



Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2016

Prepared by City of Dunn Finance Department

CITY OF DUNN
COMPREHENSIVE ANNUAL FINANCIAL REPORT
TABLE OF CONTENTS
JUNE 30, 2016

	EXHIBIT	PAGE
INTRODUCTORY SECTION		
FINANCIAL SECTION		
Independent Auditors' Report		8
Management's Discussion and Analysis		12
Basic Financial Statements:		
Government-wide Financial Statements:		
Statement of Net Position	1	23
Statement of Activities	2	24
Fund Financial Statements:		
Balance Sheets - Governmental Funds	3	25
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position	3	25
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	4	26
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds to the Statement of Activities	5	27
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund	6	28
Statement of Net Position - Proprietary Fund	7	29
Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Fund	8	30
Statement of Cash Flows - Proprietary Fund	9	31
Notes to the Basic Financial Statements		33

CITY OF DUNN
COMPREHENSIVE ANNUAL FINANCIAL REPORT
TABLE OF CONTENTS
JUNE 30, 2016

	<u>EXHIBIT</u>	<u>PAGE</u>
SUPPLEMENTARY STATEMENTS AND SCHEDULES		
REQUIRED SUPPLEMENTAL FINANCIAL DATA		
Law Enforcement Officers' Special Separation Allowance - Schedule of Funding Progress		59
Law Enforcement Officers' Special Separation Allowance - Notes to the Required Schedules		59
Other Postemployment Benefits Allowance - Schedule of Funding Progress		61
Other Postemployment Benefits Allowance - Schedule of Employer Contributions		62
Other Postemployment Benefits Allowance - Notes to the Required Schedules		62
Schedule of the Proportionate Share of the Net Pension Liability - Local Government Employees' Retirement System		63
Schedule of Contributions - Local Government Employees' Retirement System		64
INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES		
Statement of Revenues, Expenditures, and Changes in Fund Balances - Annual Budget and Actual - General Fund		66
Combining Balance Sheet - Nonmajor Governmental Funds		71
Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Nonmajor Governmental Funds		72
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Downtown Revitalization - Capital Project Fund		73
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Tyler Park Renovations - Capital Project Fund		74

CITY OF DUNN
COMPREHENSIVE ANNUAL FINANCIAL REPORT
TABLE OF CONTENTS
JUNE 30, 2016

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Dunn City Hall and Harnett Training School - Capital Project Fund	75
Schedule of Revenues and Expenditures Budget and Actual - Water and Sewer Fund	76
Schedule of Revenues and Expenditures and Changes in Fund Balance - Rooms to Go Water and Sewer Improvements	79
Schedule of Revenues, Expenditures and Changes in Fund Balance - I-95 Corridor Sewer System Improvements	80
Schedule of Revenues, Expenditures Budget and Actual - Stormwater Fund	81
 OTHER SCHEDULES	
Schedule of Ad Valorem Taxes Receivable	83
Analysis of Current Tax Levy - City Wide Levy	84
 STATISTICAL SECTION	
Net Position by Component	86
Changes in Net Position	87
Governmental Activities Tax Revenues by Source	89
Fund Balances of Governmental Funds	90
Changes in Fund Balance of Governmental Funds	91
Assessed Value and Estimated Actual Value of Taxable Property	92
Property Tax Rates	93
Principal Property Taxpayers	94
Property Tax Levies and Collections	95
Ratios of Outstanding Debt by Type	96
Ratios of General Bonded Debt Outstanding	97

CITY OF DUNN
COMPREHENSIVE ANNUAL FINANCIAL REPORT
TABLE OF CONTENTS
JUNE 30, 2016

Direct and Overlapping Governmental Activities Debt	98
Legal Debt Margin Information	99
Demographic and Economic Statistics	100
Principal Employers	101
Full-time Equivalent Town Government Employees Function	102
Operating Indicators by Function	103
Capital Asset Statistics by Function	104

COMPLIANCE SECTION

Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	106
Independent Auditors' 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	108
Schedule of Findings and Questioned Costs	110
Corrective Action Plan	112
Summary Schedule of Prior Years' Findings	113
Schedule of Expenditures of Federal and State Awards	114

INTRODUCTORY SECTION



FINANCE DEPARTMENT
POST OFFICE BOX 1065 DUNN, NORTH CAROLINA 28335
(910) 230-3500 FAX (910) 230-3590
www.dunn-nc.org

Mayor
Oscar N. Harris

Mayor Pro Tem
Billy Tart

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

City Manager
Ronald D. Autry

October 28, 2016

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

The Comprehensive Annual Financial Report (CAFR) of the City of Dunn for the fiscal year ending June 30, 2016 has been submitted by the City's Finance Department, and it is the comprehensive publication of the City's financial position at June 30, 2016, and the results of operations for the fiscal year then ended for all funds of the City. The financial statements must be presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. This report is published to fulfill that requirement for the fiscal year ending June 30, 2016, and to provide complete and further accountability to citizens and other interested parties by providing a comprehensive report in lieu of the minimum basic financial statement requirements.

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

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

Description of the City

The City of Dunn, incorporated in 1887, is located in the south central part of the state, which is considered to be a growth area in the state. Dunn offers a small-town atmosphere, coupled with a growing business community which makes the City the largest municipality in Hamett County. The City of Dunn currently occupies a land area of 6 square miles and serves a population of 9,577.

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

The City of Dunn provides a range of services, including police protection, solid waste and recycling services, the construction and maintenance of streets, curbs, gutters, sidewalks, storm water, water and sewer services, and recreational activities. The City of Dunn is financially accountable for a legally separate ABC Board, which is reported separately as a discrete component unit within the City of Dunn's financial statements. Additional information on this legally separate entity can be found in Note 1.A in the notes to the financial statements.

Economic Condition and Outlook

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

Tourism continues to have a major impact on the local economy. Dunn is located on the I-95 corridor. In the immediate area there are 12 hotels which offer over 700 rooms. In fiscal year 2016, hotel receipts were over \$17,000,000 in the Dunn area.

Rooms-to-Go opened a distribution facility inside the City's corporate limits in October 2015. This facility created 220 new jobs and will add in excess of \$50,000,000 to the City's tax base.

close of the City of Dunn's fiscal year. The appropriated budget is prepared by fund, function (e.g., public safety), and department, (e.g., police).

Internal Control: To provide a reasonable basis for making these representations, management of the City of Dunn has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of Dunn's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City of Dunn's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

Other Information:

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

As a recipient of federal and state assistance, the City is responsible for ensuring that adequate internal controls are in place to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is subject to periodic evaluation by management. As a part of the City's single audit, tests are made to determine the adequacy of the internal control structure, including a portion related to federal and state financial assistance programs, as well as to determine the City has complied with applicable laws and regulations. The results of the City's single audit for fiscal year June 30, 2016 provided no instances of material weaknesses in the internal control structure or significant violations of applicable laws and regulations.

Awards: The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Dunn for its comprehensive annual financial report for the fiscal year ending June 30, 2015. This was the 7th consecutive year in which the City has received this recognition. To be awarded the Certificate of Achievement, the government must publish an easily readable and efficiently organized comprehensive annual financial report.

This report must satisfy both generally accepted accounting principles and applicable legal requirements.

The Certificate of Achievement is valid for a period of only one year.

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

Respectfully submitted,



Ronald D. Autry
City Manager



Mark H. Stephens, CPA
Finance Director



Government Finance Officers Association

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

Presented to

**City of Dunn
North Carolina**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2015

A handwritten signature in dark ink, reading "Jeffrey R. Emer". The signature is written in a cursive style with a prominent 'J' and 'E'.

Executive Director/CEO

City Council Members

Oscar N. Harris

Mayor

E. Frank Maness III

District 1

Dr. Gwen McNeill

District 2

Frank McLean

District 3

Billy N. Tart

District 4

Charles Turnage

District 5

Billy Barfield

District 6

Appointed Staff

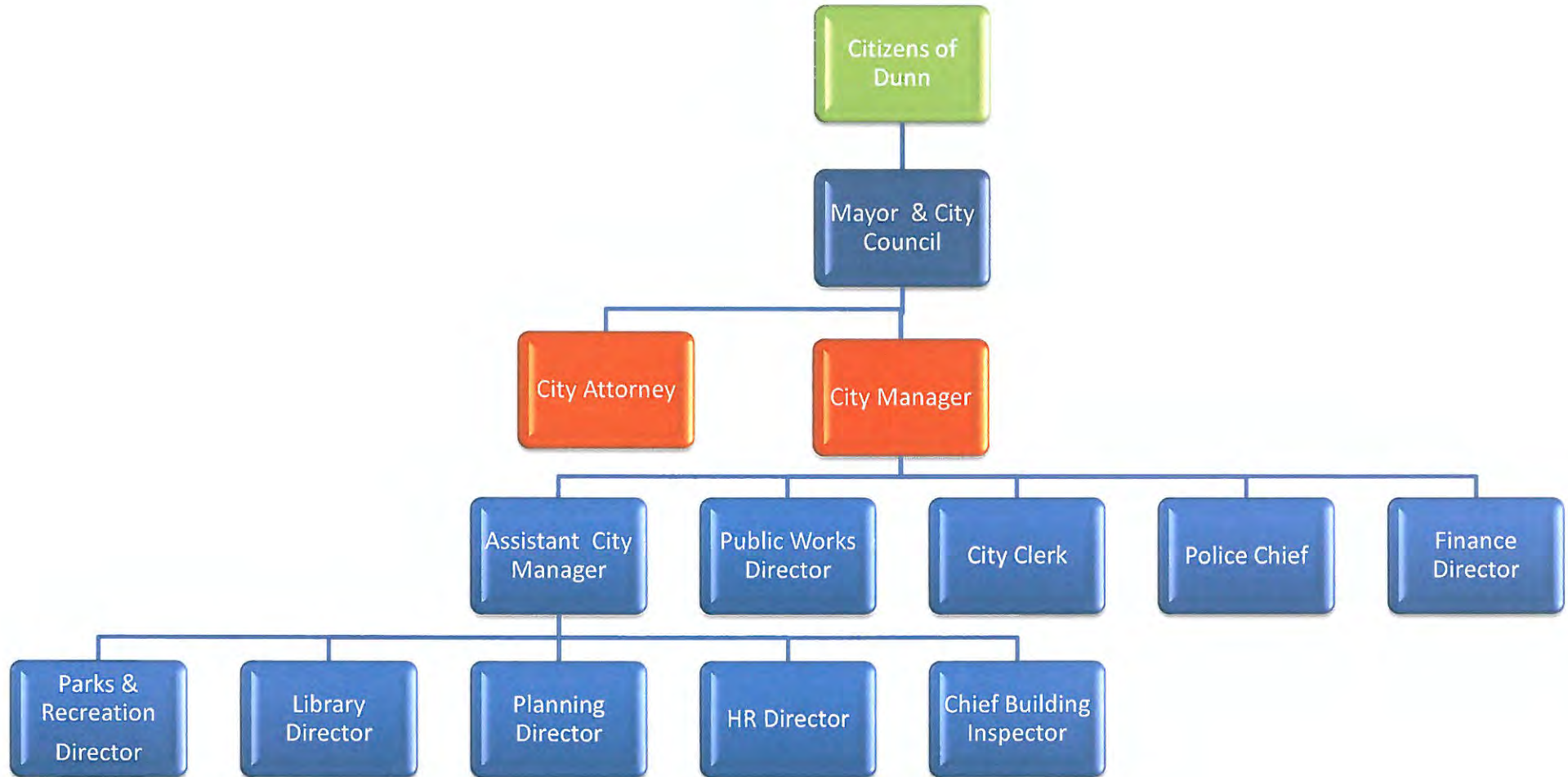
Ronald D. Autry

City Manager

P. Tilghman Pope

City Attorney

City of Dunn Organizational Chart



FINANCIAL SECTION

**PETWAY
MILLS &
PEARSON, PA**

CERTIFIED PUBLIC ACCOUNTANTS

C. Briggs Petway, Jr.
Phyllis M. Pearson

Zebulon Office
P.O. Box 1036
806 N. Arendell Ave.
Zebulon, NC 27597
919.269.7405
919.269.8728 Fax

Raleigh Office
9121 Anson Way
Suite 200
Raleigh, NC 27615
919.781.1047

www.pmpcpa.com

Memberships:

North Carolina
Association of
Certified Public
Accountants

American Institute
of Certified Public
Accountants

Medical Group
Management
Association

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Dunn, North Carolina, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City of Dunn's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the City of Dunn ABC Board which represents 1.57%, 2.50% and 14.60%, respectively, of the assets, net position, and revenues of the City of Dunn. Those statements were audited by another auditor whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the City of Dunn ABC Board, is based solely on the report of another auditor. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether financial statements are free from material misstatement. The financial statements of the City of Dunn ABC Board were not audited in accordance with *Government Auditing Standards*.

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

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

Opinions

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Dunn, North Carolina as of June 30, 2016, and the respective

changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 12 through 21, the Law Enforcement Officers' Special Separation Allowance's and the Other Postemployment Benefits' Schedules of Funding Progress and Schedules of Employer Contributions on pages 59 through 62, and the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Asset and Contributions on pages 63 and 64, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Dunn, North Carolina's basic financial statements. The introductory information, combining and individual fund statements, budgetary schedules, other schedules, statistical section and Schedule of Expenditures of Federal and State Awards, as required by the 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 statements, budgetary schedules, other schedules, and the Schedule of Expenditures of Federal and State Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit and the procedures performed as described above, the combining and individual fund statements, budgetary schedules, other schedules, and the Schedule of Expenditures of Federal and State Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2016 on our consideration of the City of Dunn's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Dunn's internal control over financial reporting and compliance.

Petway Mills & Pearson, PA

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

October 26, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

As management of the City of Dunn, we offer readers of the City of Dunn's financial statements this narrative overview and analysis of the financial activities of the City of Dunn for the fiscal year ended June 30, 2016. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the city's financial statements, which follow this narrative.

Financial Highlights

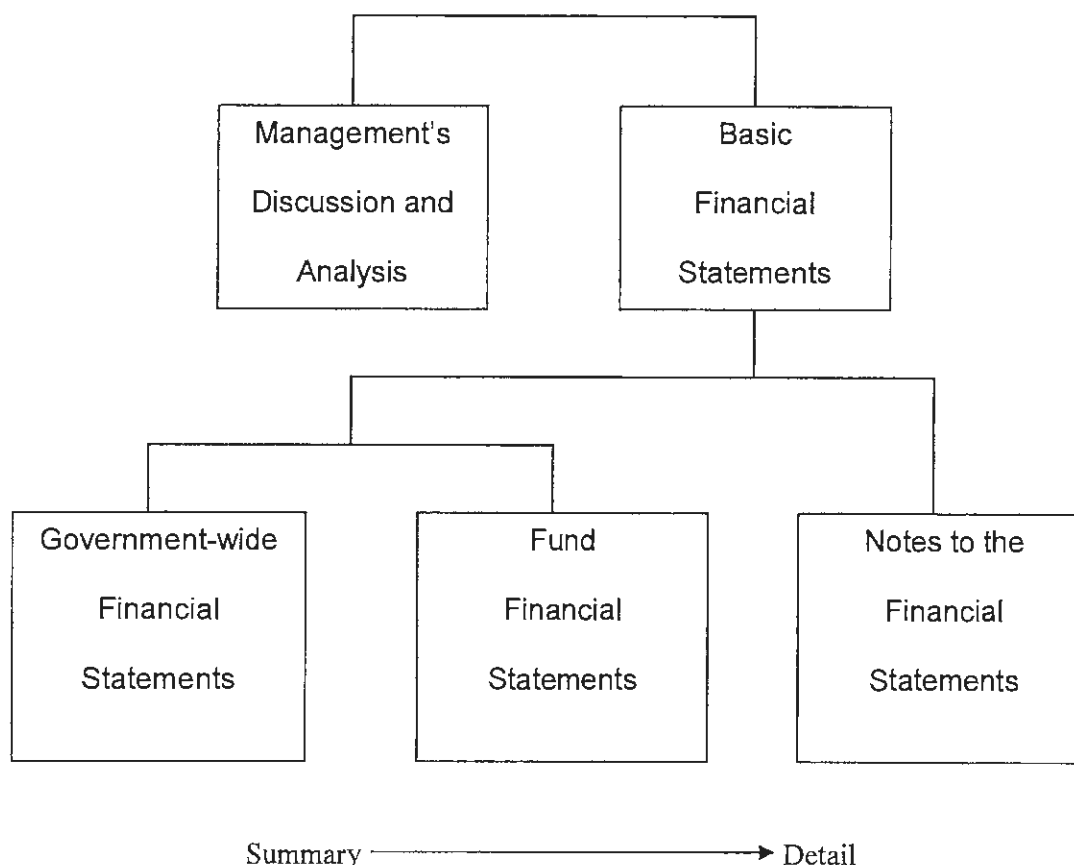
- The assets and deferred outflows of resources of the City of Dunn exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$29,802,586 (net position).
- The government's total net position increased by \$1,658,158 primarily due to a decrease in General Fund expenditures and an increase in property and sales tax.
- As of the close of the current fiscal year, the City of Dunn's governmental funds reported combined ending fund balances of \$3,858,040 an increase of \$218,315 in comparison with the prior year. Approximately 41.46% of this total amount, or \$1,599,672 is non spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$2,071,596 or 23.87 percent of total general fund expenditures for the fiscal year.
- The City of Dunn's total debt decreased by \$1,084,386 (7.18%) during the current fiscal year.
- The City of Dunn currently has an A+ bond rating with Standard and Poors, and a rating of A3 with Moody's Investment Service.

