,843,354. Included in this change in fund balance is an increase in fund balance in the Capital Projects Fund totaling \$447,057.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2021

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

Proprietary Fund - The City's proprietary fund provides the same type of information found in the government-wide statements, but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to \$2,892,783. Other factors concerning the finances of this fund have already been addressed in the discussion of the City's business-type activities.

Capital Asset and Debt Administration

Capital Assets - The City's investment in capital assets for its governmental and business-type activities as of June 30, 2021, totals \$44,875,609 (net of accumulated depreciation). These assets include buildings, land, machinery and equipment, park facilities, and vehicles.

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

City of Dunn, North Carolina's Capital Assets

Figure 4

	Governmental Activities		Business-Type Activities		Totals	
	2021	2020	2021	2020	2021	2020
Land	\$ 2,268,209	\$ 1,959,425	\$ 327,790	\$ 293,767	\$ 2,595,999	\$ 2,253,192
Construction in progress	3,054,716	1,655,639	69,650	3,427,885	3,124,366	5,083,524
Building	3,562,166	3,754,741	125,354	132,380	3,687,520	3,887,121
Equipment	532,731	415,438	592,443	666,883	1,125,174	1,082,321
Improvements other than buildings	5,662,239	5,832,135	-	-	5,662,239	5,832,135
Plant and Distribution Systems	-	-	26,382,107	22,054,023	26,382,107	22,054,023
Vehicles	884,473	786,410	126,142	160,617	1,010,615	947,027
Other	39,312	19,656	1,248,277	123,245	1,287,589	142,901
Total	<u>\$ 16,003,846</u>	<u>\$ 14,423,444</u>	<u>\$ 28,871,763</u>	<u>\$ 26,858,800</u>	<u>\$ 44,875,609</u>	<u>\$ 41,282,244</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2021

Long-Term Debt - As of June 30, 2021, the City had total bonded debt outstanding of \$563,000. This amount is backed by the full faith, credit, and taxing power of the City of Dunn. Additionally, the City had \$13,417,529 outstanding for installment purchase debt and \$2,192,555 outstanding on water and sewer revolving loans.

	Governmental Activities		Business-Type Activities		Totals	
	2021	2020	2021	2020	2021	2020
General obligation bonds	\$ -	\$ -	\$ 563,000	\$ 715,000	\$ 563,000	\$ 715,000
Direct borrowing agreements	7,798,939	6,126,609	5,618,590	2,535,362	13,417,529	8,661,971
Direct placement Water and Sewer revolving loans	-	-	2,192,555	2,411,811	2,192,555	2,411,811
Total	<u>\$ 7,798,939</u>	<u>\$ 6,126,609</u>	<u>\$ 8,374,145</u>	<u>\$ 5,662,173</u>	<u>\$ 16,173,084</u>	<u>\$ 11,788,782</u>

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the City of Dunn is \$52,681,172. The City has no bonds authorized but unissued at June 30, 2021.

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

Economic Factors and Next Year's Budgets and Rates

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

- Economic trends in the region compare favorable to national indices.
- The City approved a \$12,015,000 General Fund budget for fiscal year 2021-2022. This budget represents an 7.0% increase from the fiscal year 2020-2021 amended budget.
- The City is increasing water and sewer rates by 6% and 3%, respectively in fiscal year 2021-2022.
- Housing starts, renovations, and developing subdivisions within the City are providing a boost to the City's economy.
- The revaluation of property will be completed by the end of 2021 and the City is expecting growth due to expanded property values.
- The long-term economic forecast for the City of Dunn is looking towards growth. Most commercial and industrial entities continue to adjust along with national trends.
- The unemployment rate in Harnett County/Dunn as of June 30, 2021 was 5.5%, down from a high of over 12% in May of 2020.

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2021

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

Requests for Information

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

BASIC FINANCIAL STATEMENTS

CITY OF DUNN, NORTH CAROLINA
Statement of Net Position
June 30, 2021

Exhibit 1

	Primary Government			City of Dunn ABC Board
	Governmental Activities	Business-Type Activities	Total	
Assets				
Current assets:				
Cash and cash equivalents	\$ 539,493	\$ 3,083,716	\$ 3,623,209	\$ 490,836
Restricted cash and cash equivalents	317,842	132,024	449,866	-
Investments	3,918,265	-	3,918,265	-
Restricted investments	642,837	-	642,837	-
Receivables, net	964,389	932,654	1,897,043	435
Due from other governments	853,601	54,581	908,182	-
Internal balances	(89,310)	89,310	-	-
Prepaid items	3,842	-	3,842	-
Current portion of note receivable	-	125,173	125,173	-
Inventories	37,265	41,471	78,736	334,414
Total current assets	7,188,224	4,458,929	11,647,153	825,685
Non-current assets:				
Note receivable, net of current portion	3,100,000	1,602,469	4,702,469	-
Capital assets:				
Land, non-depreciable improvements, and construction in progress	5,322,925	397,440	5,720,365	-
Other capital assets, net of depreciation	10,680,921	28,474,323	39,155,244	320,800
Total noncurrent assets	19,103,846	30,474,232	49,578,078	320,800
Total assets	26,292,070	34,933,161	61,225,231	1,146,485
Deferred Outflows of Resources				
Pension deferrals	1,571,343	446,650	2,017,993	26,769
OPEB deferrals	771,141	299,888	1,071,029	-
Total deferred outflows of resources	2,342,484	746,538	3,089,022	26,769
Liabilities				
Current liabilities:				
Accounts payable and accrued expenses	510,352	462,476	972,828	87,029
Accrued interest payable	138,462	75,495	213,957	-
Customer deposits	-	132,024	132,024	-
Current portion of long-term liabilities	774,536	853,678	1,628,214	-
Total current liabilities	1,423,350	1,523,673	2,947,023	87,029
Long-term liabilities:				
Net pension liability	3,725,899	785,436	4,511,335	17,153
Total OPEB liability	5,232,972	2,035,044	7,268,016	-
Due in more than one year	7,406,392	7,596,197	15,002,589	-
Total liabilities	17,788,613	11,940,350	29,728,963	104,182
Deferred Inflows of Resources				
Prepaid taxes	1,625	-	1,625	-
Pension deferrals	75,304	3,326	78,630	1,452
OPEB deferrals	1,121,738	436,231	1,557,969	-
Total deferred inflows of resources	1,198,667	439,557	1,638,224	1,452
Net Position				
Net investment in capital assets	8,204,907	20,100,178	28,305,085	320,800
Restricted for:				
Public safety	166,420	-	166,420	-
Harnett Training School	3,135,554	-	3,135,554	-
Stabilization by State Statute	1,592,946	-	1,592,946	-
USDA debt service	307,346	-	307,346	-
Working capital	-	-	-	102,735
Unrestricted	(3,759,899)	3,199,614	(560,285)	644,085
Total net position	\$ 9,647,274	\$ 23,299,792	\$ 32,947,066	\$ 1,067,620

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

CITY OF DUNN, NORTH CAROLINA
Statement of Activities
Year Ended June 30, 2021

Exhibit 2

	Program Revenues				Net (Expense) Revenue and Changes in Net Position			
					Primary Government			
	Expenses	Charges for Services	Operating Grants	Capital Grants	Governmental Activities	Business-type Activities	Total	City of Dunn ABC Board
Functions/Programs								
Primary government:								
Governmental activities:								
General government	\$ 2,717,397	\$ 592,435	\$ 484,668	\$ -	\$ (1,640,294)	\$ -	\$ (1,640,294)	\$ -
Public safety	4,404,678	-	417,458	-	(3,987,220)	-	(3,987,220)	-
Transportation	1,844,043	-	289,054	-	(1,554,989)	-	(1,554,989)	-
Culture and recreation	573,046	974,078	137,838	-	538,870	-	538,870	-
Library	540,537	50,954	88,877	134,851	(265,855)	-	(265,855)	-
Environmental protection	735,302	-	-	-	(735,302)	-	(735,302)	-
Interest on long-term debt	186,172	-	-	-	(186,172)	-	(186,172)	-
Total governmental activities	11,001,175	1,617,467	1,417,895	134,851	(7,830,962)	-	(7,830,962)	-
Business-type activities:								
Water and sewer	6,010,145	6,189,923	280,139	-	-	459,917	459,917	-
Stormwater	66,833	192,649	-	-	-	125,816	125,816	-
Total business-type activities	6,076,978	6,382,572	280,139	-	-	585,733	585,733	-
Total primary government	\$ 17,078,153	\$ 8,000,039	\$ 1,698,034	\$ 134,851	(7,830,962)	585,733	(7,245,229)	-
Component unit:								
ABC Board	\$ 2,490,286	\$ 2,660,530	\$ -	\$ -	-	-	-	170,244
General Revenues:								
Taxes:								
Property taxes, levied for general purpose					4,460,198	-	4,460,198	-
Other taxes, licenses and fees					228,304	-	228,304	-
Local option sales tax					2,707,829	-	2,707,829	-
Utility franchise state tax revenues					698,437	-	698,437	-
Solid waste disposal state tax revenue					5,274	-	5,274	-
Beer and wine state tax revenue					39,928	-	39,928	-
Grants and contributions not restricted to specific programs					95,750	-	95,750	-
Transfers					-	-	-	-
Investment earnings, unrestricted					2,548	72,216	74,764	6,062
Miscellaneous					638,335	83,384	721,719	(6,112)
Total general revenues, special items, and transfers					8,876,603	155,600	9,032,203	(50)
Change in net position					1,045,641	741,333	1,786,974	170,194
Net position, beginning					8,601,633	22,558,459	31,160,092	897,426
Net position, ending					\$ 9,647,274	\$ 23,299,792	\$ 32,947,066	\$ 1,067,620

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

Balance Sheet

Governmental Funds

June 30, 2021

	Major Governmental Funds			
	General Fund	Tart Park Renovations Capital Project Fund	Total Non Major Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 2,477,691	\$ (1,903,470)	\$ (34,728)	\$ 539,493
Restricted cash	317,842	-	-	317,842
Investments	3,918,265	-	-	3,918,265
Restricted investments	642,837	-	-	642,837
Taxes receivable, net	36,017	-	-	36,017
Account receivables, net	928,372	-	-	928,372
Due from other governments	664,583	180,118	8,900	853,601
Prepaid items	3,842	-	-	3,842
Inventories	37,265	-	-	37,265
Total assets	<u>\$ 9,026,714</u>	<u>\$ (1,723,352)</u>	<u>\$ (25,828)</u>	<u>\$ 7,277,534</u>
Liabilities				
Accounts payable and accrued liabilities	\$ 274,206	\$ 205,722	\$ 30,424	\$ 510,352
Due to (from) other funds	1,596,576	(1,528,213)	20,947	89,310
Total liabilities	<u>1,870,782</u>	<u>(1,322,491)</u>	<u>51,371</u>	<u>599,662</u>
Deferred Inflow of Resources				
Property taxes receivable	36,017	-	-	36,017
Prepaid taxes	1,625	-	-	1,625
	<u>37,642</u>	<u>-</u>	<u>-</u>	<u>37,642</u>
Fund Balances				
Non Spendable:				
Prepaid items	3,842	-	-	3,842
Inventories	37,265	-	-	37,265
Restricted for:				
State statute	1,592,946	-	-	1,592,946
Transportation	458,509	-	-	458,509
Public safety	166,420	-	-	166,420
USDA debt service	307,346	-	-	307,346
Harnett Training School	-	-	35,554	35,554
Assigned:				
Subsequent year's expenditures	350,000	-	-	350,000
Unassigned	4,201,962	(400,861)	(112,753)	3,688,348
Total fund balances	<u>7,118,290</u>	<u>(400,861)</u>	<u>(77,199)</u>	<u>6,640,230</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 9,026,714</u>	<u>\$ (1,723,352)</u>	<u>\$ (25,828)</u>	<u>\$ 7,277,534</u>

**Reconciliation of the Governmental Funds Balance Sheet to the
Statement of Net Position
Governmental Funds
June 30, 2021**

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

Total Fund Balance, Governmental Funds	\$ 6,640,230
--	--------------

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds

Gross capital assets at historical costs	25,462,069	
Less: accumulated depreciation	<u>9,458,223</u>	16,003,846

Notes receivable are not due and collectible in the current period and therefore are not reported in the funds	3,100,000
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Deferred outflows of resources related to pensions are not reported in the funds	1,571,343
--	-----------

Deferred outflows of resources related to OPEB are not reported in the funds	771,141
--	---------

Liabilities for earned but considered deferred inflows of resources in fund statements	36,017
--	--------

Liabilities owed from governmental activities are not due and payable in the current period and therefore are not reported in the funds

Long-term debt included as net position below (includes the addition of long-term debt and principal payments during the year)	(7,798,939)	
Net pension liability	(1,706,197)	
Total pension liability	(2,019,702)	
OPEB liability	(5,232,972)	
Compensated absences	<u>(381,989)</u>	(17,139,799)

Deferred inflows of resources related to pensions are not reported in the funds	(75,304)
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Deferred inflows of resources related to OPEB are not reported in the funds	(1,121,738)
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Other long-term liabilities (accrued interest) are not due and payable in the current period and therefore are not reported in the funds	<u>(138,462)</u>
--	------------------

Net position of governmental activities	<u><u>\$ 9,647,274</u></u>
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Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

Year Ended June 30, 2021

	Major Governmental Funds			
	General Fund	Tart Park Renovations Capital Project Fund	Non-Major Funds	Total Governmental Funds
Revenues				
Ad valorem taxes	\$ 4,463,883	\$ -	\$ -	\$ 4,463,883
Other taxes and licenses	228,304	-	-	228,304
Unrestricted intergovernmental	3,547,218	-	-	3,547,218
Restricted intergovernmental	1,417,895	-	134,851	1,552,746
Permits and fees	291,232	-	-	291,232
Sales and services	1,326,235	-	-	1,326,235
Investment earnings	2,548	-	-	2,548
Miscellaneous	638,335	-	-	638,335
Total revenues	11,915,650	-	134,851	12,050,501
Expenditures				
Current:				
General government	2,533,580	-	-	2,533,580
Public safety	3,847,092	-	-	3,847,092
Transportation	1,558,170	-	-	1,558,170
Culture and recreation	510,039	-	-	510,039
Library	233,375	-	-	233,375
Environmental protection	728,215	-	-	728,215
Debt service	956,668	-	-	956,668
Capital outlay	876,941	1,264,134	134,943	2,276,018
Total expenditures	11,244,080	1,264,134	134,943	12,643,157
Excess of revenues under expenditures	671,570	(1,264,134)	(92)	(592,656)
Other Financing Sources (Uses)				
Transfers from other funds	-	-	2,000	2,000
Transfers to other funds	(2,000)	-	-	(2,000)
Proceeds from direct placement installment purchases	726,727	1,709,283	-	2,436,010
Total other financing sources (uses)	724,727	1,709,283	2,000	2,436,010
Net change in fund balances	1,396,297	445,149	1,908	1,843,354
Fund balances, beginning	5,721,993	(846,010)	(79,107)	4,796,876
Fund balances, ending	\$ 7,118,290	\$ (400,861)	\$ (77,199)	\$ 6,640,230

**Reconciliation of the Statement of Revenues, Expenditures, and Changes
in Fund Balances of the Governmental Funds to the Statement of Activities
Governmental Funds
Year Ended June 30, 2021**

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

Net change in fund balances - total governmental funds	\$ 1,843,354
--	--------------

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	\$ 2,276,018	
Depreciation expense for governmental assets	<u>(695,616)</u>	1,580,402

Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	586,291
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Benefit payments paid and administrative expense for the LEOSSA are not included on the Statement of Activities	21,235
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OPEB benefit payments and administrative costs made in the current fiscal year are not included on the Statement of Activities	190,167
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Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	
Change in tax receivable	(3,685)

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	(21,066)	
Net pension obligation	(1,015,203)	
Other postemployment benefits	<u>(470,340)</u>	(1,506,609)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.	<u>(1,665,514)</u>
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Total changes in net position of governmental activities	<u><u>\$ 1,045,641</u></u>
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**Statement of Revenues, Expenditures, and Changes in Fund Balances -
Annual Budget and Actual - General Fund
Year Ended June 30, 2021**

	General Fund			Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual Amounts	
Revenues				
Ad valorem taxes	\$ 4,193,600	\$ 4,260,655	\$ 4,463,883	\$ 203,228
Other taxes and licenses	186,000	186,000	228,304	42,304
Unrestricted intergovernmental	2,950,400	3,102,400	3,547,218	444,818
Restricted intergovernmental	348,000	1,250,100	1,417,895	167,795
Permits and fees	363,700	238,200	291,232	53,032
Sales and services	957,000	1,258,000	1,326,235	68,235
Investment earnings	75,000	75,000	2,548	(72,452)
Other	1,341,300	759,800	638,335	(121,465)
Total revenues	10,415,000	11,130,155	11,915,650	785,495
Expenditures				
Current:				
General government	2,823,790	2,991,047	2,533,580	457,467
Public safety	3,338,400	3,911,400	3,847,092	64,308
Transportation	2,187,500	2,232,300	1,558,170	674,130
Culture and recreation	600,700	599,700	510,039	89,661
Library	215,650	239,050	233,375	5,675
Environmental protection	775,000	785,000	728,215	56,785
Debt service	883,960	1,062,958	956,668	106,290
Capital outlay	450,000	1,174,834	876,941	297,893
Total expenditures	11,275,000	12,996,289	11,244,080	1,752,209
Revenues under expenditures	(860,000)	(1,866,134)	671,570	2,537,704
Other Financing Sources (Uses)				
Proceeds from installment purchases	560,000	834,200	726,727	(107,473)
Transfers to other funds	-	-	(2,000)	(2,000)
Transfers from other funds	-	-	-	-
Total other financing sources (uses)	560,000	834,200	724,727	(109,473)
Fund balance appropriated	300,000	1,031,934	-	(1,031,934)
Net changes in fund balances	\$ -	\$ -	1,396,297	\$ 1,396,297
Fund balances, beginning			5,721,993	
Fund balances, ending			\$ 7,118,290	

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

CITY OF DUNN, NORTH CAROLINA
Statement of Net Position
Proprietary Fund
June 30, 2021

Exhibit 8

	Major Enterprise Fund Water and Sewer Fund	Non-Major Enterprise Fund Stormwater Fund	Total
Assets			
Current assets:			
Cash and equivalents	\$ 2,605,996	\$ 477,720	\$ 3,083,716
Restricted cash and cash equivalents	132,024	-	132,024
Account receivables, net	910,953	21,701	932,654
Due from other governments	16,821	37,760	54,581
Due (to) from other funds	222,145	(132,835)	89,310
Current portion of note receivable	125,173	-	125,173
Inventories	41,471	-	41,471
Total current assets	4,054,583	404,346	4,458,929
Noncurrent assets:			
Note receivable	1,602,469	-	1,602,469
Capital assets, land and construction in progress	356,157	41,283	397,440
Other capital assets, net of depreciation	28,198,440	275,883	28,474,323
Total assets	34,211,649	721,512	34,933,161
Deferred Outflows of Resources			
Contributions to pension plan	164,161	-	164,161
Pension deferrals	282,489	-	282,489
OPEB deferrals	299,888	-	299,888
Total deferred outflows of resources	746,538	-	746,538
Liabilities			
Current liabilities:			
Accounts payable and accrued liabilities	323,678	138,798	462,476
Accrued interest payable	75,495	-	75,495
Customer deposits	132,024	-	132,024
Current portion of compensated absences	50,000	-	50,000
General obligation bonds payable - current	149,000	-	149,000
Note payables - current	624,139	30,539	654,678
Total current liabilities	1,354,336	169,337	1,523,673
Noncurrent liabilities:			
Non-current portion of compensated absences	25,730	-	25,730
Net pension liability	785,436	-	785,436
Total OPEB liability	2,035,044	-	2,035,044
General obligation bonds payable - noncurrent	414,000	-	414,000
Note payables - noncurrent	6,964,703	191,764	7,156,467
Total liabilities	11,579,249	361,101	11,940,350
Deferred Inflows of Resources			
Pension deferrals	3,326	-	3,326
OPEB deferrals	436,231	-	436,231
Total deferred inflows of resources	439,557	-	439,557
Net Position			
Net investment in capital assets	20,046,598	53,580	20,100,178
Unrestricted	2,892,783	306,831	3,199,614
Total Net Position	\$ 22,939,381	\$ 360,411	\$ 23,299,792

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

CITY OF DUNN, NORTH CAROLINA

Exhibit 9

Statement of Revenues, Expenses and Changes in Net Position

Proprietary Fund

Year Ended June 30, 2021

	Major Enterprise Fund	Non-Major Enterprise Fund	
	Water and Sewer Fund	Stormwater Fund	Total
Operating revenues:			
Charges for services	\$ 5,897,292	\$ 192,649	\$ 6,089,941
Water and sewer taps	66,665	-	66,665
Other operating revenues	225,966	-	225,966
Total operating revenues	6,189,923	192,649	6,382,572
Operating expenses:			
Water and sewer administration/finance	1,046,801	-	1,046,801
Water and sewer operations	1,363,409	-	1,363,409
Water supply, pump and filtering	1,152,726	66,833	1,219,559
Sewage treatment plant operations	1,367,217	-	1,367,217
Depreciation	888,723	-	888,723
Total operating expenses	5,818,876	66,833	5,885,709
Operating income	371,047	125,816	496,863
Non-operating revenues (expenses):			
Interest income	72,216	-	72,216
Grant revenue	280,139	-	280,139
Tower site rental	83,384	-	83,384
Interest and other charges	(191,269)	-	(191,269)
Total non-operating revenues (expenses)	244,470	-	244,470
Net income	615,517	125,816	741,333
Transfers to other funds	-	-	-
Change in net position	615,517	125,816	741,333
Net position, beginning	22,323,864	234,595	22,558,459
Total net position, ending	\$22,939,381	\$ 360,411	\$23,299,792

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

CITY OF DUNN, NORTH CAROLINA
Statement of Cash Flows
Proprietary Fund
Year Ended June 30, 2021

Exhibit 10

	Major Enterprise Fund	Non-Major Enterprise Fund	
	Water and Sewer Fund	Stormwater Fund	Total
Cash flows from operating activities:			
Cash received from customers	\$ 6,151,792	\$ 189,196	\$ 6,340,988
Cash paid for goods and services	(4,604,716)	63,265	(4,541,451)
Cash paid to employees for services	(499,075)	-	(499,075)
Net cash provided by operating activities	1,048,001	252,461	1,300,462
Cash flows from noncapital financing activities:			
Interfund activity	(165,077)	132,835	(32,242)
Grants	280,139	-	280,139
Net cash provided noncapital financing activities	115,062	132,835	247,897
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets	(2,625,803)	(275,883)	(2,901,686)
Principal payments received on notes receivable	120,273	-	120,273
Interest payments received on notes receivable	71,727	-	71,727
Proceeds from installment purchases	3,270,051	222,303	3,492,354
Principal paid on installment purchases	(628,382)	-	(628,382)
Proceeds from issuance of general obligation bonds	-	-	-
Principal paid on general obligation bonds	(152,000)	-	(152,000)
Interest and fees paid on installment purchases	(191,269)	-	(191,269)
Net cash used in capital and related financing activities	(135,403)	(53,580)	(188,983)
Cash flows from investing activities:			
Tower site rental	83,384	-	83,384
Interest	489	-	489
Net cash provided by investing activities	83,873	-	83,873
Net increase in cash and cash equivalents	1,111,533	331,716	1,443,249
Balance, beginning	1,626,487	146,004	1,772,491
Balances, ending	\$ 2,738,020	\$ 477,720	\$ 3,215,740
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 371,047	\$ 125,816	\$ 496,863
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	888,723	-	888,723
Changes in assets and liabilities:			
(Increase) decrease in:			
Accounts receivable	(38,131)	(3,453)	(41,584)
Due from other governments	-	-	-
Deferred outflows of resources - pensions	(78,644)	-	(78,644)
Deferred outflows of resources - OPEB	35,264	-	35,264
Increase (decrease) in:			
Accounts payable and accrued liabilities	(383,416)	130,098	(253,318)
Compensated absences	(7,379)	-	(7,379)
Net Pension Liability	191,298	-	191,298
Deferred inflows of resources - pensions	(4,452)	-	(4,452)
Deferred inflows of resources - OPEB	384,371	-	384,371
OPEB liability	(310,680)	-	(310,680)
Total adjustments	676,954	126,645	803,599
Net cash provided by operating activities	\$ 1,048,001	\$ 252,461	\$ 1,300,462

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

CITY OF DUNN, NORTH CAROLINA

Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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

City of Dunn ABC Board

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

Basis of Presentation

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

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

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

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

CITY OF DUNN, NORTH CAROLINA

Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The City reports the following major governmental fund:

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

The City reports the following major enterprise fund:

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

Measurement Focus and Basis of Accounting

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

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

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

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

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 Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax, collected and held by the State at year-end on behalf of the City are recognized as revenue. Sales taxes are considered a shared revenue for the City because the tax is levied by Harnett County and then remitted to and distributed by the State. Most intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

Budgetary Data

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

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

Deposits and Investments

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

CITY OF DUNN, NORTH CAROLINA
Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Cash and Cash Equivalents

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

Restricted Assets

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

City of Dunn Restricted Cash and Cash Investments	
Governmental Activities	
General Fund	
Streets - Powell Bill	\$ 166,420
Public Safety	307,346
USDA reserve	458,509
Capital Projects	
Harnett Training School	28,404
Total governmental activities	<u>\$ 960,679</u>
Business-Type Activities	
Water and Sewer Fund	
Customer deposits	\$ 132,024
Total business-type activities	<u>\$ 132,024</u>
Total Restricted Cash and Cash Investments	<u>\$ 1,092,703</u>

CITY OF DUNN, NORTH CAROLINA
Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Ad Valorem Taxes Receivable

In accordance with State law (G.S. 105-347 and G.S. 159-13(a)), the City levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2020.

Allowance for Doubtful Accounts

All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. This amount is estimated by analyzing the percentage of receivables that were written off in prior years. At year end, the City believes that receivables are fully collectable.

Inventories and Prepaid Items

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

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

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

Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Capitalization cost for the City's assets are \$5,000. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets received prior to June 30, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 30, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

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

CITY OF DUNN, NORTH CAROLINA
Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Deferred Outflows/Inflows of Resources

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

Long-Term Obligations

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

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

Compensated Absences

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

CITY OF DUNN, NORTH CAROLINA
Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Net Position/Fund Balances

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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

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

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

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

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

CITY OF DUNN, NORTH CAROLINA
Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

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

Defined Benefit Cost-Sharing Plans

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

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Deficit Fund Balance or Net Position of Individual Funds

The City has one major and one nonmajor governmental fund with deficit fund balances as of June 30, 2021. These deficits were caused because of delays in receiving anticipating loans and intergovernmental funding. The City will either obtain the funding during the year ending June 30, 2022 or correct the deficit with transfers from other funds.

CITY OF DUNN, NORTH CAROLINA
Notes to Financial Statements

NOTE 3 – DETAIL NOTES ON ALL FUNDS

A. Assets

Deposits

All the deposits of the City and the ABC Board are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the City's or ABC Board's agents in the units' names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the City and the ABC Board, these deposits are considered to be held by the City's and ABC Board's agents in their names. The amount of the pledged collateral is based on an approved averaging method for non-interest-bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the City, the ABC Board, or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the City and ABC Board under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The City has no formal policy regarding custodial credit risk for deposits but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The City complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured. The ABC Board has no formal policy regarding custodial credit risk for deposits.

At June 30, 2021, the City's deposits had a carrying amount of \$4,072,005 and a bank balance of \$4,143,047. Of the bank balance, \$763,970 was covered by federal depository insurance and the remainder was covered by collateral under the pooling method. The carrying amount of deposits for the ABC Board was \$490,836 and the bank balance was \$584,423. At June 30, 2021, the ABC Board bank balance exceeded federal depository insurance coverage. The remaining bank balance of \$334,423 was covered by collateral held under the Pooling Method. At June 30, 2020, the City's petty cash fund totaled \$1,070.

CITY OF DUNN, NORTH CAROLINA
Notes to Financial Statements

NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

Investments

The City's investment balances were as follows:

Investment Type	Valuation Measurement	Book Value	Maturity	Rating
	Method			
NC Capital Management Trust - Government Portfolio	Fair Value - Level 1	\$ 4,266,647	N/A	AAAm
Government Agency - Federal Home Loan Bank	Fair Value - Level 2	294,455	August 19, 2022	AAA
		\$ 4,561,102		

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

Interest Rate Risk - The City and ABC Board has no formal investment policy regarding interest rate risk.

Credit Risk – The City has no formal policy regarding credit risk, but has internal management procedures that limits the City's investments to the provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. The City's investment in the NC Capital Management Trust Government Portfolio carried a credit rating of AAAm by Standard & Poor's as of June 30, 2021. The City's investment in the NC Capital Management Trust Term Portfolio is unrated. The Term Portfolio is authorized to invest in obligations of the U.S. government and agencies, and in high grade money market instruments as permitted under North Carolina General Statutes 159-30 as amended.

Receivables

Notes Receivable:

General Fund

The City has financed the renovation of Harnett Training School. The School will be used to house apartments for rent to the public. Harnett Training School, LLC will repay the city annually over a 20-year period. The original amount of the note receivable was \$3,100,000, and repayment to the City is dependent on the profitability performance measures of Harnett Training School. No cash was received from activities related to this transaction during the year ended June 30, 2021. As of June 30, 2021, the balance on this note receivable was \$3,100,000.

CITY OF DUNN, NORTH CAROLINA
Notes to Financial Statements

NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

Water and Sewer Fund

The City has financed the construction of a water line to the Eastover Sanitary District. Eastover Sanitary District will repay the city monthly over a 20-year period. The original amount of the note receivable was \$2,604,064. As of June 30, 2021, the balance on this note receivable was \$1,727,642.

