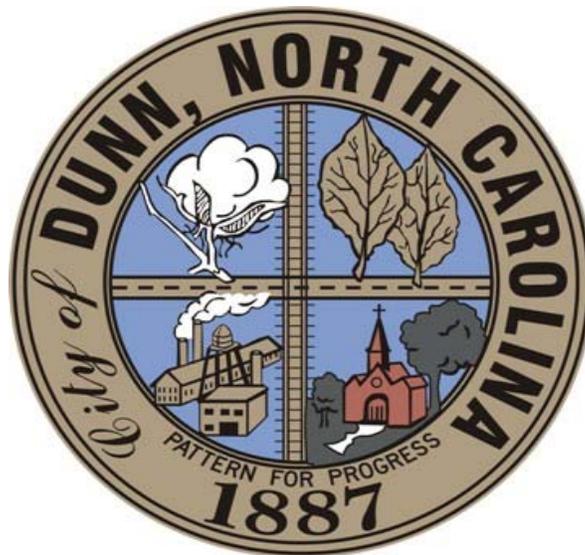


# **City of Dunn, North Carolina**

[www.dunn-nc.org](http://www.dunn-nc.org)

## **Comprehensive Annual Financial Report**

**For the fiscal year ended June 30, 2015**



*Prepared by the City of Dunn  
Finance Department*



**City of Dunn, North Carolina**  
**Comprehensive Annual Financial Report**  
*For the fiscal year ended June 30, 2015*

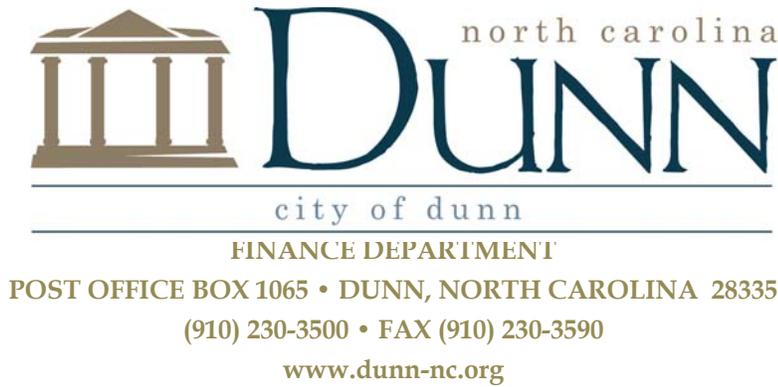
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**Mayor**  
Oscar N. Harris  
**Mayor Pro Tem**  
Chuck Turnage  
**Council Members**  
N. Carnell Robinson  
Frank McLean  
Billy Tart  
Buddy Maness  
Billy Barfield  
**City Manager**  
Ronald D. Autry

October 29, 2015

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

The Comprehensive Annual Financial Report (CAFR) of the City of Dunn for the fiscal year ended June 30, 2015 is submitted by the City's Finance Department, and it is the comprehensive publication of the City's financial position at June 30, 2015, and results of operations for the fiscal year then ended for all funds of the City. The financial statements must be presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. This report is published to fulfill that requirement for the fiscal year ended June 30, 2015, and to provide complete and further accountability to citizens and other interested parties by providing a comprehensive report in lieu of the minimum basic financial statement requirements.

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

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

***Description of the City***

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

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



*where community matters*

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

### ***Economic Condition and Outlook***

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

Tourism continues to have a major effect on the local economy. Dunn is located on the I-95 corridor. In the immediate area there are 11 hotels that offer over 700 rooms. In fiscal year 2015 hotel receipts were over \$13,600,000 in the Dunn area. Despite the struggling national economy the hotel receipts in the area have remained stable.

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

### ***Long-term Financial Planning***

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

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

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

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

### ***Major Initiatives***

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

***Financial Information:***

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

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

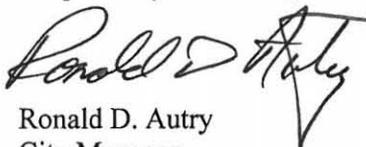
***Other Information:***

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

Awards: The Government Finance officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Dunn for its comprehensive annual financial report for the fiscal year ended June 30, 2014. This was the 6<sup>th</sup> consecutive year in which the City has received this recognition. To be awarded a Certificate of Achievement, the government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. The Certificate of Achievement is valid for a period of one year only.

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

Respectfully submitted,

  
Ronald D. Autry  
City Manager

  
Drew Holland  
Finance Director



Government Finance Officers Association

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

Presented to

**City of Dunn  
North Carolina**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2014**

Executive Director/CEO

# **City of Dunn**

## **Members of City Council**

**Oscar N. Harris**  
Mayor

**E. Frank Maness III**  
Council Member  
District 1

**N. Carnell Robinson**  
Council Member  
District 2

**Frank McLean**  
Council Member  
District 3

**Billy N. Tart**  
Council Member  
District 4

**Charles Turnage**  
Mayor Pro-Tem  
District 5

**Billy Barfield**  
Council Member  
District 6

## **Appointed and Administrative Staff**

**Ronald D. Autry**  
City Manager\*

**Drew Holland**  
Finance Director\*

**Steven Neuschafer**  
Assistant City Manager

**Debra G. West**  
City Clerk\*

**P. Tilghman Pope**  
Town Attorney\*

**Dean Gaster**  
Public Utilities Director

**Jimmy Pope**  
Chief of Police

**Billy Addison**  
Public Works Director

**Anne Thompson**  
Human Resources Director

**Mike Williams**  
Library Director

**Samantha Wullenwaber**  
Planning Director

**Brian McNeill**  
Interim Parks & Rec Director

**Steven King**  
Chief Building Inspector

## **Advisory Boards and Commissions**

**Planning Board**  
Claudell Brown, Chair

**Recreation Commission**  
Eddy Langston, Chair

**Board of Adjustment**  
Blount Whiteside, Chair

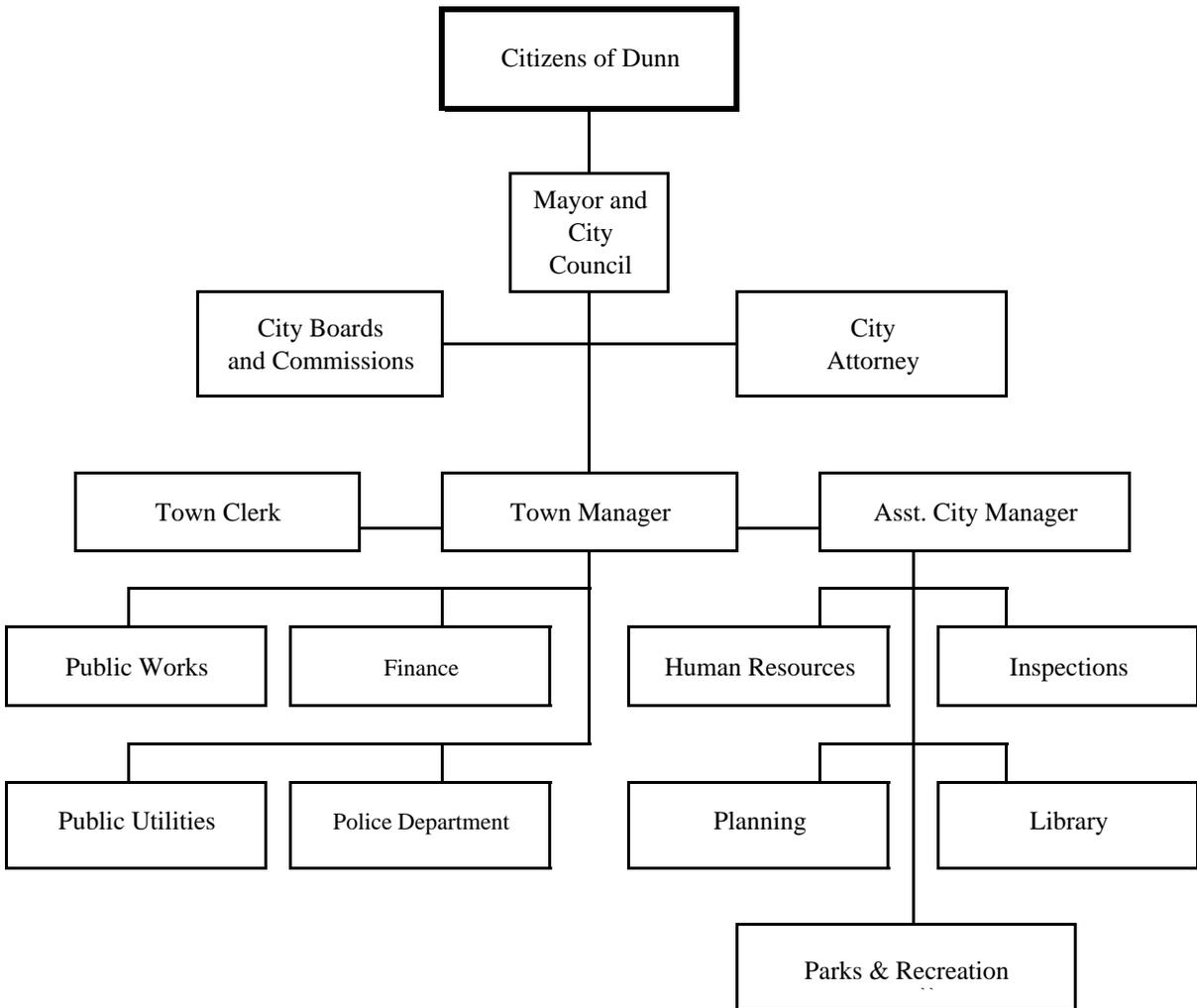
**Cemetery Advisory Board**  
J. Nowell Smith, Chair

**Library Board**  
Gloria Gulledge, Chair

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

# City of Dunn

## Organization Chart



## **City of Dunn General Information**

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

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

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

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

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

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

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





**PETWAY**  
**MILLS &**  
**PEARSON, PA**  
 CERTIFIED PUBLIC ACCOUNTANTS

C. Briggs Petway, Jr.  
 Phyllis M. Pearson

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 P.O. Box 1036  
 806 N. Arendell Ave.  
 Zebulon, NC 27597  
 919.269.7405  
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 Raleigh, NC 27615  
 919-781-1047

[www.pmpcpa.com](http://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, 2015, 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 1.55%, 2.33% and 10.25%, 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, 2015, 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 19 through 27, the Law Enforcement Officers' Special Separation Allowance's and the Other Postemployment Benefits' Schedules of Funding Progress and Schedules of Employer Contributions on pages 65 through 68, and the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Asset and Contributions on pages 69 and 70, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Supplementary and Other Information*

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

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

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

#### *Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2015 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 29, 2015

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

## **Management's Discussion and Analysis**

As management of the City of Dunn, we offer readers of the City of Dunn's financial statements this narrative overview and analysis of the financial activities of the City of Dunn for the fiscal year ended June 30, 2015. 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**

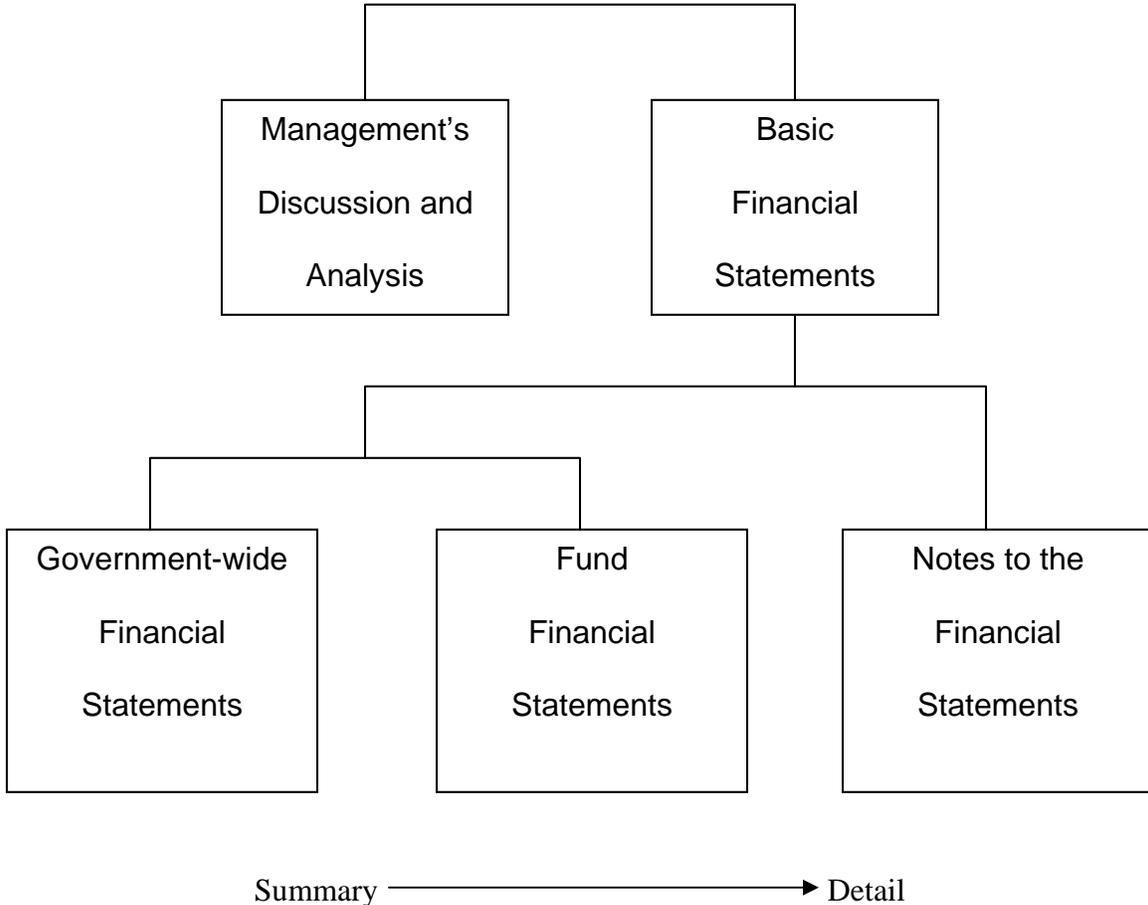
- The assets and deferred outflows of resources of the City of Dunn exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$28,144,428 (net position).
- The government's total net position increased by \$3,605,324 in fiscal year 2015. \$473,276 of the increase resulted from governmental activities, and \$3,132,048 resulted from business-type activities. The increases in governmental and business-type net positions are the result of General Fund and Water and Sewer Fund revenues that exceeded expenses.
- As of the close of the current fiscal year, the City of Dunn's governmental funds reported combined ending fund balances of \$3,639,725 a decrease of \$42,721 in comparison with the prior year. Approximately 41.82% of this total amount, or \$1,522,337 is non spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$2,117,388 or 24.74% of total general fund expenditures for the fiscal year.
- The City of Dunn's total debt increased by \$1,684,481 (13%) during the current fiscal year. A decrease of \$1,212,856 is from principal payments of existing debt and additions of installment financing of \$137,000 for new police vehicles, \$700,000 for Tyler Park Phase II, \$2,023,757 for the Harnett Training School project and a capital lease of \$36,580 for fitness equipment.
- The City bond rating remained A+ with Standard and Poor's and A3 with Moody's Rating Services.

### **Overview of the Financial Statements**

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

### Required Components of Annual Financial Report

Figure 1



#### Basic Financial Statements

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

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

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

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

### **Government-wide Financial Statements**

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

The two government-wide statements report the City's net position and how they have changed. Net position 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's Discussion and Analysis  
City of Dunn, North Carolina

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

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

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

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

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

## Government-Wide Financial Analysis

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets of the City of Dunn exceeded liabilities by \$28,144,428 as of June 30, 2015.

### The City of Dunn's Net Position

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 4,104,873	\$ 4,323,934	\$ 3,200,198	\$ 4,745,352	\$ 7,305,071	\$ 9,069,286
Capital assets	15,320,477	8,915,470	27,878,265	23,565,481	43,198,742	32,480,951
Deferred outflows of resources	262,439	-	-	-	262,439	-
Total assets and deferred outflows of resources	19,687,789	13,239,404	31,078,463	28,310,833	50,766,252	41,550,237
Long-term liabilities outstanding	9,053,879	6,417,783	6,869,860	7,450,056	15,923,739	13,867,839
Other liabilities	1,101,414	1,293,772	1,210,315	1,124,239	2,311,729	2,418,011
Deferred inflows of resources	4,068,208	489	-	-	4,068,208	489
Total liabilities and deferred inflows of resources	14,223,501	7,712,044	8,080,175	8,574,295	22,303,676	16,286,339
Net position						
Net investment in capital assets	4,244,430	3,627,133	20,284,577	17,951,590	24,529,007	21,578,723
Restricted	1,424,244	1,726,667	-	-	1,424,244	1,726,667
Unrestricted	(204,386)	173,560	2,395,563	1,784,948	2,191,177	1,958,508
Total net position	\$ 5,464,288	\$ 5,527,360	\$ 22,680,140	\$ 19,736,538	\$ 28,144,428	\$ 25,263,898

The City's net position increased by \$3,605,324 for the fiscal year ended June 30, 2015. However, the majority of the City's net position (\$24.5 million or 87%) reflects the City's investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt still outstanding that was issued to acquire those items. The City of Dunn uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of the outstanding related debt, it should be noted that the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the City of Dunn's net position (\$1.4 million or 5%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$2,191,177 (8%) is unrestricted. Also, the City of Dunn implemented GASB Statement 68 this year. With the new reporting change, the City has allocated its proportionate share of the Local Government Employees' Retirement System's net pension asset, deferred outflows of resources, deferred inflows of resources, and pension expense. A restatement to record the effects of the new reporting guidance decreased beginning net position by \$724,794. Decisions regarding the allocations are made by the administrators of the pension plan, not by the City of Dunn's management.