Overview of the Financial Statements

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

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

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

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the

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

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

The fund financial statements (see Figure 2) provide a more detailed look at the City's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Dunn, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the City's budget ordinance. All of the funds of the City of Dunn can be divided into two categories: governmental funds and proprietary funds.

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

Management Discussion and Analysis
City of Dunn, North Carolina

short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the City's programs. The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

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

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

Notes to the Financial Statements -- The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 32 of this report.

Other Information -- In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the City of Dunn's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 59-64 of this report.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets of the City of Dunn exceeded liabilities by \$29,802,586 at the close of the most recent fiscal year.

By far the largest portion (88.22%) reflects the City of Dunn's investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt still outstanding that was issued to acquire those items. The City of Dunn uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities.

An additional portion of the City of Dunn's net position (5.56%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of (6.22%) is unrestricted.

The City of Dunn's Net Position

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 7,362,862	\$ 7,527,286	\$ 5,163,474	\$ 5,623,763	\$ 12,526,336	\$ 13,151,049
Capital assets	13,030,213	11,898,064	25,183,483	25,454,700	38,213,696	37,352,764
Deferred outflows of resources	245,607	262,439	86,202	92,208	331,809	354,647
Total assets and deferred outflows of resources	20,638,682	19,687,789	30,433,159	31,170,671	51,071,841	50,858,460
Long-term liabilities outstanding	9,362,883	9,053,879	6,421,875	6,869,860	15,784,758	15,923,739
Other liabilities	1,171,893	1,101,414	975,653	1,282,984	2,147,546	2,384,398
Deferred inflows of resources	3,286,288	4,068,208	50,663	337,687	3,336,951	4,405,895
Total liabilities and deferred inflows of resources	13,821,064	14,223,501	7,448,191	8,490,531	21,269,255	22,714,032
Net position						
Net investment in capital assets	5,763,263	4,244,430	20,535,569	20,284,577	26,298,832	24,529,007
Restricted	1,567,530	1,424,244	-	-	1,567,530	1,424,244
Unrestricted	(513,175)	(204,386)	2,449,399	2,395,563	1,936,224	2,191,177
Total net position	\$ 6,817,618	\$ 5,464,288	\$ 22,984,968	\$ 22,680,140	\$ 29,802,586	\$ 28,144,428

Management Discussion and Analysis
City of Dunn, North Carolina

City of Dunn Changes in Net Position
Figure 3

	Governmental Activities	Governmental Activities	Business Type Activities	Business Type Activities	Total	Total
	2016	2015	2016	2015	2016	2015
Revenues:						
Program revenues:						
Charges for services	\$ 1,432,258	\$ 1,226,933	\$ 4,859,614	\$ 4,807,268	\$ 6,291,872	\$ 6,034,201
Operating grants and contributions	776,902	800,634	-	-	776,902	800,634
Capital grants and contributions	351,848	523,000	146,153	2,841,252	498,001	3,364,252
General revenues:						
Property taxes	3,990,356	3,844,346	-	-	3,990,356	3,844,346
Other taxes	2,460,359	2,327,549	-	-	2,460,359	2,327,549
Grants and contributions not restricted to specific programs	128,800	110,000	-	-	128,800	110,000
Other	625,987	448,261	156,828	169,581	782,815	617,842
Total revenues	\$ 9,766,510	\$ 9,280,723	\$ 5,162,595	\$ 7,818,101	\$ 14,929,105	\$ 17,098,824
Expenses:						
General government	1,904,648	1,590,905	-	-	1,904,648	1,590,905
Public safety	3,235,533	3,933,301	-	-	3,235,533	3,933,301
Transportation	1,387,659	1,387,484	-	-	1,387,659	1,387,484
Environmental protection	659,849	622,719	-	-	659,849	622,719
Culture and recreation	978,131	1,081,345	-	-	978,131	1,081,345
Interest on long-term debt	247,360	191,693	-	-	247,360	191,693
Water and sewer	-	-	4,857,767	4,686,053	4,857,767	4,686,053
Total expenses	\$ 8,413,180	\$ 8,807,447	\$ 4,857,767	\$ 4,686,053	\$ 13,270,947	\$ 13,493,500
Change in net position before transfers	1,353,330	473,276	304,828	3,132,048	1,658,158	3,605,324
Change in net position	1,353,330	473,276	304,828	3,132,048	1,658,158	3,605,324
Net position, July 1	5,464,288	5,527,360	22,680,140	19,736,538	28,144,428	23,046,453
Change in accounting principle	-	(536,348)	-	(188,446)	-	(724,794)
Net position, beginning, restated	-	4,991,012	-	19,548,092	-	24,539,104
Net position, June 30	\$ 6,817,618	\$ 5,464,288	\$ 22,984,968	\$ 22,680,140	\$ 29,802,586	\$ 2,880,530

Governmental activities: Governmental activities increased the City's net position by \$1,353,330. Key elements of this increase are as follows:

- Increase in property and other taxes
- Decrease in expenditures

Business-type activities: Business-type activities increased the City of Dunn's net position by \$304,828. Key elements of this decrease are as follows:

- Increase in charges for services

Management Discussion and Analysis
City of Dunn, North Carolina

- Grants received for capital improvements

Financial Analysis of the City of Dunn's Funds

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

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

The General Fund is the chief operating fund of the City of Dunn. At the end of the current fiscal year, City of Dunn's fund balance available in the General Fund was \$2,071,596 while total fund balance reached \$3,671,268. The City currently has an available fund balance of 23.87% of General Fund expenditures, while total fund balance represents 42.31%.

At June 30, 2016, the governmental funds of the City of Dunn reported a combined fund balance of \$3,858,040.

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

Proprietary Funds - The City of Dunn's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to \$2,394,969. The Water and Sewer fund experienced a increase in net position of \$250,397. Factors concerning the finances of this fund have already been addressed in the discussion of the City's business-type activities. Unrestricted net position of the Stormwater Fund amounted to \$54,431.

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, 2016, totals \$26,298,832 (net of accumulated depreciation). These assets include buildings, roads and bridges, land, machinery and equipment, park facilities and vehicles.

Management Discussion and Analysis
City of Dunn, North Carolina

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

- Purchase of a new police cars
- Renovations at Tyler Park
- Street and Sidewalk improvements
- Renovations to City Property (Harnett Training School)
- New Sewer line along I-95
- No significant retirements, dispositions, or demolitions were recorded this year

City of Dunn's Capital Assets

Figure 4

(net of depreciation)

	Governmental Activities 2016	Governmental Activities 2015	Business-type Activities 2016	Business-type Activities 2015	Total 2016	Total 2015
Land	\$ 1,624,003	\$ 1,492,963	\$ 181,746	\$ 181,746	\$ 1,805,749	\$ 1,674,709
Buildings and system	1,072,035	1,184,889	24,544,385	21,691,262	25,616,420	22,876,151
Improvements other than buildings	6,515,564	340,879	-	-	6,515,564	340,879
Machinery and equipment	4,266	197,034	343,275	377,858	347,541	574,892
Other	131	54,452	80,398	85,899	80,529	140,351
Vehicles and motorized equipment	700,987	432,634	33,679	24,609	734,666	457,243
Construction in progress	3,113,227	8,195,213	-	3,093,326	3,113,227	11,288,539
Total	\$ 13,030,213	\$ 11,898,064	\$ 25,183,483	\$ 25,454,700	\$ 38,213,696	\$ 37,352,764

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

Long-term Debt - As of June 30, 2016, the City of Dunn had total bonded debt outstanding of \$1,275,000. This amount is backed by the full faith, credit, and taxing power of the City of Dunn. Additionally, the City had \$8,934,425 outstanding for installment purchase debt, \$3,288,835 outstanding on water and sewer revolving loans, and \$60,338 outstanding on capital leases.

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

Figure 5

	Activities		Activities		Total	
	2016	2015	2016	2015	2016	2015
Capital Leases	\$ 9,368	\$ 17,686	\$ 50,970	\$ 69,598	\$ 60,338	\$ 87,284
General obligation bonds	-	-	1,275,000	1,410,000	1,275,000	1,410,000
Installment purchases	7,324,590	7,635,948	1,609,835	2,001,662	8,934,425	9,637,610
Water and Sewer revolving loans	-	-	3,288,835	3,508,091	3,288,835	3,508,091
Total	\$ 7,333,958	\$ 7,653,634	\$ 6,224,640	\$ 6,989,351	\$ 13,558,598	\$ 14,642,985

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 \$50,848,873. The City has no bonds authorized but un-issued at June 30, 2016.

Additional information regarding the City of Dunn's long-term debt can be found on pages 52-55 of this report.

Economic Factors and Next Year's Budgets and Rates

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

- Inflationary trends in the region compare favorably to national indices.
- The long-term economic forecast for the City of Dunn continues to look stable; commercial and industrial entities continue to adjust to national trends.
- 200 new jobs were created with the opening of the Rooms-to-Go distribution facility
- 88 room Fairfield Suite and Inn opened in March of 2016
- Unemployment rate in Harnett County/Dunn at June 30, 2016 was 5.7%

Budget Highlights for the Fiscal Year Ending June 30, 2017

Governmental Activities: The tax rate remained at 50 cent per \$100. Property tax revenues were projected to increase by 2.78%. Sales Tax Distribution were projected to increase by 6.35% due to the new distribution method passed by the NC General Assembly. Fund Balance was not appropriated to balance the budget. Health insurance premiums increased by 12.4%. Police cars and public works equipment were budgeted as capital outlay and funded through loans with USDA-Rural Development.

Management Discussion and Analysis
City of Dunn, North Carolina

Business Activities: No increases were made to Water/Sewer rates. Health insurance increased by 12.4%. Several small capital outlay items were budgeted. A new position was added to the water/sewer distribution department.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

City of Dunn
Statement of Net Position
June 30, 2016

	Primary Government			City of Dunn ABC Board
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 1,050,747	\$ 1,939,218	\$ 2,989,965	\$ 244,209
Restricted cash and investments	674,349	133,386	807,735	-
Investments	1,293,371	-	1,293,371	-
Taxes receivables (net)	100,969	-	100,969	-
Accounts receivable (net)	643,452	700,805	1,344,257	258
Due from other governments	467,832	40,241	508,073	-
Current portion of note receivable	75,332	102,544	177,876	-
Inventories	32,142	66,008	98,150	188,759
Total current assets	4,338,194	2,982,202	7,320,396	433,226
Non-current assets:				
Note receivable	3,024,668	2,181,272	5,205,940	-
Capital assets (Note 4):				
Land, non-depreciable improvements, and construction in progress	4,737,232	181,746	4,918,978	-
Other capital assets, net of depreciation	8,292,981	25,001,737	33,294,718	362,012
Total capital assets	13,030,213	25,183,483	38,213,696	362,012
Total non-current assets	16,054,881	27,364,755	43,419,638	362,012
Total assets	20,393,075	30,346,957	50,740,032	795,238
DEFERRED OUTFLOWS OF RESOURCES				
Contributions to Pension plan in current year	239,475	83,934	323,409	8,452
Pension deferrals	6,132	2,268	8,400	5,282
Total deferred outflows of resources	245,607	86,202	331,809	13,734
LIABILITIES				
Current liabilities:				
Accounts payable	272,523	129,714	402,237	56,125
Accrued interest	190,678	35,998	226,674	-
Customer deposits	-	133,386	133,386	-
Due within one year	679,434	676,557	1,355,991	-
Payable from restricted assets	29,258	-	29,258	-
Total current liabilities	1,171,893	975,653	2,147,546	56,125
Long-term liabilities:				
Net pension liability - LGERS	270,764	107,838	378,602	5,161
Net pension obligation - LEO	209,517	-	209,517	-
Due in more than one year	8,882,602	6,314,037	15,196,639	-
Total liabilities	10,534,776	7,397,528	17,932,304	61,286
DEFERRED INFLOWS OF RESOURCES				
Prepaid Taxes	314	-	314	-
Note Receivable	3,100,000	-	3,100,000	-
Pension deferrals	185,974	50,663	236,637	2,683
Total deferred inflows of resources	3,286,288	50,663	3,336,951	2,683
NET POSITION				
Net investment in capital assets	5,763,263	20,535,569	26,298,832	362,012
Restricted for:				
Public safety	171,268	-	171,268	-
Transportation	220,043	-	220,043	-
Stabilization by State Statute	1,109,526	-	1,109,526	-
USDA Loan Reserves	67,008	-	67,008	-
Working Capital	-	-	-	64,618
Unrestricted	(513,490)	2,449,399	1,935,909	318,373
Total net position	\$ 6,817,618	\$ 22,984,968	\$ 29,802,586	\$ 745,003

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

City of Dunn
Statement of Activities
For the Year Ended June 30, 2016

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	City of Dunn ABC Board
Primary government:								
Governmental Activities:								
General government	\$ 1,904,648	\$ 399,857	\$ -	\$ -	\$ (1,504,791)	\$ -	\$ (1,504,791)	\$ -
Public safety	3,235,533	188,947	305,478	25,000	(2,716,108)	-	(2,716,108)	-
Transportation	1,387,659	34,659	302,431	131,107	(919,462)	-	(919,462)	-
Environmental protection	659,849	721,184	144,003	-	205,338	-	205,338	-
Culture and recreation	720,860	87,611	24,990	195,741	(412,518)	-	(412,518)	-
Library	257,271	-	-	-	(257,271)	-	(257,271)	-
Interest on long-term debt	247,360	-	-	-	(247,360)	-	(247,360)	-
Total governmental activities	8,413,180	1,432,258	776,902	351,848	(5,852,172)	-	(5,852,172)	-
Business-type activities:								
Water and sewer	4,830,250	4,777,666	-	146,153	-	93,569	93,569	-
Stormwater Fund	27,517	81,948	-	-	-	54,431	54,431	-
Total business-type activities	4,857,767	4,859,614	-	146,153	-	148,000	148,000	-
Total primary government	\$ 13,270,947	\$ 6,291,872	\$ 776,902	\$ 498,001	(5,852,172)	148,000	(5,704,172)	-
Component unit:								
ABC Board	\$ 2,163,823	\$ 2,173,848	\$ -	\$ -	-	-	-	10,025
Total component unit	\$ 2,163,823	\$ 2,173,848	\$ -	\$ -	-	-	-	10,025
General revenues:								
Taxes:								
Property taxes, levied for general purpose					3,990,356	-	3,990,356	-
Other taxes and licenses					36,190	-	36,190	-
Local option sales taxes					1,603,327	-	1,603,327	-
Utility franchise tax					774,043	-	774,043	-
Beer and wine tax					42,129	-	42,129	-
Solid waste disposal tax					4,670	-	4,670	-
Grants and contributions not restricted to specific programs					128,800	-	128,800	6,000
Unrestricted investment earnings					29,593	94,153	123,746	128
Special items - donated asset					131,040	-	131,040	-
Special items - sale of assets					25,404	-	25,404	-
Miscellaneous					439,950	62,675	502,625	-
Total general revenues and transfers					7,205,502	156,828	7,362,330	6,128
Change in net position					1,353,330	304,828	1,658,158	16,153
Net position, beginning					5,464,288	22,680,140	28,144,428	728,850
Net position, ending					\$ 6,817,618	\$ 22,984,968	\$ 29,802,586	\$ 745,003