Accounts Receivable:

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

General Fund	
Taxes receivable	\$ 54,281
Customer charges	4,299
	<u>\$ 58,580</u>
Water and Sewer	
Customer charges	<u>\$ 27,301</u>

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

General Fund	
Taxes receivable	\$ 36,017
Customer charges	800,540
Special assessments	127,832
	<u>\$ 964,389</u>
Water and Sewer	
Customer charges	\$ 696,886
Dunn Development Corporation	142,571
Interest	47,988
Other receivables	23,508
	<u>\$ 910,953</u>
Water and Sewer	
Customer charges	<u>\$ 21,701</u>

CITY OF DUNN, NORTH CAROLINA
Notes to Financial Statements

NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

Capital Assets

Capital asset activity for the Primary Government was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 1,959,425	\$ 308,784	\$ -	\$ 2,268,209
Construction in progress	1,655,639	1,399,077	-	3,054,716
Total capital assets not being depreciated	3,615,064	1,707,861	-	5,322,925
Capital assets being depreciated:				
Buildings	6,670,331	-	-	6,670,331
Equipment	2,312,878	178,952	-	2,491,830
Improvements	7,282,612	27,550	-	7,310,162
Vehicles and motorized equipment	2,947,081	338,975	133,180	3,152,876
Other	491,265	22,680	-	513,945
Total capital assets being depreciated	19,704,167	568,157	133,180	20,139,144
Less accumulated depreciation for:				
Buildings	2,915,590	192,575	-	3,108,165
Equipment	1,897,440	61,659	-	1,959,099
Improvements	1,450,477	197,446	-	1,647,923
Vehicles and motorized equipment	2,160,671	240,912	133,180	2,268,403
Other	471,609	3,024	-	474,633
Total accumulated depreciation	8,895,787	695,616	133,180	9,458,223
Total capital assets being depreciated, net	10,808,380			10,680,921
Government activity capital assets, net	<u>\$ 14,423,444</u>			<u>\$ 16,003,846</u>

CITY OF DUNN, NORTH CAROLINA
Notes to Financial Statements

NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

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

General Government	\$ 46,014
Public Safety	174,698
Transportation	160,766
Environmental Protection	22,871
Cultural and Recreational	284,180
Library	7,087
Total depreciation expense	<u>\$ 695,616</u>

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

	Beginning Balances	Increases	Decreases	Ending Balances
Business-Type Activities:				
<i>Water and Sewer Fund</i>				
Capital assets not being depreciated:				
Land	\$ 252,484	\$ 34,023	\$ -	\$ 286,507
Construction in process	3,427,885	1,722,405	5,080,640	69,650
Total capital assets not being depreciated	<u>3,680,369</u>	<u>1,756,428</u>	<u>5,080,640</u>	<u>356,157</u>
Capital assets being depreciated:				
Buildings	876,488	-	-	876,488
Equipment	1,558,319	4,173	13,181	1,549,311
Plant Distribution Systems	43,751,022	5,068,069	-	48,819,091
Vehicles	560,962	-	14,698	546,264
Other Assets	271,282	877,773	-	1,149,055
Total capital assets being depreciated	<u>47,018,073</u>	<u>5,950,015</u>	<u>27,879</u>	<u>52,940,209</u>
Less accumulated depreciation for:				
Buildings	744,108	7,026	-	751,134
Equipment	891,436	89,486	13,181	967,741
Plant Distribution Systems	21,696,999	739,985	-	22,436,984
Vehicles	400,345	34,475	14,698	420,122
Other Assets	148,037	17,751	-	165,788
Total accumulated depreciation	<u>23,880,925</u>	<u>888,723</u>	<u>27,879</u>	<u>24,741,769</u>
Total capital assets being depreciated, net	<u>23,137,148</u>			<u>28,198,440</u>
Water and Sewer activity capital assets, net	<u>\$ 26,817,517</u>			<u>\$ 28,554,597</u>

CITY OF DUNN, NORTH CAROLINA
Notes to Financial Statements

NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Business-Type Activities (continued):				
<i>Stormwater Fund</i>				
Capital assets not being depreciated:				
Land	\$ 41,283	\$ -	\$ -	\$ 41,283
Total capital assets not being depreciated	<u>41,283</u>	<u>-</u>	<u>-</u>	<u>41,283</u>
Capital assets being depreciated:				
Equipment	-	10,873	-	10,873
Other Assets	<u>-</u>	<u>265,010</u>	<u>-</u>	<u>265,010</u>
Total capital assets being depreciated	<u>-</u>	<u>275,883</u>	<u>-</u>	<u>275,883</u>
Less accumulated depreciation for:				
Equipment	-	-	-	-
Other Assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total accumulated depreciation	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total capital assets being depreciated, net	<u>-</u>			<u>275,883</u>
Stormwater activity capital assets, net	<u>\$ 41,283</u>			<u>\$ 317,166</u>

CITY OF DUNN, NORTH CAROLINA
Notes to Financial Statements

NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

Discretely presented component unit

Activity for the ABC Board for the year ended June 30, 2020 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land	\$ 191,572	\$ -	\$ -	\$ 191,572
Total capital assets not being depreciated	191,572	-	-	191,572
Capital assets being depreciated:				
Buildings	374,657	-	3,785	370,872
Furniture and equipment	167,132	22,010	89,661	99,481
Land improvements	13,344	-	-	13,344
Total capital assets being depreciated	555,133	22,010	93,446	483,697
Less accumulated depreciation for:				
Buildings	259,352	7,500	1,965	264,887
Furniture and equipment	158,643	4,183	85,369	77,457
Land improvements	11,863	262	-	12,125
Total accumulated depreciation	429,858	11,945	87,334	354,469
Total capital assets being depreciated, net	125,275			129,228
Water and Sewer activity capital assets, net	\$ 316,847			\$ 320,800

CITY OF DUNN, NORTH CAROLINA
Notes to Financial Statements

NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities

Pension Plan and Postemployment Obligations

a. Local Governmental Employees' Retirement System

Plan Description. The City of Dunn is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and the State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at www.osc.nc.gov.

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, 2021, was 9.70% of compensation for law enforcement officers and 8.95% for general

CITY OF DUNN, NORTH CAROLINA
Notes to Financial Statements

NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the City of Dunn were \$586,291 for the year ended June 30, 2021.

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, 2021, the City reported a liability of \$2,805,138 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019. The total pension liability was then rolled forward to the measurement date of June 30, 2019 utilizing update procedures incorporating the actuarial assumptions. The City's proportion of the net pension liability was based on a projection of the City's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2020, the City's proportion was 0.0785%, which was an increase of 0.0008% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the City recognized pension expense of \$972,736. At June 30, 2021, 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	\$ 354,240	\$ -
Changes of assumptions	208,757	-
Net difference between projected and actual earnings on pension plan investments	394,748	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	51,143	11,878
City contributions subsequent to the measurement date	586,291	-
	<u>\$ 1,595,179</u>	<u>\$ 11,878</u>

\$586,291 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ending June 30, 2022.

CITY OF DUNN, NORTH CAROLINA
Notes to Financial Statements

NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

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

<u>Year Ended June 30:</u>	
2022	\$ 285,205
2023	368,734
2024	226,246
2025	116,825
	<u>\$ 997,010</u>

Actuarial Assumptions: The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the December 31, 2019 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

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

CITY OF DUNN, NORTH CAROLINA
Notes to Financial Statements

NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2020 are summarized in the following table:

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

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

Discount rate: The discount rate used to measure the total pension liability was 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.

Sensitivity of the City's proportionate share of the net pension liability to changes in the discount rate: The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the City's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	<u>1% Decrease (6.00%)</u>	<u>Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
Towns' proportionate share of the net pension liability (asset)	\$ 5,691,322	\$ 2,805,139	\$ 406,519

CITY OF DUNN, NORTH CAROLINA
Notes to Financial Statements

NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

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

b. Law Enforcement Officers Special Separation Allowance

Plan Description

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

All full-time City law enforcement officers are covered by the Separation Allowance. At December 31, 2019, the Separation Allowance's membership consisted of:

Retirees receiving benefits	1
Active plan members	39
	<u>40</u>

Summary of Significant Accounting Policies

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

The Separation Allowance has no assets accumulated in a trust that meets the criteria which are outlined in GASB Statement 73.

Actuarial Assumptions

The entry age normal actuarial cost method was used in the December 31, 2019 valuation. The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5%
Salary increases, including inflation and productivity factor	3.25 to 7.75%
Discount rate	1.93%

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2019.

CITY OF DUNN, NORTH CAROLINA
Notes to Financial Statements

NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

Mortality rates are based on the following:

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

Contributions

The City is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The City's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The City paid \$21,235 as benefits came due for the reporting period.

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

At June 30, 2021, the City reported a total pension liability of \$1,706,197. The total pension liability was measured as of December 31, 2020 based on a December 31, 2019 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2019 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2021, the City recognized pension expense of \$178,628.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 29,725	\$ 37,176
Changes of assumptions	371,854	29,576
Benefit payments and administrative costs made subsequent to the measurement date	21,235	-
Total	<u>\$ 422,814</u>	<u>\$ 66,752</u>

\$21,235 paid as benefits came due subsequent to the measurement date have been reported as deferred outflows of resources and will be recognized as a decrease of the total pension liability in the year ending June 30, 2021.

CITY OF DUNN, NORTH CAROLINA
Notes to Financial Statements

NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

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

<u>Year ended June 30:</u>	
2022	\$ 74,859
2023	77,909
2024	62,010
2025	64,445
2026	55,604
	<u>\$ 334,827</u>

Sensitivity of the City's total pension liability to changes in the discount rate. The following presents the City's total pension liability calculated using the discount rate of 1.93 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 (0.93 percent) or 1-percentage-point higher (2.93 percent) than the current rate:

	1% Decrease (0.93%)	Discount Rate (1.93%)	1% Increase (2.93%)
Total pension liability	\$ 1,852,822	\$ 1,706,197	\$ 1,572,781

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

Beginning balance	\$ 1,261,058
Service cost	63,460
Interest on the total pension liability	40,309
Differences between expected and actual experience in the measurement of the total pension liability	2,663
Changes of assumptions or other inputs	387,901
Benefit payments	(49,194)
Ending balance of the total pension liability	<u>\$ 1,706,197</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, 2019 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

CITY OF DUNN, NORTH CAROLINA
Notes to Financial Statements

NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

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

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

	LGERS	LEOSSA	Total
Pension Expense	\$ 969,708	\$ 178,628	\$ 1,148,336
Pension Liability	2,805,138	1,706,197	4,511,335
Proportionate share of the net pension liability	0.07850%	n/a	
Deferred Outflows of Resources			
Differences between expected and actual experience	354,240	29,725	383,965
Changes of assumptions	208,757	371,854	580,611
Net difference between projected and actual earnings on plan investments	394,748	-	394,748
Changes in proportion and differences between contributions and proportionate share of contributions	51,143	-	51,143
Benefit payments and administrative costs paid subsequent to the measurement date	586,291	21,235	607,526
Deferred Inflows of Resources			
Differences between expected and actual experience	-	37,176	37,176
Changes of assumptions	-	29,576	29,576
Changes in proportion and differences between contributions and proportionate share of contributions	11,878	-	11,878

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

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

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

Funding Policy: Article 12E of G.S. Chapter 143 requires the City to contribute each month an amount equal to 5.00% of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers and other employees may make voluntary contributions to the plan. Contributions for the year ended June 30, 2021 were \$388,489, which consisted of \$280,862 from the City and \$107,627 from the law enforcement officers and other employees.

CITY OF DUNN, NORTH CAROLINA
Notes to Financial Statements

NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

Other Postemployment Benefits (OPEB)

Healthcare Benefits

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

Employees hired after July 1, 2017, will only be eligible for retiree insurance after completion of twenty or more years of service with the City. Membership of the Retiree Health Plan consisted of the following at June 30, 2020, the date of the latest actuarial valuation:

	General Employees	Law Enforcement Officers
Retirees receiving benefits	34	-
Active plan members	79	49
	<u>113</u>	<u>49</u>

Total OPEB Liability

The City's total OPEB liability of \$7,268,016 was measured as of June 30, 2020 and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs. The total OPEB liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.75%
Salary increases, including wage inflation	2.75%
Discount rate, net of investment expense, including inflation	2.16%
Healthcare cost trend rates	4.00%

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

CITY OF DUNN, NORTH CAROLINA
Notes to Financial Statements

NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

Changes in the Total OPEB Liability

Changes for the year	
Service cost	\$ 532,694
Interest	190,167
Differences between expected and actual experience	(1,592,920)
Changes in assumptions or other inputs	38,463
Benefit payments	<u>(277,975)</u>
Net changes	<u>(1,109,571)</u>
Balance, beginning	<u>8,377,587</u>
Balance, ending	<u><u>\$ 7,268,016</u></u>

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

The actuarial assumptions used in the June 30, 2020 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 (1.16 percent) or 1-percentage-point higher (2.16 percent) than the current discount rate:

	<u>1 % Decrease</u>	<u>Discount Rate (2.16%)</u>	<u>1% Increase</u>
Total OPEB liability	\$ 8,329,162	\$ 7,268,016	\$ 6,385,133

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

	<u>Discount Rate</u>		
	<u>(3.0%)</u>	<u>(4.0%)</u>	<u>(5.0%)</u>
Total OPEB liability	\$ 6,190,473	\$ 7,268,016	\$ 8,623,062

CITY OF DUNN, NORTH CAROLINA
Notes to Financial Statements

NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

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

For the year ended June 30, 2021, the City recognized OPEB expense of \$667,103. At June 30, 2021, 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	\$ 17,924	\$ 1,424,698
Changes of assumptions	1,053,105	133,271
Benefit payments and administrative costs made subsequent to the measurement date	-	-
Total	<u>\$ 1,071,029</u>	<u>\$ 1,557,969</u>

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

<u>Year ended June 30:</u>	
2022	\$ (55,758)
2023	(55,758)
2024	(55,758)
2025	(52,993)
2026	(27,127)
Thereafter	(239,546)
	<u>\$ (486,940)</u>

Other Employment Benefits

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

CITY OF DUNN, NORTH CAROLINA
Notes to Financial Statements

NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

determined as a percentage of monthly payroll based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. The City considers these contributions to be immaterial.

Long-Term Obligations

Installment Purchases

The City has entered into the following direct placement contracts:

Serviced by the General Fund:

\$975,000 loan in November 2012 to construct improvements to Tyler Park due in annual installments ranging from \$102,278 to \$105,849 including interest through November 2022; interest at 2.45 percent	\$ 198,172
\$2,989,000 loan in August 2013 to finance improvements to Downtown infrastructure due in annual installments of \$181,373 including interest through August 2038; interest at 3.50 percent	2,385,965
\$700,000 loan in July 2014 to construct phase 2 improvements to Tyler Park due in annual installments ranging from \$77,476 to \$74,354 including interest through July 2024; interest at 2.67 percent	210,615
\$2,200,000 loan in August 2014 to renovate the Harnett Training School and City Hall due in annual installments of \$146,051 including interest through August 2025; interest at 9.75 percent or 85 percent of the Wall Street Journal prim rate, the lesser of the two	1,739,497
\$125,000 loan in March 2017 to finance five police vehicles due in annual installments of \$19,875 including interest through March 2024; interest at 2.75 percent	56,941
\$181,000 loan in March 2017 to finance public works equipment due in annual installments of \$20,949 including interest through March 2027; interest at 2.75 percent	114,871
\$40,743 of a \$204,000 loan in January 2019 to finance vehicles for various City departments due in annual installments of \$24,727 including interest through January 2029; interest at 3.66 percent	161,475
\$125,000 loan in April 2019 to finance five police vehicles due in annual installments of \$20,440 including interest through April 2026; interest at 3.50 percent	92,304
\$125,000 loan in April 2019 to finance six vehicles due in annual installments of \$20,440 including interest through April 2026; interest at 3.50 percent	92,304

CITY OF DUNN, NORTH CAROLINA
Notes to Financial Statements

NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

\$109,849 loan in January 2020 to finance computer purchases due in quarterly installments of \$6,548 including interest through January 2024; interest at 2.21 percent	\$ 63,529
\$100,000 loan in April 2020 to finance police vehicles due in annual installments of \$21,488 including interest through April 2025; interest at 2.375 percent	80,907
\$100,000 loan in June 2020 to finance paving equipment due in quarterly installments of \$6,542 including interest through June 2024; interest at 2.17 percent	75,805
\$70,000 loan in June 2020 to finance police vehicles due in annual installments of \$10,973 including interest through June 2027; interest at 2.375 percent	60,690
\$104,000 loan in June 2020 to finance equipment for parks and recreation due in annual installments of \$11,808 including interest through June 2030; interest at 2.375 percent	94,662
\$2,121,010 loan in September 2020 to finance improvements to Tart Park due in semiannual installments of \$63,410 including interest through September 2030; interest at 1.785 percent	2,076,626
\$110,000 loan in February 2021 to finance computer purchases due in quarterly installments of \$7,141 including interest through February 2025; interest at 1.80 percent	103,354
\$205,000 loan in November 2020 to finance equipment for parks and recreation due in semiannual installments of \$15,684 including interest through November 2027; interest at 1.86 percent	191,222
	<u>\$ 7,798,939</u>