**City of Dunn Changes in Net Position**

**Figure 3**

	Governmental		Business Type		Total	
	Activities		Activities			
	2015	2014	2015	2014	2015	2014
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 1,226,933	\$ 1,258,446	\$ 4,807,268	\$ 4,672,187	\$ 6,034,201	\$ 5,930,633
Operating grants and contributions	800,634	967,699	-	-	800,634	967,699
Capital grants and contributions	523,000	112,130	2,841,252	416,365	3,364,252	528,495
General revenues:						
Property taxes	3,844,346	3,985,873	-	-	3,844,346	3,985,873
Other taxes	2,327,549	2,089,472	-	-	2,327,549	2,089,472
Grants and contributions not restricted to specific programs	110,000	110,000	-	-	110,000	110,000
Other	448,261	423,129	169,581	157,096	617,842	580,225
<b>Total revenues</b>	<b>\$ 9,280,723</b>	<b>\$ 8,946,749</b>	<b>\$ 7,818,101</b>	<b>\$ 5,245,648</b>	<b>\$ 17,098,824</b>	<b>\$ 14,192,397</b>
<b>Expenses:</b>						
General government	1,590,905	1,548,470	-	-	1,590,905	1,548,470
Public safety	3,933,301	4,024,211	-	-	3,933,301	4,024,211
Highways/streets	1,387,484	1,481,341	-	-	1,387,484	1,481,341
Sanitation	622,719	599,302	-	-	622,719	599,302
Culture and recreation	1,081,345	1,098,696	-	-	1,081,345	1,098,696
Interest on long-term debt	191,693	45,353	-	-	191,693	45,353
Loss on investment	-	-	-	-	-	-
Water and sewer	-	-	4,686,053	5,122,206	4,686,053	5,122,206
<b>Total expenses</b>	<b>\$ 8,807,447</b>	<b>\$ 8,797,373</b>	<b>\$ 4,686,053</b>	<b>\$ 5,122,206</b>	<b>\$ 13,493,500</b>	<b>\$ 13,919,579</b>
Change in net position before transfers	473,276	149,376	3,132,048	123,442	3,605,324	272,818
Transfers	-	-	-	-	-	-
Change in net position	473,276	149,376	3,132,048	123,442	3,605,324	272,818
Net position, July 1	5,527,360	5,377,984	19,736,538	19,613,096	25,263,898	24,991,080
Net position, beginning, restated	4,991,012	5,377,984	19,548,092	19,613,096	24,539,104	24,991,080
<b>Net position, June 30</b>	<b>\$ 5,464,288</b>	<b>\$ 5,527,360</b>	<b>\$ 22,680,140</b>	<b>\$ 19,736,538</b>	<b>\$ 28,144,428</b>	<b>\$ 25,263,898</b>

**Governmental activities:** Governmental activities increased the City's net position by \$473,276. Key elements of this increase are as follows:

- Increase in capital grants
- Increase in sales tax revenues
- More efficient use of resources (lower expenditures)

**Business-type activities:** Business-type activities increased the City of Dunn's net position by \$3,132,048. Key elements of this increase are as follows:

- Grants received for capital acquisition
- Increase in water and sewer revenues
- More efficient use of resources (lower expenses)

### **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 for the City of Dunn. At the end of the current fiscal year, fund balance available in the General Fund was \$2,117,388 while total fund balance reached \$3,572,257. Unassigned fund balance represents 24.74% of the total general fund expenditures, while total fund balance represents 41.75% of that same amount.

At June 30, 2015, the governmental funds of the City of Dunn reported a combined fund balance of \$3,639,725. The general fund and non-major funds, which are capital project funds for ongoing projects that have not been completed, are included in this combined amount.

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

**Proprietary Funds** - The City of Dunn's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to \$2,395,563 and the total ending net position of \$22,680,140, an increase of \$3,132,048.

**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, 2015, totals \$37,352,764 (net of accumulated depreciation). These assets include buildings, roads and bridges, land, machinery and equipment, park facilities and vehicles.

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

- Acquired new equipment and vehicles of \$50,078 and \$178,655, respectively, within governmental activities and \$143,773 and \$0 within business-type activities.
- Construction in progress of \$8,195,213 in governmental-type activities for the downtown revitalization project, Tyler Park renovations and Harnett Training School project.
- Construction in progress of \$3,093,326 in water and sewer projects.
- No significant retirements, dispositions, or demolitions were recorded this year.

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

**Figure 4**

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land	\$ 1,492,963	\$ 1,492,963	\$ 181,746	\$ 181,746	\$ 1,674,709	\$ 1,674,709
Buildings and systems	1,184,888	1,297,824	21,691,263	22,340,486	22,876,151	23,638,310
Improvements other than buildings	340,879	371,515	-	-	340,879	371,515
Machinery and equipment	233,808	263,524	375,374	300,051	609,182	563,575
Other	1,099	57,500	88,383	116,846	89,482	174,346
Vehicles and motorized equipment	449,214	388,194	24,608	42,908	473,822	431,102
Construction in progress	8,195,213	5,043,948	3,093,326	583,444	11,288,539	5,627,392
<b>Total</b>	<b>\$ 11,898,064</b>	<b>\$ 8,915,468</b>	<b>\$ 25,454,700</b>	<b>\$ 23,565,481</b>	<b>\$ 37,352,764</b>	<b>\$ 32,480,949</b>

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

**Long-term Debt** - As of June 30, 2015, the City of Dunn had total bonded debt outstanding of \$1,410,000. This amount is backed by the full faith, credit, and taxing power of the City of Dunn. Additionally, the City had \$9,637,610 outstanding for installment purchase debt, \$3,508,091 outstanding on water and sewer revolving loans, and \$87,283 outstanding on a capital lease.

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

**Figure 5**

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Capital Lease	\$ 17,686	\$ -	\$ 69,597	\$ 74,370	\$ 87,283	\$ 74,370
General obligation bonds	-	-	1,410,000	1,540,000	1,410,000	1,540,000
Installment purchases	7,635,949	5,258,337	2,001,662	2,328,449	9,637,611	7,586,786
Water and Sewer revolving loans	-	-	3,508,091	3,727,347	3,508,091	3,727,347
<b>Total</b>	<b>\$ 7,653,635</b>	<b>\$ 5,258,337</b>	<b>\$ 6,989,350</b>	<b>\$ 7,670,166</b>	<b>\$ 14,642,985</b>	<b>\$ 12,928,503</b>

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to eight percent (8%) of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the City of Dunn is \$47,433,506. The City has no bonds authorized but un-issued at June 30, 2015.

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

**Budget Highlights for the Fiscal Year Ending June 30, 2016**

**Governmental Activities:** The City's tax rate remained unchanged at \$0.50 per \$100 of value for the coming fiscal year. Property taxes account for 45% of the total General Fund Revenue. The remaining revenues for the City primarily include Sales Tax, Utility Franchise Taxes and charges for services. These revenues are projected to bring in \$2.8 million, or 32% of the total General Fund Revenues. Combined, these revenue sources account for approximately 77% of the General Fund Revenues. Conservative budgeting practices have afforded the City the opportunity to fund its needs without raising the property tax rate. Budgeted expenditures in the General Fund are relatively the same. One new fire inspection position has been added to the General Fund. All other departments were kept intact to maintain current City service levels.

**Business Activities:** Operating revenues in the Water and Sewer Fund result primarily from water and sewer sales. These revenues account for 91% of the Water and Sewer Fund budget. Additional revenues come from tap fees, inspection fees, meter fees and reconnection fees. Water and sewer rates increased 5% and 10% respectively for the new budget year. Budgeted expenses in the Water and Sewer Fund are relatively the same as well. No new positions have been added and the current employment levels were kept intact to maintain current City service levels.

**Requests for Information**

This report is designed to provide an overview of the City's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Finance Director, City of Dunn, Post Office 1065, Dunn, North Carolina, 28335.



**City of Dunn**  
**Statement of Net Position**  
**June 30, 2015**

**Exhibit 1**

	Primary Government			City of Dunn ABC Board
	Governmental Activities	Business-type Activities	Total	
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ -	\$ 1,229,119	\$ 1,229,119	\$ 221,955
Investments	2,486,467	-	2,486,467	-
Taxes receivables (net)	122,902	-	122,902	-
Interest receivable (net)	1,759	-	1,759	-
Accounts receivable (net)	592,627	667,164	1,259,791	186
Pledges receivable	17,950	-	17,950	-
Due from other governments	454,539	887,942	1,342,481	-
Other receivables	23,757	-	23,757	-
Current portion of note receivable	75,332	98,530	173,862	-
Inventories	28,559	57,218	85,777	207,855
Prepaid items	2,066	-	2,066	-
Internal balances	(127,591)	127,591	-	-
Restricted cash and investments	426,506	132,634	559,140	-
<b>Total current assets</b>	<b>4,104,873</b>	<b>3,200,198</b>	<b>7,305,071</b>	<b>429,996</b>
Non-current assets:				
Note receivable	3,024,668	2,283,816	5,308,484	-
Net pension asset	397,745	139,749	537,494	6,546
Capital assets (Note 4):				
Land, non-depreciable improvements, and construction in progress	9,688,176	3,275,072	12,963,248	-
Other capital assets, net of depreciation	2,209,888	22,179,628	24,389,516	348,491
<b>Total capital assets</b>	<b>11,898,064</b>	<b>25,454,700</b>	<b>37,352,764</b>	<b>348,491</b>
<b>Total non-current assets</b>	<b>15,320,477</b>	<b>27,878,265</b>	<b>43,198,742</b>	<b>355,037</b>
<b>Total assets</b>	<b>19,425,350</b>	<b>31,078,463</b>	<b>50,503,813</b>	<b>785,033</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Contributions to pension plan in current fiscal year	262,439	92,208	354,647	11,175
<b>Total deferred outflows of resources</b>	<b>262,439</b>	<b>92,208</b>	<b>354,647</b>	<b>11,175</b>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	258,055	337,091	595,146	51,403
Accrued interest	155,429	72,669	228,098	-
Customer deposits	-	132,634	132,634	-
Due within one year	687,930	740,590	1,428,520	-
<b>Total current liabilities</b>	<b>1,101,414</b>	<b>1,282,984</b>	<b>2,384,398</b>	<b>51,403</b>
Long-term liabilities:				
Due in more than one year	9,053,879	6,869,860	15,923,739	-
<b>Total liabilities</b>	<b>10,155,293</b>	<b>8,152,844</b>	<b>18,308,137</b>	<b>51,403</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Prepaid taxes	7,100	-	7,100	-
Note receivable	3,100,000	-	3,100,000	-
Pension deferrals	961,108	337,687	1,298,795	15,955
<b>Total deferred inflows of resources</b>	<b>4,068,208</b>	<b>337,687</b>	<b>4,405,895</b>	<b>15,955</b>
<b>NET POSITION</b>				
Net Investment in capital assets	4,244,430	20,284,577	24,529,007	348,491
Restricted for:				
Public safety	21,112	-	21,112	-
Transportation	302,821	-	302,821	-
Stabilization by State Statute	1,062,611	-	1,062,611	-
Culture and Recreation	37,700	-	37,700	-
Working Capital	-	-	-	61,298
Unrestricted	(204,386)	2,395,563	2,191,177	319,061
<b>Total net position</b>	<b>\$ 5,464,288</b>	<b>\$ 22,680,140</b>	<b>\$ 28,144,428</b>	<b>\$ 728,850</b>

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, 2015**

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			City of Dunn ABC Board
					Governmental Activities	Business-type Activities	Total	
<b>Primary government:</b>								
Governmental Activities:								
General government	\$ 1,590,905	\$ 340,748	\$ -	\$ 500,000	\$ (750,157)	\$ -	\$ (750,157)	\$ -
Public safety	3,933,301	44,159	345,702	23,000	(3,520,440)	-	(3,520,440)	-
Transportation	1,387,484	-	316,171	-	(1,071,313)	-	(1,071,313)	-
Environmental protection	622,719	738,992	46,232	-	162,505	-	162,505	-
Culture and recreation	817,707	103,034	92,529	-	(622,144)	-	(622,144)	-
Library	263,638	-	-	-	(263,638)	-	(263,638)	-
Interest on long-term debt	191,693	-	-	-	(191,693)	-	(191,693)	-
<b>Total governmental activities</b>	<b>8,807,447</b>	<b>1,226,933</b>	<b>800,634</b>	<b>523,000</b>	<b>(6,256,880)</b>	<b>-</b>	<b>(6,256,880)</b>	<b>-</b>
<b>Business-type activities:</b>								
Water and sewer	4,686,053	4,807,268	-	2,841,252	-	2,962,467	2,962,467	-
<b>Total business-type activities</b>	<b>4,686,053</b>	<b>4,807,268</b>	<b>-</b>	<b>2,841,252</b>	<b>-</b>	<b>2,962,467</b>	<b>2,962,467</b>	<b>-</b>
<b>Total primary government</b>	<b>\$ 13,493,500</b>	<b>\$ 6,034,201</b>	<b>\$ 800,634</b>	<b>\$ 3,364,252</b>	<b>(6,256,880)</b>	<b>2,962,467</b>	<b>(3,294,413)</b>	<b>-</b>
<b>Component unit:</b>								
ABC Board	\$ 2,064,367	\$ 2,064,141	\$ -	\$ -	\$ -	\$ -	\$ -	(226)
<b>Total component unit</b>	<b>\$ 2,064,367</b>	<b>\$ 2,064,141</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>(226)</b>
General revenues:								
Taxes:								
Property taxes, levied for general purpose					3,844,346	-	3,844,346	-
Other taxes and licenses					43,942	-	43,942	-
Local option sales taxes					1,503,668	-	1,503,668	-
Utility franchise tax					728,234	-	728,234	-
Beer and wine tax					45,543	-	45,543	-
Solid waste disposal tax					6,162	-	6,162	-
Grants and contributions not restricted to specific programs					110,000	-	110,000	6,000
Unrestricted investment earnings					14,606	97,930	112,536	123
Miscellaneous					431,073	60,075	491,148	-
Special Item - Sales of capital assets					2,582	11,576	14,158	-
Total general revenues and transfers					6,730,156	169,581	6,899,737	6,123
<b>Change in net position</b>					<b>473,276</b>	<b>3,132,048</b>	<b>3,605,324</b>	<b>5,897</b>
<b>Net position, beginning, as previously reported</b>					<b>5,527,360</b>	<b>19,736,538</b>	<b>25,263,898</b>	<b>728,323</b>
<b>Change in accounting principle</b>					<b>(536,348)</b>	<b>(188,446)</b>	<b>(724,794)</b>	<b>(5,370)</b>
<b>Net position, beginning, as restated</b>					<b>4,991,012</b>	<b>19,548,092</b>	<b>24,539,104</b>	<b>722,953</b>
<b>Net position, ending</b>					<b>\$ 5,464,288</b>	<b>\$ 22,680,140</b>	<b>\$ 28,144,428</b>	<b>\$ 728,850</b>

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

**City of Dunn  
Balance Sheets  
Governmental Funds  
June 30, 2015**

**Exhibit 3**

	<b>Major Fund</b>		
<b>General</b>	<b>Total Non-major Funds</b>	<b>Total Governmental Funds</b>	
<b>ASSETS</b>			
Cash and cash equivalents	\$ -	\$ -	\$ -
Restricted cash and investments	361,633	64,873	426,506
Investments	2,486,467	-	2,486,467
Receivables, net:			
Taxes	122,902	-	122,902
Accounts	592,627	-	592,627
Pledges	17,950	-	17,950
Other	-	23,757	23,757
Due from other governments	451,944	2,595	454,539
Prepaid items	2,066	-	2,066
Inventories	28,559	-	28,559
Note receivable	3,100,000	-	3,100,000
Total assets	7,164,148	91,225	7,255,373
<b>LIABILITIES</b>			
Liabilities:			
Accounts payable and accrued liabilities	258,055	-	258,055
Due to other funds	103,834	23,757	127,591
Total liabilities	361,889	23,757	385,646
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Property taxes receivable	122,902	-	122,902
Prepaid Taxes	7,100	-	7,100
Note receivable	3,100,000	-	3,100,000
Total deferred inflows of resources	3,230,002	-	3,230,002
<b>FUND BALANCES</b>			
Non Spendable			
Prepaid Expenses	2,066	-	2,066
Inventories	28,559	-	28,559
Restricted			
Stabilization by State Statute	1,062,611	-	1,062,611
Transportation	302,821	-	302,821
Public Safety	21,112	-	21,112
Culture and recreation	37,700	-	37,700
Assigned			
Culture and recreation	-	67,468	67,468
Unassigned	2,117,388	-	2,117,388
Total fund balances	3,572,257	67,468	3,639,725
Total liabilities, deferred inflows of resources and fund balances	\$ 7,164,148	\$ 91,225	