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

City of Dunn
Balance Sheets
Governmental Funds
June 30, 2016

	Major Fund		Total Governmental Funds
	General	Total Non-major Funds	
ASSETS			
Cash and cash equivalents	\$ 1,050,747	\$ -	\$ 1,050,747
Restricted cash and investments	458,319	216,030	674,349
Investments	1,293,371	-	1,293,371
Receivables, net:			
Taxes	100,969	-	100,969
Accounts	641,694	-	641,694
Due from other governments	467,832	-	467,832
Prepaid Items	-	-	-
Inventories	32,142	-	32,142
Note Receivable	3,100,000	-	3,100,000
Total assets	7,145,074	216,030	7,361,104
LIABILITIES			
Liabilities:			
Accounts payable and accrued liabilities	272,523	-	272,523
Liabilities payable from restricted assets:			
Accounts payable	-	29,258	29,258
Total liabilities	272,523	29,258	301,781
DEFERRED INFLOWS OF RESOURCES			
Property taxes receivable	100,969	-	100,969
Prepaid Taxes	314	-	314
Note Receivable	3,100,000	-	3,100,000
Total deferred inflows of resources	3,201,283	-	3,201,283
FUND BALANCES			
Non Spendable			
Inventories	32,142	-	32,142
Restricted			
Stabilization by State Statute	1,109,526	-	1,109,526
Transportation	220,043	-	220,043
Public Safety	171,268	-	171,268
USDA Loan Reserves	67,008	-	67,008
Assigned			
Culture and recreation	-	186,772	186,772
Unassigned	2,071,281	-	2,071,281
Total fund balances	3,671,268	186,772	3,858,040
Total liabilities, deferred inflows of resources and fund balances	\$ 7,145,074	\$ 216,030	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	13,030,213
Other long-term (accrued interest receivable from taxes) are not available to pay for current-period expenditures and therefore are inflows resources in the funds.	1,758
Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the statement of net position	239,475
Liabilities for earned revenues considered deferred inflows of resources in fund statements.	100,969
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds	(9,752,714)
Net pension liability - LGERS	(270,764)
Net pension obligation - LEO	(209,517)
Pension related deferrals	(179,842)
Net position of governmental activities	<u>\$ 6,817,618</u>

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

City of Dunn
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2016

	Major Funds		
	General Fund	Total Non-Major Funds	Total Governmental Funds
REVENUES			
Ad valorem taxes	\$ 4,012,290	\$ -	\$ 4,012,290
Other taxes and licenses	36,190	-	36,190
Unrestricted intergovernmental	2,539,169	-	2,539,169
Restricted intergovernmental	947,498	146,107	1,093,605
Permits and fees	206,985	-	206,985
Sales and services	1,002,666	-	1,002,666
Investment earnings	29,593	-	29,593
Other	631,504	80,000	711,504
Total revenues	9,405,895	226,107	9,632,002
EXPENDITURES			
Current:			
General government	1,707,135	-	1,707,135
Public safety	3,000,794	-	3,000,794
Transportation	1,308,013	-	1,308,013
Environmental protection	647,025	-	647,025
Culture and recreation	612,267	-	612,267
Library	247,091	-	247,091
Debt service:			
Principal	615,919	-	615,919
Interest and other charges	212,112	-	212,112
Capital outlay	327,658	1,060,902	1,388,560
Total expenditures	8,678,014	1,060,902	9,738,916
Excess (deficiency) of revenues over expenditures	727,881	(834,795)	(106,914)
OTHER FINANCING SOURCES (USES)			
Transfers from other funds	-	777,857	777,857
Transfers to other funds	(777,857)	-	(777,857)
Sales of capital assets	25,404	-	25,404
Installment purchase obligations issued	120,000	176,242	296,242
Total other financing sources (uses)	(632,453)	954,099	321,646
Net change in fund balance	95,428	119,304	214,732
Fund balances, beginning	3,572,257	67,468	3,639,725
Change in reserve for inventories	3,583	-	3,583
Fund balances, ending	\$ 3,671,268	\$ 186,772	\$ 3,858,040

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

City of Dunn
Reconciliation of the
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2016

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

Net changes in fund balances - total governmental funds	\$ 214,732
Change in fund balance due to change in reserve for inventory	3,583
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	1,388,560
Depreciation expense for governmental assets	<u>(387,453)</u>
	1,001,107
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	239,475
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds	
Donated assets	131,040
Change in unavailable revenue for tax revenues	(21,934)
Change in accrued interest receivable	(3,547)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	
New long-term debt issued	(296,243)
Principal payment on long-term debt	615,919
Increase in accrued interest payable	<u>(35,248)</u>
	284,428
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	57,844
Pension Expense	(146,135)
Net pension obligation	(48,982)
Other postemployment benefits	(358,281)
Total changes in net position of governmental activities	<u>\$ 1,353,330</u>

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

City of Dunn
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2016

General Fund				
	Original	Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:				
Ad valorem taxes	\$ 3,970,500	\$ 3,998,500	\$ 4,012,290	\$ 13,790
Other taxes and licenses	40,000	40,000	36,190	(3,810)
Unrestricted intergovernmental	2,322,500	2,466,800	2,539,169	72,369
Restricted intergovernmental	582,800	802,300	947,498	145,198
Permits and fees	173,200	173,200	206,985	33,785
Sales and services	1,043,000	1,004,000	1,002,666	(1,334)
Investment earnings	6,000	6,000	29,593	23,593
Other	522,500	544,305	631,504	87,199
Total revenues	8,660,500	9,035,105	9,405,895	370,790
Expenditures:				
Current:				
General government	1,913,000	1,884,000	1,707,135	176,865
Public safety	2,820,595	3,026,900	3,000,794	26,106
Transportation	1,339,200	1,389,200	1,308,013	81,187
Environmental protection	658,350	658,350	647,025	11,325
Culture and recreation	670,750	670,750	612,267	58,483
Library	273,350	273,350	247,091	26,259
Debt service:				
Principal retirement	546,970	624,270	615,919	8,351
Interest and other charges	239,780	241,780	212,112	29,668
Capital Outlay	356,005	356,005	327,658	28,347
Total expenditures	8,818,000	9,124,605	8,678,014	446,591
Revenues over (under) expenditures	(157,500)	(89,500)	727,881	817,381
Other financing sources (uses):				
Sale of fixed assets	-	-	25,404	25,404
Installment purchase obligations issued	125,000	125,000	120,000	(5,000)
Transfers to other funds	-	(786,893)	(777,857)	9,036
Appropriated Fund Balance	32,500	751,393	-	(751,393)
Total other financing sources (uses)	157,500	89,500	(632,453)	(721,953)
Revenues and other sources over (under) expenditures and other uses	\$ -	\$ -	95,428	\$ 95,428
Fund balances, beginning			3,572,257	
Change in reserve for inventories			3,583	
Fund balances, ending			\$ 3,671,268	

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

City of Dunn
Statement of Net Position
Proprietary Funds
June 30, 2016

	Major Fund Water and Sewer Fund	Non-Major Stormwater Fund	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,877,611	\$ 61,607	\$ 1,939,218
Restricted cash	133,386	-	133,386
Accounts receivable (net) - billed	498,115	7,224	505,339
Accounts receivable - other	195,466	-	195,466
Due from other governments	40,241	-	40,241
Current portion of note receivable	102,544	-	102,544
Inventories	66,008	-	66,008
Total current assets	2,913,371	68,831	2,982,202
Noncurrent assets:			
Note receivable	2,181,272	-	2,181,272
Capital assets:			
Land and other non-depreciable assets	181,746	-	181,746
Other capital assets, net of depreciation	25,001,737	-	25,001,737
Capital assets (net)	25,183,483	-	25,183,483
Total noncurrent assets	27,364,755	-	27,364,755
Total assets	30,278,126	68,831	30,346,957
DEFERRED OUTFLOWS OF RESOURCES			
Contributions to pension plan in current fiscal year	83,934	-	83,934
Pension deferrals	2,268	-	2,268
Total deferred outflows of resources	86,202	-	86,202
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	115,314	14,400	129,714
Accrued interest payable	35,996	-	35,996
Customer deposits	133,386	-	133,386
Compensated absences - current	38,618	-	38,618
General obligation bonds payable - current	135,000	-	135,000
Note payable - current	502,939	-	502,939
Total current liabilities	961,253	14,400	975,653
Noncurrent liabilities:			
Other noncurrent liabilities:			
Compensated absences	40,194	-	40,194
Other postemployment benefits	687,142	-	687,142
Net Pension Liability	107,838	-	107,838
General obligation bonds payable - noncurrent (net)	1,140,000	-	1,140,000
Note payable - noncurrent	4,446,701	-	4,446,701
Total noncurrent liabilities	6,421,875	-	6,421,875
Total liabilities	7,383,128	14,400	7,397,528
DEFERRED INFLOWS OF RESOURCES			
Pension deferrals	50,663	-	50,663
Total deferred inflows of resources	50,663	-	50,663
NET POSITION			
Net investment in capital assets	20,535,569	-	20,535,569
Restricted for Capital Projects	-	-	-
Unrestricted	2,394,968	54,431	2,449,399
Total net position	\$ 22,930,537	\$ 54,431	\$ 22,984,968

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

City of Dunn
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2016

	Major Fund Water and Sewer Fund	Non-Major Stormwater Fund	Total
OPERATING REVENUES			
Charges for services	\$ 4,601,030	\$ 81,948	\$ 4,682,978
Water and sewer taps	5,400	-	5,400
Other operating revenues	171,236	-	171,236
Total operating revenues	<u>4,777,666</u>	<u>81,948</u>	<u>4,859,614</u>
OPERATING EXPENSES			
Water and sewer administration	876,481	-	876,481
Water and sewer operations	1,025,910	-	1,025,910
Water supply, pump and filtering	1,047,871	-	1,047,871
Sewage treatment plant operations	977,308	-	977,308
Stormwater expenditures	-	27,517	27,517
Depreciation and amortization	738,845	-	738,845
Total operating expenses	<u>4,666,415</u>	<u>27,517</u>	<u>4,693,932</u>
Operating income (loss)	<u>111,251</u>	<u>54,431</u>	<u>165,682</u>
NONOPERATING REVENUES (EXPENSES)			
Investment earnings	94,153	-	94,153
Tower site rental	62,675	-	62,675
Interest and other charges	(163,835)	-	(163,835)
Total nonoperating revenue (expenses)	<u>(7,007)</u>	<u>-</u>	<u>(7,007)</u>
Income before contributions and transfers	<u>104,244</u>	<u>54,431</u>	<u>158,675</u>
Capital Contributions	146,153	-	146,153
Total income after contributions and transfers	<u>250,397</u>	<u>54,431</u>	<u>304,828</u>
Change in net position	<u>250,397</u>	<u>54,431</u>	<u>304,828</u>
Total net position, beginning	<u>22,680,140</u>	<u>-</u>	<u>22,680,140</u>
Total net position, ending	<u>\$ 22,930,537</u>	<u>\$ 54,431</u>	<u>\$ 22,984,968</u>

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

City of Dunn
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2016

	Major Fund Water and Sewer Fund	Non-Major Stormwater Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 4,828,975	\$ 74,724	\$ 4,903,699
Cash paid for goods and services	(1,620,728)	(13,117)	(1,633,845)
Cash paid to or on behalf of employees for services	(2,221,324)	-	(2,221,324)
Net customer deposits	752	-	752
Other operating revenues	(38,799)	-	(38,799)
Net cash provided (used) by operating activities	948,876	\$ 61,607	\$ 1,010,483
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Decrease in due from other funds	127,593	-	127,593
Total cash flows used by noncapital financing activities	127,593	-	127,593
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	(672,290)	-	(672,290)
Capital Contributions	954,924	-	954,924
Principal payments from note receivable	98,530	-	98,530
Interest payments from note receivable	93,470	-	93,470
Principal paid on bond maturities and equipment contracts	(764,711)	-	(764,711)
Interest paid on bond maturities and equipment contracts	(200,506)	-	(200,506)
Net cash provided (used) by capital and related financing activities	(490,583)	-	(490,583)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and dividends	683	-	683
Tower site rental	62,675	-	62,675
Net cash provided by investing activities	63,358	-	63,358
 Net increase in cash and cash equivalents	 649,244	 61,607	 710,851
Balances, beginning	1,361,753	-	1,361,753
Balances, ending	\$ 2,010,997	\$ 61,607	\$ 2,072,604

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

Exhibit 9

City of Dunn
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2016

	Major Fund Water and Sewer Fund	Non-Major Stormwater Fund	Total
Reconciliation of operating income to net cash provided by operating activities			
Operating income	\$ 111,251	\$ 54,431	\$ 165,682
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	738,845	-	738,845
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	12,382	(7,224)	5,158
(Increase) decrease in accounts receivable - other	(38,799)	-	(38,799)
(Increase) decrease in due from other governments	38,929	-	38,929
(Increase) decrease in inventory	(8,790)	-	(8,790)
Decrease in net pension asset	139,749	-	139,749
Decrease in deferred outflows of resources - pensions	6,006	-	6,006
Increase in net pension liability	107,838	-	107,838
Decrease in deferred inflows of resources - pensions	(287,024)	-	(287,024)
Increase (decrease) in accounts payable and accrued liabilities	(17,118)	14,400	(2,718)
Increase (decrease) in customer deposits	752	-	752
Increase (decrease) in accrued vacation pay	(8,571)	-	(8,571)
Increase (decrease) in accrued other postemployment benefits	153,426	-	153,426
Total adjustments	837,625	7,176	844,801
Net cash provided by operating activities	\$ 948,876	\$ 61,607	\$ 1,010,483

Noncash investing, capital, and financing activities:

None.

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

City of Dunn, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2016

The City of Dunn, North Carolina (the City) is located in the eastern part of the state and has a 2014 population of approximately 9,577. The City is governed by an elected mayor and a six-member council. The City's major operations include police protection, sanitary services, parks and recreation, water and sewer systems, and general administration services.

I. Summary of Significant Accounting Policies

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

A. Reporting Entity

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

City of Dunn ABC Board

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

B. Basis of Presentation

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

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

Fund Financial Statements: The fund financial statements provide information about the City's funds. Separate statements for each fund category – *governmental and proprietary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

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

City of Dunn, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2016

The City reports the following major governmental funds:

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

The City reports the following non-major governmental funds:

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

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

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

The City reports the following major enterprise fund:

Water and Sewer Fund. This fund is used to account for the City's water and sewer operations.

The City reports the following non major enterprise fund:

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

City of Dunn, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2016

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

D. Budgetary Data

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

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

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

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

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

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

1. Deposits and Investments

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

State law [G.S. 159-30(c)] authorizes the City and the ABC Board to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT). The City's and the ABC Board's investments are reported at fair value. Non-participating interest earning contracts are accounted for at cost. The NCCMT- Cash Portfolio, a SEC-registered (2a-7) external investment pool, is measured at amortized cost, which is the NCCMT's share price. The NCCMT- Term Portfolio's securities are valued at fair value.

City of Dunn, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2016

2. Cash and Cash Equivalents

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

3. Restricted Assets

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

City of Dunn Restricted Cash

Governmental Activities

General Fund

Streets - Powell Bill	\$ 220,043
Public Safety - Drug Forfeiture	171,268
USDA reserve	67,008
Culture and recreation - Harnett Training School	216,030
Total Governmental Activities	<u>674,349</u>

Business-type Activities

Water and Sewer Fund

Customer Deposits	133,386
Total Business-type Activities	<u>133,386</u>

Total Restricted Cash	<u><u>\$ 807,735</u></u>
------------------------------	--------------------------

4. Ad Valorem Taxes Receivable

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

5. Allowances for Doubtful Accounts

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

6. Inventory and Prepaid Items

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

City of Dunn, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2016

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

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

7. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are \$5,000 for all types of assets. Donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

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

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

Asset Class	Estimated Useful Lives
Buildings	10 - 40
Furniture and equipment	3 - 10
Leasehold Improvements	15 - 40

8. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The City has two items that meet this criterion, contributions made to the pension plan in the 2016 fiscal year and pension deferrals. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The City has four items that meet the criterion for this category- prepaid taxes, property taxes receivable and deferrals of pension expense that result from the implementation of GASB Statement 68.

City of Dunn, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2016

9. Long-Term Obligations

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

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

10. Compensated Absences

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

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

11. Net Position/Fund Balances

Net Position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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

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

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

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

City of Dunn, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2016

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

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

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

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

Cultural and Recreation – portion of fund balance that has been budgeted by the board for renovations to the Harnett Training School

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

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

12. Pensions

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

II. Stewardship, Compliance, and Accountability

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

1. Noncompliance with North Carolina General Statutes

None.

B. Deficit Fund Balance or Net Position of Individual Funds

None.

C. Excess of Expenditures over Appropriations

None.

III. Detail Notes on All Funds

A. Assets

1. Deposits

All the deposits of the City and the ABC Board are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the City's or the ABC Board's agents in these units' names.

City of Dunn, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2016

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

At June 30, 2016, the City's deposits had a carrying amount of \$3,796,630 and a bank balance of \$4,004,535. Of the bank balance, \$500,000 was covered by federal depository insurance and the remainder of \$3,504,535 was covered by collateral held under the Pooling Method. The carrying amount of deposits for the ABC Board was \$241,959 and the bank balance was \$323,891. At June 30, 2016, the bank balances exceeded federal depository insurance coverage. The remaining bank balance of \$73,891 was covered by collateral held under the Pooling Method. At June 30, 2016, the City's petty cash fund totaled \$1,070.