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 682,536	\$ 214,454	\$ 896,990
2023	700,418	196,487	896,905
2024	600,664	178,243	778,907
2025	477,009	160,722	637,731
2026	1,682,175	147,694	1,829,869
2027-2031	2,417,953	408,321	2,826,274
2032-2036	740,097	166,768	906,865
2037-2039	498,087	34,953	533,040
Total	<u>\$ 7,798,939</u>	<u>\$ 1,507,642</u>	<u>\$ 9,306,581</u>

CITY OF DUNN, NORTH CAROLINA
Notes to Financial Statements

NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

Serviced by the Water and Sewer Fund:

\$3,500,000 loan in January 2012 to finance a water transmission line to Eastover Sanitary District and an elevated storage tank due in annual installments of \$284,343 including interest through January 2022; interest at 2.30 percent	\$	278,084
\$1,898,000 loan in September 2019 to finance electronically read water meters for the City due in annual installments of \$166,321 including interest through September 2034; interest at 3.63 percent		1,699,617
\$185,000 loan in June 2020 to finance vehicles and a generator due in annual installments of \$21,004 including interest through June 2030; interest at 2.375 percent		168,390
\$2,722,161 non-interest bearing loan in November 2020 to finance a waste water treatment plant aeration project due in annual installments of \$137,500 through November 2039		2,722,161
\$250,000 loan in November 2020 to finance a water/sewer line project due in semiannual installments of \$22,030 including interest through November 2026; interest at 1.74 percent		230,145
\$520,193 loan in May 2021 to finance a water/sewer line project due in annual installments of \$87,712 including interest through May 2031; interest at 2.07 percent		520,193
	<u>\$</u>	<u>5,618,590</u>

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 654,678	\$ 92,168	\$ 746,846
2023	382,978	79,391	462,369
2024	389,552	72,817	462,369
2025	396,323	66,046	462,369
2026	403,297	59,072	462,369
2027-2031	1,637,498	179,707	1,817,205
2032-2036	1,181,175	34,147	1,215,322
2037-2040	573,089	-	573,089
Total	<u>\$ 5,618,590</u>	<u>\$ 583,348</u>	<u>\$ 6,201,938</u>

CITY OF DUNN, NORTH CAROLINA
Notes to Financial Statements

NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

General Obligation Bonds

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

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<u>Year Ending June 30</u>			
2022	\$ 149,000	\$ 12,048	\$ 161,048
2023	141,000	8,860	149,860
2024	138,000	2,542	140,542
2025	135,000	2,889	137,889
Total	<u>\$ 563,000</u>	<u>\$ 26,339</u>	<u>\$ 589,339</u>

Revolving Water and Sewer Loan

In August 2010 the City entered into a direct placement agreement from the Water Pollution Control Revolving Loan Fund in the amount of \$4,385,114. This note was used to finance replacing gravity sewer lines, upgrading lift stations and constructions of equalization basin at the wastewater treatment facility. The promissory note requires principal payments beginning May 2012 with interest at 2.5%. The balance of this note is \$2,411,811 at June 30, 2020.

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<u>Year Ending June 30</u>			
2022	\$ 219,256	\$ 54,814	\$ 274,070
2023	219,256	49,333	268,589
2024	219,256	43,851	263,107
2025	219,256	38,370	257,626
2026	219,256	32,892	252,148
2027-2031	1,096,275	82,221	1,178,496
Total	<u>\$ 2,192,555</u>	<u>\$ 301,481</u>	<u>\$ 2,494,036</u>

CITY OF DUNN, NORTH CAROLINA
Notes to Financial Statements

NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

Changes in Long-Term Liabilities

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

	Beginning Balances	Increases	Decreases	Ending Balances	Current Portion
Governmental Activities:					
Direct borrowing agreements	\$ 6,126,609	\$ 2,436,010	\$ 763,680	\$ 7,798,939	\$ 682,536
Total OPEB liability	6,031,863	-	798,891	5,232,972	-
Total pension liability (LEO)	1,261,058	445,139	-	1,706,197	-
Net pension liability (LGERS)	1,527,787	491,915	-	2,019,702	-
Compensated absences	360,923	113,563	92,497	381,989	92,000
Total governmental activity long-term liabilities	<u>\$ 15,308,240</u>	<u>\$ 3,486,627</u>	<u>\$ 1,655,068</u>	<u>\$ 17,139,799</u>	<u>\$ 774,536</u>
Business-Type Activities:					
Direct borrowing agreements	\$ 2,535,362	\$ 3,492,354	\$ 409,126	\$ 5,618,590	\$ 654,678
General obligation bonds	715,000	-	152,000	563,000	149,000
Direct placement water pollution control revolving agreement	2,411,811	-	219,256	2,192,555	-
Total OPEB liability	2,345,724	-	310,680	2,035,044	-
Net pension liability (LGERS)	594,138	191,298	-	785,436	-
Compensated absences	83,109	42,883	50,262	75,730	50,000
Total business-type long-term liabilities	<u>\$ 8,685,144</u>	<u>\$ 3,726,535</u>	<u>\$ 1,141,324</u>	<u>\$ 11,270,355</u>	<u>\$ 853,678</u>

Compensated absences for governmental activities have typically been liquidated in the General Fund. At June 30, 2021, the City of Dunn, North Carolina had a legal debt margin of \$52,681,172.

C. Interfund Balances and Activity

Balances due to/from other funds at June 30, 2020, consist of the following:

<u>Due To</u>	<u>Due From</u>	<u>Amount</u>
General Fund	Nonmajor Governmental Funds	<u>\$ 20,947</u>
Tart Park Renovations Fund	General Fund	<u>\$ 1,585,281</u>
Water and Sewer Fund	General Fund	<u>\$ 32,242</u>
Water and Sewer Fund	Tart Park Renovations Fund	<u>\$ 57,068</u>
Water and Sewer Fund	Stormwater Fund	<u>\$ 132,835</u>

The interfund balances resulted from loans from the General Fund and Water and Sewer Fund to Nonmajor Governmental Funds that will be repaid from loan proceeds, which are anticipated to be received during the fiscal year ending June 30, 2022.

CITY OF DUNN, NORTH CAROLINA
Notes to Financial Statements

NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

D. Fund Balance

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

Total fund balance - General Fund	\$ 7,118,290
Less:	
Prepaid items	3,842
Inventories	37,265
Stabilization by State Statute	1,592,946
Transportation	458,509
Public safety	166,420
USDA debt service	307,346
Subsequent year's expenditures	350,000
Remaining Fund Balance	<u>\$ 4,201,962</u>

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

E. Related Organization

The six-member board of the City of Dunn Housing Authority is appointed by the City Council of the City of Dunn. The City is accountable for the Housing Authority because it appoints the governing board; however, the City is not financially accountable for the Housing Authority. The City of Dunn is also disclosed as a related organization in the notes to the financial statement for the City of Dunn Housing Authority.

The board of the Averagesboro 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, 2021, the Authority owed the City \$3,035 for reimbursement of salaries and benefits paid by the City on behalf of the Authority.

F. Summary Disclosure of Significant Contingencies

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

CITY OF DUNN, NORTH CAROLINA
Notes to Financial Statements

NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

G. Subsequent Events

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

REQUIRED SUPPLEMENTARY FINANCIAL DATA

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

Exhibit 11

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

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

Contributions

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

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

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

Exhibit 12

Schedule of Changes in Total Pension Liability

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

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

Schedule of Total Pension Liability as a Percentage of Covered Payroll

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

Notes to the Schedules:

The City of Dunn has no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB

Other-Post Employment Benefits

Required Supplementary Information

Schedule of Changes in the Total OPEB Liability and Related Ratios

Last Four Fiscal Years

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

Notes to Schedule

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

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

SUPPLEMENTAL STATEMENTS

CITY OF DUNN, NORTH CAROLINA

Statement 1

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

Page 1 of 4

For the Fiscal Year Ended June 30, 2021

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Ad valorem taxes:			
Taxes		\$ 4,440,329	
Penalties and interest		23,554	
Total	4,260,655	4,463,883	203,228
Other taxes and licenses:			
Motor vehicle licenses		228,304	
Total	186,000	228,304	42,304
Unrestricted intergovernmental:			
Local option sales taxes		2,707,829	
ABC profit distribution		95,750	
Utility franchise tax		698,437	
Solid Waste Disposal		5,274	
Beer and wine tax		39,928	
Total	3,102,400	3,547,218	444,818
Restricted intergovernmental:			
Powell Bill allocation		271,906	
Federal Cares Grant		484,668	
N. C. Golden Leaf Grant		170,260	
N. C. Department of Transportation		17,148	
Harnett County BOE School Resource Officer		192,630	
FEMA Reimbursement		54,568	
NC DEQ - Recycling Grant		-	
EPA-Brownsfield Grant		137,838	
DHHS - Adult Services Grants		18,211	
Other revenue		70,666	
Total	1,250,100	1,417,895	167,795
Permits and fees:			
Permits and fees		291,232	
Total	238,200	291,232	53,032
Sales and services:			
Cemetery lots		\$ 134,656	
Cemetery opening/closing fee		142,020	
Recreation department, concessions, entry fees		50,954	
Rentals		24,527	
Garbage and recycling collection		974,078	
Total	1,258,000	1,326,235	68,235

(Continued)

CITY OF DUNN, NORTH CAROLINA

Statement 1

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

Page 2 of 4

General Fund (Continued)

For the Fiscal Year Ended June 30, 2021

	Budget	Actual	Variance Positive (Negative)
Investment earnings	75,000	2,548	(72,452)
Other revenues			
Dunn Area Tourism-Downtown Revitalization		20,000	
Dunn Area Tourism-I95 Area			
Light Reimbursement		20,167	
Tourism Reimbursement for Salary & Benefits		107,330	
Miscellaneous		55,969	
Special assessments		-	
Donations and gifts		10,028	
Parks and recreation pledges		55,264	
Harnett Health Contractual Payment		369,577	
Total	759,800	638,335	(121,465)
Total Revenues	11,130,155	11,915,650	785,495
Expenditures:			
General government:			
Governing body:			
Salaries and benefits		24,336	
Operating expense		128,524	
Total	156,700	152,860	3,840
Administration:			
Salaries and benefits		468,372	
Operating expense		396,923	
Capital outlay		63,185	
Total	1,255,876	928,480	327,396
Finance:			
Salaries and benefits		163,505	
Operating expense		103,798	
Total	271,100	267,303	3,797
Building inspector:			
Salaries and benefits		460,495	
Operating expense		208,925	
Total	736,575	669,420	67,155

(Continued)

CITY OF DUNN, NORTH CAROLINA

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

Statement 1

Page 3 of 4

General Fund (Continued)

For the Fiscal Year Ended June 30, 2021

	Budget	Actual	Variance Positive (Negative)
Non-Departmental			
Salaries and benefits		-	
Operating expense		937,321	
Total	992,600	937,321	55,279
Total general government	3,412,851	2,955,384	457,467
Public Safety:			
Police:			
Salaries and benefits		3,102,744	
Operating expense		541,464	
Capital outlay		153,626	
Total	3,952,700	3,797,834	154,866
Police athletic league:			
Donation		202,884	
Total	202,900	202,884	16
Total public safety	4,155,600	4,000,718	154,882
Transportation:			
Streets:			
Salaries and benefits		1,013,804	
Operating expense		506,887	
Capital outlay		232,991	
Total	2,036,130	1,753,682	282,448
Powell Bill - street repairs and construction			
Operating expense		37,479	
Total	630,000	37,479	592,521
Total transportation	2,666,130	1,791,161	874,969
Culture and recreation:			
Parks and recreation:			
Salaries and benefits		325,235	
Operating expense		138,238	
Capital outlay		68,520	
Total	624,700	531,993	92,707
Senior center operations			
Operating expense		46,566	
Total	50,000	46,566	3,434
Total culture and recreation	674,700	578,559	96,141

(Continued)

CITY OF DUNN, NORTH CAROLINA

Statement 1

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

Page 4 of 4

General Fund (Continued)

For the Fiscal Year Ended June 30, 2021

	Budget	Actual	Variance Positive (Negative)
Library:			
Salaries and benefits		186,234	
Operating expense		47,141	
Capital outlay	-	-	-
Total library	239,050	233,375	5,675
Environmental protection:			
Salaries and benefits		-	
Operating expense		728,215	
Total environmental protection	785,000	728,215	56,785
Debt service:			
Principal		762,369	
Interest		194,299	
Total debt service	1,062,958	956,668	106,290
Total expenditures	12,996,289	11,244,080	1,752,209
Revenue over (under) expenditures	(1,866,134)	671,570	2,537,704
Other financing sources (uses):			
Proceeds from installment purchases		726,727	
Transfers to other funds		(2,000)	
Transfers from other funds		-	
Total other financing sources (uses)	834,200	724,727	(109,473)
Fund balance appropriated	1,031,934	-	(1,031,934)
Net change in fund balance	\$ -	1,396,297	\$ 1,396,297
Fund balances, beginning		5,721,993	
Fund balances, ending		\$ 7,118,290	

CITY OF DUNN, NORTH CAROLINA
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2021

Statement 2

	Dunn City Hall and Harnett Training School Capital Project Fund	CDBG Housing Rehab Capital Project Fund	Total Nonmajor Governmental Funds
Assets			
Cash and cash equivalents	\$ 35,554	\$ (70,282)	\$ (34,728)
Due from other governments	-	8,900	8,900
Total assets	<u>\$ 35,554</u>	<u>\$ (61,382)</u>	<u>\$ (25,828)</u>
Liabilities and Fund Balances			
Liabilities			
Accounts payable and accrued liabilities	\$ -	\$ 30,424	\$ 30,424
Due to other funds	-	20,947	20,947
Total liabilities	<u>-</u>	<u>51,371</u>	<u>51,371</u>
Fund balances			
Unassigned	<u>35,554</u>	<u>(112,753)</u>	<u>(77,199)</u>
Total fund balances	<u>35,554</u>	<u>(112,753)</u>	<u>(77,199)</u>
Total liabilities and fund balance	<u>\$ 35,554</u>	<u>\$ (61,382)</u>	<u>\$ (25,828)</u>

CITY OF DUNN, NORTH CAROLINA

Statement 3

Combining Schedule of Revenues, Expenditures and Changes in Fund Balance

Nonmajor Governmental Funds

For the Fiscal Year Ended June 30, 2021

	Dunn City Hall and Harnett Training School Capital Project Fund	CDBG Housing Rehab Capital Project Fund	Department of Transportation Capital Project Fund	Total Nonmajor Governmental Funds
Revenues				
Restricted intergovernmental	\$ -	\$ 20,190	\$ 114,661	\$ 134,851
Total revenues	-	20,190	114,661	134,851
Expenditures				
Non-capital expenditures	\$ -	\$ -	\$ -	\$ -
Capital outlay	-	132,943	2,000	134,943
Total expenditures	-	132,943	2,000	134,943
Revenues over (under) expenses	-	(112,753)	112,661	(92)
Other financing sources (uses):				
Direct placement installment purchase	-	-	-	-
Transfers from general fund	-	-	2,000	2,000
Total other financing sources	-	-	2,000	2,000
Net change in fund balance	-	(112,753)	114,661	1,908
Fund balance, beginning	35,554	-	(114,661)	(79,107)
Fund balance, ending	\$ 35,554	\$ (112,753)	\$ -	\$ (77,199)