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.	11,898,064
Net pension asset	397,745
Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the statement of net position	262,439
Other long-term assets (accrued interest receivable from taxes) are not available to pay for current-period expenditures and therefore are inflows of resources in the funds.	1,759
Earned revenues considered deferred inflows of resources in fund statements.	122,902
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds	(7,653,634)
Pension related deferrals	(961,108)
Other long-term liabilities (accrued interest, compensated absences, unfunded pension contribution and OPEB) are not due and payable in the current period and therefore are not reported in the funds.	(2,243,604)
Net position of governmental activities	\$ 5,464,288

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, 2015**

	<b>Major Funds</b>		
	<b>General Fund</b>	<b>Total Non-Major Funds</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>			
Ad valorem taxes	\$ 3,887,947	\$ -	\$ 3,887,947
Other taxes and licenses	43,942	-	43,942
Unrestricted intergovernmental	2,393,607	-	2,393,607
Restricted intergovernmental	493,339	755,529	1,248,868
Permits and fees	216,875	-	216,875
Sales and services	1,003,235	-	1,003,235
Investment earnings	14,606	-	14,606
Miscellaneous	513,106	-	513,106
Private donations	-	-	-
Total revenues	8,566,657	755,529	9,322,186
<b>EXPENDITURES</b>			
Current:			
General government	1,535,053	-	1,535,053
Public safety	3,196,120	58,341	3,254,461
Transportation	1,309,052	-	1,309,052
Environmental protection	607,313	-	607,313
Culture and recreation	725,807	-	725,807
Library	251,963	-	251,963
Debt service:			
Principal	519,237	-	519,237
Interest and other charges	184,019	-	184,019
Capital outlay	228,733	3,151,264	3,379,997
Total expenditures	8,557,297	3,209,605	11,766,902
Excess (deficiency) of revenues over expenditures	9,360	(2,454,076)	(2,444,716)
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers from (to) other funds	(155,280)	155,280	-
Transfer to Harnett County	-	(498,713)	(498,713)
Sales of capital assets	14,494	-	14,494
Capital lease proceeds	23,777	-	23,777
Installment purchase obligations issued	137,000	2,723,757	2,860,757
Total other financing sources (uses)	19,991	2,380,324	2,400,315
Net change in fund balance	29,351	(73,752)	(44,401)
Fund balances, beginning	3,541,226	141,220	3,682,446
Change in reserve for inventories	1,680	-	1,680
Fund balances, ending	\$ 3,572,257	\$ 67,468	\$ 3,639,725

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, 2015**

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

Net changes in fund balances - total governmental funds	\$	(44,401)	
Change in fund balance due to change in reserve for inventory		1,680	
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period</p>			
Capital outlay expenditures which were capitalized	3,379,997		
Depreciation expense for governmental assets	<u>(385,490)</u>		2,994,507
Proceeds from the sale of capital assets	(14,494)		
Gain on disposal of capital assets	<u>2,582</u>		(11,912)
Contributions to the pension plan in the current fiscal year are not included on the statement of activities			262,439
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>			
Change in unavailable revenue for tax revenues			(45,359)
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>			
New long-term debt issued	(2,884,534)		
Principal payments on long-term debt	519,237		
Increase in accrued interest payable	<u>(8,039)</u>		(2,373,336)
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>			
Compensated absences		57,165	
Pension expense		(27,015)	
Net pension obligation		(46,564)	
Other postemployment benefits		(293,928)	
Total changes in net position of governmental activities	<u>\$</u>	<u>473,276</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, 2015**

	<b>General Fund</b>			
	Original	Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
<b>Revenues:</b>				
Ad valorem taxes	\$ 3,930,000	\$ 3,930,000	\$ 3,887,947	\$ (42,053)
Other taxes and licenses	74,000	74,000	43,942	(30,058)
Unrestricted intergovernmental	2,189,200	2,216,200	2,393,607	177,407
Restricted intergovernmental	474,700	573,700	493,339	(80,361)
Permits and fees	187,000	193,000	216,875	23,875
Sales and services	1,024,500	1,024,500	1,003,235	(21,265)
Investment earnings	10,000	10,000	14,606	4,606
Other	548,500	553,500	513,106	(40,394)
Total revenues	<u>8,437,900</u>	<u>8,574,900</u>	<u>8,566,657</u>	<u>(8,243)</u>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	1,549,566	1,598,999	1,535,053	63,946
Public safety	3,213,786	3,275,271	3,196,120	79,151
Transportation	1,359,326	1,384,688	1,309,052	75,636
Environmental protection	595,434	613,601	607,313	6,288
Culture and recreation	761,819	736,819	725,807	11,012
Library	251,169	259,817	251,963	7,854
<b>Debt service:</b>				
Principal retirement	494,950	519,237	519,237	-
Interest and other charges	199,850	187,943	184,019	3,924
Capital Outlay	191,500	240,580	228,733	11,847
Total expenditures	<u>8,617,400</u>	<u>8,816,955</u>	<u>8,557,297</u>	<u>259,658</u>
Revenues over (under) expenditures	<u>(179,500)</u>	<u>(242,055)</u>	<u>9,360</u>	<u>251,415</u>
<b>Other financing sources (uses):</b>				
Transfers from (to) other funds	-	(200,000)	(155,280)	44,720
Sale of capital assets	15,000	25,000	14,494	(10,506)
Capital lease proceeds	-	36,580	23,777	(12,803)
Installment purchase proceeds	132,000	137,000	137,000	-
Unappropriated fund balance	32,500	243,475	-	(243,475)
Total other financing sources (uses)	<u>179,500</u>	<u>242,055</u>	<u>19,991</u>	<u>(222,064)</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>\$ -</u>	<u>29,351</u>	<u>\$ 29,351</u>
Fund balances, beginning			3,541,226	
Change in reserve for inventories			1,680	
Fund balances, ending			<u>\$ 3,572,257</u>	

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

**City of Dunn  
Statement of Net Position  
Proprietary Fund  
June 30, 2015**

	<u>Water and Sewer Fund</u>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 1,229,119
Accounts receivable (net) - billed	510,497
Accounts receivable - other	156,667
Due from other governments	79,170
Grants receivable	808,772
Current portion of note receivable	98,530
Inventories	57,218
Due from other funds	127,591
Restricted cash	132,634
Total current assets	<u>3,200,198</u>
Noncurrent assets:	
Note receivable	2,283,816
Net pension asset	139,749
Capital assets:	
Land and other non-depreciable assets	3,275,072
Other capital assets, net of depreciation	22,179,628
Capital assets (net)	<u>25,454,700</u>
Total noncurrent assets	<u>27,878,265</u>
Total assets	<u>31,078,463</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Contributions to pension plan in current fiscal year	92,208
Total deferred outflows of resources	<u>92,208</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable and accrued liabilities	337,091
Accrued interest payable	72,669
Customer deposits	132,634
Compensated absences - current	42,818
General obligation bonds payable - current	135,000
Note payable - current	562,772
Total current liabilities	<u>1,282,984</u>
Noncurrent liabilities:	
Other noncurrent liabilities:	
Compensated absences	44,566
Other postemployment benefits	533,716
General obligation bonds payable - noncurrent (net)	1,275,000
Note payable - noncurrent	5,016,578
Total noncurrent liabilities	<u>6,869,860</u>
Total liabilities	<u>8,152,844</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Pension deferrals	337,687
Total deferred inflows of resources	<u>337,687</u>
<b>NET POSITION</b>	
Net investment in capital assets	20,284,577
Restricted for Capital Projects	-
Unrestricted	2,395,563
Total net position	<u>\$ 22,680,140</u>

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

**City of Dunn**  
**Statement of Revenues, Expenses, and Changes in Fund Net Position**  
**Proprietary Fund**  
**For the Year Ended June 30, 2015**

	<u>Water and Sewer Fund</u>
<b>OPERATING REVENUES</b>	
Charges for services	\$ 4,617,931
Water and sewer taps	24,526
Other operating revenues	164,811
<b>Total operating revenues</b>	<u>4,807,268</u>
<b>OPERATING EXPENSES</b>	
Water and sewer administration	825,092
Water and sewer operations	921,332
Water supply, pump and filtering	1,011,370
Sewage treatment plant operations	956,200
Depreciation and amortization	764,436
<b>Total operating expenses</b>	<u>4,478,430</u>
<b>Operating income (loss)</b>	<u>328,838</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Investment earnings	97,930
Tower site rental	60,075
Sale of capital assets	11,576
Interest and other charges	(207,623)
<b>Total nonoperating revenue (expenses)</b>	<u>(38,042)</u>
<b>Income (loss) before contributions and transfers</b>	290,796
Capital contributions	2,841,252
<b>Total income (loss) after contributions and transfers</b>	<u>3,132,048</u>
<b>Change in net position</b>	3,132,048
<b>Total net position, beginning, as previously reported</b>	19,736,538
<b>Change in accounting principle</b>	(188,446)
<b>Total net position, beginning, as restated</b>	19,548,092
<b>Total net position, ending</b>	<u><u>\$ 22,680,140</u></u>

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

**City of Dunn  
Statement of Cash Flows  
Proprietary Fund  
For the Fiscal Year Ended June 30, 2015**

**Exhibit 9**

	<b>Water and Sewer Fund</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from customers	\$ 4,584,906
Cash paid for goods and services	(1,757,532)
Cash paid to or on behalf of employees for services	(1,936,074)
Customer deposits received	155,385
Customer deposits returned	(149,478)
Other operating revenues	273,291
Net cash provided (used) by operating activities	1,170,498
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Due from other funds	(127,591)
Due from other governments	(63,704)
Transfers to other funds	-
Net cash provided (used) by noncapital financing activities	(191,295)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Acquisition and construction of capital assets	(2,489,289)
Sale of capital assets	11,576
Principal payments from note receivable	94,643
Capital contributions	2,448,845
Proceeds from Installment Financing	12,803
Principal paid on bond maturities and equipment contracts	(693,619)
Interest paid on bond maturities and equipment contracts	(216,094)
Net cash provided (used) by capital and related financing activities	(831,135)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest and dividends	97,930
Tower site rental	60,075
Net cash provided (used) by investing activities	158,005
Net increase (decrease) in cash and cash equivalents	306,073
Balances, beginning	1,055,680
Balances, ending	\$ 1,361,753

(continued)

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

**Exhibit 9**

**City of Dunn  
Statement of Cash Flows  
Proprietary Fund  
For the Fiscal Year Ended June 30, 2015**

	<b>Water and Sewer Fund</b>
Reconciliation of operating income to net cash provided by operating activities	
Operating income	\$ 328,838
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	764,436
Pension expense	9,492
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	(57,551)
(Increase) decrease in accounts receivable - other	108,480
(Increase) decrease in inventory	5,541
Increase (decrease) in accounts payable and accrued liabilities	(10,480)
Increase (decrease) in customer deposits	5,907
Increase (decrease) in accrued vacation pay	(7,787)
(Increase) decrease in deferred outflows of resources for pensions	(92,208)
Increase (decrease) in accrued other postemployment benefits	115,830
Total adjustments	841,660
Net cash provided by operating activities	\$ 1,170,498

**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, 2015**

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

**I. Summary of Significant Accounting Policies**

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

**A. Reporting Entity**

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

**City of Dunn ABC Board**

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

**B. Basis of Presentation**

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

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

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

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

**City of Dunn, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2015**

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.

**Emergency Telephone System Special Revenue Fund.** This fund is used to account for the fees charged to telephone customers to fund the 911 system. (The City transferred these operations to the County during the year ended June 30, 2015.)

The City reports the following major enterprise fund:

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

**C. Measurement Focus and Basis of Accounting**

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

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

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

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

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax, collected and held by the State at year-end on behalf of the City are recognized as revenue. Sales taxes are considered a shared

**City of Dunn, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2015**

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, Emergency Telephone Special Revenue 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 as determined by quoted market prices. The securities of the NCCMT Cash Portfolio, a SEC-registered (2a-7) money market mutual fund, are valued at fair value, which is the NCCMT's share price.

**2. Cash and Cash Equivalents**

The City pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered

**City of Dunn, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2015**

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	\$ 302,821
Public Safety - Drug Forfeiture	21,112
Culture and recreation - USDA reserve	37,700
Culture and recreation - Tyler Park	64,873
Total Governmental Activities	426,506

Business-type Activities

Water and Sewer Fund

Customer Deposits	132,634
Total Business-type Activities	132,634

Total Restricted Cash	\$ 559,140
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**4. Ad Valorem Taxes Receivable**

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

**5. Allowances for Doubtful Accounts**

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

**6. Inventory and Prepaid Items**

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

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

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

**City of Dunn, North Carolina**  
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**7. Capital Assets**

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

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

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

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

Asset Class	Estimated Useful Lives
Buildings	10 - 40
Furniture and equipment	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 one item that meets this criterion, contributions made to the pension plan in the 2015 fiscal year. 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, note receivable, property taxes receivable and deferrals of pension expense that result from the implementation of GASB Statement 68.

**9. Long-Term Obligations**

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discount. Bond

**City of Dunn, North Carolina**  
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issuance costs, except for prepaid insurance cost, are expensed in the reporting period in which they are incurred. Prepaid insurance costs are expensed over the life of the debt.

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

#### 10. Compensated Absences

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

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

#### 11. Net Position/Fund Balances

##### Net Position

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

##### Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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

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

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

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

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

**Committed Fund Balance** – portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of 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.

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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 Tyler Park Renovations.

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

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

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

12. Pensions

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

**II. Stewardship, Compliance, and Accountability**

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

1. Noncompliance with North Carolina General Statutes

None.

B. Deficit Fund Balance or Net Position of Individual Funds

None.

C. Excess of Expenditures over Appropriations

None.

**III. Detail Notes on All Funds**

A. Assets

1. Deposits

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

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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, 2015, the City's deposits had a carrying amount of \$1,425,557 and a bank balance of \$1,508,466. Of the bank balance, \$500,000 was covered by federal depository insurance and the remainder of \$1,008,466 was covered by collateral held under the Pooling Method. The carrying amount of deposits for the ABC Board was \$219,705 and the bank balance was \$313,829. At June 30, 2015, the bank balances exceeded federal depository insurance coverage. The remaining bank balance of \$63,829 was covered by collateral held under the Pooling Method. At June 30, 2015, the City's petty cash fund totaled \$1,070.

**2. Investments**

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

	<u>Cost Value</u>	<u>Fair Value</u>
North Carolina Capital Management Trust		
Cash Portfolio	<u>\$2,581,683</u>	<u>\$2,581,683</u>
First Citizens Bank		
Investment Note	<u>\$ 255,000</u>	<u>\$ 266,416</u>

The City and the ABC Board have no policy regarding credit risk. The City's investment in the North Carolina Capital Management Trust Cash Portfolio carried a credit rating of AAAM by Standard and Poor's as of June 30, 2015.