2. Investments

At June 30, 2016, the City's investment balances were as follows:

Investments by Type	Valuation Measurement Method	Book Value at 6/30/2016	Maturity	Rating
NC Capital Management Trust-Cash Portfolio	Amortized Cost	\$266,676	N/A	AAAm
NC Capital Management Trust-Term Portfolio	Fair Value Level 1	\$737,439	N/A	Unrated
First Citizens Bank Investment Note	Fair Value Level 1	\$289,256	N/A	N/A
Total:		\$1,293,371		

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 1 of fair value hierarchy: Level 1: Debt securities valued using directly observable, quoted prices (unadjusted) in active markets for identical assets.

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

3. Receivables

a. Notes Receivable

General Fund

The City has financed the renovation of Harnett Training School. Harnett Training School, LLC will repay the city annually over a 20 year period. The original amount of the notes receivable was \$3,100,000, and repayment to the City is dependent on the profitability performance measures of Harnett Training School. No cash was received from activities related to this transaction during fiscal year 2016.

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

Amount to be collected within more than one year \$3,024,668

City of Dunn, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2016

Water and Sewer Fund

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

Note Receivable-monthly payments are \$16,000, including interest at 4.00%, thru August 2032	<u>\$2,283,816</u>
Amount to be collected within more than one year	<u>\$2,181,272</u>

b. Allowances for Doubtful Accounts

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

<u>Fund</u>	<u>June 30, 2016</u>
General Fund	
Taxes Receivable	\$54,192
Sanitation Charges	4,299

c. Accounts Receivable

Accounts receivable consists of:

General Fund	
Trade	\$ 364,760
Special Assessments	<u>278,692</u>
	<u>\$ 643,452</u>
Water and Sewer Fund	
Trade	\$ 523,640
Miscellaneous Billings	15,257
Interest	33,908
Dunn Development Corporation	142,771
Special Assessments	3,530
Allowance for Doubtful Accounts	<u>(25,525)</u>
	<u>\$ 693,581</u>
Stormwater Fund	
Trade	<u>\$ 7,224</u>

City of Dunn, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2016

4. Capital Assets

Primary Government

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated				
Land	\$ 1,492,963	\$ 131,040	\$ -	\$ 1,624,003
Construction in Progress	8,195,213	1,060,902	6,142,888	3,113,227
Total capital assets not being depreciated	9,688,176	1,191,942	6,142,888	4,737,230
Capital assets being depreciated				
Buildings	3,204,248	-	-	3,204,248
Other improvements	990,683	6,205,319	-	7,196,002
Equipment	1,893,288	17,053	111,818	1,798,523
Vehicles and motorized equipment	1,909,247	248,174	116,094	2,041,327
Other	468,585	-	-	468,585
Total capital assets being depreciated	8,466,051	6,470,546	227,912	14,708,685
Less accumulated depreciation for				
Buildings	2,019,358	112,855	-	2,132,213
Other improvements	649,803	30,635	-	680,438
Equipment	1,837,159	60,947	103,849	1,794,257
Vehicles and motorized equipment	1,280,285	176,149	116,094	1,340,340
Other	469,556	6,867	7,969	468,454
Accumulated depreciation	6,256,161	\$ 387,453	\$ 227,912	6,415,702
Total capital assets, depreciated, net	2,209,890			8,292,983
Governmental activity capital assets, net	<u>\$ 11,898,066</u>			<u>\$ 13,030,213</u>

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

General government	\$ 38,529
Public safety	164,261
Transportation	64,707
Environmental protection	10,042
Cultural and recreational	102,833
Library	7,081
	<u>\$ 387,453</u>

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
Capital assets not being depreciated				
Land	\$ 181,746	\$ -	\$ -	\$ 181,746
Construction in progress	3,093,326	407,989	3,501,315	-
Total capital assets not being depreciated	3,275,072	407,989	3,501,315	181,746
Capital assets being depreciated				
Buildings	822,885	-	-	822,885
Equipment	942,342	38,966	-	981,308
Plant distribution systems	39,879,657	3,501,315	-	43,380,972
Vehicles	410,351	20,673	-	431,024
Other Assets	196,357	-	-	196,357
Total capital assets being depreciated	42,251,592	3,560,954	-	45,812,546
Less accumulated depreciation for:				
Buildings	646,897	18,036	-	664,933
Equipment	564,484	73,549	-	638,033
Plant distribution systems	18,364,383	630,156	-	18,994,539
Vehicles	385,742	11,603	-	397,345
Other Assets	110,458	5,501	-	115,959
Accumulated Depreciation	20,071,964	\$ 738,845	\$ -	20,810,809
Capital assets, depreciated, net	22,179,628			25,001,737
Business-type activities capital asset	<u>\$ 25,454,700</u>			<u>\$ 25,183,483</u>

City of Dunn, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2016

Discretely presented component unit

Activity for the ABC Board for the year ended June 30, 2016 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land	\$ 191,572	\$ -	\$ -	\$ 191,572
Capital assets being depreciated:				
Buildings	345,852	22,485	-	368,337
Furniture and equipment	159,539	6,473	-	166,012
Land improvements	13,344	-	-	13,344
Total capital assets being depreciated	518,735	28,958	-	547,693
Less accumulated depreciation for:				
Buildings	214,525	8,687	-	223,212
Furniture and equipment	138,051	5,926	-	143,977
Land improvements	9,240	824	-	10,064
Total accumulated depreciation	361,816	\$ 15,437	\$ -	377,253
Total capital assets being depreciated, net	156,919			170,440
ABC capital assets, net	<u>\$ 348,491</u>			<u>\$ 362,012</u>

B. Liabilities

1. Pension Plan Obligations

a. Local Governmental Employees' Retirement System

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

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

City of Dunn, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2016

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, 2016, was 7.15% of compensation for law enforcement officers and 6.77% for general employees 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 \$323,409 for the year ended June 30, 2016.

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, 2016, the City reported a liability of \$378,602 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2014. The total pension liability was then rolled forward to the measurement date of June 30, 2015 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, 2015, the City's proportion was 0.084%, which was a decrease of 0.007% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the City recognized pension expense of \$165,231. At June 30, 2016, 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	\$ -	\$ 88,993
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	107,787
Changes in proportion and differences between City contributions and proportionate share of contributions	8,400	39,857
City contributions subsequent to the measurement date	323,409	-
Total	<u>\$ 331,809</u>	<u>\$ 236,637</u>

\$323,409 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year

City of Dunn, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2016

ended June 30, 2017. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2017	\$ (133,215)
2018	(133,215)
2019	(133,107)
2020	171,300
	<u>\$ (228,237)</u>

Actuarial Assumptions. The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	4.25 to 8.55 percent, including inflation and productivity factor
Investment rate of return	7.25 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2014 valuation were based on the results of an actuarial experience study for the period January 1, 2005 through December 31, 2009.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2015 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%	2.2%
Global Equity	42.0%	5.8%
Real Estate	8.0%	5.2%
Alternatives	8.0%	9.8%
Credit	7.0%	6.8%
Inflation Protection	6.0%	3.4%
Total	<u>100%</u>	

The information above is based on 30 year expectations developed with the consulting actuary for the 2014 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.

City of Dunn, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2016

The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

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

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

	1% Decrease (6.25%)	Discount Rate (7.25%)	1% Increase (8.25%)
City's proportionate share of the net pension liability (asset)	\$ 2,640,052	\$ 378,602	\$ (1,526,617)

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

b. Law Enforcement Officers Special Separation Allowance

1. Plan Description.

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

All full time law enforcement officers of the City are covered by the Separation Allowance. At December 31, 2015, the Separation Allowance's membership consisted of:

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

A separate report was not issued for the plan.

2. Summary of Significant Accounting Policies:

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

City of Dunn, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2016

The Separation Allowance has no assets accumulated in a trust that meets the following criteria which are outlined in GASB Statements 67 and 68:

- contributions to the pension plan and earnings on those contributions are irrevocable
- pension plan assets are dedicated to providing benefits to plan members
- pension plan assets are legally protected from the creditors or employers, nonemployer contributing entities, the plan administrator, and plan members.

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

3. Contributions.

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

The annual required contribution for the current year was determined as part of the December 31, 2015 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 5.00% investment rate of return (net of administrative expenses) and (b) projected salary increases of 4.25% to 7.85% per year. Both (a) and (b) included an inflation component of 3.00%. The assumptions did not include postretirement benefit increases. The actuarial value of assets was market value. The unfunded actuarial accrued liability is being amortized as a level dollar on a closed basis. The remaining amortization period at December 31, 2014 was 16 years.

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

Annual required contribution	\$ 89,822
Interest on net pension obligation	8,027
Adjustment to annual required contribution	<u>(14,107)</u>
Annual pension cost	83,742
Contributions made	<u>34,760</u>
Increase (decrease) in net pension obligation	48,982
Net pension obligation beginning of year	<u>160,535</u>
Net pension obligation end of year	<u><u>\$ 209,517</u></u>

3 Year Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2014	\$ 69,331	90.93%	\$ 113,971
6/30/2015	81,324	42.74%	160,535
6/30/2016	83,742	41.51%	209,517

4. Funded Status.

As of December 31, 2015, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and the unfunded actuarial accrued liability (UAAL) was \$1,018,865. The covered payroll (annual payroll of active employees covered by the plan) was \$1,789,543 and the ratio of the UAAL to the covered payroll was 56.93%.

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

City of Dunn, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2016

c. Supplemental Retirement Income Plan for Law Enforcement Officers

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

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

Funding Policy. Article 12E of G.S. Chapter 143 requires the City to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2016 were \$105,791, which consisted of \$80,668 from the City and \$25,123 from the law enforcement officers. The City has also elected to contribute each month an amount equal to two percent of each eligible employee's salary for each non-law enforcement employee. Contributions for the year ended June 30, 2016 were \$94,574, which consisted of \$61,426 from the City and \$33,148 from the non-law enforcement employees. The ABC Board also contributes each month an amount equal to two percent of each participant's salary, and all amounts are vested immediately. Contributions for the years ended June 30, 2016 and 2015 were \$16,918 and \$14,744, respectively, which consisted of \$2,515 and \$2,341 from the City of Dunn Board of Alcoholic Control and \$14,403, and \$12,403 from the participants.

d. Other Postemployment Benefits

Healthcare Benefits

Plan Description. According to a City resolution, the City provides post-employment health care benefits to retirees of the City, provided they participate in the North Carolina Local Governmental Employees' Retirement System (System) and have at least twenty-five years of creditable service with the City. The City pays the full cost of coverage for these benefits. Retirees with at least fifteen years of service may remain on the City's plan and are eligible for premium supplements established by the City Council. Also, the City's retirees can purchase coverage for their dependents at the City's group rates. The City obtains health care coverage through private insurers. The City Council may amend the benefit provisions. A separate report was not issued for the plan.

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

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

Membership of the Plan consisted of the following at December 31, 2015, the date of the latest actuarial valuation:

City of Dunn, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2016

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

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

The current Annual Required Contribution (ARC) rate is 14.45% of annual covered payroll. The City obtains healthcare coverage through private insurers. The City's contributions totaled \$140,718 in fiscal year 2016. There were no contributions made by employees. The City's obligation to contribute to Plan is established and may be amended by the City Council.

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

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

Annual required contribution	\$ 648,584
Interest on net OPEB obligation	85,938
Adjustment to annual required contribution	<u>(82,097)</u>
Annual OPEB cost (expense)	652,425
Contributions made	<u>(140,718)</u>
Increase (decrease) in net OPEB obligation	511,707
Net OPEB obligation, beginning of year	<u>2,148,441</u>
Net OPEB obligation, end of year	<u>\$ 2,660,148</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2016 were as follows:

For Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2014	\$ 486,878	21.5%	\$ 1,738,683
2015	524,241	21.8%	2,148,441
2016	652,425	21.6%	2,660,148

Funded Status and Funding Progress. As of December 31, 2015, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and, thus, the unfunded actuarial accrued liability (UAAL) was \$7,622,436. The covered payroll (annual payroll of active employees covered by the plan) was \$4,273,902 and the ratio of the UAAL to the covered payroll was 178.3% percent. Actuarial valuations of

City of Dunn, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2016

an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

In the December 31, 2015 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.00 percent investment rate of return (net of administrative expenses), which is the expected long-term investment returns on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual medical cost trend increase of 7.75 to 5.00 percent annually. The investment rate included a 3.00 percent inflation assumption. The actuarial value of assets, if any, was determined using techniques that spread the effects of short-term volatility in the market value of investments over a 7 year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2015, was 30 years.

2. Other Employment Benefits

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

City of Dunn, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2016

2. Accounts Payable

Accounts payable is composed of the following elements:

General Fund	
Trade	\$ 90,166
Accrued payroll	182,357
	<u>\$ 272,523</u>
Non-major governmental funds	
Trade	<u>\$ 29,258</u>
Water and Sewer Fund	
Trade	\$ 53,978
Accrued payroll	61,336
	<u>\$ 115,314</u>
Non-major enterprise fund	
Trade	<u>\$ 14,400</u>

3. Deferred Outflows/Inflows of Resources

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

Contributions to pension plan in current fiscal year	\$ 323,409
Pension Deferrals	8,400
	<u>\$ 331,809</u>

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

Prepaid taxes not yet earned (General Fund)	\$ 314
Property taxes receivable	100,969
Note receivable	3,100,000
Pension deferrals	236,637
	<u>\$ 3,437,920</u>

4. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City carries commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage in the prior year, and settled claims have not exceeded coverage in any of the past three fiscal years.

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

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

City of Dunn ABC Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The ABC Board has commercial property, general liability, workmen's compensation, and employee health coverage. The ABC Board also has liquor legal liability coverage. There have been no significant reductions in insurance coverage from coverage in the prior year and settled claims have not exceeded coverage in any of the past three fiscal years. In accordance

City of Dunn, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2016

with G.S. 18B-700(i), each board member and the employees designated as the general manager and finance officer are bonded in the amount of \$50,000 secured by a corporate surety.

5. Claims and Judgments

At June 30, 2016, the City was a defendant to various lawsuits. In the opinion of the City's management and the City attorney, the ultimate outcome of these legal matters will not have a material adverse effect on the City's financial position.

6. Long-Term Obligations

a. Capital Leases

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

One agreement was executed on October 15, 2013 to lease water sewer truck camera equipment and requires 5 annual payments of \$16,546. This lease is recorded in the water and sewer fund and the balance of the lease at June 30, 2016 is \$45,926. A second agreement was executed on August 15, 2014 to lease gym equipment. This lease is split between the general fund (65%) and water and sewer fund (35%). The balance of the lease at June 30, 2016 is \$14,412. Title passes to the City at the end of the lease term.

The following is an analysis of the asset recorded under the capital lease at June 30, 2016:

Classes of Property	Cost	Accumulated Depreciation	Net Book Value
Equipment	\$ 114,034	\$ 26,861	\$ 87,173
Total	\$ 114,034	\$ 26,861	\$ 87,173

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2016 were as follows:

Year Ending June 30	Governmental Business-Type		
	Total	Activities	Activities
2017	\$ 30,164	\$ 8,852	\$ 21,312
2018	18,043	973	17,070
2019	16,546	-	16,546
Total minimum lease payments	64,753	9,825	54,928
Less: amount representing interest	(4,415)	(457)	(3,958)
Present value of the minimum lease payments	\$ 60,338	\$ 9,368	\$ 50,970

b. Installment Purchases

General Fund

In July 2004, the City entered into an installment purchase contract with Branch Banking & Trust for \$950,000 to finance the recreation facility at Tart Park. The contract requires principal payments beginning in the fiscal year 2006 with interest at 4.17%. The balance of this note is \$253,333 at June 30, 2016.

In August 2009, the City entered into an installment purchase contract with First Citizens Bank for \$1,000,000 to finance street resurfacing. The contract requires principal payments beginning in the fiscal year 2011 with interest at 3.93%. The balance of this note is \$400,000 at June 30, 2016.

In August 2010, the City entered into an installment purchase contract with Branch Banking & Trust for \$190,000 to finance seven police cars and a tractor. The contract requires principal payments beginning in the fiscal year 2012 with interest at 2.44%. The balance of this note is \$0 at June 30, 2016.

City of Dunn, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2016

In September 2011, the City entered into an installment purchase contract with Branch Banking & Trust to finance five police cars for \$125,000. The contract requires principal payments beginning in the fiscal year 2013 with interest at 1.73%. The balance of this note is \$0 at June 30, 2016.

In July 2012, the City entered into an installment purchase contract with First Citizens Bank to finance five police cars for \$125,000. The contract requires principal payments beginning in the fiscal year 2014 with interest at 1.86%. The balance of this note is \$0 at June 30, 2016.

In November 2012, the City entered into an installment purchase contract with First Citizens Bank for \$975,000 to construct improvements to Tyler Park. The contract requires principal payments beginning in the fiscal year 2014 with interest at 2.45%. The balance of this note is \$682,500 at June 30, 2016.