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

Capital Projects Fund - Tart Park Renovations

From Inception and for the Fiscal Year Ended June 30, 2021

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Restricted intergovernmental	\$ 850,000	\$ 680,118	\$ -	\$ 680,118	\$ (169,882)
Total revenues	850,000	680,118	-	680,118	(169,882)
Expenditures:					
Capital projects:					
Construction	2,632,239	1,430,013	1,264,134	2,694,147	(61,908)
Administration	329,030	96,115	-	96,115	232,915
Contingency	50,000	-	-	-	50,000
Total expenditures	3,011,269	1,526,128	1,264,134	2,790,262	221,007
Revenues under expenditures	(2,161,269)	(846,010)	(1,264,134)	(2,110,144)	51,125
Other financing sources (uses):					
Direct placement installment purchase	2,161,269	-	1,709,283	1,709,283	(451,986)
Total other financing sources	2,161,269	-	1,709,283	1,709,283	(451,986)
Net change in fund balance	\$ -	\$ (846,010)	\$ 445,149	\$ (400,861)	\$ (400,861)
Fund balances, beginning			(846,010)		
Fund balances, ending			\$ (400,861)		

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

Capital Projects Fund - Dunn City Hall and Harnett Training School

From Inception and for the Fiscal Year Ended June 30, 2021

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Restricted intergovernmental	\$ 500,000	\$ 500,000	\$ -	\$ 500,000	\$ -
Total revenues	500,000	500,000	-	500,000	-
Expenditures:					
Capital projects:					
Harnett Training School	3,175,000	3,139,658	-	3,139,658	35,342
City Hall Renovations	200,000	199,788	-	199,788	212
Total expenditures	3,375,000	3,339,446	-	3,339,446	35,554
Revenues under expenditures	(2,875,000)	(2,839,446)	-	(2,839,446)	35,554
Other financing sources (uses):					
Installment purchase	2,200,000	2,200,000	-	2,200,000	-
Transfers from General Fund	675,000	675,000	-	675,000	-
Total other financing sources	2,875,000	2,875,000	-	2,875,000	-
Net change in fund balance	\$ -	\$ 35,554	\$ -	\$ 35,554	\$ 35,554
Fund balances, beginning			35,554		
Fund balances, ending			\$ 35,554		

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

Capital Projects Fund - CDBG Housing Rehab

From Inception and for the Fiscal Year Ended June 30, 2021

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Restricted intergovernmental	\$ 574,000	\$ 11,850	\$ 20,190	\$ 32,040	\$ (541,960)
Total revenues	<u>574,000</u>	<u>11,850</u>	<u>20,190</u>	<u>32,040</u>	<u>(541,960)</u>
Expenditures:					
Capital projects:					
Construction	574,000	11,850	132,943	144,793	429,207
Total expenditures	<u>574,000</u>	<u>11,850</u>	<u>132,943</u>	<u>144,793</u>	<u>429,207</u>
Revenues under expenditures	<u>-</u>	<u>-</u>	<u>(112,753)</u>	<u>(112,753)</u>	<u>(112,753)</u>
Other financing sources (uses):					
Direct placement installment purchase	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (112,753)</u>	<u>\$ (112,753)</u>	<u>\$ (112,753)</u>
Fund balances, beginning			<u>-</u>		
Fund balances, ending			<u>\$ (112,753)</u>		

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Capital Projects Fund - Department of Transportation
From Inception and for the Fiscal Year Ended June 30, 2021

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Restricted intergovernmental	\$ 162,000	\$ -	\$ 114,661	\$ 114,661	\$ (47,339)
Total revenues	<u>162,000</u>	<u>-</u>	<u>114,661</u>	<u>114,661</u>	<u>(47,339)</u>
Expenditures:					
Capital projects:					
Construction	143,000	108,619	-	108,619	34,381
Administration	<u>19,000</u>	<u>6,042</u>	<u>2,000</u>	<u>8,042</u>	<u>10,958</u>
Total expenditures	<u>162,000</u>	<u>114,661</u>	<u>2,000</u>	<u>116,661</u>	<u>45,339</u>
Revenues under expenditures	<u>-</u>	<u>(114,661)</u>	<u>112,661</u>	<u>(2,000)</u>	<u>(2,000)</u>
Other financing sources (uses):					
Transfers from general fund	<u>-</u>	<u>-</u>	<u>2,000</u>	<u>2,000</u>	<u>2,000</u>
Total other financing sources	<u>-</u>	<u>-</u>	<u>2,000</u>	<u>2,000</u>	<u>2,000</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (114,661)</u>	<u>\$ 114,661</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balances, beginning			<u>(114,661)</u>		
Fund balances, ending			<u>\$ -</u>		

CITY OF DUNN, NORTH CAROLINA

Statement 8

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

Page 1 of 4

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

For the Fiscal Year Ended June 30, 2021

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Charges for services:			
Water sales		\$ 3,200,793	
Sewer charges		2,668,027	
Fireline protection charge		28,472	
Total charges for services	5,875,000	5,897,292	22,292
Water and sewer taps	23,100	66,665	43,565
Other operating revenues:			
Reconnect fees		71,215	
Returned check fees		1,700	
Penalties		95,618	
Miscellaneous		57,433	
Total other operating revenues	158,500	225,966	67,466
Nonoperating revenues:			
Grant revenue		280,139	
Tower site rental		83,384	
Interest		489	
Total nonoperating revenues	246,500	364,012	117,512
Total revenues	6,303,100	6,553,935	250,835
Expenditures:			
Water and sewer administration/finance:			
Salaries and employee benefits		474,727	
Telephone		9,547	
Utilities		7,400	
Travel		5,211	
Maintenance and repairs		179	
Postage		24,348	
Supplies		12,018	
Contract services		71,174	
Other operating expenditures		417,640	
Capital outlay		-	
Total	1,297,250	1,022,244	275,006

(Continued)

CITY OF DUNN, NORTH CAROLINA
Schedule of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual (Non-GAAP) - Water and Sewer Fund
For the Fiscal Year Ended June 30, 2021

Statement 8
Page 2 of 4

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Water and sewer operations:			
Salaries and employee benefits		\$ 647,083	
Telephone		5,670	
Utilities		11,969	
Travel		3,035	
Maintenance and repairs		85,868	
Automotive supplies		27,219	
Supplies		3,384	
Meters		95,904	
Infiltration		122,850	
Contract services		53,360	
Other operating expenditures		216,637	
Capital outlay		828,749	
Total	<u>2,299,900</u>	<u>2,101,728</u>	<u>198,172</u>
Water supply, pump and filtering:			
Salaries and employee benefits		493,485	
Telephone		4,065	
Utilities		193,042	
Travel		2,501	
Maintenance		84,267	
Supplies		3,636	
Chemicals		241,521	
Independent lab test		5,778	
Contract services		94,041	
Other operating expenditures		9,997	
Capital outlay		-	
Total	<u>1,446,700</u>	<u>1,132,333</u>	<u>314,367</u>

(Continued)

CITY OF DUNN, NORTH CAROLINA

Statement 8

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

Page 3 of 4

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

For the Fiscal Year Ended June 30, 2021

	Budget	Actual	Variance Positive (Negative)
Sewage treatment plant operations:			
Salaries and employee benefits		\$ 710,141	
Telephone		3,596	
Utilities		192,112	
Travel		3,189	
Maintenance		70,007	
Supplies		7,062	
Chemicals		115,732	
Independent lab test		11,250	
Contract services		96,788	
Other operating expenditures		28,807	
Capital outlay		123,534	
Total	1,689,890	1,362,218	327,672
Debt service:			
Interest and fees		191,269	
Principal retirement		780,382	
Total	1,059,300	971,651	87,649
Total expenditures	7,793,040	6,590,174	1,202,866
Revenues over (under) expenditures	(1,489,940)	(36,239)	1,453,701
Other financing sources (uses):			
Installment purchase proceeds	\$ -	\$ 3,270,051	\$ 3,270,051
Transfers to other funds	(160,000)	(447,766)	(287,766)
Debt payment from Eastover Sanitary District	192,000	192,000	-
Total other financing sources (uses)	32,000	3,014,285	2,982,285
Fund balance appropriated	768,036	-	(768,036)
Net change in fund balance	\$ (689,904)	2,978,046	\$ 3,667,950

(Continued)

CITY OF DUNN, NORTH CAROLINA**Statement 8****Schedule of Revenues, Expenditures, and Changes in Fund Balances -****Page 4 of 4****Budget and Actual (Non-GAAP) - Water and Sewer Fund****For the Fiscal Year Ended June 30, 2021**

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

Reconciling items:

Capital outlay	\$ 898,148
Depreciation	(888,723)
Transfers to capital project funds	447,766
Installment purchase proceeds	(3,270,051)
Principal retirement	780,382
Increase in deferred outflows of resources - pensions	78,644
Increase in net pension liability	(191,298)
Increase in deferred inflows of resources - pensions	4,452
Increase in deferred outflows of resources - OPEB	(35,264)
Increase in OPEB liability	310,680
Increase in deferred inflows of resources - OPEB	(384,371)
Increase in compensated absences	7,379
Principal payments on notes receivable	(120,273)

Total reconciling items	<u>(2,362,529)</u>
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Change in net position	<u>\$ 615,517</u>
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Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual (Non-GAAP)

Capital Projects Fund - Water Distribution Rehab Project

From Inception and for the Fiscal Year Ended June 30, 2021

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Expenditures:					
Capital projects:					
Construction	\$ 875,750	\$ 77,800	\$ 47,350	\$ 125,150	\$ 750,600
Total expenditures	<u>875,750</u>	<u>77,800</u>	<u>47,350</u>	<u>125,150</u>	<u>750,600</u>
Other financing sources:					
Direct placement installment purchase	<u>875,750</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(875,750)</u>
Total other financing sources	<u>875,750</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(875,750)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (77,800)</u>	<u>(47,350)</u>	<u>\$ (125,150)</u>	<u>\$ (125,150)</u>
Fund balances, beginning			<u>(77,800)</u>		
Fund balances, ending			<u>\$ (125,150)</u>		

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

Capital Projects Fund - Wastewater Collection System Rehab Project

From Inception and for the Fiscal Year Ended June 30, 2021

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Expenditures:					
Capital projects:					
Construction	\$ 2,005,000	\$ -	\$ 69,650	\$ 69,650	\$ 1,935,350
Other project costs	631,000	-	-	-	-
Total expenditures	<u>2,636,000</u>	<u>-</u>	<u>69,650</u>	<u>69,650</u>	<u>1,935,350</u>
Other financing sources:					
Direct placement installment purchase	2,636,000	-	-	-	(2,636,000)
Total other financing sources	<u>2,636,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,636,000)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>(69,650)</u>	<u>\$ (69,650)</u>	<u>\$ (700,650)</u>
Fund balances, beginning			<u>-</u>		
Fund balances, ending			<u>\$ (69,650)</u>		

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

Capital Projects Fund - Waste Water Treatment Plant Aeration Replacement

From Inception and for the Fiscal Year Ended June 30, 2021

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Expenditures:					
Capital projects:					
Construction	\$ 2,750,000	\$ 1,050,844	\$ 1,544,680	\$ 2,595,524	\$ 154,476
Administration	333,400	219,650	108,645	328,295	5,105
Contingency	125,000	55,000	-	55,000	70,000
Total expenditures	<u>3,208,400</u>	<u>1,325,494</u>	<u>1,653,325</u>	<u>2,978,819</u>	<u>229,581</u>
Revenues under expenditures	<u>(3,208,400)</u>	<u>(1,325,494)</u>	<u>(1,653,325)</u>	<u>(2,978,819)</u>	<u>229,581</u>
Other financing sources (uses):					
Direct placement installment purchase	3,208,400	-	2,722,161	2,722,161	(486,239)
Transfers from water and sewer fund	<u>-</u>	<u>-</u>	<u>256,658</u>	<u>256,658</u>	<u>256,658</u>
Total other financing sources	<u>3,208,400</u>	<u>-</u>	<u>2,978,819</u>	<u>2,978,819</u>	<u>(229,581)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (1,325,494)</u>	<u>\$ 1,325,494</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balances, beginning			<u>(1,325,494)</u>		
Fund balances, ending			<u>\$ -</u>		

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

Capital Projects Fund - Automated Meter Reading System

From Inception and for the Fiscal Year Ended June 30, 2021

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Interest earnings	\$ -	\$ 142	\$ -	\$ 142	\$ 142
Total revenues	-	142	-	142	142
Expenditures:					
Capital projects:					
Construction	1,844,280	1,845,189	(571)	1,844,618	(338)
Administration	244,000	244,632	-	244,632	(632)
Contingency	160,758	-	-	-	160,758
Total expenditures	2,249,038	2,089,821	(571)	2,089,250	159,788
Revenues under expenditures	(2,249,038)	(2,089,679)	571	(2,089,108)	159,930
Other financing sources (uses):					
Direct placement installment purchase	1,897,942	1,898,000	-	1,898,000	58
Transfers from Water and Sewer Fund	351,096	-	191,108	191,108	(159,988)
Total other financing sources	2,249,038	1,898,000	191,108	2,089,108	(159,930)
Net change in fund balance	\$ -	\$ (191,679)	\$ 191,679	\$ -	\$ -
Fund balances, beginning			(191,679)		
Fund balances, ending			\$ -		

CITY OF DUNN, NORTH CAROLINA

Statement 13

Schedule of Revenues, Expenditures, and Changes in Fund Balances -
 Budget and Actual (Non-GAAP) - Stormwater Fund
 For the Fiscal Year Ended June 30, 2021

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Stormwater fees		\$ 192,649	
Total charges for services	174,000	192,649	18,649
Expenditures:			
Engineering		55,808	
Stormwater contracted services		9,955	
Materials		1,070	
Capital outlay		275,883	
Total expenditures	474,000	342,716	131,284
Revenues over (under) expenditures	(300,000)	(150,067)	149,933
Other financing sources (uses):			
Installment purchase proceeds	300,000	222,303	(77,697)
Total other financing sources (uses)	300,000	222,303	(77,697)
Net change in fund balance	\$ -	72,236	\$ 72,236
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Reconciling items:			
Capital outlay		275,883	
Installment purchase proceeds		(222,303)	
Total reconciling items		53,580	
Change in net position		\$ 125,816	

OTHER SCHEDULES

CITY OF DUNN, NORTH CAROLINA
Schedule of Ad Valorem Taxes Receivable
June 30, 2021

Schedule 1

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2020</u>	<u>Additions</u>	<u>Collections, Credits and Adjustments</u>	<u>Uncollected Balance June 30, 2021</u>
2020-2021	\$ -	\$ 4,364,951	\$ 4,328,933	\$ 36,018
2019-2020	39,610	-	25,044	14,566
2018-2019	11,867	-	4,397	7,470
2017-2018	10,097	-	2,165	7,932
2016-2017	10,051	-	2,481	7,570
2015-2016	5,992	-	1,341	4,651
2014-2015	5,002	-	656	4,346
2013-2014	4,172	-	447	3,725
2012-2013	3,544	-	536	3,008
2011-2012	3,648	-	2,636	1,012
2010-2011	-	-	-	-
Total	<u>\$ 93,983</u>	<u>\$ 4,364,951</u>	<u>\$ 4,368,636</u>	<u>\$ 90,298</u>
Less: allowance for uncollectible accounts				
General Fund				<u>(54,281)</u>
Ad valorem taxes receivable - net				<u>\$ 36,017</u>
<u>Reconciliation with revenues:</u>				
Ad valorem taxes - general fund				\$ 4,463,883
Reconciling items:				
Municipal Service District Taxes				(38,290)
Interest and penalties				(38,604)
Taxes written off				1,264
Miscellaneous adjustments				<u>(19,617)</u>
				<u>\$ 4,368,636</u>