**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 2015.

Note Receivable-annual payments vary thru August 2034	<u>\$3,100,000</u>
Amount to be collected within more than one year	<u>\$3,024,668</u>

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>\$2,382,346</u>
Amount to be collected within more than one year	<u>\$2,283,816</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, 2015</u>
General Fund	
Taxes Receivable	\$53,425
Interest Receivable	15,844
Sanitation Charges	4,299

**City of Dunn, North Carolina**  
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c. Accounts Receivable

Accounts receivable consists of:

General Fund	
Trade	\$ 315,343
Special Assessments	<u>277,284</u>
	<u>\$ 592,627</u>
Water and Sewer Fund	
Trade	\$ 510,497
Miscellaneous Billings	7,237
Interest	28,505
Dunn Development Corporation	142,770
Special Assessments	3,680
Allowance for Doubtful Accounts	<u>(25,525)</u>
	<u>\$ 667,164</u>

4. Capital Assets

**Primary Government**

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated				
Land	\$ 1,492,963	\$ -	\$ -	\$ 1,492,963
Construction in Progress	5,043,948	3,151,265	-	8,195,213
Total capital assets not being depreciated	<u>6,536,911</u>	<u>3,151,265</u>	<u>-</u>	<u>9,688,176</u>
Capital assets being depreciated				
Buildings	3,204,248	-	-	3,204,248
Other improvements	990,683	-	-	990,683
Equipment	2,051,700	-	17,507	2,034,193
Vehicles and motorized equipment	1,844,684	228,733	360,498	1,712,919
Other	532,003	-	7,995	524,008
Total capital assets being depreciated	<u>8,623,318</u>	<u>228,733</u>	<u>386,000</u>	<u>8,466,051</u>
Less accumulated depreciation for				
Buildings	1,906,425	112,934	-	2,019,359
Other improvements	619,169	30,635	-	649,804
Equipment	1,788,174	65,656	16,671	1,837,159
Vehicles and motorized equipment	1,456,490	173,217	349,422	1,280,285
Other	474,503	3,048	7,995	469,556
Accumulated depreciation	<u>6,244,761</u>	<u>\$ 385,490</u>	<u>\$ 374,088</u>	<u>6,256,163</u>
Total capital assets, depreciated, net	<u>2,378,557</u>			<u>2,209,888</u>
Governmental activity capital assets, net	<u>\$ 8,915,468</u>			<u>\$ 11,898,064</u>

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

General government	\$ 35,409
Public safety	162,991
Transportation	68,981
Environmental protection	10,042
Cultural and recreational	100,986
Library	7,081
	<u>\$ 385,490</u>

**City of Dunn, North Carolina**  
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	Beginning Balances	Increases	Decreases	Ending Balances
<b>Business-type activities:</b>				
<b>Capital assets not being depreciated</b>				
Land	\$ 181,746	\$ -	\$ -	\$ 181,746
Construction in progress	583,444	2,509,882	-	3,093,326
Total capital assets not being depreciated	765,190	2,509,882	-	3,275,072
<b>Capital assets being depreciated</b>				
Buildings	822,885	-	-	822,885
Equipment	820,182	143,773	21,613	942,342
Plant distribution systems	39,879,657	-	-	39,879,657
Vehicles	410,351	-	-	410,351
Other Assets	196,357	-	-	196,357
Total capital assets being depreciated	42,129,432	143,773	21,613	42,251,592
<b>Less accumulated depreciation for:</b>				
Buildings	628,861	18,036	-	646,897
Equipment	520,131	65,966	21,613	564,484
Plant distribution systems	17,733,195	631,188	-	18,364,383
Vehicles	367,443	18,299	-	385,742
Other Assets	79,511	30,947	-	110,458
Accumulated Depreciation	19,329,141	\$ 764,436	\$ 21,613	20,071,964
Capital assets, depreciated, net	22,800,291			22,179,628
<b>Business-type activities capital asset</b>	<b>\$ 23,565,481</b>			<b>\$ 25,454,700</b>

**Net Investment in Capital Assets**

The total net investment in capital assets at June 30, 2015 is composed of the following elements:

	Governmental Activities	Business-Type Activities	Total
Capital assets	\$ 11,898,064	\$ 25,454,700	\$ 37,352,764
Long-term debt	9,741,809	7,610,450	17,352,259
Less: long-term debt not related to capital assets	-	(1,819,227)	
Less: compensated absences	(312,915)	(87,384)	(400,299)
Less: unfunded pension contribution	(160,535)	-	(160,535)
Less: other postemployment benefits	(1,614,725)	(533,716)	(2,148,441)
Long-term debt related to capital assets	7,653,634	5,170,123	12,823,757
<b>Net investment in capital assets</b>	<b>\$ 4,244,430</b>	<b>\$ 20,284,577</b>	<b>\$ 24,529,007</b>

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Discretely presented component unit

Activity for the ABC Board for the year ended June 30, 2015 was as follows:

	<u>Beginning</u> <u>Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u> <u>Balances</u>
Capital assets not being depreciated:				
Land	\$ 191,572	\$ -	\$ -	\$ 191,572
Capital assets being depreciated:				
Buildings	335,527	10,325	-	345,852
Furniture and equipment	156,236	3,303	-	159,539
Land improvements	13,344	-	-	13,344
Total capital assets being depreciated	<u>505,107</u>	<u>13,628</u>	<u>-</u>	<u>518,735</u>
Less accumulated depreciation for:				
Buildings	206,122	8,403	-	214,525
Furniture and equipment	132,079	5,972	-	138,051
Land improvements	8,415	825	-	9,240
Total accumulated depreciation	<u>346,616</u>	<u>\$ 15,200</u>	<u>\$ -</u>	<u>361,816</u>
Total capital assets being depreciated, net	<u>158,491</u>			<u>156,919</u>
ABC capital assets, net	<u>\$350,063</u>			<u>\$348,491</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.

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

**City of Dunn, North Carolina**  
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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, 2015, was 7.41% of compensation for law enforcement officers and 7.07% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the City of Dunn were \$354,647 for the year ended June 30, 2015.

*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, 2015, the City reported an asset of \$537,494 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2014. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2013. The total pension liability was then rolled forward to the measurement date of June 30, 2014 utilizing update procedures incorporating the actuarial assumptions. The City's proportion of the net pension asset 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, 2014, the City's proportion was 0.9114%, which was an increase of 0.00124% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the City recognized pension expense of \$36,507. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ 58,730
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	1,251,275
Changes in proportion and differences between City contributions and proportionate share of contributions	-	(11,210)
City contributions subsequent to the measurement date	354,647	-
Total	\$ 354,647	\$ 1,298,795

\$354,647 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2016. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

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**Year ended June 30:**

2016	\$ (324,729)
2017	(324,729)
2018	(324,729)
2019	(324,608)
	<u>\$ (1,298,795)</u>

*Actuarial Assumptions.* The total pension liability in the December 31, 2013 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, 2013 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, 2014 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	36.0%	2.5%
Global Equity	40.5%	6.1%
Real Estate	8.0%	5.7%
Alternatives	6.5%	10.5%
Credit	4.5%	6.8%
Inflation Protection	4.5%	3.7%
Total	<u>100%</u>	

The information above is based on 30 year expectations developed with the consulting actuary for the 2013 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.19%. All rates of return and inflation are annualized.

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A new asset allocation policy was finalized during the fiscal year ended June 30, 2014 to be effective July 1, 2014. The new asset allocation policy utilizes different asset classes, changes in the structure of certain asset classes, and adopts new benchmarks. Using the asset class categories in the preceding table, the new long-term expected arithmetic real rates of return are: Fixed Income 2.2%, Global Equity 5.8%, Real Estate 5.2%, Alternatives 9.8%, Credit 6.8% and Inflation Protection 3.4%.

*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)	\$ 1,824,490	\$ (537,494)	\$ (2,526,209)

*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, 2014, the Separation Allowance's membership consisted of:

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

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

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accounting. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

The Separation Allowance has no assets accumulated in a trust that meets the following criteria which are outlined in GASB Statements 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, 2014 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	\$ 85,253
Interest on net pension obligation	5,699
Adjustment to annual required contribution	(9,628)
Annual pension cost	81,324
Contributions made	34,760
Increase (decrease) in net pension obligation	46,564
Net pension obligation beginning of year	113,971
Net pension obligation end of year	\$ 160,535

**3 Year Trend Information**

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2013	\$ 67,931	69.02%	\$ 107,681
6/30/2014	\$ 69,331	90.93%	\$ 113,971
6/30/2015	\$ 81,324	42.74%	\$ 160,535

**4. Funded Status.**

As of December 31, 2014, 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 \$638,341. The covered payroll (annual payroll of active employees covered by the plan) was \$1,598,100 and the ratio of the UAAL to the covered payroll was 39.94%.

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

c. Supplemental Retirement Income Plan for Law Enforcement Officers

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

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

*Funding Policy.* Article 12E of G.S. Chapter 143 requires the City to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2015 were \$93,869, which consisted of \$79,382 from the City and \$14,487 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, 2015 were \$108,040, which consisted of \$66,580 from the City and \$41,460 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, 2015, 2014 and 2013 were \$14,744, \$10,230 and \$8,723, respectively, which consisted of \$2,341, \$2,232 and \$2,067 from the City of Dunn Board of Alcoholic Control and \$12,403, \$7,998 and \$6,656 from the participants.

d. Other Postemployment Benefits

Healthcare Benefits

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

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

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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, 2013, the date of the latest actuarial valuation:

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

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

The current Annual Required Contribution (ARC) rate is 10.38% of annual covered payroll. The City obtains healthcare coverage through private insurers. The City's contributions totaled \$114,483 in fiscal year 2015. 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	\$ 521,133
Interest on net OPEB obligation	69,547
Adjustment to annual required contribution	(66,439)
Annual OPEB cost (expense)	524,241
Contributions made	(114,483)
Increase (decrease) in net OPEB obligation	409,758
Net OPEB obligation, beginning of year	1,738,683
Net OPEB obligation, end of year	\$ 2,148,441

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, 2015 were as follows:

For Year Ended June 30	Trend Information		
	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013	\$ 483,681	32.7%	\$ 1,356,333
2014	\$ 486,878	21.5%	\$ 1,738,683
2015	\$ 524,241	21.8%	\$ 2,148,441

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*Funded Status and Funding Progress.* As of December 31, 2013, 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 \$6,295,072. The covered payroll (annual payroll of active employees covered by the plan) was \$5,019,043, and the ratio of the UAAL to the covered payroll was 125.4% percent. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

In the December 31, 2013 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.00 percent investment rate of return (net of administrative expenses), which is the expected long-term investment returns on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual medical cost trend increase of 8.50 to 5.00 percent annually. The investment rate included a 3.00 percent inflation assumption. The actuarial value of assets, if any, was determined using techniques that spread the effects of short-term volatility in the market value of investments over a 5 year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2013, was 29 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.

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**2. Accounts Payable**

Accounts payable is composed of the following elements:

General Fund	
Trade	\$ 181,715
Accrued payroll	76,340
	<u>\$ 258,055</u>
Water and Sewer Fund	
Trade	\$ 67,259
Other	4,010
Accrued payroll	61,160
	<u>\$ 132,429</u>
Rooms to Go Water and Sewer Improvements	
Trade	\$ 38,677
	<u>\$ 38,677</u>
I-95 Corridor Sewer System Improvements	
Trade	\$ 165,985
	<u>\$ 165,985</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	\$354,647
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Deferred inflows of resources at year-end is comprised of the following:

Prepaid taxes not yet earned (General Fund)	\$ 7,100
Note receivable	3,100,000
Pension deferrals	1,298,795
	<u>\$ 4,405,895</u>

**4. Risk Management**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City participates in three self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the City obtains general liability and auto liability coverage of \$1 million per occurrence, property coverage up to the total insured values of the property policy, workers' compensation coverage up to statutory limits, and employee health coverage. The liability and property exposures are reinsured through commercial carriers for claims in excess of retentions as selected by the Board of Trustees each year. Stop loss insurance is purchased by the Board of Trustees to protect against large medical claims that exceed certain dollar cost levels. Specific information on the limits of the reinsurance, excess and stop loss policies purchased by the Board of Trustees can be obtained by contacting the Risk Management Services Department of the NC League of Municipalities. The pools are audited annually by certified public accountants, and the audited financial statements are available to the City upon request.

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

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

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

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for \$500,000. The remaining employees that have access to funds are bonded under a blanket bond for \$250,000.

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

**5. Claims and Judgments**

At June 30, 2015, 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, 2015 is \$60,074. 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, 2015 is \$27,209. 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, 2015:

Classes of Property	Accumulated		Net Book Value
	Cost	Depreciation	
Equipment	\$ 110,950	\$ 30,277	\$ 80,673
Total	\$ 110,950	\$ 30,277	\$ 80,673

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2015 were as follows:

Year Ending June 30	Total	Governmental	Business-Type
		Activities	Activities
2016	\$ 30,164	8,852	21,312
2017	30,164	8,852	21,312
2018	18,816	1,475	17,341
2019	16,546	-	16,546
Total minimum lease payments	95,690	19,179	76,511
Less: amount representing interest	(8,406)	(1,493)	(6,913)
Present value of the minimum lease payments	\$ 87,284	\$ 17,686	\$ 69,598

**b. Installment Purchases**

**General Fund**

In July 2004, the City entered into an installment purchase contract for \$950,000 to finance the recreation facility at Tart Park. The contract requires principal payments beginning in the fiscal year 2006 with interest at 4.17%. The balance of this note is \$316,667 at June 30, 2015.

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In September 2009, the City entered into an installment purchase contract for \$225,000 to finance five police cars and a boom truck. The contract requires principal payments beginning in the fiscal year 2011 with interest at 3.40%. The balance of this note is \$0 at June 30, 2015.

In August 2009, the City entered into an installment purchase contract for \$1,000,000 to finance street resurfacing. The contract requires principal payments beginning in the fiscal year 2011 with interest at 3.93%. The balance of this note is \$500,000 at June 30, 2015.

In May 2010, the City entered into an installment purchase contract for \$109,000 to finance the City Hall's roof replacement. The contract requires principal payments beginning in the fiscal year 2011 with interest at 2.77%. The balance of this note is \$0 at June 30, 2015.

In August 2010, the City entered into an installment purchase contract for \$190,000 to finance seven police cars and a tractor. The contract requires principal payments beginning in the fiscal year 2012 with interest at 2.44%. The balance of this note is \$39,854 at June 30, 2015.

In September 2011, the City entered into an installment purchase contract to finance five police cars. The contract requires principal payments beginning in the fiscal year 2013 with interest at 1.73%. The balance of this note is \$42,655 at June 30, 2015.

In July 2012, the City entered into an installment purchase contract to finance five police cars. The contract requires principal payments beginning in the fiscal year 2014 with interest at 1.86%. The balance of this note is \$76,378 at June 30, 2015.

In November 2012, the City entered into an installment purchase contract for \$975,000 to construct improvements to Tyler Park. The contract requires principal payments beginning in the fiscal year 2014 with interest at 2.45%. The balance of this note is \$780,000 at June 30, 2015.

In August 2013, the City entered into a financing agreement for \$2,989,000 to finance improvements to Downtown infrastructure. The contract requires principal payments beginning in the fiscal year 2015 with interest at 3.5%. The balance of this note is \$2,907,982 at June 30, 2015.

In November 2013, the City entered into an installment purchase contract for \$132,000 to finance six police vehicles. The contract requires principal payments beginning in the fiscal year 2015 with interest at 3.125%. The balance of this note is \$111,657 at June 30, 2015.

In July 2014, the City entered into an installment purchase contract for \$700,000 to construct phase 2 improvements to Tyler Park. The contract requires principal payments beginning in the fiscal year 2016 with interest at 2.67%. The balance of this note is \$700,000 at June 30, 2015.

In August 2014, the City entered into an installment purchase contract for \$137,000 to finance six police vehicles. The contract requires principal payments beginning in the fiscal year 2016 with interest at 3.751%. The balance of this note is \$137,000 at June 30, 2015.

In August 2014, the City entered into an installment purchase contract for \$2,200,000 to renovate the Harnett Training School (\$2,000,000) and City Hall (\$200,000). The contract requires interest only payments for 12 months and principal payments beginning in the fiscal year 2017 with interest at 2.85% for the initial term. After the initial term the fixed rate cap will be 9.75% or 85% of the Wall Street Journal prime rate, the lesser of the two. This loan matures in August 2025. Draws were still being made at June 30, 2015. The balance of this note is \$2,023,757 at June 30, 2015.

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

<u>Year</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2016	\$ 747,860	\$ 539,303	\$ 208,557
2017	804,447	583,222	221,225
2018	777,369	568,164	209,205
2019	741,256	549,077	192,179
2020	731,554	556,145	175,409
2021-2025	2,367,220	1,682,493	684,727
2026-2030	2,129,459	1,785,378	344,081
2031-2035	906,865	715,069	191,796
2036-2039	715,051	657,099	57,952
	<u>\$ 9,921,081</u>	<u>\$ 7,635,950</u>	<u>\$ 2,285,131</u>

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Water and Sewer Fund

In August 2001, the City entered into an installment purchase contract for \$1,000,000 to finance improvements at the water and sewer plant. The financing contract required principal payments beginning August 2002, with interest at 5.28%. The balance of this note is \$133,333 at June 30, 2015.

In May 2010, the City entered into an installment purchase contract for \$109,000 to finance the City Hall's roof replacement. The contract requires principal payments beginning in the fiscal year 2011 with interest at 2.77%. The balance of this note is \$0 at June 30, 2015.

In January 2012, the City entered into an installment purchase contract for \$3,500,000 to finance a water transmission line to Eastover Sanitary District and an elevated storage tank. In September 2013, the City made a prepayment of \$902,187 leaving a balance of \$2,282,529. The financing contract required nine annual payments of \$284,343 beginning January 2014, with interest at 2.30%. The balance of this note is \$1,819,227 at June 30, 2015.

In December 2012, the City entered into an installment purchase contract for \$80,000 to finance a backhoe. The financing contract required principal payments beginning December 2013, with interest at 2.33%. The balance of this note is \$49,101 at June 30, 2015.

Future minimum payments of these installment purchases are as follows:

<u>Year</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2016	\$ 375,185	\$ 325,159	\$ 50,026
2017	371,665	331,109	40,556
2018	301,478	270,529	30,949
2019	284,343	259,621	24,722
2020	284,343	265,592	18,751
2021-2022	568,686	549,651	19,035
	<u>\$ 2,185,700</u>	<u>\$ 2,001,661</u>	<u>\$ 184,039</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, 2015 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.

\$1,410,000

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

<u>Year</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2016	\$ 191,178	\$ 135,000	\$ 56,178
2017	186,587	135,000	51,587
2018	186,727	140,000	46,727
2019	186,478	145,000	41,478
2020	180,895	145,000	35,895
2021-2025	800,505	710,000	90,505
	<u>\$ 1,732,370</u>	<u>\$ 1,410,000</u>	<u>\$ 322,370</u>

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At June 30, 2015, the City of Dunn had a legal debt margin of \$ 47,533,506.

d. Revolving Water and Sewer Loans

In August 2010 the City entered into a promissory note from the Water Pollution Control Revolving Loan Fund of in the amount of \$4,385,114. This note was used to finance replacing gravity sewer lines, upgrading lift stations and construction of equalization basin at the wastewater treatment facility. The promissory note requires principal payments beginning May 2012 with interest at 2.50%. The balance of this note is \$3,508,091 at June 30, 2015.