In August 2013, the City entered into a financing agreement with the USDA for \$2,989,000 to finance improvements to Downtown infrastructure. The contract requires principal payments beginning in the fiscal year 2015 with interest at 3.5%. The balance of this note is \$2,828,556 at June 30, 2016.

In November 2013, the City entered into an installment purchase contract with the USDA for \$132,000 to finance six police vehicles. The contract requires principal payments beginning in the fiscal year 2015 with interest at 3.125%. The balance of this note is \$90,678 at June 30, 2016.

In July 2014, the City entered into an installment purchase contract with First Citizens Bank for \$700,000 to construct phase 2 improvements to Tyler Park. The contract requires principal payments beginning in the fiscal year 2016 with interest at 2.67%. The balance of this note is \$630,000 at June 30, 2016.

In August 2014, the City entered into an installment purchase contract with the USDA for \$137,000 to finance six police vehicles. The contract requires principal payments beginning in the fiscal year 2016 with interest at 3.751%. The balance of this note is \$119,523 at June 30, 2016.

In August 2014, the City entered into an installment purchase contract with Select Bank & Trust for \$2,200,000 to renovate the Hamett Training School (\$2,000,000) and City Hall (\$200,000). The contract requires interest only payments for 12 months and principal payments beginning in the fiscal year 2017 with interest at 2.85% for the initial term. After the initial term the fixed rate cap will be 9.75% or 85% of the Wall Street Journal prime rate, the lesser of the two. This loan matures in August 2025. The balance of this note is \$2,200,000 at June 30, 2016.

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

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

<u>Year</u>		<u>Total</u>		<u>Principal</u>		<u>Interest</u>
2017	\$	790,158	\$	556,244	\$	233,914
2018		784,223		558,290		225,933
2019		771,711		565,644		206,067
2020		759,346		573,362		185,984
2021		558,964		393,142		165,822
2022-2026		3,458,434		2,815,778		642,656
2027-2031		906,865		623,141		283,724
2032-2036		906,865		740,097		166,768
2037-2040		533,678		498,892		34,786
	\$	9,470,244	\$	7,324,590	\$	2,145,654

Water and Sewer Fund

In August 2001, the City entered into an installment purchase contract with Branch Banking & Trust for \$1,000,000 to finance improvements at the water and sewer plant. The financing contract required principal payments beginning August 2002, with interest at 5.28%. The balance of this note is \$0 at June 30, 2016.

City of Dunn, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2016

In January 2012, the City entered into an installment purchase contract with PNC Bank for \$3,500,000 to finance a water transmission line to Eastover Sanitary District and an elevated storage tank. In September 2013, the City made a prepayment of \$902,187 leaving a balance of \$2,282,529. The financing contract required nine annual payments of \$284,343 beginning January 2014, with interest at 2.30%. The balance of this note is \$1,576,726 at June 30, 2016.

In December 2012, the City entered into an installment purchase contract with First Citizens Bank for \$80,000 to finance a backhoe. The financing contract required principal payments beginning December 2013, with interest at 2.33%. The balance of this note is \$33,109 at June 30, 2016.

Future minimum payments of these installment purchases are as follows:

<u>Year</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2017	\$ 301,478	\$ 264,442	\$ 37,036
2018	301,478	270,529	30,949
2019	284,343	259,621	24,722
2020	284,343	265,592	18,751
2021	284,343	271,701	12,642
2022	284,343	277,950	6,393
	<u>\$ 1,740,328</u>	<u>\$ 1,609,835</u>	<u>\$ 130,493</u>

c. General Obligation Indebtedness

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

Bonds payable at June 30, 2016 are comprised of the following individual issues:

General Obligation Bonds

Serviced by the Water and Sewer Fund:

Water and Sewer Refunding bonds
due on June 1 and December 1 due in installments
of varying amounts through June 1, 2025; initial
interest at 2.375% increasing to 4.35% at maturity. \$1,275,000

Annual debt service requirements to maturity for general obligation bonds, including interest of \$186,588 on the Water Treatment Plant Expansion bonds, are as follows:

<u>Year</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2017	\$ 186,588	\$ 135,000	\$ 51,588
2018	186,728	140,000	46,728
2019	186,478	145,000	41,478
2020	180,895	145,000	35,895
2021	175,095	145,000	30,095
2022-2025	625,409	565,000	60,409
	<u>\$ 1,541,193</u>	<u>\$ 1,275,000</u>	<u>\$ 266,193</u>

At June 30, 2016, the City of Dunn had a legal debt margin of \$ 50,848,873.

d. Revolving Water and Sewer Loans

In August 2010 the City entered into a promissory note from the Water Pollution Control Revolving Loan Fund of in the amount of \$4,385,114. This note was used to finance replacing gravity sewer lines, upgrading lift stations and construction of equalization basin at the wastewater treatment facility. The promissory note

City of Dunn, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2016

requires principal payments beginning May 2012 with interest at 2.50%. The balance of this note is \$3,288,835 at June 30, 2016.

Annual debt service requirements to maturity for the revolving water and sewer loan, including interest of \$301,477 is as follows:

Year	Total	Principal	Interest
2017	\$ 301,477	\$ 219,256	\$ 82,221
2018	295,995	219,256	76,739
2019	290,514	219,256	71,258
2020	285,033	219,256	65,777
2021	279,551	219,256	60,295
2022-2026	1,315,534	1,096,278	219,256
2027-2031	1,178,498	1,096,277	82,221
	<u>\$ 3,946,602</u>	<u>\$ 3,288,835</u>	<u>\$ 657,767</u>

f. Changes in Long-Term Liabilities

	Balance 7/1/2015	Increases	Decreases	Balance 6/30/2016	Current Portion
Governmental Activities:					
Installment purchase	\$ 7,635,948	\$ 296,243	\$ 607,601	\$ 7,324,590	\$ 556,244
Capital lease	17,686	-	8,318	9,368	8,408
Compensated absences	312,915	160,692	218,536	255,071	114,782
Unfunded pension contribution	160,535	48,982	-	209,517	-
Net pension liability (LGRS)	-	270,764	-	270,764	-
Other postemployment benefits	1,614,726	358,281	-	1,973,007	-
Total Governmental Activities	<u>\$ 9,741,810</u>	<u>\$ 1,134,962</u>	<u>\$ 834,455</u>	<u>\$ 10,042,317</u>	<u>\$ 679,434</u>
Business-type Activities					
Capital leases	\$ 69,598	\$ -	\$ 18,628	\$ 50,970	\$ 19,241
Installment purchases	2,001,661	-	391,826	1,609,835	264,442
General obligation bonds	1,410,000	-	135,000	1,275,000	135,000
Water pollution control revolving loan	3,508,091	-	219,256	3,288,835	219,256
Compensated absences	87,384	29,602	38,174	78,812	38,618
Net pension liability (LGRS)	-	107,838	-	107,838	-
Other postemployment benefits	533,716	153,426	-	687,142	-
Total Business-type Activities	<u>\$ 7,610,450</u>	<u>\$ 290,866</u>	<u>\$ 802,884</u>	<u>\$ 7,098,432</u>	<u>\$ 676,557</u>

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

City of Dunn, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2016

7. Fund Balance

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

Total Fund Balance - General Fund	\$ 3,671,268
Less:	
Inventories	32,142
Stabilization by State Statute	1,109,211
Transportation-Powell Bill	220,043
Public Safety-Drug Foreiture	171,268
USDA Loan Reserves	67,008
Remaining Fund Balance	\$ 2,071,596

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

8. Interfund Activity

The following transfers were made during the fiscal year ending June 30, 2016:

- General Fund transferred \$112,159 to the Downtown Revitalization Capital Project Fund
- General Fund transferred \$65,698 to the Tyler Park Renovations Capital Project Fund
- General Fund Transferred \$600,000 to the Harnett Training School Capital Project Fund

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

IV. Commitments

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

The City has leased building space to Johnson-Lee-Harnett Community Action, Inc. The lease calls for monthly lease payments in the amount of \$1,463. The lease is for a ten year period ending March 2020. The amount collected for fiscal year ended June 30, 2016 is \$17,556. Future payments for the remaining lease term are \$65,835. The leased assets have no net value as the property was donated to the City.

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

V. Related Organization

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

City of Dunn, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2016

VI. Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

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

VII. Subsequent Events

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

VIII. Related Party Transactions

During the fiscal year ended June 30, 2016 the City reimbursed three City Council members for sign permits totaling \$225. The City also reimbursed two City Council members for mileage totaling \$296.

IX. Special Items

During the fiscal year ended June 30, 2016, management elected to dispose of various pieces of equipment taken out of service. Proceeds from disposals were \$25,404.

REQUIRED SUPPLEMENTAL FINANCIAL DATA

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

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

Schedule of Funding Progress for the Other Postemployment Benefits

Schedule of Employer Contributions for the Other Post Employment Benefits

Schedule of Proportionate Share of Net Pension Liability for Local Government Employees' Retirement System

Schedule of Contributions to Local Government Employees' Retirement System

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (VAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
12/31/2007	\$ -	\$ 379,022	\$ 379,022	0%	\$ 1,331,530	28.47%
12/31/2008	-	477,767	477,767	0%	1,416,319	33.73%
12/31/2009	-	653,706	653,706	0%	1,415,579	46.18%
12/31/2010	-	598,793	598,793	0%	1,397,667	42.84%
12/31/2011	-	615,763	615,763	0%	1,465,451	42.02%
12/31/2012	-	620,338	620,338	0%	1,527,561	40.61%
12/31/2013	-	623,694	623,694	0%	1,537,642	40.56%
12/31/2014	-	638,341	638,341	0%	1,598,100	39.94%
12/31/2015	-	1,018,865	1,018,865	0%	1,789,543	56.93%

Notes to the Required Schedules:

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

Valuation date:	12/31/2015
Actuarial cost method:	Projected unit credit
Amortization method:	Level percent of pay closed
Remaining amortization period:	15 years
Asset valuation method:	Market value
Actuarial assumptions:	
Investment rate of return*	3.57%
Projected salary increases	3.5%-7.35%
*Includes inflation at	3.00%
Cost of living adjustments	None

THIS PAGE WAS INTENTIONALLY LEFT BLANK

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
12/31/2009	\$ -	\$ 4,764,850	\$4,764,850	0%	\$ 4,603,646	103.50%
12/31/2010	-	5,875,173	5,875,173	0%	4,564,952	128.70%
12/31/2011	-	5,678,696	5,678,696	0%	4,705,632	120.70%
12/31/2012	-	5,626,119	5,626,119	0%	4,789,753	117.50%
12/31/2013	-	6,295,072	6,295,072	0%	5,019,043	125.40%
12/31/2015	-	7,622,436	7,622,436	0%	4,273,902	178.30%

**City of Dunn
Other Postemployment Benefits
Required Supplementary Information
Schedule of Employer Contributions**

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2010	\$ 406,380	0.00%
2011	\$ 406,380	35.50%
2012	\$ 514,357	29.88%
2013	\$ 481,838	32.80%
2014	\$ 484,454	21.58%
2015	\$ 521,133	21.97%
2016	\$ 648,584	21.70%

Notes to the Required Schedules:

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

Valuation date:	12/31/2015
Actuarial cost method:	Projected unit credit
Amortization method:	Level percent of pay, open
Remaining amortization period:	30 years
Asset valuation method:	Market value
Actuarial assumptions:	
Investment rate of return*	4.00%
Medical cost trend rate	
Pre-Medicare trend rate	7.75% - 5.00%
Post-Medicare trend rate	5.75% - 5.00%
Year of Ultimate trend rate	2022
*Includes inflation at	3.00%

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

Local Government Employees' Retirement System

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

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

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

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

Local Government Employees' Retirement System

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

**INDIVIDUAL FUND FINANCIAL STATEMENTS
AND SCHEDULES**

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

City of Dunn
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Annual Budget and Actual
For the Fiscal Year Ended June 30, 2016

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Ad valorem taxes:			
Taxes	\$	\$ 3,995,822	\$
Penalties and interest		16,468	
Total	<u>3,998,500</u>	<u>4,012,290</u>	<u>13,790</u>
Other taxes and licenses:			
DMV license		36,190	
Total	<u>40,000</u>	<u>36,190</u>	<u>(3,810)</u>
Unrestricted intergovernmental:			
Local option sales taxes		1,603,327	
Utility franchise tax		774,043	
Beer and wine tax		42,129	
ABC profit distribution		115,000	
Solid waste disposal tax		4,670	
Total	<u>2,466,800</u>	<u>2,539,169</u>	<u>72,369</u>
Restricted intergovernmental:			
Powell Bill allocation		302,431	
ABC law enforcement		8,000	
Controlled substance tax		188,947	
NC Department of Transportation		47,659	
Harnett County BOE School Resource Officer		54,903	
USDA grant-police cars		25,000	
Governor's Highway Safety Grant		159,540	
EPA-Brownsfield Grant		144,003	
Senior Center		17,015	
Total	<u>802,300</u>	<u>947,498</u>	<u>145,198</u>
Permits and fees:			
Permits and fees		206,985	
Total	<u>173,200</u>	<u>206,985</u>	<u>33,785</u>

**City of Dunn
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Annual Budget and Actual
For the Fiscal Year Ended June 30, 2016**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Sales and services:			
Cemetery lots		68,620	
Cemetery opening/closing fee		106,988	
Recreation department, concessions, entry fees		83,322	
Rentals		22,554	
Garbage and recycling collection		721,182	
Total	<u>1,004,000</u>	<u>1,002,666</u>	<u>(1,334)</u>
Investment earnings	<u>6,000</u>	<u>29,593</u>	<u>23,593</u>
Other revenues			
Dunn Area Tourism-Downtown Revitalization		20,000	
Dunn Area Tourism-195 Area Light Reimbursement		22,000	
Miscellaneous		74,132	
Special assessments		13,479	
Donations and gifts		91,010	
Parks and recreation pledges		65,741	
Hamett Health Contractual Payment		345,142	
Total	<u>544,305</u>	<u>631,504</u>	<u>87,199</u>
Total revenues	<u>9,035,105</u>	<u>9,405,895</u>	<u>370,790</u>
Expenditures:			
General Government			
Governing Body			
Salaries and employee benefits		19,252	
Other operating expenditures		59,243	
Total	<u>79,425</u>	<u>78,495</u>	<u>930</u>
Administration			
Salaries and employee benefits		297,733	
Other operating expenditures		136,151	
Total	<u>566,100</u>	<u>433,884</u>	<u>132,216</u>
Finance			
Salaries and employee benefits		128,644	
Other operating expenditures		101,079	
Total	<u>230,000</u>	<u>229,723</u>	<u>277</u>

City of Dunn
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Annual Budget and Actual
For the Fiscal Year Ended June 30, 2016

	Budget	Actual	Variance Positive (Negative)
Non-Departmental			
Other operating expenditures		455,600	
Total	460,000	455,600	4,400
Building inspector			
Salaries and employee benefits		223,968	
Other operating expenditures		66,396	
Total	309,625	290,364	19,261
Planning and zoning			
Salaries and employee benefits		61,971	
Other operating expenditures		157,098	
Capital Outlay		5,055	
Total	246,350	224,124	22,226
Total general government	1,891,500	1,712,190	179,310
Public safety:			
Police:			
Salaries and employee benefits		2,494,227	
Other operating expenditures		381,567	
Capital outlay		236,323	
Total	3,178,405	3,112,117	66,288
Police athletic league			
Donation		125,000	
Total	125,000	125,000	-
Total public safety	3,303,405	3,237,117	66,288

City of Dunn
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Annual Budget and Actual
For the Fiscal Year Ended June 30, 2016

	Budget	Actual	Variance Positive (Negative)
Transportation:			
Streets			
Salaries and employee benefits		647,661	
Other operating expenditures		499,893	
Capital outlay		86,280	
Total	1,258,050	1,233,834	24,216
 Powell Bill - street repairs and construction			
Salaries and employee benefits		46,849	
Other operating expenditures		113,610	
Total	203,150	160,459	42,691
 Total transportation	1,461,200	1,394,293	66,907
 Environmental protection			
Sanitation			
Salaries and employee benefits		87,285	
Other operating expenditures		559,740	
Total environmental protection	658,350	647,025	11,325
 Culture and recreation:			
Parks and recreation			
Salaries and employee benefits		352,278	
Other operating expenditures		215,308	
Total	623,050	567,586	55,464
 Senior center operations			
Salaries and employee benefits		36,273	
Other operating expenditures		8,408	
Total	47,700	44,681	3,019
 Total culture and recreation	670,750	612,267	58,483

City of Dunn
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Annual Budget and Actual
For the Fiscal Year Ended June 30, 2016