CITY OF DUNN, NORTH CAROLINA
Analysis of Current Year Tax Levy
City - Wide Levy
For the Fiscal Year Ended June 30, 2021

Schedule 2

	City - Wide			Total Levy	
	Property Valuation	Rate	Amount of Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxes at current rate	\$ 874,926,600	0.5000	\$ 4,374,633	\$ 3,979,329	\$ 395,304
Discoveries - current and prior years	2,356,600		11,783	11,783	-
Releases	(4,293,000)		(21,465)	(21,465)	-
Total property value	<u>\$ 872,990,200</u>				
Net levy			4,364,951	3,969,647	395,304
Uncollected taxes at June 30, 2021			36,018	36,018	-
Current year's taxes collected			<u>\$ 4,328,933</u>	<u>\$ 3,933,629</u>	<u>\$ 395,304</u>
Current levy collection percentage			<u>99.17%</u>	<u>99.09%</u>	<u>100.00%</u>

CITY OF DUNN, NORTH CAROLINA
Schedule of Net Position
Water and Sewer Fund by Function
June 30, 2021

Schedule 3

	Water	Sewer	Total
Assets			
Current assets:			
Cash and equivalents	\$ 2,087,402	\$ 518,594	\$ 2,605,996
Restricted cash and cash equivalents	71,657	60,367	132,024
Account receivables, net	494,426	416,527	910,953
Due from other governments	9,130	7,691	16,821
Due from other funds	57,068	165,077	222,145
Current portion of note receivable	-	125,173	125,173
Inventories	22,509	18,962	41,471
Total current assets	2,742,192	1,312,391	4,054,583
Noncurrent assets:			
Note receivable	-	1,602,469	1,602,469
Capital assets, land and construction in progress	100,256	255,901	356,157
Other capital assets, net of depreciation	12,888,482	15,309,958	28,198,440
Total assets	15,730,930	18,480,719	34,211,649
Deferred Outflows of Resources			
Contributions to pension plan	89,099	75,062	164,161
Pension deferrals	153,323	129,166	282,489
OPEB deferrals	162,766	137,122	299,888
Total deferred outflows of resources	405,188	341,350	746,538
Liabilities			
Current liabilities:			
Accounts payable and accrued liabilities	175,678	148,000	323,678
Accrued interest payable	29,954	45,541	75,495
Customer deposits	71,657	60,367	132,024
Current portion of compensated absences	27,138	22,862	50,000
General obligation bonds payable - current	80,871	68,129	149,000
Note payables - current	219,753	404,386	624,139
Total current liabilities	605,051	749,285	1,354,336
Noncurrent liabilities:			
Non-current portion of compensated absences	13,965	11,765	25,730
Net pension liability	426,300	359,136	785,436
Total OPEB liability	1,104,533	930,511	2,035,044
General obligation bonds payable - noncurrent	224,701	189,299	414,000
Note payables - noncurrent	2,709,116	4,255,587	6,964,703
Total liabilities	5,083,666	6,495,583	11,579,249
Deferred Inflows of Resources			
Pension deferrals	1,805	1,521	3,326
OPEB deferrals	236,767	199,464	436,231
Total deferred inflows of resources	238,572	200,985	439,557
Net Position			
Net investment in capital assets	9,654,041	10,392,557	20,046,598
Unrestricted	1,159,839	1,732,944	2,892,783
Total Net Position	\$ 10,813,880	\$ 12,125,501	\$ 22,939,381

CITY OF DUNN, NORTH CAROLINA

Schedule 4

Schedule of Revenues, Expenses and Changes in Net Position

Water and Sewer Fund by Function

Year Ended June 30, 2021

	Water	Sewer	Total
Operating revenues:			
Charges for services	\$ 3,200,793	\$ 2,696,499	\$ 5,897,292
Water and sewer taps	39,265	27,400	66,665
Other operating revenues	122,644	103,322	225,966
Total operating revenues	3,362,702	2,827,221	6,189,923
Operating expenses:			
Water and sewer administration/finance	568,158	478,643	1,046,801
Water and sewer operations	739,999	623,410	1,363,409
Water supply, pump and filtering	1,152,726	-	1,152,726
Sewage treatment plant operations	-	1,367,217	1,367,217
Depreciation	406,203	482,520	888,723
Total operating expenses	2,867,086	2,951,790	5,818,876
Operating income (loss)	495,616	(124,569)	371,047
Non-operating revenues (expenses):			
Interest income	39,196	33,020	72,216
Grant revenue	280,139	-	280,139
Tower site rental	45,257	38,127	83,384
Interest and other charges	(75,891)	(115,378)	(191,269)
Total non-operating revenues (expenses)	288,701	(44,231)	244,470
Net income (loss)	784,317	(168,800)	615,517
Transfers to other funds	-	-	-
Change in net position	784,317	(168,800)	615,517
Net position, beginning	10,029,563	12,294,301	22,323,864
Total net position, ending	\$ 10,813,880	\$ 12,125,501	\$ 22,939,381

CITY OF DUNN, NORTH CAROLINA
Schedule of Cash Flows
Water and Sewer Fund by Function
Year Ended June 30, 2021

Schedule 5

	Water	Sewer	Total
Cash flows from operating activities:			
Cash received from customers	\$ 3,342,006	\$ 2,809,786	\$ 6,151,792
Cash paid for goods and services	(2,555,126)	(2,049,590)	(4,604,716)
Cash paid to employees for services	-	(499,075)	(499,075)
Net cash provided by operating activities	<u>786,880</u>	<u>261,121</u>	<u>1,048,001</u>
Cash flows from noncapital financing activities:			
Interfund activity	(89,597)	(75,480)	(165,077)
Grants	<u>280,139</u>	<u>-</u>	<u>280,139</u>
Net cash provided by (used in) noncapital financing activities	<u>190,542</u>	<u>(75,480)</u>	<u>115,062</u>
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets	(1,079,835)	(1,545,968)	(2,625,803)
Principal payments received on notes receivable	-	120,273	120,273
Interest payments received on notes receivable	-	71,727	71,727
Proceeds from installment purchases	1,774,841	1,495,210	3,270,051
Principal paid on installment purchases	(341,058)	(287,324)	(628,382)
Proceeds from issuance of general obligation bonds	-	-	-
Principal paid on general obligation bonds	(82,499)	(69,501)	(152,000)
Interest and fees paid on installment purchases	(103,812)	(87,457)	(191,269)
Net cash provided by (used in) capital and related financing activities	<u>167,637</u>	<u>(303,040)</u>	<u>(135,403)</u>
Cash flows from investing activities:			
Tower site rental	45,257	38,127	83,384
Interest	<u>265</u>	<u>224</u>	<u>489</u>
Net cash provided by investing activities	<u>45,522</u>	<u>38,351</u>	<u>83,873</u>
Net increase (decrease) in cash and cash equivalents	1,190,581	(79,048)	1,111,533
Balance, beginning	<u>968,478</u>	<u>658,009</u>	<u>1,626,487</u>
Balances, ending	<u>\$ 2,159,059</u>	<u>\$ 578,961</u>	<u>\$ 2,738,020</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	<u>\$ 495,616</u>	<u>\$ (124,569)</u>	<u>\$ 371,047</u>
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	406,203	482,520	888,723
Changes in assets and liabilities:			
(Increase) decrease in:			
Accounts receivable	(20,696)	(17,435)	(38,131)
Due from other governments	-	-	-
Deferred outflows of resources - pensions	(42,685)	(35,959)	(78,644)
Deferred outflows of resources - OPEB	19,140	16,124	35,264
Increase (decrease) in:			
Accounts payable and accrued liabilities	(208,101)	(175,315)	(383,416)
Compensated absences	(4,005)	(3,374)	(7,379)
Net Pension Liability	103,828	87,470	191,298
Deferred inflows of resources - pensions	(2,416)	(2,036)	(4,452)
Deferred inflows of resources - OPEB	208,620	175,751	384,371
OPEB liability	(168,624)	(142,056)	(310,680)
Total adjustments	<u>291,264</u>	<u>385,690</u>	<u>676,954</u>
Net cash provided by operating activities	<u>\$ 786,880</u>	<u>\$ 261,121</u>	<u>\$ 1,048,001</u>

STATISTICAL SECTION

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

Financial Trends

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

Revenue Capacity

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

Debt Capacity

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

Demographic and Economic Information

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

Operating Information

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

CITY OF DUNN, NORTH CAROLINA
Net Position by Component
Last Ten Fiscal Years (accrual basis of accounting)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Governmental activities										
Net investment in capital assets	\$ 1,165,191	\$ 2,925,002	\$ 3,627,133	\$ 4,244,430	\$ 5,696,256	\$ 6,436,177	\$ 6,444,745	\$ 6,512,326	\$ 8,296,835	\$ 8,204,907
Restricted	2,720,291	1,837,471	1,726,667	1,424,244	1,653,746	4,870,545	4,981,763	5,665,759	5,199,177	5,202,266
Unrestricted	847,595	615,511	173,560	(204,386)	(532,383)	(1,745,461)	(2,979,308)	(4,018,335)	(4,886,214)	(3,759,899)
Total governmental activities										
Net Position	<u>\$ 4,733,077</u>	<u>\$ 5,377,984</u>	<u>\$ 5,527,360</u>	<u>\$ 5,464,288</u>	<u>\$ 6,817,619</u>	<u>\$ 9,561,261</u>	<u>\$ 8,447,200</u>	<u>\$ 8,159,750</u>	<u>\$ 8,609,798</u>	<u>\$ 9,647,274</u>
Business type activities										
Net investment in capital assets	\$ 16,061,004	\$ 15,530,084	\$ 17,951,590	\$ 20,284,577	\$ 20,535,568	\$ 20,201,704	\$ 20,102,110	\$ 20,457,636	\$ 17,474,975	\$ 20,100,178
Restricted	-	-	-	-	-	30,000	-	-	-	-
Unrestricted	3,620,425	4,083,012	1,784,948	2,395,563	2,449,400	2,957,415	1,362,055	1,752,501	5,083,484	3,199,614
Total business type activities										
Net Position	<u>\$ 19,681,429</u>	<u>\$ 19,613,096</u>	<u>\$ 19,736,538</u>	<u>\$ 22,680,140</u>	<u>\$ 22,984,968</u>	<u>\$ 23,189,119</u>	<u>\$ 21,464,165</u>	<u>\$ 22,210,137</u>	<u>\$ 22,558,459</u>	<u>\$ 23,299,792</u>
Primary government										
Net investment in capital assets	\$ 17,226,195	\$ 18,455,086	\$ 21,578,723	\$ 24,529,007	\$ 26,231,824	\$ 26,637,881	\$ 26,546,855	\$ 26,969,962	\$ 25,771,810	\$ 28,305,085
Restricted	2,720,291	1,837,471	1,726,667	1,424,244	1,653,746	4,870,545	4,981,763	5,665,759	5,199,177	5,202,266
Unrestricted	4,468,020	4,698,523	1,958,508	2,191,177	1,917,017	1,211,954	(1,617,253)	(2,265,834)	197,270	(560,285)
Total primary government										
Net Position	<u>\$ 24,414,506</u>	<u>\$ 24,991,080</u>	<u>\$ 25,263,898</u>	<u>\$ 28,144,428</u>	<u>\$ 29,802,587</u>	<u>\$ 32,720,380</u>	<u>\$ 29,911,365</u>	<u>\$ 30,369,887</u>	<u>\$ 31,168,257</u>	<u>\$ 32,947,066</u>

CITY OF DUNN, NORTH CAROLINA
Changes in Net Position
Last Ten Years (accrual basis of accounting)

Page 1 of 2

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
<u>Expenses</u>										
Governmental activities:										
General government	\$ 1,800,246	\$ 1,946,686	\$ 1,548,470	\$ 1,590,905	\$ 1,904,648	\$ 2,610,109	\$ 2,447,292	\$ 2,499,021	\$ 2,713,236	\$ 2,717,397
Public safety	3,981,466	3,969,606	4,024,211	3,933,301	3,235,533	3,271,705	3,164,633	4,277,813	3,952,711	4,404,678
Transportation	1,458,777	1,478,572	1,481,341	1,387,484	1,387,659	1,507,138	1,552,433	1,582,991	2,421,171	1,844,043
Environmental protection	510,908	570,653	599,302	622,719	659,849	823,681	826,201	1,012,038	798,707	735,302
Cultural and recreational	794,430	807,335	852,692	817,707	720,860	893,959	945,010	1,069,411	704,646	573,046
Library	254,314	236,562	246,004	263,638	257,271	239,948	234,896	307,568	561,116	540,537
Community services	31,784	-	-	-	-	-	-	-	-	-
Interest on long-term debt	118,702	132,584	45,353	191,693	247,360	219,120	199,655	190,155	104,489	186,172
Total governmental expenses	8,950,627	9,141,998	8,797,373	8,807,447	8,413,180	9,565,660	9,370,120	10,938,997	11,256,076	11,001,175
Business type activities:										
Water and sewer	4,128,782	4,343,372	5,122,206	4,686,053	4,857,768	4,746,944	5,588,695	4,524,796	5,758,857	6,010,145
Stormwater	-	-	-	-	-	58,192	274,919	5,952	168,136	66,833
Total business-type activities	4,128,782	4,343,372	5,122,206	4,686,053	4,857,768	4,805,136	5,863,614	4,530,748	5,926,993	6,076,978
Total primary government expenses	\$ 13,079,409	\$ 13,485,370	\$ 13,919,579	\$ 13,493,500	\$ 13,270,948	\$ 14,370,796	\$ 15,233,734	\$ 15,469,745	\$ 17,183,069	\$ 17,078,153
<u>Program Revenues</u>										
Government activities:										
Charges for services										
General government	\$ 329,677	\$ 383,550	\$ 461,784	\$ 340,748	\$ 399,857	\$ 414,489	\$ 508,924	\$ 455,025	\$ 520,635	\$ 592,435
Public Safety	-	-	-	44,159	188,947	95,082	75,581	51,113	-	-
Transportation	35,310	35,550	34,941	-	34,659	36,373	29,977	149,344	-	-
Environmental protection	644,207	687,723	678,051	738,992	721,184	818,216	828,234	944,354	947,864	974,078
Cultural and recreational	77,791	78,035	83,670	103,034	87,611	78,409	80,707	77,250	50,786	50,954
Operating grants and contributions	851,155	889,292	967,699	800,634	776,867	764,107	492,699	505,590	906,052	1,417,895
Capital grants and contributions	-	809,668	528,495	523,000	351,848	54,000	-	138,126	603,778	134,851
Total governmental activities revenue	1,938,140	2,883,818	2,754,640	2,550,567	2,560,973	2,260,676	2,016,122	2,320,802	3,029,115	3,170,213
Business like activities										
Charges for services										
Water and sewer	4,533,134	4,567,460	4,672,187	4,807,268	4,859,613	4,771,864	4,793,891	4,932,357	5,903,237	6,189,923
Stormwater	-	-	-	-	-	78,953	79,586	134,153	152,970	192,649
Operating grants and contributions	-	-	-	-	-	-	97,433	51,731	57,160	280,139
Capital grants and contributions	1,563,889	-	-	2,841,252	146,153	-	383,882	-	-	-
Total business-type activities revenue	6,097,023	4,567,460	4,672,187	7,648,520	5,005,766	4,850,817	5,354,792	5,118,241	6,113,367	6,662,711
Total primary government revenues	\$ 8,035,163	\$ 7,451,278	\$ 7,426,827	\$ 10,199,087	\$ 7,566,739	\$ 7,111,493	\$ 7,370,914	\$ 7,439,043	\$ 9,142,482	\$ 9,832,924
<u>Net (Expense) Revenue</u>										
Governmental activities	\$ (7,012,487)	\$ (6,258,180)	\$ (6,042,733)	\$ (6,256,880)	\$ (5,852,207)	\$ (7,304,984)	\$ (7,353,998)	\$ (8,618,195)	\$ (8,226,961)	\$ (7,830,962)
Business type activities	1,968,241	224,088	(450,019)	2,962,467	147,998	45,681	(508,822)	587,493	186,374	585,733
Total primary government net expense	\$ (5,044,246)	\$ (6,034,092)	\$ (6,492,752)	\$ (3,294,413)	\$ (5,704,209)	\$ (7,259,303)	\$ (7,862,820)	\$ (8,030,702)	\$ (8,040,587)	\$ (7,245,229)