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

Year	Total	Principal	Interest
2016	\$ 306,958	\$ 219,256	\$ 87,702
2017	301,477	219,256	82,221
2018	295,995	219,256	76,739
2019	290,514	219,256	71,258
2020	285,033	219,256	65,777
2021-2025	1,342,941	1,096,278	246,663
2026-2030	1,205,906	1,096,278	109,628
2031	224,736	219,255	5,481
	<u>\$ 4,253,560</u>	<u>\$ 3,508,091</u>	<u>\$ 745,469</u>

f. Changes in Long-Term Liabilities

	Balance			Balance	Current
	7/1/2014	Increases	Decreases	6/30/2015	Portion
<b>Governmental Activities:</b>					
Installment purchase	\$5,288,337	\$2,860,757	\$ 513,146	\$7,635,948	\$539,302
Capital lease	-	23,777	6,091	17,686	7,816
Compensated absences	370,080	68,386	125,551	312,915	140,812
Unfunded pension contribution	113,971	46,564	-	160,535	-
Net pension liability (LGERS)	801,894	-	801,894	-	-
Other postemployment benefits	1,320,797	293,928	-	1,614,725	-
<b>Total Governmental Activities</b>	<u>\$7,895,079</u>	<u>\$3,293,412</u>	<u>\$1,446,682</u>	<u>\$9,741,809</u>	<u>\$687,930</u>
<b>Business-type Activities</b>					
Capital leases	\$ 74,370	\$ 12,803	\$ 17,575	\$ 69,598	\$ 18,357
Installment purchases	2,328,449	-	326,788	2,001,661	325,159
General obligation bonds	1,540,000	-	130,000	1,410,000	135,000
Water pollution control revolving loan	3,727,347	-	219,256	3,508,091	219,256
Compensated absences	95,171	48,852	56,639	87,384	42,818
Net pension liability (LGERS)	281,746	-	281,746	-	-
Other postemployment benefits	417,886	115,830	-	533,716	-
<b>Total Business-type Activities</b>	<u>\$8,464,969</u>	<u>\$ 177,485</u>	<u>\$1,032,004</u>	<u>\$7,610,450</u>	<u>\$740,590</u>

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

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**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	\$ 6,672,257
Less:	
Prepaid Expenses	2,066
Inventories	28,559
Stabilization by State Statute	4,162,521
Transportation-Powell Bill	302,821
Public Safety-Drug Foreiture	21,112
Culture and Recreation	37,700
Remaining Fund Balance	\$ 2,117,478

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

**8. Interfund Balances and Activity**

Balances due to/from other funds at June 30, 2015 consist of the following:

- General Fund owes the Water and Sewer Fund \$103,834
- Dunn City Hall and Harnett Training School Capital Project Fund owes the Water and Sewer Fund \$23,757

The interfund balances resulted from the time lag between the dates that transactions are recorded in the accounting system and payments between funds are made.

The following transfers were made during the fiscal year ending June 30, 2015:

- General Fund transferred \$155,280 to the Downtown Revitalization Capital Project Fund
- Water and Sewer fund transferred \$229,900 to the I-95 Corridor Sewer System Improvements Capital Project Fund and \$50,100 to the Rooms to Go Water and Sewer Improvements 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, 2015 is \$17,556. Future payments for the remaining lease term are \$83,391. 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.

**City of Dunn, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2015**

**V. Related Organization**

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

**VI. Summary Disclosure of Significant Contingencies**

**Federal and State Assisted Programs**

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

**VII. Subsequent Events**

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

**VIII. Change in Accounting Principle**

The City implemented Governmental Accounting Standards Board (GASB) statement 68, *Accounting and Financial Reporting for Pensions (an amendment of GASB Statement No. 27)*, in the fiscal year ending June 30, 2015. The implementation of the statement required the City to record beginning net pension liability and the effects on net position of contributions made by the City during the measurement period (fiscal year ending June 30, 2014). As a result, net position for the governmental activities decreased by \$536,348 and net position for business-type activities decreased by \$188,446.

**IX. Special Items**

During the fiscal year ended June 30, 2015, management elected to dispose of various pieces of equipment taken out of service. Proceeds from disposals were \$26,070. Gain on disposal of the assets was \$14,158.

## **REQUIRED SUPPLEMENTAL FINANCIAL DATA**

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

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

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

Schedule of Funding Progress for the Other Postemployment Benefits

Schedule of Employer Contributions for the Other Postemployment Benefits

Schedule of Proportional Share of Net Pension Liability (Asset) 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%

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

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2007	\$ 42,879	68.21%
2008	46,382	82.11%
2009	43,560	102.13%
2010	52,277	112.74%
2011	69,016	83.86%
2012	64,628	97.54%
2013	68,990	67.96%
2014	72,720	86.69%
2015	85,253	40.77%

**Notes to the Required Schedules:**

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

Valuation date:	12/31/2014
Actuarial cost method:	Projected unit credit
Amortization method:	Level dollar closed
Remaining amortization period:	16 years
Asset valuation method:	Market value
Actuarial assumptions:	
Investment rate of return*	5.00%
Projected salary increases	4.25%-7.85%
*Includes inflation at	3.00%
Cost of living adjustments	None

**City of Dunn  
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%

**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%

**Notes to the Required Schedules:**

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

Valuation date:	12/31/2013
Actuarial cost method:	Projected unit credit
Amortization method:	Level percent of pay, open
Remaining amortization period:	29 years
Asset valuation method:	Market value
Actuarial assumptions:	
Investment rate of return*	4.00%
Medical cost trend rate	
Pre-Medicare trend rate	8.50% - 5.00%
Post-Medicare trend rate	6.25% - 5.00%
Year of Ultimate trend rate	2018
*Includes inflation at	3.00%

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

	<u>2015</u>	<u>2014</u>
Dunn's proportion of the net pension liability (asset) (%)	0.0911%	0.0899%
Dunn's proportion of the net pension liability (asset) (\$)	\$ (537,494)	\$ 1,083,640
Dunn's covered-employee payroll	\$ 5,353,179	\$ 5,324,921
Dunn's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-10.0407%	20.3503%
Plan fiduciary net position as a percentage of the total pension liability	102.64%	94.35%

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

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

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

**City of Dunn  
General Fund  
Schedule of Revenues, Expenditures, and  
Changes in Fund Balances - Annual Budget and Actual  
For the Fiscal Year Ended June 30, 2015**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Revenues:</b>			
Ad valorem taxes:			
Taxes	\$	\$ 3,866,309	\$
Penalties and interest		21,638	
Total	<u>3,930,000</u>	<u>3,887,947</u>	<u>(42,053)</u>
Other taxes and licenses:			
DMV licenses		36,335	
Privilege licenses		7,607	
Total	<u>74,000</u>	<u>43,942</u>	<u>(30,058)</u>
Unrestricted intergovernmental:			
Local option sales taxes		1,503,668	
Utility franchise tax		728,234	
Beer and wine tax		45,543	
ABC profit distribution		110,000	
Solid waste disposal tax		6,162	
Total	<u>2,216,200</u>	<u>2,393,607</u>	<u>177,407</u>
Restricted intergovernmental:			
Powell Bill allocation		303,808	
ABC law enforcement		23,000	
Controlled substance tax		7,023	
N. C. Department of Transportation		12,363	
Harnett County BOE School Resource Officer		54,422	
National Police Athletic League Grant		5,728	
NCDENR - Stormwater Study Grant		15,000	
EPA - Brownfields Assessment and Cleanup		31,232	
USDA grant - police cars		23,000	
Senior Center		17,763	
Total	<u>573,700</u>	<u>493,339</u>	<u>(80,361)</u>
Permits and fees:			
Permits and fees		216,875	
Total	<u>193,000</u>	<u>216,875</u>	<u>23,875</u>
Sales and services:			
Cemetery lots		57,253	
Cemetery opening/closing fee		103,956	
Recreation department, concessions, entry fees		60,156	
Rentals		42,878	
Garbage and recycling collection		738,992	
Total	<u>1,024,500</u>	<u>1,003,235</u>	<u>(21,265)</u>
Investment earnings	<u>10,000</u>	<u>14,606</u>	<u>4,606</u>

**City of Dunn  
General Fund  
Schedule of Revenues, Expenditures, and  
Changes in Fund Balances - Annual Budget and Actual  
For the Fiscal Year Ended June 30, 2015**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Other revenues			
Dunn Area Tourism-I95 Area Light Reimbursement		22,000	
Dunn Area Tourism-Downtown Revitalization		20,000	
Miscellaneous		9,011	
Special assessments		6,823	
Donations and gifts		9,450	
Parks and recreation pledges		73,541	
Payments in Lieu of Taxes		372,281	
Total	<u>553,500</u>	<u>513,106</u>	<u>(40,394)</u>
<b>Total revenues</b>	<u>8,574,900</u>	<u>8,566,657</u>	<u>(8,243)</u>
<b>Expenditures:</b>			
<b>General Government</b>			
Governing Body			
Salaries and employee benefits		18,920	
Other operating expenditures		54,097	
Total	<u>74,518</u>	<u>73,017</u>	<u>1,501</u>
Administration			
Salaries and employee benefits		282,475	
Other operating expenditures		146,037	
Total	<u>441,375</u>	<u>428,512</u>	<u>12,863</u>
Finance			
Salaries and employee benefits		134,109	
Other operating expenditures		81,432	
Total	<u>218,861</u>	<u>215,541</u>	<u>3,320</u>
Non-Departmental			
Other operating expenditures		382,525	
Total	<u>384,520</u>	<u>382,525</u>	<u>1,995</u>
Building inspector			
Salaries and employee benefits		180,170	
Other operating expenditures		121,359	
Capital outlay		19,312	
Total	<u>328,117</u>	<u>320,841</u>	<u>7,276</u>
Planning and zoning			
Salaries and employee benefits		60,633	
Other operating expenditures		73,296	
Total	<u>188,108</u>	<u>133,929</u>	<u>54,179</u>
<b>Total general government</b>	<u>1,635,499</u>	<u>1,554,365</u>	<u>81,134</u>
<b>Public safety:</b>			
Police:			
Salaries and employee benefits		2,733,532	
Other operating expenditures		332,027	
Capital outlay		159,343	
Total	<u>3,299,296</u>	<u>3,224,902</u>	<u>74,394</u>

**City of Dunn  
General Fund  
Schedule of Revenues, Expenditures, and  
Changes in Fund Balances - Annual Budget and Actual  
For the Fiscal Year Ended June 30, 2015**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Police athletic league			
Donation		125,000	
Total	<u>125,000</u>	<u>125,000</u>	<u>-</u>
PAL - National PAL Mentoring Grant			
Salaries and employee benefits		5,561	
Total	<u>10,975</u>	<u>5,561</u>	<u>5,414</u>
<b>Total public safety</b>	<u>3,435,271</u>	<u>3,355,463</u>	<u>79,808</u>
<b>Transportation:</b>			
Streets			
Salaries and employee benefits		673,635	
Other operating expenditures		466,815	
Capital outlay		5,999	
Total	<u>1,167,031</u>	<u>1,146,449</u>	<u>20,582</u>
Powell Bill - street repairs and construction			
Salaries and employee benefits		81,960	
Other operating expenditures		86,642	
Total	<u>217,657</u>	<u>168,602</u>	<u>49,055</u>
<b>Total transportation</b>	<u>1,384,688</u>	<u>1,315,051</u>	<u>69,637</u>
<b>Environmental protection</b>			
Sanitation			
Salaries and employee benefits		80,833	
Other operating expenditures		526,480	
<b>Total environmental protection</b>	<u>613,601</u>	<u>607,313</u>	<u>6,288</u>
<b>Culture and recreation:</b>			
Parks and recreation			
Salaries and employee benefits		446,237	
Other operating expenditures		228,090	
Capital outlay		44,079	
Total	<u>728,438</u>	<u>718,406</u>	<u>10,032</u>
Senior center operations			
Salaries and employee benefits		40,099	
Other operating expenditures		11,381	
Total	<u>52,461</u>	<u>51,480</u>	<u>981</u>
<b>Total culture and recreation</b>	<u>780,899</u>	<u>769,886</u>	<u>11,013</u>

**City of Dunn  
General Fund  
Schedule of Revenues, Expenditures, and  
Changes in Fund Balances - Annual Budget and Actual  
For the Fiscal Year Ended June 30, 2015**

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
<b>Library</b>			
Salaries and employee benefits		187,638	
Other operating expenditures		64,325	
<b>Total library</b>	<u>259,817</u>	<u>251,963</u>	<u>7,854</u>
<b>Debt service</b>			
Principal retirement		519,237	
Interest and other charges		184,019	
<b>Total debt service</b>	<u>707,180</u>	<u>703,256</u>	<u>3,924</u>
<b>Total expenditures</b>	<u>8,816,955</u>	<u>8,557,297</u>	<u>259,658</u>
<b>Revenues over (under) expenditures</b>	<u>(242,055)</u>	<u>9,360</u>	<u>251,415</u>
Other financing sources (uses):			
Appropriated fund balance	243,475	-	(243,475)
Transfer to Downtown Revitalization Capital Project Fund	(200,000)	(155,280)	44,720
Sale of capital assets	25,000	14,494	(10,506)
Capital lease proceeds	36,580	23,777	(12,803)
Installment purchase proceeds	137,000	137,000	-
<b>Total</b>	<u>242,055</u>	<u>19,991</u>	<u>(222,064)</u>
Revenues and other financing sources over expenditures and other financing uses	<u>\$ -</u>	29,351	<u>\$ 29,351</u>
Fund balances, beginning		3,541,226	
Change in reserve for inventories		1,680	
Fund balances, ending		<u>\$ 3,572,257</u>	

**City of Dunn  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2015**

	Downtown Revitalization Capital Project Fund	Tyler Park Renovations Capital Project Fund	Dunn City Hall and Harnett Training School Capital Project Fund	Emergency Telephone System - Special Revenue Fund	Total Nonmajor Governmental Funds
<b>Assets</b>					
Cash and cash equivalents	\$ -	\$ 64,873	\$ -	\$ -	\$ 64,873
Other receivables	-	-	23,757	-	23,757
Due from other governments	-	2,595	-	-	2,595
<b>Total assets</b>	<b>\$ -</b>	<b>\$ 67,468</b>	<b>\$ 23,757</b>	<b>\$ -</b>	<b>\$ 91,225</b>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	23,757	-	23,757
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>23,757</b>	<b>-</b>	<b>23,757</b>
<b>Fund balances</b>					
Restricted	-	-	-	-	-
Assigned	-	67,468	-	-	67,468
<b>Total fund balances</b>	<b>-</b>	<b>67,468</b>	<b>-</b>	<b>-</b>	<b>67,468</b>
<b>Total liabilities and fund balances</b>	<b>\$ -</b>	<b>\$ 67,468</b>	<b>\$ 23,757</b>	<b>\$ -</b>	<b>\$ 91,225</b>

**City of Dunn**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Nonmajor Governmental Funds**  
**June 30, 2015**

	Downtown Revitalization Capital Project Fund	Tyler Park Renovations Capital Project Fund	Dunn City Hall and Harnett Training School Capital Project Fund	Emergency Telephone System - Special Revenue Fund	Total Nonmajor Governmental Funds
<b>Revenues</b>					
Restricted intergovernmental	\$ -	\$ -	\$ 500,000	\$ 255,529	\$ 755,529
Investment earnings	-	-	-	-	-
Total revenues	<u>-</u>	<u>-</u>	<u>500,000</u>	<u>255,529</u>	<u>755,529</u>
<b>Expenditures</b>					
Transportation	-	-	-	-	-
Public safety	-	-	-	58,341	58,341
Capital Outlay	19,935	607,572	2,523,757	-	3,151,264
Total expenditures	<u>19,935</u>	<u>607,572</u>	<u>2,523,757</u>	<u>58,341</u>	<u>3,209,605</u>
Revenues over (under) expenses	(19,935)	(607,572)	(2,023,757)	197,188	(2,454,076)
Other financing sources (uses):					
Transfer from General Fund	155,280	-	-	-	155,280
Transfer to Harnett County	-	-	-	(498,713)	(498,713)
Installment purchase obligations issued	-	700,000	2,023,757	-	2,723,757
Total other financing sources (uses)	<u>155,280</u>	<u>700,000</u>	<u>2,023,757</u>	<u>(498,713)</u>	<u>2,380,324</u>
Excess (deficiency) of revenues and other financing sources over expenditures	135,345	92,428	-	(301,525)	(73,752)
Fund balance, beginning	<u>(135,345)</u>	<u>(24,960)</u>	<u>-</u>	<u>301,525</u>	<u>141,220</u>
Fund balance, ending	<u>\$ -</u>	<u>\$ 67,468</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 67,468</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, 2015**