	Budget	Actual	Variance Positive (Negative)
Library			
Salaries and employee benefits		184,680	
Other operating expenditures		62,411	
Total library	<u>273,350</u>	<u>247,091</u>	<u>26,259</u>
Debt service			
Principal retirement		615,919	
Interest and other charges		212,112	
Total debt service	<u>866,050</u>	<u>828,031</u>	<u>38,019</u>
Total expenditures	<u>9,124,605</u>	<u>8,678,014</u>	<u>446,591</u>
Revenues over (under) expenditures	<u>(89,500)</u>	<u>727,881</u>	<u>817,381</u>
Other financing sources (uses):			
Sale of fixed assets	-	25,404	25,404
Transfer to Harnett Training School Capital Project	(600,000)	(600,000)	-
Transfer to Downtown Revitalization Capital Project	(118,893)	(112,159)	6,734
Transfer to Tyler Park Capital Project	(68,000)	(65,698)	2,302
Installment purchase proceeds	125,000	120,000	(5,000)
Appropriated Fund Balance	751,393	-	(751,393)
Total	<u>89,500</u>	<u>(632,453)</u>	<u>(721,953)</u>
Revenues and other financing sources over expenditures and other financing uses	<u>\$ -</u>	<u>95,428</u>	<u>\$ 95,428</u>
Fund balances, beginning		3,572,257	
Change in reserve for inventories		3,583	
Fund balances, ending		<u>\$ 3,671,268</u>	

City of Dunn
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2016

	Downtown Revitalization Capital Project Fund	Tyler Park Renovations Capital Project Fund	Dunn City Hall and Harnett Training School Capital Project Fund	Total Nonmajor Governmental Funds
Assets				
Cash and cash equivalents	\$ -	\$ -	\$ 216,030	\$ 216,030
Restricted cash	-	-	-	-
Due from other governments	-	-	-	-
Total assets	\$ -	\$ -	\$ 216,030	\$ 216,030
Liabilities and Fund Balances				
Liabilities				
Accounts payable and accrued liabilities	\$ -	\$ -	\$ 29,258	\$ 29,258
Due to other funds	-	-	-	-
Total liabilities	-	-	29,258	29,258
Fund balances				
Restricted	-	-	-	-
Assigned	-	-	186,772	186,772
Total fund balances	-	-	186,772	186,772
Total liabilities and fund balance	\$ -	\$ -	\$ 216,030	\$ 216,030

City of Dunn
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Governmental Funds
June 30, 2016

	Downtown Revitalization Capital Project Fund	Tyler Park Renovations Capital Project Fund	Dunn City Hall and Harnett Training School Capital Project Fund	Total Nonmajor Governmental Funds
Revenues				
Restricted intergovernmental	\$ 96,107	\$ 50,000	\$ -	\$ 146,107
Private Contributions	-	80,000	-	80,000
Total revenues	<u>96,107</u>	<u>130,000</u>	<u>-</u>	<u>226,107</u>
Expenditures				
Capital Outlay	<u>208,266</u>	<u>263,166</u>	<u>589,470</u>	<u>1,060,902</u>
Total expenditures	<u>208,266</u>	<u>263,166</u>	<u>589,470</u>	<u>1,060,902</u>
Revenues over (under) expenses	(112,159)	(133,166)	(589,470)	(834,795)
Other financing sources (uses):				
Installment Financing	-	-	176,242	176,242
Transfer from General Fund	<u>112,159</u>	<u>65,698</u>	<u>600,000</u>	<u>777,857</u>
Total other financing sources (uses)	<u>112,159</u>	<u>65,698</u>	<u>776,242</u>	<u>954,099</u>
Excess (deficiency) of revenues and other financing sources over expenditures	-	(67,468)	186,772	119,304
Fund balance, beginning	<u>-</u>	<u>67,468</u>	<u>-</u>	<u>67,468</u>
Fund balance, ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 186,772</u></u>	<u><u>\$ 186,772</u></u>

City of Dunn
Downtown Revitalization - Capital Project Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2016

	Project Authorization	Prior Years	Current Year	Total Project To Date	Variance Favorable (Unfavorable)
Revenues:					
Restricted intergovernmental	\$ 96,107	\$ -	\$ 96,107	\$ 96,107	-
Interest Income	3,350	3,340	-	3,340	(10)
Total revenues	99,457	3,340	96,107	99,447	(10)
Expenditures:					
Construction-Streets/Sidewalks	2,257,050	2,042,556	208,266	2,250,822	6,228
Construction-Utility Work	672,400	672,405	-	672,405	(5)
Administration	538,900	538,659	-	538,659	241
Contingency	-	-	-	-	-
Total expenditures	3,468,350	3,253,620	208,266	3,461,886	6,464
Revenues over (under) expenditures	(3,368,893)	(3,250,280)	(112,159)	(3,362,439)	6,454
Other financing sources (uses):					
Installment financing	2,989,000	2,989,000	-	2,989,000	-
NC DOT Reimbursement	25,000	25,000	-	25,000	-
Transfer from other funds	273,893	155,280	112,159	267,439	6,454
Transfer from Water/Sewer Fund	81,000	81,000	-	81,000	-
Total other financing sources (uses)	3,368,893	3,250,280	112,159	3,362,439	(6,454)
Revenues and other financing sources over (under) expenditures	\$ -	\$ -	-	\$ -	\$ -
Fund balance, beginning				-	
Fund balance, ending			\$ -		

City of Dunn
Tyler Park Renovations - Capital Project Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2016

	Project Authorization	Prior Years	Current Year	Total Project To Date	Variance Favorable (Unfavorable)
Revenues:					
Restricted intergovernmental	\$ 500,000	\$ 450,000	\$ 50,000	\$ 500,000	\$ -
Private Contributions	440,300	360,268	80,000	440,268	(32)
Interest Income	-	35	-	35	35
Total revenues	940,300	810,303	130,000	940,303	3
Expenditures:					
Construction	2,380,000	2,114,544	263,166	2,377,710	2,290
Administration	282,800	282,791	-	282,791	9
Contingency	20,500	20,500	-	20,500	-
Total expenditures	2,683,300	2,417,835	263,166	2,681,001	2,299
Revenues over (under) expenditures	(1,743,000)	(1,607,532)	(133,166)	(1,740,698)	2,302
Other financing sources (uses):					
Installment purchase	1,675,000	1,675,000	-	1,675,000	-
Transfer from General Fund	68,000	-	65,698	65,698	(2,302)
Total other financing sources (uses)	1,743,000	1,675,000	65,698	1,740,698	(2,302)
Revenues and other financing sources over (under) expenditures	\$ -	\$ 67,468	\$ (67,468)	\$ -	\$ -
Fund balance, beginning			67,468		
Fund balance, ending			\$ -		

City of Dunn
Dunn City Hall and Harnett Training School - Capital Project Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2016

	Project Authorization	Prior Years	Current Year	Total Project To Date	Variance Favorable (Unfavorable)
Revenues:					
Restricted intergovernmental	\$ 500,000	\$ 500,000	\$ -	\$ 500,000	\$ -
Total revenues	500,000	500,000	-	500,000	-
Expenditures:					
Harnett Training School	3,100,000	2,500,000	498,448	2,998,448	101,552
City Hall Renovations	200,000	19,000	95,780	114,780	85,220
Administration	-	4,758	(4,758)	-	-
Total expenditures	3,300,000	2,523,758	589,470	3,113,228	186,772
Revenues over (under) expenditures	(2,800,000)	(2,023,758)	(589,470)	(2,613,228)	186,772
Other financing sources (uses):					
Installment purchase	2,200,000	2,023,758	176,242	2,200,000	-
Transfer from General Fund	600,000	-	600,000	600,000	-
Total other financing sources (uses)	2,800,000	2,023,758	776,242	2,800,000	-
Revenues and other financing sources over (under) expenditures	\$ -	\$ -	186,772	\$ 186,772	\$ 186,772
Fund balance, beginning			-		
Fund balance, ending			\$ 186,772		

City of Dunn
Water and Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Fiscal Year Ended June 30, 2016

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Water sales	\$	\$ 2,762,056	\$
Sewer charges		1,815,389	
Fireline protection charge		23,586	
Total	<u>4,576,000</u>	<u>4,601,031</u>	<u>25,031</u>
Water and sewer taps	<u>8,000</u>	<u>5,400</u>	<u>(2,600)</u>
Other operating revenues			
Reconnect fees		54,015	
Impact fees		18,985	
Returned check fees		2,950	
Penalties		72,799	
Miscellaneous		22,485	
Total other operating revenues	<u>151,500</u>	<u>171,234</u>	<u>19,734</u>
Nonoperating revenues:			
Tower site rental		62,675	
Interest earnings		682	
Total nonoperating revenues	<u>60,500</u>	<u>63,357</u>	<u>2,857</u>
Total revenues	<u>4,796,000</u>	<u>4,841,022</u>	<u>45,022</u>
Expenditures:			
Water and sewer administration			
Salaries and employee benefits		444,981	
Postage		24,848	
Supplies		13,861	
Other operating expenditures		324,963	
Total	<u>841,125</u>	<u>808,653</u>	<u>32,472</u>
Water and sewer operations			
Salaries and employee benefits		485,625	
Telephone		2,877	
Utilities		5,160	
Travel		4,233	
Maintenance and repairs		89,141	
Automotive supplies		25,447	
Supplies		5,196	
Meters		126,637	
Infiltration		52,310	
Other operating expenditures		215,074	
Capital outlay		16,924	
Total	<u>1,097,350</u>	<u>1,028,624</u>	<u>68,726</u>

City of Dunn
Water and Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Fiscal Year Ended June 30, 2016

	Budget	Actual	Variance Positive (Negative)
Water supply, pump and filtering			
Salaries and employee benefits		474,612	
Telephone		4,756	
Utilities		190,676	
Travel		2,223	
Maintenance		45,168	
Supplies		6,391	
Chemicals		240,077	
Independent lab test		10,397	
Contract services		30,469	
Other operating expenditures		36,002	
Capital outlay		20,673	
Total	1,081,675	1,061,444	20,231
Sewage treatment plant operations			
Salaries and employee benefits		539,163	
Telephone		4,237	
Utilities		217,422	
Travel		1,174	
Maintenance		48,195	
Supplies		4,997	
Chemicals		54,840	
Independent lab test		7,460	
Contract services		58,191	
Other operating expenditures		19,343	
Capital outlay		22,042	
Total	1,002,350	977,064	25,286
Debt service:			
Principal retirement		764,711	
Interest and other charges		200,506	
Total debt service	965,500	965,217	283
Total expenditures	4,988,000	4,841,002	146,998
Other financing sources (uses):			
Debt Payment from Eastover Sanitary District	192,000	192,000	-
Total other financing sources (uses)	192,000	192,000	-
Revenues and other sources over (under) expenditures and other uses	\$ -	\$ 192,020	\$ 192,020

City of Dunn
Water and Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Fiscal Year Ended June 30, 2016

	Budget	Actual	Variance Positive (Negative)
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Revenues and other sources over expenditures and other uses		\$ 192,020	
Reconciling items:			
Principal retirement		764,711	
Capital outlay		59,639	
Capital Contributions		146,153	
Principal payments from note receivable		(98,530)	
Depreciation		(738,845)	
Decrease in compensated absences		8,571	
Decrease in accrued interest payable		36,672	
Increase in accrued other postemployment benefits		(153,426)	
Decrease in net pension asset		(139,749)	
Decrease in deferred outflows of resources - pensions		(6,006)	
Increase in net pension liability		(107,838)	
Decrease in deferred inflows of resources - pensions		287,024	
Rounding		1	
Total reconciling items		<u>58,377</u>	
Change in net position		<u>\$ 250,397</u>	

City of Dunn
Rooms to Go Water and Sewer Improvements
Schedule of Revenues, Expenditures, and Changes in Fund Balance (Non - GAAP)
For the Fiscal Year ended June 30, 2016

		Actual			Variance
	Project	Prior	Current	Total Project	Favorable
	Authorization	Years	Year	To Date	(Unfavorable)
Expenditures:					
Construction including contingency	\$ 2,024,400	\$ 1,820,900	\$ 82,632	\$ 1,903,532	\$ 120,868
Engineering services	380,300	359,270	20,982	380,252	48
Legal/Acquisiton	39,000	1,298	-	1,298	37,702
Grant Administration	54,400	51,163	3,221	54,384	16
Total expenditures	2,498,100	2,232,631	106,835	2,339,466	158,634
Excess (Deficit) of revenues over (under) expenditures	(2,498,100)	(2,232,631)	(106,835)	(2,339,466)	158,634
Other financing sources (uses):					
NC Rural Center	1,000,000	842,329	157,671	1,000,000	-
CDBG-ED	1,000,000	1,000,000	-	1,000,000	
Golden Leaf Foundation	448,000	340,202	(11,518)	328,684	(119,316)
Transfers from Water/Sewer Fund	50,100	50,100	-	50,100	-
Total other financing sources (uses)	2,498,100	2,232,631	146,153	2,378,784	(119,316)
Excess (Deficit) of revenues & other financing sources over (under) expenditures & other financing uses	\$ -	\$ -	39,318	\$ 39,318	\$ 39,318

Reconciliation of Modified Accrual Basis to Full Accrual Basis:

Excess (Deficit) of Revenues & Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>\$ 39,318</u>
Expenditures Recorded as Fixed Assets	<u>\$ 2,339,466</u>

City of Dunn
I-95 Corridor Sewer System Improvements
Schedule of Revenues, Expenditures, and Changes in Fund Balance (Non - GAAP)
For the Fiscal Year ended June 30, 2016

	Actual			Variance
	Project Authorization	Prior Years	Current Year	Favorable (Unfavorable)
Expenditures:				
Construction	\$ 1,018,000	\$ 642,919	\$ 233,077	\$ 875,996
Administration	287,000	217,776	68,077	285,853
				142,004
Total expenditures	1,305,000	860,695	301,154	1,161,849
				143,151
Excess (Deficit) of revenues over (under) expenditures	(1,305,000)	(860,695)	(301,154)	(1,161,849)
				(143,151)
Other financing sources (uses):				
Contribution-Love's Truck Stops	1,075,100	1,075,086	-	1,075,086
Transfers from Water/Sewer Fund	229,900	229,900	-	229,900
				(14)
Total other financing sources (uses)	1,305,000	1,304,986	-	1,304,986
				(14)
Excess (Deficit) of revenues & other financing sources over (under) expenditures & other financing uses	\$ -	\$ 444,291	(301,154)	\$ 143,137
				\$ 143,137

Reconciliation of Modified Accrual Basis to Full Accrual Basis:

Excess (Deficit) of Revenues & Other Financing Sources Over (Under) Expenditures and Other Financing Uses	\$ 143,137
Expenditures Recorded as a Fixed Asset	\$ 1,161,849

City of Dunn
Stormwater Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Fiscal Year Ended June 30, 2016

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Stormwater Fees	\$ 68,000	\$ 81,948	\$ 13,948
Total revenues	68,000	81,948	13,948
Expenditures:			
Stormwater operations			
Materials		1,200	
Contracted services		26,317	
Total	68,000	27,517	40,483
Total expenditures	68,000	27,517	40,483
Revenues over expenditures	\$ -	\$ 54,431	\$ 54,431

OTHER SCHEDULES

This section contains additional information required
on property taxes.