CITY OF DUNN, NORTH CAROLINA
Changes in Net Position
Last Ten Years (accrual basis of accounting)

Page 2 of 2

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
<u>General Revenues and Other Changes in Net Position</u>										
Governmental activities:										
Taxes:										
Property taxes, levied for general purpose	\$ 3,652,523	\$ 3,661,971	\$ 3,985,873	\$ 3,844,346	\$ 3,990,356	\$ 4,272,245	\$ 4,260,553	\$ 4,273,456	\$ 4,206,987	\$ 4,460,198
Other taxes	2,062,487	2,239,860	2,089,472	2,327,549	2,460,359	2,781,240	2,985,066	3,259,876	3,441,957	3,679,772
Unrestricted grants and contributions	126,227	131,950	110,000	110,000	128,800	144,500	125,000	125,000	150,000	95,750
Unrestricted investment earnings	12,728	9,190	17,850	14,606	29,593	7,968	39,913	101,189	75,419	2,548
Miscellaneous	458,602	463,343	405,279	431,073	439,986	545,659	514,387	571,224	802,646	638,335
Gain/(Loss) on Disposal of Equipment	-	-	-	2,582	-	-	-	-	-	-
Special items - sale of assets	-	-	-	-	25,404	6,363	-	-	-	-
Special items - donated assets	-	-	-	-	131,040	-	-	-	-	-
Special items - loss on investment	-	(18,727)	-	-	-	-	-	-	-	-
Transfers	456,000	415,500	-	-	-	-	-	-	-	-
Total governmental activities	6,768,567	6,903,087	6,608,474	6,730,156	7,205,538	7,757,975	7,924,919	8,330,745	8,677,009	8,876,603
Business type activities										
Unrestricted investment earnings	3,250	62,572	101,992	97,930	93,470	90,967	86,547	81,903	77,050	72,216
Miscellaneous	76,482	53,367	55,104	60,075	63,360	67,503	182,519	76,575	84,898	83,384
Gain/(Loss) on Disposal of Equipment	-	-	-	11,576	-	-	-	-	-	-
Special items - donated assets	-	7,140	-	-	-	-	-	-	-	-
Transfers	(456,000)	(415,500)	-	-	-	-	-	-	-	-
Total business type activities	(376,268)	(292,421)	157,096	169,581	156,830	158,470	269,066	158,478	161,948	155,600
Total primary governmental activities	\$ 6,392,299	\$ 6,610,666	\$ 6,765,570	\$ 6,899,737	\$ 7,362,368	\$ 7,916,445	\$ 8,193,985	\$ 8,489,223	\$ 8,838,957	\$ 9,032,203
<u>Change in Net Position</u>										
Governmental activities	\$ 510,387	\$ 860,354	\$ 351,594	\$ 877,949	\$ (99,446)	\$ 334,034	\$ 570,921	\$ (287,450)	\$ 450,048	\$ 1,045,641
Business activities	(152,180)	(742,440)	3,119,563	317,579	202,511	(239,301)	(239,756)	745,971	348,322	741,333
Total primary activities	\$ 358,207	\$ 117,914	\$ 3,471,157	\$ 1,195,528	\$ 103,065	\$ 94,733	\$ 331,165	\$ 458,521	\$ 798,370	\$ 1,786,974

CITY OF DUNN, NORTH CAROLINA
Fund Balances of Governmental Funds
Last Ten Fiscal Years

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
General Fund										
Non Spendable	\$ 46,038	\$ 48,234	\$ 116,246	\$ 30,625	\$ 32,142	\$ 46,556	\$ 33,079	\$ 45,302	\$ 22,037	\$ 41,107
Restricted	1,297,819	1,364,826	1,425,142	1,424,244	1,653,747	1,770,545	1,824,228	2,530,205	2,295,569	2,525,221
Assigned	-	-	-	-	-	98,000	6,000	5,000	300,000	350,000
Unassigned	2,116,425	2,068,671	1,999,838	2,117,478	1,985,379	2,069,164	2,792,512	2,835,700	3,133,787	4,201,962
Total General Fund	<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>	<u>\$5,751,393</u>	<u>\$ 7,118,290</u>
All Other Governmental Funds										
Restricted	\$ 189,319	\$ 240,041	\$ 301,525	\$ -	\$ -	\$ -	\$ 51,289	\$ 35,554	\$ 35,554	\$ 35,554
Assigned	-	260,391	(160,305)	67,468	186,772	75,667	-	-	-	-
Committed	-	-	-	-	-	-	-	-	-	-
Unassigned	(133,984)	-	-	-	-	-	-	-	(960,671)	(513,614)
Total All Other Governmental Funds	<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>	<u>\$ (925,117)</u>	<u>\$ (478,060)</u>

CITY OF DUNN, NORTH CAROLINA
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Revenues										
Ad valorem taxes	\$ 3,657,181	\$ 3,672,427	\$ 3,959,238	\$ 3,887,947	\$ 4,012,290	\$ 4,284,741	\$ 4,262,407	\$ 4,273,456	\$ 4,246,782	\$ 4,463,883
Other taxes and licenses	70,065	207,325	66,558	43,942	36,190	37,369	36,003	180,715	218,807	228,304
Unrestricted intergovernmental	2,118,650	2,188,057	2,132,914	2,393,607	2,539,169	2,868,871	3,074,062	3,163,499	3,373,150	3,547,218
Restricted intergovernmental	811,501	1,233,958	932,179	1,248,868	1,093,605	920,038	568,857	697,171	1,509,830	1,552,746
Permits and fees	148,377	187,466	289,552	216,875	206,985	200,541	226,317	170,430	247,905	291,232
Sales and services	903,298	961,843	933,953	1,003,235	1,002,666	1,112,743	1,102,925	1,307,400	1,271,380	1,326,235
Investment earnings	12,728	9,227	17,850	14,606	29,593	7,968	39,913	101,189	75,419	2,548
Miscellaneous	513,851	584,035	570,373	513,106	711,504	592,511	658,500	757,687	802,646	638,335
Private donations	-	359,668	-	-	-	-	-	-	-	-
Total revenue	<u>8,235,651</u>	<u>9,404,006</u>	<u>8,902,617</u>	<u>9,322,186</u>	<u>9,632,002</u>	<u>10,024,782</u>	<u>9,968,984</u>	<u>10,651,547</u>	<u>11,745,919</u>	<u>12,050,501</u>
Expenditures										
General government	1,709,906	1,867,599	1,474,587	1,535,053	1,707,135	2,146,402	2,139,997	2,260,449	2,498,605	2,533,580
Public safety	3,641,699	3,611,487	3,676,533	3,254,461	3,000,794	3,055,693	3,098,846	3,460,284	3,340,732	3,847,092
Transportation	1,337,650	1,366,567	1,376,111	1,309,052	1,308,013	1,341,992	1,436,435	1,300,908	2,127,335	1,558,170
Environmental protection	496,935	557,002	584,670	607,313	647,025	799,224	807,616	978,691	791,620	728,215
Cultural and recreation	677,456	690,733	730,745	725,807	612,267	683,268	687,331	723,613	619,618	510,039
Library	225,667	226,439	231,410	251,963	247,091	227,154	239,603	264,608	245,750	233,375
Community service	31,785	-	-	-	-	-	-	-	-	-
Debt Service:										
Principal	383,212	516,667	408,678	519,237	615,919	865,540	515,733	522,792	589,409	762,369
Interest and other charges	85,178	79,564	75,063	184,019	212,112	234,114	211,601	198,032	200,794	194,299
Capital outlay	1,986,286	2,765,173	805,119	3,379,997	1,388,561	894,471	180,874	660,816	2,441,390	2,276,018
Total expenditures	<u>10,575,774</u>	<u>11,681,231</u>	<u>9,362,916</u>	<u>11,766,902</u>	<u>9,738,917</u>	<u>10,247,858</u>	<u>9,318,036</u>	<u>10,370,193</u>	<u>12,855,253</u>	<u>12,643,157</u>
Excess of revenues										
Over (under) expenditures	<u>(2,340,123)</u>	<u>(2,277,225)</u>	<u>(460,299)</u>	<u>(2,444,716)</u>	<u>(106,915)</u>	<u>(223,076)</u>	<u>650,948</u>	<u>281,354</u>	<u>(1,109,334)</u>	<u>(592,656)</u>
Other financing sources (uses)										
Transfers in	533,106	415,500	-	-	777,857	-	-	-	-	2,000
Transfers out	(77,106)	-	-	(498,713)	(777,857)	(75,000)	-	-	-	(2,000)
Sale of capital assets	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	3,114,000	1,100,000	132,000	2,860,757	296,243	434,000	-	454,000	483,849	2,436,010
Total other financing sources (uses)	<u>3,589,718</u>	<u>1,512,533</u>	<u>149,497</u>	<u>2,400,315</u>	<u>321,647</u>	<u>366,669</u>	<u>-</u>	<u>454,000</u>	<u>483,849</u>	<u>2,436,010</u>
Net change in fund balance	<u>\$ 1,249,595</u>	<u>\$ (764,692)</u>	<u>\$ (310,802)</u>	<u>\$ (44,401)</u>	<u>\$ 214,732</u>	<u>\$ 143,593</u>	<u>\$ 650,948</u>	<u>\$ 735,354</u>	<u>\$ (625,485)</u>	<u>\$ 1,843,354</u>
Debt services as a percentage of non-capital expenditures	5.5%	6.7%	5.7%	8.4%	9.9%	11.8%	8.0%	7.4%	7.6%	9.2%

CITY OF DUNN, NORTH CAROLINA
Assessed Value and Estimated Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year Ended June 30	Real Property	Personal Property	Total Assessed Value	Ratio of Assessed Value of Estimated Value (1)	Property Tax Rate (2)
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
2020	776,648,160	72,901,440	849,549,600	100%	0.50
2021	785,553,296	75,124,910	860,678,206	100%	0.50

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, NORTH CAROLINA
Property Tax Rates District and Overlapping Governments
Last Ten Fiscal Years

<u>Year Ended June 30</u>	<u>City of Dunn (1)</u>	<u>Harnett County (2)</u>	<u>Dunn Emergency Services (2)</u>	<u>Averasboro School District (2)</u>	<u>Total Tax Rate</u>
2012	0.4800	0.7250	0.0700	0.0200	1.2950
2013	0.4800	0.7250	0.0700	0.0200	1.2950
2014	0.5000	0.7250	0.0700	0.0200	1.3150
2015	0.5000	0.7500	0.0700	0.0200	1.3400
2016	0.5000	0.7500	0.0900	0.0200	1.3600
2017	0.5000	0.7500	0.0900	0.0200	1.3600
2018	0.5000	0.7500	0.0900	0.0200	1.3600
2019	0.5000	0.7500	0.0900	0.0200	1.3600
2020	0.5000	0.7500	0.0900	0.0200	1.3600
2021	0.5000	0.7500	0.0900	0.0200	1.3600

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, NORTH CAROLINA
Principal Taxpayers

Taxpayer	Type of Business	FY 2021 Assessed Valuation*	Percentage of Total Assessed Valuation	FY 2012 Assessed Valuation	Percentage of Total Assessed Valuation
ROOMS TO GO DISTRIBUTION CO LLC	Distribution	\$ 63,840,044	7.42%		
DELHAIZE AMERICA DISTRUBTION LLC	Distribution	32,293,460	3.75%		
WAL-MART REAL ESTATE BUSINESS TRUST	Retail Store	13,408,990	1.56%	\$ 14,048,371	1.89%
DUKE ENERGY PROGRESS INC	Utility Company	13,037,792	1.51%	10,526,943	1.41%
WINCOR PROPERTIES LLC	Real Estate	8,305,990	0.97%		
MCRT3 DUNN LLC	Hotel	7,355,440	0.85%		
DUNN HOSPITALITY VENTURES LLC	Hotel	6,640,170	0.77%		
RCG-DUNN LLC	Real Estate	6,500,000	0.76%	8,021,950	1.08%
GG RETAIL PROPERTIES LLC	Real Estate	4,331,190	0.50%	4,694,300	0.63%
PIEDMONT NATURAL GAS	Utility Company	3,900,786	0.45%		
CAROLINA TELEPHONE	Utility Company			7,642,901	1.03%
APPLE EIGHT NC LP	Real Estate			6,996,400	0.94%
NWD-T/A DUNBAR	Packaging Plant			4,738,098	0.64%
GRAY PROPERTINS OF NC, LLC	Manufacturer			4,723,560	0.63%
TILGHMAN MEDICAL ASSOC.	Real Estate			3,895,250	0.52%
TWO TILL, LLC	Real Estate			3,846,150	0.52%
	Totals	<u>\$ 159,613,862</u>	18.55%	<u>\$ 69,133,923</u>	9.29%
	Total Assessed Value	<u>\$ 860,678,206</u>		<u>\$ 744,171,262</u>	

Source: Harnett County Assessor's Office

CITY OF DUNN, NORTH CAROLINA
Property Tax Levies and Collections
Last Ten Years

Fiscal Year Ended June 30	Total Tax Levy	Current Tax Collections	Percentage of Current Tax Collected	Delinquent Tax Collections (1)	Total Tax Collections	Ratio of Total Tax Collections to Total Tax Levy
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%
2020	4,247,748	4,208,138	99.07%	24,112	4,232,250	99.64%
2021	4,364,951	4,328,933	99.17%	35,206	4,364,139	99.98%