	Project Authorization	Prior Years	Current Year	Total Project To Date	Variance Favorable (Unfavorable)
<b>Revenues:</b>					
Interest Income	\$ 3,350	\$ 3,340	\$ -	\$ 3,340	\$ (10)
Total revenues	<u>3,350</u>	<u>3,340</u>	<u>-</u>	<u>3,340</u>	<u>(10)</u>
<b>Expenditures:</b>					
Construction-Streets/Sidewalks	2,087,050	2,022,621	19,935	2,042,556	44,494
Construction-Utility Work	672,400	672,405	-	672,405	(5)
Administration	538,900	538,659	-	538,659	241
Contingency	-	-	-	-	-
Total expenditures	<u>3,298,350</u>	<u>3,233,685</u>	<u>19,935</u>	<u>3,253,620</u>	<u>44,730</u>
Revenues over (under) expenditures	<u>(3,295,000)</u>	<u>(3,230,345)</u>	<u>(19,935)</u>	<u>(3,250,280)</u>	<u>44,720</u>
<b>Other financing sources (uses):</b>					
Installment purchase obligations issued	2,989,000	2,989,000	-	2,989,000	-
NC DOT reimbursement	25,000	25,000	-	25,000	-
Transfer from General Fund	200,000	-	155,280	155,280	(44,720)
Transfer from Water/Sewer Fund	81,000	81,000	-	81,000	-
Total other financing sources (uses)	<u>3,295,000</u>	<u>3,095,000</u>	<u>155,280</u>	<u>3,250,280</u>	<u>(44,720)</u>
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ (135,345)</u>	<u>\$ 135,345</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balance, beginning			<u>(135,345)</u>		
Fund balance, ending			<u>\$ -</u>		

**City of Dunn**  
**Tyler Park Renovations - Capital Project Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**For the Fiscal Year Ended June 30, 2015**

	Project Authorization	Prior Years	Current Year	Total Project To Date	Variance Favorable (Unfavorable)
<b>Revenues:</b>					
PARTF Grant	\$ 500,000	\$ 450,000	\$ -	\$ 450,000	\$ (50,000)
Private Contributions	360,300	360,268	-	360,268	(32)
Interest Income	-	35	-	35	35
Total revenues	<u>860,300</u>	<u>810,303</u>	<u>-</u>	<u>810,303</u>	<u>(49,997)</u>
<b>Expenditures:</b>					
Construction	2,120,000	1,534,607	579,937	2,114,544	5,456
Administration	273,500	265,842	16,949	282,791	(9,291)
Contingency	141,800	9,814	10,686	20,500	121,300
Total expenditures	<u>2,535,300</u>	<u>1,810,263</u>	<u>607,572</u>	<u>2,417,835</u>	<u>117,465</u>
Revenues over (under) expenditures	<u>(1,675,000)</u>	<u>(999,960)</u>	<u>(607,572)</u>	<u>(1,607,532)</u>	<u>67,468</u>
<b>Other financing sources (uses):</b>					
Installment purchase obligations issued	<u>1,675,000</u>	<u>975,000</u>	<u>700,000</u>	<u>1,675,000</u>	<u>-</u>
Total other financing sources (uses)	<u>1,675,000</u>	<u>975,000</u>	<u>700,000</u>	<u>1,675,000</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ (24,960)</u>	<u>\$ 92,428</u>	<u>\$ 67,468</u>	<u>\$ 67,468</u>
Fund balance, beginning			<u>(24,960)</u>		
Fund balance, ending			<u>\$ 67,468</u>		

**City of Dunn**  
**Dunn City Hall and Harnett Training School Renovations - Capital Project Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**For the Fiscal Year Ended June 30, 2015**

	Project Authorization	Prior Years	Current Year	Total Project To Date	Variance Favorable (Unfavorable)
<b>Revenues:</b>					
CDBG Catalyst Grant	\$ 500,000	\$ -	\$ 500,000	\$ 500,000	\$ -
Total revenues	500,000	-	500,000	500,000	-
<b>Expenditures:</b>					
Harnett Training School, LLC	2,500,000	-	2,500,000	2,500,000	-
Dunn City Hall Renovations	200,000	-	23,757	23,757	176,243
Total expenditures	2,700,000	-	2,523,757	2,523,757	176,243
Revenues over (under) expenditures	(2,200,000)	-	(2,023,757)	(2,023,757)	176,243
<b>Other financing sources (uses):</b>					
Installment purchase obligations issued	2,200,000	-	2,023,757	2,023,757	(176,243)
Total other financing sources (uses)	2,200,000	-	2,023,757	2,023,757	(176,243)
Revenues and other financing sources over (under) expenditures	\$ -	\$ -	\$ -	\$ -	\$ -
Fund balance, beginning			-		
Fund balance, ending			\$ -		

**City of Dunn**  
**Emergency Telephone System - Special Revenue Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**For the Fiscal Year Ended June 30, 2015**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues			
Restricted intergovernmental	\$ -	\$ 255,529	\$ 255,529
Expenditures			
Public safety	165,500	58,341	
Capital Outlay	-	-	
Total expenditures	<u>165,500</u>	<u>58,341</u>	<u>107,159</u>
Revenues over (under) expenditures	<u>(165,500)</u>	<u>197,188</u>	<u>362,688</u>
Other financing sources (uses)			
Transfer to Harnett County	<u>(500,025)</u>	<u>(498,713)</u>	<u>1,312</u>
Total other financing sources and uses	<u>(500,025)</u>	<u>(498,713)</u>	<u>1,312</u>
Revenues and other financing sources over (under) expenditures	<u>\$ (665,525)</u>	<u>(301,525)</u>	<u>\$ 364,000</u>
Fund balance, beginning		<u>301,525</u>	
Fund balance, ending		<u>\$ -</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, 2015**

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Water sales	\$	\$ 2,907,651	\$
Sewer charges		1,688,350	
Fireline protection charge		21,930	
Total	<u>4,662,000</u>	<u>4,617,931</u>	<u>(44,069)</u>
Water and sewer taps	<u>23,000</u>	<u>24,526</u>	<u>1,526</u>
Other operating revenues			
Reconnect fees		49,566	
Impact fees		19,926	
Inspection fees		18,645	
Returned check fees		3,775	
Penalties		72,811	
Miscellaneous		88	
Total other operating revenues	<u>153,000</u>	<u>164,811</u>	<u>11,811</u>
Nonoperating revenues:			
Tower site rental		60,075	
Interest earnings		573	
Total nonoperating revenues	<u>67,500</u>	<u>60,648</u>	<u>(6,852)</u>
Total revenues	<u>4,905,500</u>	<u>4,867,916</u>	<u>(37,584)</u>
Expenditures:			
Water and sewer administration and finance			
Salaries and employee benefits		453,566	
Other operating expenditures		363,433	
Total	<u>834,418</u>	<u>816,999</u>	<u>17,419</u>
Water and sewer operations			
Salaries and employee benefits		495,678	
Maintenance and repairs		83,021	
Other operating expenditures		335,075	
Capital outlay		12,950	
Total	<u>946,981</u>	<u>926,724</u>	<u>20,257</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, 2015**

	Budget	Actual	Variance Positive (Negative)
Water supply, pump and filtering			
Salaries and employee benefits		449,034	
Maintenance and repairs		59,577	
Other operating expenditures		499,927	
Total	<u>1,108,337</u>	<u>1,008,538</u>	<u>99,799</u>
Sewage treatment plant operations			
Salaries and employee benefits		530,009	
Maintenance and repairs		59,577	
Other operating expenditures		359,769	
Capital outlay		130,823	
Total	<u>1,129,789</u>	<u>1,080,178</u>	<u>49,611</u>
Debt service:			
Principal retirement		693,619	
Interest and other charges		216,095	
Total debt service	<u>910,475</u>	<u>909,714</u>	<u>761</u>
Total expenditures	<u>4,930,000</u>	<u>4,742,153</u>	<u>187,847</u>
Other financing sources (uses):			
Appropriated fund balance	112,500	-	(112,500)
Transfers to capital project funds	280,000	(280,000)	-
Sale of capital assets	-	11,576	11,576
Debt Payment from Eastover Sanitary District	192,000	192,000	-
Capital lease proceeds	-	12,803	12,803
Total other financing sources (uses)	<u>584,500</u>	<u>(63,621)</u>	<u>(88,121)</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ 560,000</u>	<u>\$ 62,142</u>	<u>\$ 62,142</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, 2015**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Reconciliation from budgetary basis (modified accrual) to full accrual:</b>			
Revenues and other sources over expenditures and other uses		\$ 62,142	
Reconciling items:			
Transfers to capital project funds		280,000	
Capital lease		(12,803)	
Principal retirement		693,619	
Capital outlay		143,773	
Capital contributions		2,841,252	
Principal payments from note receivable		(94,643)	
Depreciation and amortization		(764,436)	
Change in accrued vacation pay		7,787	
Deferred outflows of resources for contributions made to pension plan in current fiscal year		92,208	
Pension expense		(9,492)	
Change in accrued other postemployment benefits		(115,830)	
Change in accrued interest		8,471	
Total reconciling items		<u>3,069,906</u>	
Change in net position		<u>\$ 3,132,048</u>	

**City of Dunn**  
**I-95 Corridor Sewer System Improvements**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance (Non - GAAP)**  
**Budget and Actual**  
**For the Fiscal Year ended June 30, 2015**

	Project Authorization	Actual			Variance Favorable (Unfavorable)
		Prior Years	Current Year	Total Project To Date	
Expenditures:					
Construction	\$ 1,038,000	\$ -	\$ 642,919	\$ 642,919	\$ 395,081
Administration	267,000	116,831	100,945	217,776	49,224
Contingency	-	-	-	-	-
Total expenditures	1,305,000	116,831	743,864	860,695	444,305
Excess (Deficit) of revenues over (under) expenditures	(1,305,000)	(116,831)	(743,864)	(860,695)	(444,305)
Other financing sources (uses):					
Contribution-Love's Truck Stops	1,075,100	-	1,075,086	1,075,086	(14)
Transfers from Water/Sewer Fund	229,900	-	229,900	229,900	-
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	\$ -	\$ (116,831)	\$ 561,122	\$ 444,291	\$ 444,291

Reconciliation of Modified Accrual Basis to Full Accrual Basis:

Excess (Deficit) of Revenues & Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>\$ 444,291</u>
Expenditures Recorded as Construction in Progress	<u>\$ 860,695</u>

**City of Dunn**  
**Rooms to Go Water and Sewer Improvements**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance (Non - GAAP)**  
**Budget and Actual**  
**For the Fiscal Year ended June 30, 2015**

	Actual				Variance Favorable (Unfavorable)
	Project Authorization	Prior Years	Current Year	Total Project To Date	
<b>Expenditures:</b>					
Construction including contingency	\$ 2,080,100	\$ 242,652	\$ 1,578,248	\$ 1,820,900	\$ 259,200
Engineering services	338,000	212,163	147,107	359,270	(21,270)
Legal/Acquisition	39,000	1,298	-	1,298	37,702
Grant Administration	30,000	10,500	29,663	40,163	(10,163)
Application Fee	11,000	-	11,000	11,000	-
<b>Total expenditures</b>	<b>2,498,100</b>	<b>466,613</b>	<b>1,766,018</b>	<b>2,232,631</b>	<b>265,469</b>
<b>Excess (Deficit) of revenues over (under) expenditures</b>	<b>(2,498,100)</b>	<b>(466,613)</b>	<b>(1,766,018)</b>	<b>(2,232,631)</b>	<b>(265,469)</b>
<b>Other financing sources (uses):</b>					
NC Rural Center	1,000,000	-	842,329	842,329	(157,671)
CDBG-ED	1,000,000	76,163	923,837	1,000,000	-
Golden Leaf Foundation	448,000	340,202	-	340,202	(107,798)
Transfers from Water/Sewer Fund	50,100	-	50,100	50,100	-
<b>Total other financing sources (uses)</b>	<b>2,498,100</b>	<b>416,365</b>	<b>1,816,266</b>	<b>2,232,631</b>	<b>(265,469)</b>
<b>Excess (Deficit) of revenues &amp; other financing sources over (under) expenditures &amp; other financing uses</b>	<b>\$ -</b>	<b>\$ (50,248)</b>	<b>\$ 50,248</b>	<b>\$ -</b>	<b>\$ -</b>

Reconciliation of Modified Accrual Basis to Full Accrual Basis:

Excess (Deficit) of Revenues & Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>\$ -</u>
Expenditures Recorded as Construction in Progress	<u>\$ 2,232,631</u>



**City of Dunn  
General Fund  
Schedule of Ad Valorem Taxes Receivable  
June 30, 2015**

Fiscal Year	Uncollected Balance June 30, 2014	Additions	Collections and Credits	Abatements and Adjustments	Uncollected Balance June 30, 2015
2014-2015	\$ -	\$ 3,791,943	\$ (3,761,710)	\$ (7,845)	\$ 22,388
2013-2014	52,138	-	(39,566)	(724)	11,848
2012-2013	20,570	-	(8,384)	(93)	12,093
2011-2012	17,368	-	(5,496)	(36)	11,836
2010-2011	32,094	-	(399)	(4,845)	26,850
2009-2010	42,313	-	(416)	(2,944)	38,953
2008-2009	15,249	-	(360)	(481)	14,408
2007-2008	11,521	-	(243)	(305)	10,973
2006-2007	10,452	-	(385)	218	10,285
Prior-2006	25,406	-	(443)	(8,270)	16,693
	<u>\$ 227,111</u>	<u>\$ 3,791,943</u>	<u>\$ (3,817,402)</u>	<u>\$ (25,325)</u>	<u>\$ 176,327</u>
Less:					
					(53,425)
Allowance for Doubtful Accounts - Taxes					
Add:					
					17,602
					(15,844)
					<u>\$ 124,660</u>
<u>Reconciliation with revenues:</u>					
					\$ 3,887,947
Ad valorem taxes-General Fund					
Reconciling items:					
					(9,571)
					(34,612)
					(4,724)
					(21,638)
					<u>(70,545)</u>
					<u>\$ 3,817,402</u>
Total collections and credits					

**City of Dunn  
 Analysis of Current Tax Levy  
 City - Wide Levy  
 For the Fiscal Year Ended June 30, 2015**

	City - Wide		Total Levy		
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current					
Real and personal property	\$ 758,291,735	0.50	\$ 3,791,751	\$ 3,471,084	\$ 320,667
Registered motor vehicles taxed					
at prior year's rate	39,390	0.50	192	-	192
Releases	-		(7,845)	(7,845)	-
Total Property Valuation	\$ 758,331,125		\$ 3,784,098	\$ 3,463,239	\$ 320,859
 Net levy			 3,784,098	 3,463,239	 320,859
 Uncollected taxes at June 30, 2015			 (22,388)	 (22,321)	 (67)
 Current year's taxes collected			 \$ 3,761,710	 \$ 3,440,918	 \$ 320,792
 Current levy collection percentage			 99.41%	 99.36%	 99.98%

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

**Table 1**

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Governmental activities										
Net investment in capital assets	\$ 3,155,931	\$ 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
Restricted	522,762	373,733	436,810	522,128	479,067	791,384	2,720,291	1,837,471	1,726,667	1,424,244
Unrestricted	2,899,629	2,640,858	2,830,735	2,741,583	2,814,673	1,853,557	847,595	615,511	173,560	(204,386)
Total governmental activities net position	\$ 6,578,322	\$ 6,234,769	\$ 6,522,215	\$ 6,233,144	\$ 5,275,431	\$ 4,976,997	\$ 4,733,077	\$ 5,377,984	\$ 5,527,360	\$ 5,464,288
Business-type activities										
Net investment in capital assets	\$ 13,147,663	\$ 13,213,140	\$ 13,523,322	\$ 13,725,056	\$ 14,649,312	\$ 17,296,915	\$ 16,061,004	\$ 15,530,084	\$ 17,951,590	\$ 20,284,577
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	1,878,005	2,146,589	2,121,454	1,992,477	1,532,549	772,541	3,620,425	4,083,012	1,784,948	2,395,563
Total business-type activities net position	\$ 15,025,668	\$ 15,359,729	\$ 15,644,776	\$ 15,717,533	\$ 16,181,861	\$ 18,069,456	\$ 19,681,429	\$ 19,613,096	\$ 19,736,538	\$ 22,680,140
Primary government										
Net investment in capital assets	\$ 16,303,594	\$ 16,433,318	\$ 16,777,992	\$ 16,694,489	\$ 16,631,003	\$ 19,628,971	\$ 17,226,195	\$ 18,455,086	\$ 21,578,723	\$ 24,529,007
Restricted	522,762	373,733	436,810	522,128	479,067	791,384	2,720,291	1,837,471	1,726,667	1,424,244
Unrestricted	4,777,634	4,787,447	4,952,189	4,734,060	4,347,222	2,626,098	4,468,020	4,698,523	1,958,508	2,191,177
Total primary government net position	\$ 21,603,990	\$ 21,594,498	\$ 22,166,991	\$ 21,950,677	\$ 21,457,292	\$ 23,046,453	\$ 24,414,506	\$ 24,991,080	\$ 25,263,898	\$ 28,144,428