Schedule of Ad Valorem Taxes Receivable

Analysis of Current Tax Levy

City of Dunn
General Fund
Schedule of Ad Valorem Taxes Receivable
June 30, 2016

Fiscal Year	Uncollected Balance June 30, 2015	Additions	Collections and Credits	Abatements and Adjustments	Uncollected Balance June 30, 2016
2015-2016	\$ -	\$ 3,976,483	\$ (3,942,458)	\$ (9,986)	\$ 24,039
2014-2015	22,388	-	(11,552)	846	11,682
2013-2014	11,848	-	(2,712)	(876)	8,260
2012-2013	12,093	-	(1,878)	(743)	9,472
2011-2012	11,836	-	(2,103)	(1,534)	8,199
2010-2011	26,850	-	(198)	(1,294)	25,358
2009-2010	38,953	-	(236)	(1,156)	37,561
2008-2009	14,408	-	(465)	(933)	13,010
2007-2008	10,973	-	(678)	(1,124)	9,171
2006-2007	10,285	-	(482)	(1,392)	8,411
	<u>\$ 159,634</u>	<u>\$ 3,976,483</u>	<u>\$ (3,962,762)</u>	<u>\$ (18,192)</u>	<u>\$ 155,163</u>

Less: allowance for uncollectible accounts
General Fund

(54,192)

Ad valorem taxes receivable-net

\$ 100,971

Reconciliation with revenues:

Ad valorem taxes-General Fund

\$ 4,012,290

Reconciling items:

Refund of Taxes paid

1,364

Municipal Service District Taxes

(34,424)

Interest and Penalties

(16,468)

Subtotal

(49,528)

Total collections and credits

\$ 3,962,762

City of Dunn
Analysis of Current Tax Levy
City - Wide Levy
For the Fiscal Year Ended June 30, 2016

				Total Levy	
	City - Wide			Property excluding Registered Motor Vehicles	Registered Motor Vehicles
	Property Valuation	Rate	Total Levy		
Original levy:					
Property taxed at current					
Real and personal property	\$ 795,296,624	0.50	\$ 3,976,483	\$ 3,636,438	\$ 340,045
Releases	(1,997,132)		(9,986)	(9,986)	-
Total Property Valuation	<u>\$ 793,299,492</u>		<u>\$ 3,966,497</u>	<u>\$ 3,626,452</u>	<u>\$ 340,045</u>
Net levy			3,966,497	3,626,452	340,045
Uncollected taxes at June 30, 2016			(24,039)	(24,039)	-
Current year's taxes collected			<u>\$ 3,942,458</u>	<u>\$ 3,602,413</u>	<u>\$ 340,045</u>
Current levy collection percentage			<u>99.39%</u>	<u>99.34%</u>	<u>100.00%</u>

STATISTICAL SECTION

STATISTICAL SECTION

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

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

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

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

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

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

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

Table 1

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Governmental activities										
Net investment in capital assets	\$ 3,220,178	\$ 3,254,670	\$ 2,969,433	\$ 1,981,691	\$ 2,332,056	\$ 1,165,191	\$ 2,925,002	\$ 3,627,133	\$ 4,244,430	\$ 5,696,256
Restricted	373,733	436,810	522,128	479,067	791,384	2,720,291	1,837,471	1,726,667	1,424,244	1,653,746
Unrestricted	2,640,858	2,830,735	2,741,583	2,814,673	1,853,557	847,595	615,511	173,560	(204,386)	(532,383)
Total governmental activities net position	\$ 6,234,769	\$ 6,522,215	\$ 6,233,144	\$ 5,275,431	\$ 4,976,997	\$ 4,733,077	\$ 5,377,984	\$ 5,527,360	\$ 5,464,288	\$ 6,817,619
Business-type activities										
Net investment in capital assets	\$ 13,213,140	\$ 13,523,322	\$ 13,725,056	\$ 14,649,312	\$ 17,296,915	\$ 16,061,004	\$ 15,530,084	\$ 17,951,590	\$ 20,284,577	\$ 20,535,568
Unrestricted	2,146,589	2,121,454	1,992,477	1,532,549	772,541	3,620,425	4,083,012	1,784,948	2,395,563	2,449,400
Total business-type activities net position	\$ 15,359,729	\$ 15,644,776	\$ 15,717,533	\$ 16,181,861	\$ 18,069,456	\$ 19,681,429	\$ 19,613,096	\$ 19,736,538	\$ 22,680,140	\$ 22,984,968
Primary government										
Net investment in capital assets	\$ 16,433,318	\$ 16,777,992	\$ 16,694,489	\$ 16,631,003	\$ 19,628,971	\$ 17,226,195	\$ 18,455,086	\$ 21,578,723	\$ 24,529,007	\$ 26,231,824
Restricted	373,733	436,810	522,128	479,067	791,384	2,720,291	1,837,471	1,726,667	1,424,244	1,653,746
Unrestricted	4,787,447	4,952,189	4,734,060	4,347,222	2,626,098	4,468,020	4,698,523	1,958,508	2,191,177	1,917,017
Total primary government net position	\$ 21,594,498	\$ 22,166,991	\$ 21,950,677	\$ 21,457,292	\$ 23,046,453	\$ 24,414,506	\$ 24,991,080	\$ 25,263,898	\$ 28,144,428	\$ 29,802,587

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

Table 2

	Fiscal Year									
Expenses	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Governmental activities:										
General government	\$ 1,827,277	\$ 2,036,184	\$ 1,947,905	\$ 1,876,598	\$ 1,753,878	\$ 1,800,246	\$ 1,946,686	\$ 1,548,470	\$ 1,590,905	\$ 1,904,648
Public safety	3,762,558	4,316,119	3,624,401	3,904,128	4,043,216	3,981,486	3,969,606	4,024,211	3,933,301	3,235,533
Transportation	2,405,632	1,450,770	1,586,563	2,528,510	1,488,162	1,458,777	1,478,572	1,481,341	1,387,484	1,387,659
Environmental protection	385,949	357,034	375,025	400,090	532,238	510,908	570,653	599,302	622,719	659,849
Cultural and recreational	709,982	727,091	778,682	755,265	843,247	794,430	807,335	852,892	817,707	720,860
Library	202,731	212,154	231,023	253,678	244,025	254,314	236,562	246,004	263,638	257,271
Community Services	2,207	13,207	23,207	-	6,650	31,764	-	-	-	-
Interest on long-term debt	68,241	85,081	61,154	55,919	171,645	118,702	132,584	45,353	191,693	247,360
Total governmental activities expenses	\$ 9,344,577	\$ 9,177,640	\$ 8,627,960	\$ 9,772,188	\$ 9,063,059	\$ 8,950,827	\$ 9,141,998	\$ 8,797,373	\$ 8,807,447	\$ 8,413,180
Business-type activities:										
Water and sewer	3,322,499	3,304,781	3,646,090	4,043,652	3,944,868	4,128,782	4,343,372	5,122,206	4,886,053	4,857,768
Total business-type activities	3,322,499	3,304,781	3,646,090	4,043,652	3,944,868	4,128,782	4,343,372	5,122,206	4,886,053	4,857,768
Total primary government expenses	\$ 12,667,076	\$ 12,482,421	\$ 12,274,050	\$ 13,815,840	\$ 13,007,927	\$ 13,079,409	\$ 13,485,370	\$ 13,919,579	\$ 13,493,500	\$ 13,270,948
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 355,318	\$ 322,791	\$ 220,530	\$ 327,721	\$ 396,846	\$ 329,677	\$ 383,550	\$ 461,784	\$ 340,748	\$ 399,857
Public safety	199,394	218,303	5,646	-	-	-	-	-	44,159	188,947
Transportation	-	49,568	50,800	17,476	38,354	35,310	35,550	34,941	-	34,659
Environmental protection	480,026	495,508	531,981	552,444	646,979	644,207	687,723	678,051	738,992	721,184
Cultural and recreational	49,733	88,198	84,505	95,823	76,419	77,791	78,035	83,670	103,034	87,611
Operating grants and contributions	465,430	697,010	920,422	903,855	1,073,718	851,155	889,292	967,699	800,634	776,867
Capital grants and contributions	385,000	-	-	97,358	-	-	809,668	528,495	523,000	351,848
Total governmental activities program revenues	\$ 1,914,901	\$ 1,871,378	\$ 1,813,884	\$ 1,994,677	\$ 2,232,318	\$ 1,936,140	\$ 2,883,818	\$ 2,754,640	\$ 2,550,567	\$ 2,560,973
Business-type activities:										
Charges for services:										
Water and sewer	4,055,953	4,245,516	4,105,603	4,172,441	4,478,773	4,553,134	4,567,460	4,672,187	4,807,268	4,859,613
Operating grants and contributions	-	-	-	-	-	-	-	-	-	-
Capital grants and contributions	-	10,000	182,100	615,335	1,628,676	1,563,889	-	-	2,841,252	146,153
Total business-type activities program revenues	4,055,953	4,255,516	4,287,703	4,787,776	6,107,449	6,117,023	4,567,460	4,672,187	7,648,520	5,005,766
Total primary government program revenues	\$ 5,970,854	\$ 6,126,894	\$ 6,101,587	\$ 6,782,453	\$ 8,339,765	\$ 8,055,163	\$ 7,451,278	\$ 7,426,827	\$ 10,199,087	\$ 7,566,739
Net (expense)/revenue										
Governmental activities	\$ (7,429,676)	\$ (7,306,262)	\$ (6,814,076)	\$ (7,777,511)	\$ (6,830,743)	\$ (7,012,487)	\$ (6,258,180)	\$ (6,042,733)	\$ (6,256,880)	\$ (5,852,207)
Business-type activities	733,454	950,735	641,613	744,124	2,162,581	1,988,241	224,088	(450,019)	2,982,467	147,996
Total primary government net revenue/(expense)	\$ (6,696,222)	\$ (6,355,527)	\$ (6,172,463)	\$ (7,033,387)	\$ (4,668,162)	\$ (5,024,246)	\$ (6,034,092)	\$ (6,492,752)	\$ (3,294,413)	\$ (5,704,209)

Table 2 (cont.)

General Revenues and Other Changes in Net Position	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Governmental activities:										
Taxes:										
Property taxes, levied for general purpose	\$ 3,324,738	\$ 3,414,334	\$ 3,144,801	\$ 3,712,784	\$ 3,593,590	\$ 3,652,523	\$ 3,661,971	\$ 3,985,873	\$ 3,844,346	\$ 3,990,356
Other taxes	375,434	179,376	2,187,140	1,976,842	2,008,585	2,062,487	2,239,860	2,089,472	2,327,549	2,460,359
Unrestricted grants and contributions	2,224,641	2,425,216	168,911	155,474	135,404	126,227	131,950	110,000	110,000	128,800
Unrestricted investment earnings	149,275	174,075	71,400	18,180	14,263	12,728	9,180	17,850	14,608	29,593
Miscellaneous	485,811	578,181	545,616	571,263	440,467	458,802	463,343	405,279	431,073	439,986
Gain/(Loss) on Disposal of Equipment	29,784	55,208	(242,863)	35,275	-	-	-	-	2,582	-
Special items - sale of assets	-	-	-	-	-	-	-	-	-	25,404
Special items - donated assets	-	-	-	5,000	-	-	-	-	-	131,040
Special items - loss on investment	-	-	-	-	-	-	(18,727)	-	-	-
Transfers	496,440	767,318	650,000	345,000	340,000	456,000	415,500	-	-	-
Total government activities	7,086,123	7,593,708	6,525,005	6,819,798	6,532,309	6,766,567	6,903,067	6,608,474	6,730,156	7,205,538
Business-type activities:										
Unrestricted investment earnings	59,494	55,064	25,166	4,726	2,838	3,250	62,572	101,992	97,930	93,470
Miscellaneous	37,553	43,511	57,530	59,831	82,176	78,482	53,367	55,104	60,075	63,360
Gain/(Loss) on Disposal of Equipment	-	3,055	(1,552)	647	-	-	-	-	11,576	-
Special items - donated assets	-	-	-	-	-	-	7,140	-	-	-
Transfers	(496,440)	(767,318)	(650,000)	(345,000)	(340,000)	(456,000)	(415,500)	-	-	-
Total business-type activities	(399,393)	(665,688)	(568,856)	(279,796)	(274,986)	(376,268)	(292,421)	157,096	169,581	156,830
Total primary government	\$ 6,686,730	\$ 6,928,020	\$ 5,956,149	\$ 6,540,002	\$ 6,257,323	\$ 6,392,299	\$ 6,610,646	\$ 6,765,570	\$ 6,899,737	\$ 7,362,368
Change in Net Position										
Governmental activities	\$ (343,553)	\$ 287,448	\$ (289,071)	\$ (957,713)	\$ (298,434)	\$ (243,920)	\$ 644,907	\$ 565,741	\$ 473,276	\$ 1,353,331
Business-type activities	334,061	285,047	72,757	464,328	1,887,595	1,611,973	(68,333)	(292,923)	3,132,048	304,828
Total primary government	\$ (9,492)	\$ 572,495	\$ (216,314)	\$ (493,385)	\$ 1,589,161	\$ 1,368,053	\$ 576,574	\$ 272,818	\$ 3,605,324	\$ 1,658,159

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

Table 3

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>Tax Rate</u>
2007	3,254,776	0.52
2008	3,436,790	0.52
2009	3,214,818	0.48
2010	3,714,518	0.48
2011	3,628,709	0.48
2012	3,657,181	0.48
2013	3,672,427	0.48
2014	3,959,238	0.50
2015	3,887,947	0.50
2016	4,012,290	0.50

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

Table 4

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Fund										
Non Spendable	\$ 6,140	\$ 3,893	\$ 22,430	\$ 23,803	\$ 90,522	\$ 46,038	\$ 48,234	\$ 116,246	\$ 30,625	\$ 32,142
Restricted	1,739,195	1,617,640	1,271,675	1,366,434	1,292,486	1,297,819	1,364,826	1,425,142	1,424,244	1,653,747
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	1,258,133	1,506,421	1,972,352	1,980,220	2,016,283	2,116,425	2,068,671	1,999,838	2,117,478	1,985,379
Total General Fund	3,003,468	3,127,954	3,266,457	3,370,457	3,399,291	3,460,282	\$ 3,481,731	\$ 3,541,226	\$ 3,572,347	\$ 3,671,268
All other governmental funds										
Restricted	96,953	276,353	360,471	422,428	314,511	189,319	240,041	301,525	-	-
Assigned	-	-	-	42,126	305	-	260,391	(160,305)	67,468	186,772
Committed	-	-	-	-	-	-	-	-	-	-
Unassigned	-	-	(34,125)	-	(210,312)	(133,984)	-	-	-	-
Total all other governmental funds	\$ 96,953	\$ 276,353	\$ 326,346	\$ 464,554	\$ 104,504	\$ 55,335	\$ 500,432	\$ 141,220	\$ 67,468	\$ 186,772

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

Table 5

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Revenues										
Ad valorem taxes	\$ 3,254,776	\$ 3,436,790	\$ 3,214,818	\$ 3,714,518	\$ 3,628,709	\$ 3,657,181	\$ 3,672,427	\$ 3,959,238	\$ 3,887,947	\$ 4,012,290
Other taxes and licenses	290,127	179,376	41,284	41,997	67,994	70,065	207,325	66,558	43,942	36,190
Unrestricted intergovernmental	2,144,599	2,425,216	2,314,767	2,090,319	2,075,995	2,118,650	2,188,057	2,132,914	2,393,607	2,539,169
Restricted intergovernmental	821,155	697,010	900,572	1,004,498	1,031,092	811,501	1,233,958	932,179	1,248,868	1,093,605
Permits and fees	191,488	470,604	159,432	234,259	201,263	148,377	187,466	289,552	216,875	206,985
Sales and services	626,113	654,197	683,230	741,729	919,292	903,298	961,843	933,953	1,003,235	1,002,666
Investment earnings	149,275	174,075	71,401	18,180	14,262	12,728	9,227	17,850	14,606	29,593
Miscellaneous	957,089	602,694	596,416	585,454	504,333	513,851	584,035	570,373	513,106	711,504
Private Donations	-	-	-	-	-	-	359,668	-	-	-
Total revenues	8,434,622	8,639,962	7,981,920	8,430,954	8,442,940	8,235,651	9,404,006	8,902,617	9,322,186	9,632,002
Expenditures										
General government	1,728,588	2,230,400	1,893,611	1,782,354	1,671,999	1,709,906	1,867,599	1,474,587	1,535,053	1,707,135
Public Safety	3,518,092	4,125,444	3,406,640	3,558,174	3,731,418	3,641,699	3,611,487	3,676,533	3,254,461	3,000,794
Transportation	2,265,195	1,463,305	1,469,579	2,367,880	1,372,824	1,337,650	1,366,567	1,376,111	1,309,052	1,308,013
Environmental protection	350,345	343,937	360,970	382,692	522,197	496,935	557,002	584,670	607,313	647,025
Culture and recreation	678,774	765,350	751,328	703,903	727,090	677,456	690,733	730,745	725,807	612,267
Library	176,723	190,133	210,285	224,473	220,937	225,667	226,439	231,410	251,963	247,091
Community Service	2,207	13,207	23,207	-	6,650	31,785	-	-	-	-
Debt service										
Principal	206,433	229,348	249,722	260,874	407,133	383,212	516,667	408,678	519,237	615,919
Interest and other charges	68,241	65,081	61,154	55,919	95,970	85,178	79,564	75,063	184,019	212,112
Capital outlay	384,417	-	174,355	565,379	553,816	1,986,286	2,765,173	805,119	3,379,997	1,388,561
Total expenditures	9,379,015	9,426,205	8,600,851	9,901,648	9,310,034	10,575,774	11,681,231	9,362,916	11,766,902	9,738,917
Excess of revenues over (under) expenditures	(944,393)	(786,243)	(618,931)	(1,470,694)	(867,094)	(2,340,123)	(2,277,225)	(460,299)	(2,444,716)	(106,915)
Other financing sources (uses)										
Transfers in	914,910	767,318	650,000	345,000	340,000	533,106	415,500	-	-	777,857
Transfers out	(418,470)	-	-	-	-	(77,106)	-	-	(498,713)	(777,857)
Insurance Proceeds	-	25,055	-	-	-	-	-	-	-	-
Harnett County Reimbursement	-	-	19,850	-	-	-	-	-	-	-
Sale of capital assets	-	55,209	31,114	35,275	16,801	19,718	15,760	17,497	14,494	25,404
Loss on investment	-	-	-	-	-	-	(18,727)	-	-	-
Capital Lease Proceeds	-	-	-	-	-	-	-	-	23,777	-
Installment purchase obligations	4,813	240,300	125,000	1,334,000	190,000	3,114,000	1,100,000	132,000	2,860,757	296,243
Total other financing sources (uses)	501,253	1,087,882	825,964	1,714,275	546,801	3,589,718	1,512,533	149,497	2,400,315	321,647
Net change in fund balances	\$ (443,140)	\$ 301,639	\$ 207,033	\$ 243,581	\$ (320,293)	\$ 1,249,595	\$ (764,692)	\$ (310,802)	\$ (44,401)	\$ 214,732
Debt service as a percentage of noncapital expenditures	3.1%	3.1%	3.7%	3.4%	5.7%	5.5%	6.7%	5.7%	8.4%	9.9%