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, NORTH CAROLINA
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year Ended June 30	Governmental Activities			Business-Type Activities				Total Primary Government	Debt as Percentage of	
	Capital Leases	Installment Purchases		Capital Leases	General Obligation Bonds	Installment Purchases	Revolving Water and Sewer Loan		Assessed Valuation (3)	Debt per Capita (4)
2012	\$ -	\$ 4,996,968	(2)	\$ -	\$ 1,785,000	\$ 3,833,333	(6) \$ 4,274,354	\$ 14,889,655	2.00%	\$ 1,578
2013	-	5,580,300	(7)	-	1,665,000	2,629,196	3,946,603	13,821,099	1.80%	1,466
2014	-	5,288,337		74,370	1,540,000	2,402,819	3,727,347	13,032,873	1.80%	1,357
2015	17,868	7,653,635	(8)	69,598	1,410,000	2,071,259	3,508,091	14,730,451	1.90%	1,533
2016	9,368	7,324,590		50,970	1,275,000	1,609,835	3,288,835	13,558,598	1.80%	1,450
2017	1,229	6,901,189		31,874	1,180,000	1,345,393	3,069,579	12,529,264	1.80%	1,299
2018	-	6,386,138		15,911	1,026,000	1,074,864	2,850,323	11,353,236	1.30%	1,166
2019	-	6,317,892	(9)	-	869,000	2,713,309	(1) 2,631,068	12,531,269	1.50%	1,313
2020	-	6,126,609	(10)	-	715,000	2,535,362	(11) 2,411,811	11,788,782	1.39%	1,235
2021	-	7,798,939	(5)	-	563,000	5,618,590	(12) 2,192,555	16,173,084	1.88%	1,965

Notes:

- (1) Total installment purchases executed during fiscal year 2019 for business-type activities in the amount of \$1,898,000 for electronically read water meters
- (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) Total installment purchases executed during fiscal year 2021 for governmental activities in the amount of \$2,436,010 for renovations to Tart Park, equipment and vehicles
- (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 2020 for governmental activities in the amount of \$482,929 for computers, police cars, paving equipment and vehicles
- (11) Total installment purchases executed during fiscal year 2020 for business-type activities in the amount of \$210,040 for tractor, generator, and vehicles

CITY OF DUNN, NORTH CAROLINA
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years

<u>Fiscal Year Ended June 30</u>	<u>General Obligation Bonds (1)</u>	<u>Percentage of Assessed Property Value</u>	<u>Per Capita (2)</u>
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
2020	715,000	0.08%	75
2021	563,000	0.07%	67

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, NORTH CAROLINA
Direct and Overlapping Governmental Activities Debt
As of June 30, 2021

<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	\$ 213,892,144	9.56%	<u>\$ 20,448,089</u>
Subtotal, overlapping debt			20,448,089
City of Dunn direct debt			<u>7,947,118 (2)</u>
Total direct and overlapping debt			<u><u>\$ 28,395,207</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, NORTH CAROLINA
Legal Debt Margin Information
Last Ten Fiscal Years

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Debt limit	\$ 59,533,701	\$ 59,843,206	\$ 59,131,547	\$ 60,666,490	\$ 63,463,959	\$ 67,505,808	\$ 67,498,736	\$ 67,535,792	\$ 67,963,968	\$ 68,854,256
Total net debt applicable to limit	13,104,655	12,156,099	11,418,503	13,232,984	12,615,086	11,349,264	10,327,236	12,531,269	11,788,782	16,173,084
Legal debt margin	<u>\$46,429,046</u>	<u>\$47,687,107</u>	<u>\$47,713,044</u>	<u>\$47,433,506</u>	<u>\$50,848,873</u>	<u>\$56,156,544</u>	<u>\$57,171,500</u>	<u>\$55,004,523</u>	<u>\$56,175,186</u>	<u>\$ 52,681,172</u>
Total net debt applicable to limit as a percentage of debt limit	22.01%	20.31%	19.31%	21.81%	19.88%	16.81%	15.30%	18.56%	17.35%	23.49%

Legal Debt Margin Calculation for Fiscal Year 2020 (1)

Assessed Value	\$860,678,206
Debt Limit (8% of total assessed value)	68,854,256
Debt applicable to limit:	
General obligation bonds	563,000
Non bonded debt	15,610,084
Total net debt applicable to limit	<u>16,173,084</u>
	<u>\$ 52,681,172</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

CITY OF DUNN, NORTH CAROLINA
Harnett County (1)
Demographic and Economic Statistics
Last Ten Fiscal Years

Fiscal Year Ending June 30	Population (2)	Per Capita Income (2)	Total Personal Income (2)	Median Age (2)	Public School Enrollment (3)	Average Unemployment Rate (4)
2012	121,417	\$ 18,564	\$ 2,254,013,124	34	19,011	11.20%
2013	122,355	18,884	2,310,551,820	34	19,378	10.50%
2014	123,316	19,226	2,370,873,416	34	19,868	7.40%
2015	125,717	19,095	2,400,566,115	34	20,099	7.30%
2016	127,348	19,095	2,431,710,060	34	20,269	5.40%
2017	130,881	20,864	2,730,701,184	34	20,357	4.80%
2018	132,754	21,214	2,816,243,356	34	20,390	3.70%
2019	134,214	23,571	3,163,558,194	35	20,685	5.40%
2020	135,239	20,733	2,803,910,187	43	20,615	8.80%
2021	133,568	23,767	3,174,510,656	34	19,513	5.50%

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, NORTH CAROLINA**Principal Employers****Fiscal Year Ended June 30, 2021**

Employer	2021		2012	
	Employees	Rank	Employees	Rank
Harnett County Schools	1,000+	1	1,000+	1
Food Lion	1,000+	2	1000+	2
Harnett Health System	500-999	3	500-999	3
Carlie C's Operation Center Inc.	250-499	4	250-499	4
Rooms To Go	250-499	5		
Wal-Mart Associates Inc.	250-499	6	250-499	5
Godwin Manufacturing Co Inc.	100-249	7		
Tri-Arc Food Systems Inc.	100-249	8		
Affinity Health Services	100-249	9	100-249	9
Gray Metal South Inc.	100-249	10		
Moody Dunbar			100-249	6
City of Dunn			100-249	7
KTL McDonalds LLC			100-249	8
Family Medical Supply, Inc.			100-249	10

(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, NORTH CAROLINA
Full-Time City Government Employees by Function
Last Ten Years

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
General Governmental										
Administration	5	5	6	6	6	6	7	7	7	7
Finance	3	3	3	3	3	3	3	3	3	3
Economic & Physical Development										
Planning	1	1	1	1	1	1	1	2	3	3
Inspections	3	3	3	3	4	5	5	5	4	4
Public Safety										
Law enforcement										
Officers	36	36	36	36	39	39	39	44	45	45
Civilians	16	16	16	5	4	4	4	4	3	2
Public Works										
Streets	17	16	16	16	16	14	15	18	19	20
Solid Waste	2	2	2	2	2	2	2	0	0	0
Fleet Maintenance	2	2	1	1	1	1	1	2	2	3
Parks & Recreation	10	10	10	10	9	8	8	10	6	6
Library	3	3	4	4	4	4	4	4	3	4
Public Utilities-Water/Sewer										
Finance	5	5	5	5	5	5	3	3	3	3
Distribution	8	8	8	8	8	8	10	11	10	10
Water Treatment	8	8	8	8	8	9	8	8	8	8
WasteWater Treatment	9	9	9	9	9	9	9	10	9	10
Total	128	127	128	117	119	118	119	131	125	128

CITY OF DUNN, NORTH CAROLINA
Operating Indicators by Function
Last Ten Years

Function	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Public Safety										
Arrests	1,524	2,460	3,299	2,190	1,231	1,274	1,040	1,183	949	1,141
Traffic violations	4,072	4,023	3,613	3,396	3,186	3,236	3,523	3,471	2,305	2,390
Highways and Streets										
Street resurfacing (miles)	-	-	1	2	0.34	0.39	0.10	-	0.5	0.8
Potholes repaired	670	700	615	750	210	191	214	212	115	94
Sidewalk repaired (linear ft.)	225	300	7,500	600	4,841	3,324	146	100	150	100
Street sweeping (miles)	2,000	2,000	2,000	2,000	2,000	1,782	1,656	1,700	1,700	1,500
Inspections										
Building permits issued	322	398	380	362	385	476	431	439	537	624
Sanitation										
Residential waste collected (tons/year)	2,819	2,799	2,742	2,663	2,814	2,782	2,624	2,934	2,545	2,662
Yard waste collected (tons/year)	3,293	3,140	2,637	2,642	825	1,148	2,010	2,808	2,079	557
Trash pick-up fee	15	15	16	17	17	17	17	23	23	24
Library										
Admissions	88,086	83,837	76,119	83,423	65,704	60,797	55,792	56,826	40,641	29,202
Volumes in collection	38,154	41,157	41,913	42,630	44,784	45,112	45,399	44,397	43,743	45,432
Recreation										
Youth participation										
Fall sports	310	330	359	360	343	291	295	356	293	378
Winter sports	308	224	213	220	314	216	212	347	330	186
Spring sports	474	526	510	450	325	339	347	316	315	214
Water										
Utility customers	4,622	4,625	4,628	4,635	4,700	4,701	4,704	4,707	4,706	4,743
Average utility bill	48	48	48	52	55	58	60	60	73	107
New Customer Connections	16	7	10	10	12	13	10	26	11	31
Average daily consumption (MGD)	3	3	3	2.90	2.74	2.73	2.88	2.89	3.20	3.28
Wastewater										
Average daily sewage treatment (MGD)	2.00	2.00	2.00	2.80	2.76	2.61	1.92	3.14	2.77	3.47
Sanitary Sewer Overflows (SSO)	3	5	6	6	5	7	-	6	4	11

CITY OF DUNN, NORTH CAROLINA
Capital Asset Statistics by Function
Last 10 Years

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Function										
Public Safety										
Police stations	1	1	1	1	1	1	1	1	3	3
Police patrol units	4	4	4	4	4	4	4	4	4	4
Police vehicles	33	33	47	43	43	45	45	45	52	59
911 Centers	1	1	1	1	0	0	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	66
Traffic signals	5	5	5	5	5	5	5	5	5	5
Culture and recreation										
Parks acreage	32	32	32	32	32	36	36	36	36	54
Parks	3	3	3	3	3	3	3	3	3	4
Baseball/Softball fields	7	7	7	7	7	8	8	8	8	8
Pools	1	1	1	1	1	1	1	1	1	1
Tennis courts	5	5	5	5	5	3	3	3	3	3
Community centers	2	2	2	2	2	2	2	2	2	2
Water										
Water mains (feet)	454,080	454,080	454,080	454,080	454,080	459,360	459,360	459,360	607,200	459,360
Maximum daily capacity (millions of gallons per day)	6	6	6	6	6	6	6	6	8	8
Sewer										
Sewer lines (feet)	396,000	396,000	396,000	396,000	396,000	406,560	406,560	406,560	498,015	464,640
Max daily treatment capacity (millions of gallons per day)	4	4	4	4	4	4	4	4	4	4

COMPLIANCE SECTION



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial statement audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely present component unit, and each major fund, and the aggregated remaining fund information of the City of Dunn, North Carolina (the "City") as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated April 18, 2022. Our report includes a reference to other auditors who audited the financial statements of the discretely presented component unit, the City of Dunn ABC Board, as described in our report on the City of Dunn's financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that are reported separately by those auditors. The financial statements of the City of Dunn ABC Board were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit of the basic financial statements, we considered the City'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 basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's basic financial statements are free of 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 City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Bernard Robinson & Company, L.L.P.

Greensboro, North Carolina
April 18, 2022



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

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

We have audited the City of Dunn, North Carolina (the "City"), compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the City's major state programs for the year ended June 30, 2021. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with state statutes, regulations, and the terms and conditions of its state awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"), as described in the *Audit Manual for Governmental Auditors in North Carolina* and the *State Single Audit Implementation Act*. Those standards, the Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2021.

Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

Report on Schedule of Expenditures of Federal and State Award Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated April 18, 2022, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by the Uniform Guidance and the State Single Audit Implementation Act and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and, certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal and state awards is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

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

Bernard Robinson & Company, L.L.P.

Greensboro, North Carolina
April 18, 2022

CITY OF DUNN, NORTH CAROLINA
Schedule of Expenditures of Federal and State Awards
For the Fiscal Year Ended June 30, 2021

Page 1 of 2

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Federal Expenditures</u>	<u>State Expenditures</u>
Federal Grants:				
Cash Assistance:				
<u>U. S. Environmental Protection</u>				
<u>Agency:</u>				
Direct Program:				
Brownsfields Assessment and				
Cleanup Cooperative				
Agreements				
	66.818	BR-00D61117-0	\$ 73,875	\$ -
<u>U.S. Department of Treasury</u>				
CARES Act				
	21.019		290,881	-
<u>U. S. Department of Health</u>				
<u>and Human Services:</u>				
Division of Aging and Adult				
Services:				
Passed through Mid Carolina				
Council of Government:				
Older American's Act				
	93.044	16-701, 20-701	<u>46,566</u>	<u>-</u>
Total assistance -				
federal program			<u>411,322</u>	<u>-</u>
State Grants:				
Cash Assistance:				
<u>N.C. Department of Environmental</u>				
<u>Quality</u>				
Connect NC Bond				
	-	E-SRP-W-17-0106	-	1,653,325
Division of Water Infrastructure				
Water Asset and Inventory				
Assessment				
	-	E-AIA-W-19-0169	-	81,340

CITY OF DUNN, NORTH CAROLINA
Schedule of Expenditures of Federal and State Awards
For the Fiscal Year Ended June 30, 2021

Page 2 of 2

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Federal Expenditures</u>	<u>State Expenditures</u>
<u>N.C. Department of Commerce</u>				
<u>Rural Economic Development</u>				
Community Development Block				
Grant Neighborhood Revitalization		17-C-2995	\$ -	\$ 121,092
Project				
<u>N.C. Golden Leaf Grant</u>				
Water Sewer Storm Study		FY2020-007	-	60,542
<u>N.C. Department of</u>				
<u>Transportation:</u>				
Powell Bill		O 50000001 80	-	37,479
Total assistance -				
state program			-	1,953,778
Total assistance			<u>\$ 411,322</u>	<u>\$ 1,953,778</u>

CITY OF DUNN, NORTH CAROLINA
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 (SEFSA) includes the Federal and State grant activity of the City of Dunn under the programs of the federal government and the State of North Carolina for the year ended June 30, 2021. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of the City of Dunn, it is not intended to present the financial position, changes in net assets or cash flows of the City of Dunn.

Note 2: Summary of Significant Accounting Policies

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

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

Powell Bill expenditures as reported above represent eligible expenditures reported to the North Carolina Department of Transportation for the fiscal year ending June 30, 2021. The City is required to report annually to the North Carolina Department of Transportation on the accumulated unexpended Powell Bill funds. Unexpended Powell Bill funds are accounted for and maintained within various City funds. The total unexpended balance on-hand at June 30, 2021 is \$317,842.

CITY OF DUNN, NORTH CAROLINA
Schedule of Findings and Questioned Costs
Year Ended June 30, 2021

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified		
Internal control over financial reporting:			
(a) Material weakness(es) identified?	_____ yes	<u> X </u> no	
(b) Significant deficiency(ies)?	_____ yes	<u> X </u> none reported	
Noncompliance material to financial statements noted?	_____ yes	<u> X </u> no	

State Awards

Internal control over major programs:			
(a) Material weakness(es) identified	_____ yes	<u> X </u> no	
(b) Significant deficiency(ies) identified?	_____ yes	<u> X </u> none reported	
Noncompliance material to state awards	_____ yes	<u> X </u> no	
Type of auditor's report issued on compliance for major programs:	Unmodified		
Any audit findings disclosed that are required to be reported in accordance with the <i>State Single Audit Implementation Act</i> ?	_____ yes	<u> X </u> no	
Identification of major programs:			

Name of State Program

Connect NC Bond

Section II - Financial Statement Findings:

None reported

Section III - State Award Findings and Questioned Costs

None reported

CITY OF DUNN, NORTH CAROLINA

Summary Schedule of Prior Year Audit Findings and Questioned Costs

Year Ended June 30, 2021

Section IV - Summary Schedule of Prior Audit Findings

None reported