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

**Table 2**

Expenses	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Governmental activities:</b>										
General government	\$ 1,701,254	\$ 1,827,277	\$ 2,036,184	\$ 1,947,905	\$ 1,876,598	\$ 1,753,876	\$ 1,800,246	\$ 1,946,686	\$ 1,548,470	\$ 1,590,905
Public safety	3,413,909	3,762,558	4,316,119	3,624,401	3,904,128	4,043,216	3,981,466	3,969,606	4,024,211	3,933,301
Transportation	1,533,762	2,405,632	1,450,770	1,586,563	2,526,510	1,468,162	1,458,777	1,478,572	1,481,341	1,387,484
Economic and physical development	347,014	-	-	-	-	-	-	-	-	-
Environmental protection	403,285	365,949	357,034	375,025	400,090	532,238	510,908	570,653	599,302	622,719
Cultural and recreational	632,266	709,982	727,091	778,682	755,265	843,247	794,430	807,335	852,692	817,707
Library	185,384	202,731	212,154	231,023	253,678	244,025	254,314	236,562	246,004	263,638
Community Services	6,406	2,207	13,207	23,207	-	6,650	31,784	-	-	-
Interest on long-term debt	73,995	68,241	65,081	61,154	55,919	171,645	118,702	132,584	45,353	191,693
Total governmental activities expenses	<u>\$ 8,297,275</u>	<u>\$ 9,344,577</u>	<u>\$ 9,177,640</u>	<u>\$ 8,627,960</u>	<u>\$ 9,772,188</u>	<u>\$ 9,063,059</u>	<u>\$ 8,950,627</u>	<u>\$ 9,141,998</u>	<u>\$ 8,797,373</u>	<u>\$ 8,807,447</u>
<b>Business-type activities:</b>										
Water and sewer	3,744,257	3,322,499	3,304,781	3,646,090	4,043,652	3,944,868	4,128,782	4,343,372	5,122,206	4,686,053
Total business-type activities	<u>3,744,257</u>	<u>3,322,499</u>	<u>3,304,781</u>	<u>3,646,090</u>	<u>4,043,652</u>	<u>3,944,868</u>	<u>4,128,782</u>	<u>4,343,372</u>	<u>5,122,206</u>	<u>4,686,053</u>
Total primary government expenses	<u>\$ 12,041,532</u>	<u>\$ 12,667,076</u>	<u>\$ 12,482,421</u>	<u>\$ 12,274,050</u>	<u>\$ 13,815,840</u>	<u>\$ 13,007,927</u>	<u>\$ 13,079,409</u>	<u>\$ 13,485,370</u>	<u>\$ 13,919,579</u>	<u>\$ 13,493,500</u>
<b>Program Revenues</b>										
<b>Governmental activities:</b>										
Charges for services:										
General government	\$ 887,984	\$ 355,318	\$ 322,791	\$ 220,530	\$ 327,721	\$ 396,846	\$ 329,677	\$ 383,550	\$ 461,784	\$ 340,748
Public safety	181,071	199,394	218,303	5,646	-	-	-	-	-	44,159
Transportation	-	-	49,568	50,800	17,476	38,354	35,310	35,550	34,941	-
Economic and physical development	163,962	-	-	-	-	-	-	-	-	-
Environmental protection	349,023	480,026	495,508	531,981	552,444	646,979	644,207	687,723	678,051	738,992
Cultural and recreational	55,536	49,733	88,198	84,505	95,823	76,419	77,791	78,035	83,670	103,034
Operating grants and contributions	537,098	465,430	697,010	920,422	903,855	1,073,718	851,155	889,292	967,699	800,634
Capital grants and contributions	140,000	365,000	-	-	97,358	-	-	809,668	528,495	523,000
Total governmental activities program revenues	<u>\$ 2,314,674</u>	<u>\$ 1,914,901</u>	<u>\$ 1,871,378</u>	<u>\$ 1,813,884</u>	<u>\$ 1,994,677</u>	<u>\$ 2,232,316</u>	<u>\$ 1,938,140</u>	<u>\$ 2,883,818</u>	<u>\$ 2,754,640</u>	<u>\$ 2,550,567</u>
<b>Business-type activities:</b>										
Charges for services:										
Water and sewer	3,999,101	4,055,953	4,245,516	4,105,603	4,172,441	4,478,773	4,553,134	4,567,460	4,672,187	4,807,268
Operating grants and contributions	84,666	-	-	-	-	-	-	-	-	-
Capital grants and contributions	321,018	-	10,000	182,100	615,335	1,628,676	1,563,889	-	-	2,841,252
Total business-type activities program revenues	<u>4,404,785</u>	<u>4,055,953</u>	<u>4,255,516</u>	<u>4,287,703</u>	<u>4,787,776</u>	<u>6,107,449</u>	<u>6,117,023</u>	<u>4,567,460</u>	<u>4,672,187</u>	<u>7,648,520</u>
Total primary government program revenues	<u>\$ 6,719,459</u>	<u>\$ 5,970,854</u>	<u>\$ 6,126,894</u>	<u>\$ 6,101,587</u>	<u>\$ 6,782,453</u>	<u>\$ 8,339,765</u>	<u>\$ 8,055,163</u>	<u>\$ 7,451,278</u>	<u>\$ 7,426,827</u>	<u>\$ 10,199,087</u>
<b>Net revenue (expense)</b>										
Governmental activities	\$ (5,982,601)	\$ (7,429,676)	\$ (7,306,262)	\$ (6,814,076)	\$ (7,777,511)	\$ (6,830,743)	\$ (7,012,487)	\$ (6,258,180)	\$ (6,042,733)	\$ (6,256,880)
Business-type activities	660,528	733,454	950,735	641,613	744,124	2,162,581	1,988,241	224,088	(450,019)	2,962,467
Total primary government net revenue(expense)	<u>\$ (5,322,073)</u>	<u>\$ (6,696,222)</u>	<u>\$ (6,355,527)</u>	<u>\$ (6,172,463)</u>	<u>\$ (7,033,387)</u>	<u>\$ (4,668,162)</u>	<u>\$ (5,024,246)</u>	<u>\$ (6,034,092)</u>	<u>\$ (6,492,752)</u>	<u>\$ (3,294,413)</u>

**Table 2 (cont.)**

General Revenues and Other Changes in Net Position	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Governmental activities:										
Taxes:										
Property taxes, levied for general purpose	\$ 2,849,807	\$ 3,324,738	\$ 3,414,334	\$ 3,144,801	\$ 3,712,764	\$ 3,593,590	\$ 3,652,523	\$ 3,661,971	\$ 3,985,873	\$ 3,844,346
Other taxes	1,966,867	375,434	179,376	2,187,140	1,976,842	2,008,585	2,062,487	2,239,860	2,089,472	2,327,549
Unrestricted grants and contributions	6,000	2,224,641	2,425,216	168,911	155,474	135,404	126,227	131,950	110,000	110,000
Permit and Fees	-	-	-	-	-	-	-	-	-	-
Sales and Service	-	-	-	-	-	-	-	-	-	-
Unrestricted investment earnings	127,938	149,275	174,075	71,400	18,180	14,263	12,728	9,190	17,850	14,606
Miscellaneous	857,675	485,811	578,181	545,616	571,263	440,467	458,602	463,343	405,279	431,073
Gain/(Loss) on Disposal of Equipment	(15,555)	29,784	55,208	(242,863)	35,275	-	-	-	-	2,582
Special items - donated assets	-	-	-	-	5,000	-	-	-	-	-
Special items - loss on investment	-	-	-	-	-	-	-	(18,727)	-	-
Special items - notes receivable issued	-	-	-	-	-	-	-	(18,727)	-	-
Transfers	-	496,440	767,318	650,000	345,000	340,000	456,000	415,500	-	-
Total government activities	5,792,732	7,086,123	7,593,708	6,525,005	6,819,798	6,532,309	6,768,567	6,884,360	6,608,474	6,730,156
Business-type activities:										
Unrestricted investment earnings	114,620	59,494	55,064	25,166	4,726	2,838	3,250	62,572	101,992	97,930
Miscellaneous	36,109	37,553	43,511	57,530	59,831	62,176	76,482	53,367	55,104	60,075
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	150,729	(399,393)	(665,688)	(568,856)	(279,796)	(274,986)	(376,268)	(292,421)	157,096	169,581
Total primary government	\$ 5,943,461	\$ 6,686,730	\$ 6,928,020	\$ 5,956,149	\$ 6,540,002	\$ 6,257,323	\$ 6,392,299	\$ 6,591,939	\$ 6,765,570	\$ 6,899,737
<b>Change in Net Position</b>										
Governmental activities	\$ (189,869)	\$ (343,553)	\$ 287,446	\$ (289,071)	\$ (957,713)	\$ (298,434)	\$ (243,920)	\$ 626,180	\$ 565,741	\$ 473,276
Business-type activities	811,257	334,061	285,047	72,757	464,328	1,887,595	1,611,973	(68,333)	(292,923)	3,132,048
Total primary government	\$ 621,388	\$ (9,492)	\$ 572,493	\$ (216,314)	\$ (493,385)	\$ 1,589,161	\$ 1,368,053	\$ 557,847	\$ 272,818	\$ 3,605,324

**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> <sup>(1)</sup>	<u>Tax Rate</u>
2006	2,874,229	0.46
2007	3,254,776	0.52
2008	3,436,790	0.52
2009	3,214,818	0.48
2010	3,714,518	0.48
2011	3,628,709	0.48
2012	3,657,181	0.48
2013	3,672,427	0.48
2014	3,959,238	0.50
2015	3,887,947	0.50

Notes:

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

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

**Table 4**

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General Fund										
Non Spendable	\$ 57,851	\$ 6,140	\$ 3,893	\$ 22,430	\$ 23,803	\$ 90,522	\$ 46,038	\$ 48,234	\$ 116,246	\$ 30,625
Restricted	1,146,965	1,739,195	1,617,640	1,271,675	1,366,434	1,292,486	1,297,819	1,364,826	1,425,142	1,424,244
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	1,985,720	1,258,133	1,506,421	1,972,352	1,980,220	2,016,283	2,116,425	2,068,671	1,999,838	2,117,478
<b>Total General Fund</b>	<b>\$ 3,190,536</b>	<b>\$ 3,003,468</b>	<b>\$ 3,127,954</b>	<b>\$ 3,266,457</b>	<b>\$ 3,370,457</b>	<b>\$ 3,399,291</b>	<b>\$ 3,460,282</b>	<b>\$ 3,481,731</b>	<b>\$ 3,541,226</b>	<b>\$ 3,572,347</b>
All other governmental funds										
Restricted	\$ 351,376	\$ 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
Committed	-	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	(34,125)	-	(210,312)	(133,984)	-	-	-
<b>Total all other governmental funds</b>	<b>\$ 351,376</b>	<b>\$ 96,953</b>	<b>\$ 276,353</b>	<b>\$ 326,346</b>	<b>\$ 464,554</b>	<b>\$ 104,504</b>	<b>\$ 55,335</b>	<b>\$ 500,432</b>	<b>\$ 141,220</b>	<b>\$ 67,468</b>

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

**Table 5**

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Revenues</b>										
Ad valorem taxes	\$ 2,874,229	\$ 3,254,776	\$ 3,436,790	\$ 3,214,818	\$ 3,714,518	\$ 3,628,709	\$ 3,657,181	\$ 3,672,427	\$ 3,959,238	\$ 3,887,947
Other taxes and licenses	256,422	290,127	179,376	41,284	41,997	67,994	70,065	207,325	66,558	43,942
Unrestricted intergovernmental	1,966,867	2,144,599	2,425,216	2,314,767	2,090,319	2,075,995	2,118,650	2,188,057	2,132,914	2,393,607
Restricted intergovernmental	677,098	821,155	697,010	900,572	1,004,498	1,031,092	811,501	1,233,958	932,179	1,248,868
Permits and fees	205,849	191,488	470,604	159,432	234,259	201,263	148,377	187,466	289,552	216,875
Sales and services	994,234	626,113	654,197	683,230	741,729	919,292	903,298	961,843	933,953	1,003,235
Investment earnings	127,938	149,275	174,075	71,401	18,180	14,262	12,728	9,227	17,850	14,606
Miscellaneous	1,044,746	957,089	602,694	596,416	585,454	504,333	513,851	584,035	570,373	513,106
Private Donations	-	-	-	-	-	-	-	359,668	-	-
Total revenues	8,147,383	8,434,622	8,639,962	7,981,920	8,430,954	8,442,940	8,235,651	9,404,006	8,902,617	9,322,186
<b>Expenditures</b>										
General government	1,654,086	1,728,588	2,230,400	1,893,611	1,782,354	1,671,999	1,709,906	1,867,599	1,474,587	1,535,053
Public Safety	3,234,583	3,518,092	4,125,444	3,406,640	3,558,174	3,731,418	3,641,699	3,611,487	3,676,533	3,254,461
Transportation	1,427,980	2,265,195	1,463,305	1,469,579	2,367,880	1,372,824	1,337,650	1,366,567	1,376,111	1,309,052
Environmental protection	336,099	350,345	343,937	360,970	382,692	522,197	496,935	557,002	584,670	607,313
Culture and recreation	604,902	678,774	765,350	751,328	703,903	727,090	677,456	690,733	730,745	725,807
Library	172,769	176,723	190,133	210,285	224,473	220,937	225,667	226,439	231,410	251,963
Community Service	6,406	2,207	13,207	23,207	-	6,650	31,785	-	-	-
Economic and physical development	403,285	-	-	-	-	-	-	-	-	-
Debt service										
Principal	236,187	206,433	229,348	249,722	260,874	407,133	383,212	516,667	408,678	519,237
Interest and other charges	73,995	68,241	65,081	61,154	55,919	95,970	85,178	79,564	75,063	184,019
Capital outlay	309,041	384,417	-	174,355	565,379	553,816	1,986,286	2,765,173	805,119	3,379,997
Total expenditures	8,459,333	9,379,015	9,426,205	8,600,851	9,901,648	9,310,034	10,575,774	11,681,231	9,362,916	11,766,902
Excess of revenues over (under) expenditures	(311,950)	(944,393)	(786,243)	(618,931)	(1,470,694)	(867,094)	(2,340,123)	(2,277,225)	(460,299)	(2,444,716)
<b>Other financing sources (uses)</b>										
Transfers in	-	914,910	767,318	650,000	345,000	340,000	533,106	415,500	-	-
Transfers out	-	(418,470)	-	-	-	-	(77,106)	-	-	(498,713)
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
Loss on investment	-	-	-	-	-	-	-	(18,727)	-	-
Capital lease proceeds	-	-	-	-	-	-	-	-	-	23,777
Installment purchase obligations	100,187	4,813	240,300	125,000	1,334,000	190,000	3,114,000	1,100,000	132,000	2,860,757
Total other financing sources (uses)	100,187	501,253	1,087,882	825,964	1,714,275	546,801	3,589,718	1,512,533	149,497	2,400,315
Net change in fund balances	\$ (211,763)	\$ (443,140)	\$ 301,639	\$ 207,033	\$ 243,581	\$ (320,293)	\$ 1,249,595	\$ (764,692)	\$ (310,802)	\$ (44,401)
Debt service as a percentage of noncapital expenditures	3.8%	3.1%	3.1%	3.7%	3.4%	5.7%	5.5%	6.7%	5.7%	8.4%

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

**Table 6**

<b>Fiscal Year</b>	<b>Real Property</b>	<b>Personal Property</b>	<b>Total Assessed Value</b>	<b>Ratio of Assessed Value to Estimated Actual Value <sup>(1)</sup></b>	<b>Property Tax Rate <sup>(2)</sup></b>
2006	563,265,887	58,188,284	621,454,171	100%	0.52
2007	586,263,602	55,799,732	642,063,334	100%	0.52
2008	562,518,654	62,596,865	625,115,519	100%	0.52
2009 <sup>(3)</sup>	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

Notes:

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

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

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

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

**Table 7**

<b>Fiscal Year</b>	<b>City of Dunn<sup>(1)</sup></b>	<b>Harnett County<sup>(2)</sup></b>	<b>Dunn Emergency Services<sup>(2)</sup></b>	<b>Averasboro School District<sup>(2)</sup></b>	<b>Combined Tax Rate Per \$100 of Assessed Value</b>
2006	0.52	0.735	-	0.02	1.275
2007	0.52	0.735	-	0.02	1.275
2008	0.52	0.735	-	0.02	1.275
2009	0.48	0.725	(3) 0.07	0.02	1.295
2010	0.48	0.725	0.07	0.02	1.295
2011	0.48	0.725	0.07	0.02	1.295
2012	0.48	0.725	0.07	0.02	1.295
2013	0.48	0.725	0.07	0.02	1.295
2014	0.50	0.725	0.07	0.02	1.315
2015	0.50	0.750	0.07	0.02	1.340

Notes:

- (1) The City tax is completely applicable to general government and not divided among other components.
- (2) Overlapping rates are those of local and county governments that apply to property owners within the City of Dunn.
- (3) A revaluation of all property is required every eight (8) years by North Carolina State Statute. The last revaluation occurred as of December 31, 2009.