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

Table 6

Fiscal Year	Real and Personal Property	Personal Property	Total Assessed Value	Ratio of Assessed Value to Estimated Actual Value ⁽¹⁾	Property Tax Rate ⁽²⁾
2007	586,263,602	55,799,732	642,063,334	100%	0.52
2008	562,518,654	62,596,865	625,115,519	100%	0.52
2009	589,233,958	62,178,031	651,411,989	100%	0.48
2010	691,432,511	54,758,296	746,190,807	100%	0.48
2011	687,691,113	53,755,958	741,447,071	100%	0.48
2012	688,347,929	55,823,333	744,171,262	100%	0.48
2013	689,408,623	58,631,458	748,040,081	100%	0.48
2014	705,496,295	33,648,039	739,144,334	100%	0.50
2015	701,263,136	57,067,989	758,331,125	100%	0.50
2016	738,999,170	54,300,322	793,299,492	100%	0.50

Notes:

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

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

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

Table 7

Fiscal Year	City of Dunn⁽¹⁾	Harnett County⁽²⁾	Dunn Emergency Services⁽²⁾	Averasboro School District⁽²⁾	Combined Tax Rate Per \$100 of Assessed Value
2007	0.52	0.735	-	0.02	1.275
2008	0.52	0.735	-	0.02	1.275
2009	0.48	0.735	0.07	0.02	1.305
2010	0.48	0.725	0.07	0.02	1.295
2011	0.48	0.725	0.07	0.02	1.295
2012	0.48	0.725	0.07	0.02	1.295
2013	0.48	0.725	0.07	0.02	1.295
2014	0.50	0.725	0.07	0.02	1.319
2015	0.50	0.750	0.07	0.02	1.340
2016	0.50	0.750	0.09	0.02	1.360

Notes:

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

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

**City of Dunn
Principal Property Taxpayers
June 30, 2016**

Table 8

		2016			2009(1)		
Taxpayer	Type of Enterprise	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Rooms to Go Distribution Co LLC	Distribution	\$ 68,670,820	1	8.66%			
Wal Mart	Retail Store	12,318,880	2	1.55%	\$ 12,553,977	2	1.93%
Duke Energy Progress Inc.	Utility Company	11,179,014	3	1.41%	9,617,861	3	1.48%
RPH Harnett Crossing NC LLC	Shopping Center	8,065,180	4	1.02%	7,181,270	5	1.10%
Wincor Properties, LLC	Real Estate	7,922,403	5	1.00%			
RTG Funiture Corp of Georgia	Distribution	7,631,490	6	0.96%			
MRCT3 Dunn LLC	Hotel	7,440,024	7	0.94%			
Gray Properties of NC LLC	Manufacturer	4,723,560	8	0.60%	7,672,685	4	1.18%
GG Retail Properties, LLC	Real Estate	4,694,300	9	0.59%	3,767,290	9	0.58%
Carolina Telephone	Utility Company	4,687,403	10	0.59%	7,034,409	6	1.08%
Energy Conversion Systems, LLC	Carbon Brushes				18,610,863	1	2.86%
Rylie Properties	Hotel				6,336,240	7	0.97%
NWD-T/A Dunbar	Packaging Plant				4,687,923	8	0.72%
Two Till LLC	Real Estate				3,529,560	10	0.54%
Totals		<u>\$ 137,333,074</u>		<u>17.31%</u>	<u>\$ 80,992,078</u>		<u>12.43%</u>
Total Assessed Value		<u>\$ 793,299,492</u>			<u>\$ 651,411,989</u>		

Source: Harnett County Assessor's Office

(1) - Only eight years presented due to eighth year of CAFR presentation

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

Table 9

Fiscal Year	Tax Levy	Current Tax Collections	Percent of Taxes Collected	Delinquent Tax Collections (1)	Total Tax Collections	Ratio of Total Tax Collections to Total Tax Levy
2007	3,327,837	3,192,588	95.94%	124,962	3,317,550	99.69%
2008	3,228,085	3,119,085	96.62%	97,725	3,216,810	99.65%
2009	3,151,197	3,029,589	96.14%	106,674	3,136,263	99.53%
2010 (2)	3,581,716	3,449,544	96.31%	90,148	3,539,692	98.83%
2011	3,558,973	3,464,942	97.36%	62,143	3,527,085	99.10%
2012	3,572,022	3,489,428	97.69%	57,255	3,546,683	99.29%
2013	3,590,593	3,519,160	98.01%	-	3,519,160	98.01%
2014	3,678,336	3,626,198	98.58%	-	3,626,198	98.58%
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%

Notes:

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

(2) - A revaluation of all property is required every eight (8) years by North Carolina State Statute. The last revaluation occurred as of January 1, 2009.

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

Table 10

Fiscal Year	Governmental Activities	Business-Type Activities			Total Primary Government	Debt as a % of Assessed Valuation (3)	Per Capita (4)
	Installment Purchases	GO Bonds	Installment Purchases	Revolving Water and Sewer Loan			
2007	1,523,959	2,335,000	1,085,897	835,446	5,780,302	0.9%	585
2008	1,534,911	2,230,000	813,375	696,205	5,274,491	0.8%	522
2009	1,410,188	2,125,000	533,334	556,963	4,625,485	0.7%	453
2010	2,483,314 ⁽¹⁾	2,015,000	466,666	417,722	5,382,702	0.7%	519
2011	2,266,181	1,900,000	400,000	4,383,284 ⁽⁵⁾	8,949,465	1.2%	966
2012	4,996,968 ⁽²⁾	1,785,000	3,833,333 ⁽⁶⁾	4,274,354	14,889,655	2.0%	1,578
2013	5,580,300 ⁽⁷⁾	1,665,000	2,629,196	3,946,603	13,821,099	1.8%	1,466
2014	5,288,337	1,540,000	2,402,819	3,727,347	12,958,503	1.8%	1,357
2015	7,653,635 ⁽⁸⁾	1,410,000	2,071,259	3,508,091	14,642,985	1.9%	1,533
2016	7,324,590	1,275,000	2,001,661	3,288,835	13,890,086	1.8%	1,450

Notes:

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

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

Table 11

<u>Fiscal Year</u>	<u>General Obligation Bonds (1)</u>	<u>Percentage of Assessed Property Value</u>	<u>Per Capita (2)</u>
2007	2,335,000	0.36%	236
2008	2,230,000	0.36%	221
2009	2,125,000	0.33%	208
2010	2,015,000	0.27%	194
2011	1,900,000	0.26%	205
2012	1,785,000	0.24%	189
2013	1,665,000	0.22%	177
2014	1,540,000	0.21%	161
2015	1,410,000	0.19%	148
2016	1,275,000	0.16%	133

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

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

(2) - Population data obtained from NC State demographer

City of Dunn
Direct and Overlapping Governmental Activities Debt
As of June 30, 2016

Table 12

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable To Town⁽¹⁾</u>	<u>Estimated Share of Overlapping Debt</u>
Harnett County Debt Outstanding	\$ 130,613,196	9.98%	\$ 13,035,197
Subtotal, overlapping debt			13,035,197
City of Dunn direct debt			<u>7,324,590</u> ⁽²⁾
Total direct and overlapping debt			<u><u>\$ 20,359,787</u></u>

Notes:

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

(2) - Includes all governmental activities debt.

City of Dunn
Legal Debt Margin Information
Last Ten Fiscal Years

Table 13

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Debt limit	\$ 51,365,067	\$ 50,009,242	\$ 52,112,959	59,695,265	59,315,766	59,533,701	\$ 59,843,206	\$ 59,131,547	\$ 60,666,490	\$ 63,463,959
Total net debt applicable to limit	1,523,959	1,534,911	1,410,188	2,483,314	7,049,465	13,104,655	12,156,099	11,418,503	13,232,984	12,615,086
Legal debt margin	\$ 49,841,108	\$ 48,474,331	\$ 50,702,771	\$ 57,211,951	\$ 52,266,301	\$ 46,429,046	\$ -	\$ 47,713,044	\$ 47,433,506	\$ 50,848,873
Total net debt applicable to the limit as a percentage of debt limit	2.97%	3.07%	2.71%	4.16%	11.88%	22.01%	20.31%	19.31%	21.81%	19.88%

Legal Debt Margin Calculation for Fiscal Year 2016 ⁽¹⁾

Assessed Value	\$ 793,299,492
Debt Limit (8% of total assessed value)	63,463,959
Debt applicable to limit:	
General obligation bonds	1,275,000
Non bonded debt	12,615,086
Less: Statute exclusion for Water Bonds	(1,275,000)
Total net debt applicable to limit	<u>12,615,086</u>
	<u>\$ 50,848,873</u>

Notes:

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

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

Table 14

Fiscal Year	Population(2)	Personal Income(2)	Per Capita Income(2)	Median Age(2)	School Enrollment(2)	Unemployment Rate(2)
2007	106,283	2,170,298,860	20,420	34	18,274	5.1%
2008	110,098	2,231,025,872	20,264	35	18,876	6.6%
2009	112,030	2,253,268,992	20,113	35	18,968	11.8%
2010	115,761	2,210,303,772	19,094	35	18,518	10.7%
2011	114,678	2,147,345,550	18,725	34	18,764	11.8%
2012	121,417	2,254,013,124	18,564	34	19,011	11.2%
2013	122,355	2,310,551,820	18,884	34	19,378	10.5%
2014	123,316	2,370,873,416	19,226	34	19,868	7.4%
2015	125,717	2,400,566,115	19,095	34	20,099	7.3%
2016	127,348	2,431,710,060	19,095	34	20,269	5.4%

Notes:

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

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

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

Table 15

Employer	2016 ⁽¹⁾		2009 ⁽²⁾	
	Employees	Rank	Employees	Rank
Harnett County Schools	1,000+	1	1,000+	1
Food Lion	1,000+	2	1,000+	2
Betsy Johnson Memorial Hospital	500-999	3	500-999	3
Carlie C's Operation Center Inc.	250-499	4	250-499	5
Wal-Mart Associates Inc	250-499	5	250-499	4
Godwin Manufacturing Co Inc.	100-249	6	-	-
Tri-Arc Food Systems	100-249	7	-	-
Gray Metal South	100-249	8	-	-
City of Dunn	100-249	9	250-499	8
Machine & Welding Supply Co	100-249	10	-	-
Affinity Health Services	-	-	100-249	6
KTL McDonalds LLC	-	-	100-249	7
Family Medical Supply, Inc.	-	-	100-249	10
Basic Home Health Care Inc.	-	-	100-249	9

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

(2) - Only eight years presented due to eighth year of CAFR presentation

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

Table 16

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

Notes:

(1) - Only eight years presented due to eighth year of CAFR presentation

**City of Dunn
Operating Indicators by Function
Last Eight Years (2)**

Table 17

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

Notes:

(1) - Only eight years presented due to eighth year of CAFR presentation

(2) - Information obtained from various City Departments

**City of Dunn
Capital Asset Statistics by Function
Last Five Fiscal Years (2)**

Table 18

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

Notes:

(1) - Only five years presented due to fifth year of CAFR presentation

(2) - Information obtained from City Finance Department

COMPLIANCE SECTION

**PETWAY
MILLS &
PEARSON, PA**

CERTIFIED PUBLIC ACCOUNTANTS

C. Briggs Petway, Jr.
Phyllis M. Pearson

Zebulon Office
P.O. Box 1036
806 N. Arendell Ave.
Zebulon, NC 27597
919.269.7405
919.269.8728 Fax

Raleigh Office
9121 Anson Way
Suite 200
Raleigh, NC 27615
919.781.1047

www.pmpcpa.com

Memberships:

North Carolina
Association of
Certified Public
Accountants

American Institute
of Certified Public
Accountants

Medical Group
Management
Association

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Dunn, North Carolina, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City of Dunn's basic financial statements, and have issued our report thereon dated October 26, 2016.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Dunn's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Petway Mills & Pearson, PA

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

October 26, 2016

**PETWAY
MILLS &
PEARSON, PA**

CERTIFIED PUBLIC ACCOUNTANTS

C. Briggs Petway, Jr.
Phyllis M. Pearson

Zebulon Office
P.O. Box 1036
806 N. Arendell Ave.
Zebulon, NC 27597
919.269.7405
919.269.8728 Fax

Raleigh Office
9121 Anson Way
Suite 200
Raleigh, NC 27615
919.781.1047

www.pmpcpa.com

Memberships:

North Carolina
Association of
Certified Public
Accountants

American Institute
of Certified Public
Accountants

Medical Group
Management
Association

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

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

Report on Compliance for Each Major State Program

We have audited the City of Dunn's 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 the City of Dunn's major State program for the year ended June 30, 2016. The City of Dunn's major State program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the City of Dunn's major State program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in and applicable sections of Title 2 US 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, 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 of Dunn's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

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

Opinion on Each Major State Program

In our opinion, the City of Dunn complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major State program for the year ended June 30, 2016.

Report on Internal Control Over Compliance

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

compliance for each major State program and to test and report on internal control over compliance in accordance with 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a 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 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 significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Petway Mills & Pearson, PA

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

October 26, 2016

CITY OF DUNN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

SECTION I. - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued:

Unmodified

Internal control over financial reporting:

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

State Awards

Internal control over major State programs:

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

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

Any audit findings disclosed that are required to be reported in accordance with the State

Single Audit Implementation Act?	_____ yes	_____ <u>X</u> _____ no
----------------------------------	-----------	-------------------------

Identification of major State programs:

Program Name

NC Department of Transportation
Powell Bill - DOT 4

CITY OF DUNN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

SECTION II. - FINANCIAL STATEMENT FINDINGS

None Reported.

SECTION III. - STATE AWARD FINDINGS AND QUESTIONED COSTS

None Reported.

CITY OF DUNN
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2016

SECTION II. - FINANCIAL STATEMENT FINDINGS

None Required.

SECTION III. - STATE AWARD FINDINGS AND QUESTIONED COSTS

None Required.

CITY OF DUNN
SUMMARY SCHEDULE OF PRIOR YEARS' FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016

SECTION II. - FINANCIAL STATEMENT FINDINGS

There were no prior year financial statement audit findings.

SECTION III. - STATE AWARD FINDINGS AND QUESTIONED COSTS

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

CITY OF DUNN, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2016

Grantor/Pass-through/ Grantor-Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Federal Expenditures	State Expenditures
FEDERAL AWARDS				
US Department of Health and Human Services				
Division of Aging and Adult Services:				
Passed through Mid Carolina Council of Government				
Senior Center Operations and Outreach	93.044	16-701, 20-701	\$ 11,015	\$ -
US Department of Agriculture				
Rural Development				
Community Facilities Loans and Grants - Police Vehicles	10.766		145,000	-
US Department of Transportation				
Federal Highway Administration				
Passed through NC Department of Transportation	20.205		53,000	7,000
Federal Highway Safety				
Passed through NC Department of Transportation			159,540	-
US Environmental Protection Agency				
Brownfields Assessment and Cleanup Cooperative Agreements	66.818		144,023	-
TOTAL FEDERAL AWARDS			<u>512,578</u>	<u>-</u>
STATE AWARDS				
NC Department of Commerce				
NC Rural Center - Rooms to Go Water and Sewer Improvements		2009-016-60501-107	-	157,671
NC Division of Parks and Recreation				
PARTF Grant		DNCR-6	-	50,000
NC Department of Transportation				
Powell Bill		DOT-4	-	386,192
TOTAL STATE AWARDS			<u>-</u>	<u>600,863</u>
TOTAL FEDERAL AND STATE ASSISTANCE			<u>\$ 512,578</u>	<u>\$ 600,863</u>

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

Basis of Presentation

The accompanying Schedule of Expenditures of Federal and State Awards includes the federal and State grant activity of the City and is presented on the modified accrual basis of accounting. The information presented in this schedule is presented in accordance with the requirements of the State Single Audit Implementation Act. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.