**City of Dunn  
Principal Property Taxpayers  
June 30, 2015**

**Table 8**

Taxpayer	Type of Enterprise	2015			2009 (1)		
		Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Rooms to Go	Distribution Warehouse	\$ 23,765,430	1	3.22%			
Wal-Mart	Retail Store	12,318,880	2	1.67%	\$ 12,553,977	2	2.06%
Duke Energy	Utility Company	10,601,998	3	1.43%	9,617,861	3	1.58%
Wincor Properties, LLC	Real Estate	8,212,261	4	1.11%			
RPH Harnett Crossing	Shopping Center	8,065,690	5	1.09%	7,181,270	5	1.18%
Carolina Telephone	Utility Company	7,021,022	6	0.95%	7,034,409	6	1.16%
Apple Eight NC LP	Real Estate	6,996,400	7	0.95%			
NWD-T/A Dunbar	Packaging Plant	4,777,090	8	0.65%	4,687,923	8	0.77%
Gray Properties	Manufacturer	4,723,560	9	0.64%	7,672,685	4	1.26%
GG Retail Properties, LLC	Real Estate	4,694,300	10	0.64%	3,767,290	9	
Energy Conversion Systems, LLC	Carbon Brushes				18,610,863	1	3.06%
Rylie Properties	Real Estate				6,336,240	7	1.04%
Two Till, LLC	Real Estate				3,529,560	10	0.58%
Totals		<u>\$ 91,176,631</u>		<u>12.34%</u>	<u>\$ 80,992,078</u>		<u>12.69%</u>
Total Assessed Value		<u>\$ 739,144,334</u>			<u>\$ 608,705,065</u>		

Source: Harnett County Assessor's Office

(1) - Only seven years represented, information for fiscal years years 2006-2008 is not available.

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

**Table 9**

<b>Fiscal Year</b>	<b>Tax Levy</b>	<b>Current Tax Collections</b>	<b>Percent of Taxes Collected</b>	<b>Delinquent Tax Collections (1)</b>	<b>Total Tax Collections</b>	<b>Ratio of Total Tax Collections to Total Tax Levy</b>
2006	2,857,596	2,774,241	97.08%	73,673	2,847,914	99.66%
2007	3,327,837	3,192,588	95.94%	124,962	3,317,550	99.69%
2008	3,228,085	3,119,085	96.62%	97,725	3,216,810	99.65%
2009	3,151,197	3,029,589	96.14%	106,674	3,136,263	99.53%
2010 (2)	3,581,716	3,449,544	96.31%	90,148	3,539,692	98.83%
2011	3,558,973	3,464,942	97.36%	62,143	3,527,085	99.10%
2012	3,572,022	3,489,428	97.69%	57,255	3,546,683	99.29%
2013	3,590,593	3,519,160	98.01%	-	3,519,160	98.01%
2014	3,678,336	3,626,198	98.58%	-	3,626,198	98.58%
2015	3,783,906	3,761,518	99.41%	-	3,761,518	99.41%

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**

<b>Fiscal Year</b>	<b>Governmental Activities</b>	<b>Business-Type Activities</b>			<b>Total Primary Government</b>	<b>Debt as a % of Assessed Valuation (3)</b>	<b>Per Capita (4)</b>
	<b>Installment Purchases</b>	<b>GO Bonds</b>	<b>Installment Purchases</b>	<b>Revolving Water and Sewer Loan</b>			
2006	1,725,578	2,435,000	1,351,164	974,686	6,486,428	1.0%	661
2007	1,523,959	2,335,000	1,085,897	835,446	5,780,302	0.9%	585
2008	1,534,911	2,230,000	813,375	696,205	5,274,491	0.8%	522
2009	1,410,188	2,125,000	533,334	556,963	4,625,485	0.7%	453
2010	2,483,314 (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

**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 Vehicles

**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>
2006	2,435,000	0.39%	248
2007	2,335,000	0.36%	236
2008	2,230,000	0.36%	221
2009	2,125,000	0.33%	208
2010	2,015,000	0.27%	194
2011	1,900,000	0.26%	205
2012	1,785,000	0.24%	189
2013	1,665,000	0.22%	177
2014	1,540,000	0.21%	161
2015	1,410,000	0.19%	148

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, 2015**

**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	\$ 130,875,518	9.80%	\$ 12,825,801
Subtotal, overlapping debt			12,825,801
City of Dunn direct debt			<u>7,653,635</u> (2)
Total direct and overlapping debt			<u><u>\$ 20,479,436</u></u>

Notes:

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

(2) - Includes all governmental activities debt.

**City of Dunn  
Legal Debt Margin Information  
Last Ten Fiscal Years**

**Table 13**

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Debt limit	\$ 49,716,334	\$ 51,365,067	\$ 50,009,242	\$ 52,112,959	59,695,265	59,315,766	59,533,701	\$ 59,843,206	\$ 59,131,547	\$ 60,666,490
Total net debt applicable to limit	1,725,578	1,523,959	1,534,911	1,410,188	2,483,314	7,049,465	13,104,655	12,156,099	11,418,503	13,232,984
Legal debt margin	\$ 47,990,756	\$ 49,841,108	\$ 48,474,331	\$ 50,702,771	\$ 57,211,951	\$ 52,266,301	\$ 46,429,046	\$ 47,687,107	\$ 47,713,044	\$ 47,433,506
Total net debt applicable to the limit as a percentage of debt limit	3.47%	2.97%	3.07%	2.71%	4.16%	11.88%	22.01%	20.31%	19.31%	21.81%

**Legal Debt Margin Calculation for Fiscal Year 2015 <sup>(1)</sup>**

Assessed Value	\$ 758,331,125
Debt Limit (8% of total assessed value)	60,666,490
Debt applicable to limit:	
General obligation bonds	1,410,000
Non bonded debt	13,232,984
Less: Statute exclusion for Water bonds	<u>(1,410,000)</u>
Total net debt applicable to limit	<u>13,232,984</u>
Legal Debt Margin	<u>\$ 47,433,506</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**

<b>Fiscal Year</b>	<b>Population(2)</b>	<b>Personal Income(2)</b>	<b>Per Capita Income(2)</b>	<b>Median Age(2)</b>	<b>School Enrollment(2)</b>	<b>Unemployment Rate(2)</b>
2006	103,884	3,348,596,856	32,234	33.58	18,274	5.2%
2007	106,283	2,170,298,860	20,420	34	18,876	5.1%
2008	110,098	2,231,025,872	20,264	35	18,968	6.6%
2009	112,030	2,253,268,992	19,968	35	18,518	11.8%
2010	115,761	2,210,303,772	28,015	35	18,764	10.7%
2011	114,678	2,147,345,550	18,725	34	19,011	11.8%
2012	121,417	2,254,013,124	18,564	34	19,378	11.2%
2013	122,355	2,310,551,820	18,884	34	19,868	10.5%
2014	123,316	2,370,873,416	19,226	34	19,847	7.4%
2015	125,717	2,400,566,115	19,095	34	20,099	7.3%

Notes:

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

(2) - Information used from Harnett County and NC Department of Commerce

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

**Table 15**

<b>Employer</b>	<b>2015 <sup>(1)</sup></b>		<b>2009</b>	
	<b>Employees</b>	<b>Rank</b>	<b>Employees</b>	<b>Rank</b>
Harnett County Schools	1,000+	1	1,000+	1
Food Lion	1,000+	2	1,000+	2
Betsy Johnson Hospital	500-999	3	500-999	3
Carlie C's Operation Center Inc	250-499	4	250-499	5
Wal-Mart	250-499	5	250-499	4
Family Medical Supply, Inc.	100-249	6	100-249	10
Tri-Arc Food Systems Inc.	100-249	7	-	-
KTL McDonalds LLC	100-249	8	100-249	7
Godwin Manufacturing Co, Inc.	100-249	9	-	-
City of Dunn	100-249	10	100-249	8
Affinity Health Services Inc	-	-	100-249	6
Basic Home Health Care Inc.	-	-	100-249	9

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

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

**Table 16**

Function	Full-time Equivalent Employees as of June 30, 2015						
	2009 (1)	2010	2011	2012	2013	2014	2015
General Government							
Administration	3	3	3	5	5	6	6
Finance	4	4	4	3	3	3	3
Economic & Physical Development							
Planning	2	2	2	1	1	1	1
Inspections	3	3	3	3	3	3	3
Public Safety							
Law Enforcement							
Officers	41	41	41	36	36	36	36
Civilians	12	11	11	16	16	16	5
Public Works							
Streets	18	18	18	17	16	16	16
Solid Waste	2	2	2	2	2	2	2
Fleet Maintenance	2	2	2	2	2	1	1
Parks & Recreation	11	11	11	10	10	10	10
Library	3	3	3	3	3	4	4
Public Utilities-Water/Sewer							
Finance	5	5	5	5	5	5	5
Distribution	8	8	8	8	8	8	8
Water Treatment	8	8	8	8	8	8	8
WasteWater Treatment	10	10	10	9	9	9	9
<b>Total</b>	<b>132</b>	<b>131</b>	<b>131</b>	<b>128</b>	<b>127</b>	<b>128</b>	<b>117</b>

Notes:

(1) - Only seven years presented due to seventh year of CAFR presentation

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

**Table 17**

	<b>2009 (1)</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
<b>Function:</b>							
Public Safety							
Arrests	1,795	1,599	1,502	1,524	2,460	3,299	2,190
Traffic violations	3,614	3,565	4,343	4,072	4,423	3,613	3,396
Highways and streets							
Street resurfacing (miles)	-	7	-	-	-	1	2
Potholes repaired	550	600	525	670	700	615	750
Sidewalk repaired (linear ft.)	2,500	1,000	625	225	300	7,500	600
Street sweeping (miles)	2,000	2,000	2,000	2,000	2,000	2,000	2,005
Inspections							
Building permits issued	275	281	437	322	398	380	362
Sanitation							
Residential waste collected (tons/year)	3,450	3,331	2,911	2,819	2,799	2,742	2,663
Yard waste collected (tons/year)	1,686	3,590	3,487	3,293	3,140	2,637	2,642
Trash pick-up fee	12	12	15	15	15	16	17
Library							
Admissions	88,900	104,500	93,595	88,086	83,837	76,119	83,423
Volumes in Collection	25,000	33,300	37,430	38,154	41,157	41,913	42,630
Culture and recreation							
Senior Center Participants	250	300	355	370	375	350	355
Youth participation:							
Fall sports	371	385	317	310	330	359	360
Winter sports	162	216	204	308	224	213	220
Spring Sports	529	572	461	474	526	510	450
Water							
Utility customers	4,620	4,625	4,618	4,622	4,625	4,628	4,635
Average utility bill	\$ 46.25	\$ 47.03	\$ 47.73	\$ 47.73	\$ 48.00	\$ 48.00	\$ 52.00
New Customer Connections	19	14	12	16	7	10	10
Sanitary Sewer Overflows (SSO)	11	13	5	3	5	6	6
Average daily consumption (MGD)	4	3	3	3	3	3	2.9
Wastewater							
Average daily sewage treatment (MGD)	2	3	2	2	2	2	2.8

Notes:

(1) - Only seven years presented due to seventh year of CAFR presentation

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

**Table 18**

<b>Function</b>	<b>2009 (1)</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
Public safety							
Police stations	1	1	1	1	1	1	1
Police patrol units	4	4	4	4	4	4	4
Police vehicles	33	33	33	33	47	43	43
911 Centers	1	1	1	1	1	1	0
Sanitation							
Collection trucks	2	2	2	2	2	2	2
Highways and streets							
Streets (miles)	65	65	65	65	65	65	65
Traffic signals	5	5	5	5	5	5	5
Culture and recreation							
Parks acreage	32	32	32	32	32	32	32
Parks	3	3	3	3	3	3	3
Baseball fields	7	7	7	7	7	7	7
Pools	1	1	1	1	1	1	1
Tennis courts	5	5	5	5	5	5	5
Community centers	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
Maximum daily capacity (millions of gallons per day)	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
Max daily treatment capacity (millions of gallons per day)	3.75	3.75	3.75	3.75	3.75	3.75	3.75

Notes:

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





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**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, 2015, 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 29.

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 29, 2015



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

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

**Report on Compliance for Each Major Federal Program**

We have audited the City of Dunn’s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on the City of Dunn’s major federal program for the year ended June 30, 2015. The City of Dunn’s major federal program is identified in the summary of auditors’ results section of the accompanying schedule of findings and questioned costs.

**Management’s Responsibility**

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

**Auditor’s Responsibility**

Our responsibility is to express an opinion on compliance for the City of Dunn’s major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Dunn’s compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

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

**Opinion on Each Major Federal Program**

In our opinion, the City of Dunn complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2015.

**Report on Internal Control Over Compliance**

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

opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Petway Mills & Pearson, PA*

PETWAY MILLS & PEARSON, PA

Certified Public Accountants  
Zebulon, North Carolina

October 29, 2015



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**Independent Auditors’ Report on Compliance for Each Major State Program and on Internal Control over Compliance in Accordance with OMB Circular A-133 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, 2015. 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major 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, 2015.

**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 OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a 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 OMB Circular A-133. 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 29, 2015

CITY OF DUNN  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 FOR THE YEAR ENDED JUNE 30, 2015

**SECTION I. - SUMMARY OF AUDITORS' RESULTS**

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? \_\_\_\_\_ yes \_\_\_\_\_ X \_\_\_\_\_ no

Significant deficiency(ies) identified that are not considered to be material weaknesses? \_\_\_\_\_ yes \_\_\_\_\_ X \_\_\_\_\_ none reported

Noncompliance material to financial statements noted \_\_\_\_\_ yes \_\_\_\_\_ X \_\_\_\_\_ no

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified? \_\_\_\_\_ yes \_\_\_\_\_ X \_\_\_\_\_ no

Significant deficiency(ies) identified that are not considered to be material weaknesses? \_\_\_\_\_ yes \_\_\_\_\_ X \_\_\_\_\_ none reported

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

Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133? \_\_\_\_\_ yes \_\_\_\_\_ X \_\_\_\_\_ no

Identification of major federal programs:

<u>Program Name</u>	<u>CFDA #</u>
<b>United States Department of Housing and Urban Development</b>	
Community Development Block Grant - Economic Development - Rooms to Go Water and Sewer Improvements	14.218
Community Development Block Grant - Harnett Training School	14.218

Dollar threshold used to distinguish between Type A and Type B Programs \$300,000

Auditee qualified as low-risk auditee? \_\_\_\_\_ yes \_\_\_\_\_ X \_\_\_\_\_ no

State Awards

Internal control over major State programs:

Material weakness(es) identified? \_\_\_\_\_ yes \_\_\_\_\_ X \_\_\_\_\_ no

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

Identification of major State programs:

<u>Program Name</u>
NC Department of Commerce
NC Rural Center - Rooms to Go Water and Sewer Improvements - COM-2
NC Department of Transportation
Powell Bill - DOT 4

CITY OF DUNN  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2015

**SECTION II. - FINANCIAL STATEMENT FINDINGS**

None Reported.

**SECTION III. - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None Reported.

**SECTION IV. - STATE AWARD FINDINGS AND QUESTIONED COSTS**

None Reported.

CITY OF DUNN  
CORRECTIVE ACTION PLAN  
FOR THE YEAR ENDED JUNE 30, 2015

**SECTION II. - FINANCIAL STATEMENT FINDINGS**

None Required.

**SECTION III. - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None Required.

**SECTION IV. - STATE AWARD FINDINGS AND QUESTIONED COSTS**

None Required.

CITY OF DUNN  
SUMMARY SCHEDULE OF PRIOR YEARS' FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2015

**SECTION II. - FINANCIAL STATEMENT FINDINGS**

There were no prior year financial statement audit findings.

**SECTION III. - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

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

**SECTION IV. - 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, 2015**

Grantor/Pass-through/ Grantor-Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Federal Expenditures	State Expenditures
<b>FEDERAL AWARDS</b>				
<b>US Department of Justice</b>				
Passed through National Police Athletic League, Inc. National PAL Recovery Act Mentoring sub grant	16.808	2013-JU-FX-0024	\$ 5,728	\$ -
<b>US Department of Health and Human Services</b>				
Division of Aging and Adult Services: Passed through Mid Carolina Council of Government Senior Center Operations and Outreach	93.044	16-701, 20-701	11,763	-
<b>US Department of Agriculture</b>				
Rural Development Community Facilities Loans and Grants - Police Vehicles	10.766		160,000	-
<b>US Department of Transportation</b>				
ACA-PPHF Community Transformation Grant (CTG) - Bike Plar	93.531		29,668	-
<b>US Environmental Protection Agency</b>				
Brownfields Assessment and Cleanup Cooperative Agreement	66.818		31,232	-
<b>US Department of Housing and Urban Development</b>				
Community Development Block Grant - Economic Development - Rooms to Go Water and Sewer Improvements	14.218		923,837	-
Community Development Block Grant - Harnett Training School	14.218		500,000	-
<b>TOTAL FEDERAL AWARDS</b>			<b>1,662,228</b>	<b>-</b>
<b>STATE AWARDS</b>				
<b>NC Department of Commerce</b>				
NC Rural Center - Rooms to Go Water and Sewer Improvements		COM-2	-	842,329
<b>NC Department of Transportation</b>				
Powell Bill		DOT-4	-	447,462
<b>TOTAL STATE AWARDS</b>			<b>-</b>	<b>1,289,791</b>
<b>TOTAL FEDERAL AND STATE ASSISTANCE</b>			<b>\$ 1,662,228</b>	<b>\$ 1,289,791</b>

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

Basis of Presentation

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

Loans Outstanding

The City of Dunn had the following loan balance outstanding at June 30, 2015.

**US Department of Agriculture**

<b>Rural Development</b>				
Community Facilities Loans and Grants - Downtown Revitalization	10.766		\$ 2,907,982	
Community Facilities Loans and Grants - Police Cars	10.766		111,657	
Community Facilities Loans and Grants - Police Cars	10.766		137,000	