

CITY OF DUNN
FINANCIAL STATEMENTS
DUNN, NORTH CAROLINA
FOR THE YEAR ENDED JUNE 30, 2018

CITY OF DUNN
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
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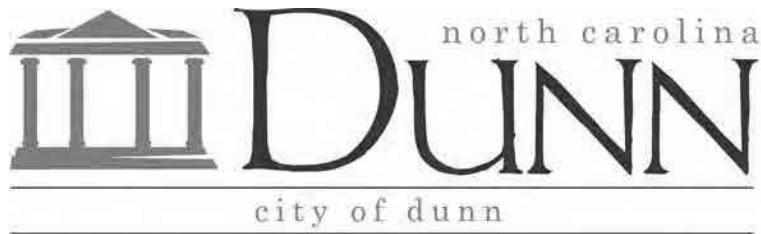
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Mayor
Oscar N. Harris

Mayor Pro Tem
Frank McLean

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

City Manager
Steven Neuschafer

November 30, 2018

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

The Comprehensive Annual Financial Report (CAFR) of the City of Dunn for the fiscal year ending June 30, 2018 has been submitted by the City's Finance Department. It is the comprehensive publication of the City's financial position at June 30, 2018, and the results of operations for the fiscal year. The financial statements must be presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. This report is published to fulfill that requirement for the fiscal year ending June 30, 2018 and to provide complete and further accountability to citizens and other interested parties by providing a comprehensive report in lieu of the minimum basic financial statement requirements.

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

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

Description of the City

The City of Dunn, incorporated in 1887, is located in the south central part of the state, which is considered to be a growth area in the state. Dunn offers a small-town atmosphere, coupled with a growing business community which makes the City the largest municipality in Harnett County. The City of Dunn currently occupies a land area of 6 square miles and serves a population of 9,734.

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

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

Economic Condition and Outlook

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

Tourism continues to have a major impact on the local economy. Dunn is located on the I-95 corridor. In the immediate area there are 12 hotels which offer over 700 rooms. In fiscal year 2018, hotel receipts were over \$9,500,000 in the Dunn area.

The per capital income continues to increase while the overall unemployment rate has decreased in the City.

Long-term Financial Planning

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

The City has approved a \$1,175,000 renovation to Tart Park. The City was awarded a grants in the amount of \$850,000 from the State of North Carolina. The City will finance the remaining \$325,000 over a twenty year period.

The City also has approved a \$3,000,000 project to replace the aeration system at the waste water treatment plant. The City was awarded a loan at 0% interest for twenty years with the State of NC to finance the project.

The City also has approved a \$1,898,000 project to replace all the City's water meters with new smart meters. This will reduce the City's operating budget and allow more accurate readings. The City will finance the project a 15 year installment loan.

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

Financial Information

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

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

Other Information:

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

As a recipient of federal and state assistance programs, the City is responsible for ensuring that adequate internal controls are in place to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is subject to periodic evaluation by management. As a part of the City's single audit, tests are made to determine the adequacy of the internal control structure, including a portion related to federal and state financial assistance programs, as well as to determine the City has complied with applicable laws and regulations. The results of the City's single audit for fiscal year June 30, 2018 provided no instances of material weaknesses in the internal control structure or significant violations of applicable laws and regulations.

Awards: The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Dunn for its comprehensive annual financial report for the fiscal year ending June 30, 2017. This was the 9th consecutive year in which the City has received this recognition. To be awarded the Certificate of Achievement, the government must publish an easily readable and efficiently organized comprehensive annual financial report.

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

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

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

Respectfully submitted,

Steven Neuschafer
City Manager

Mark H. Stephens, CPA
Finance Director



where community matters



Government Finance Officers Association

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

Presented to

**City of Dunn
North Carolina**

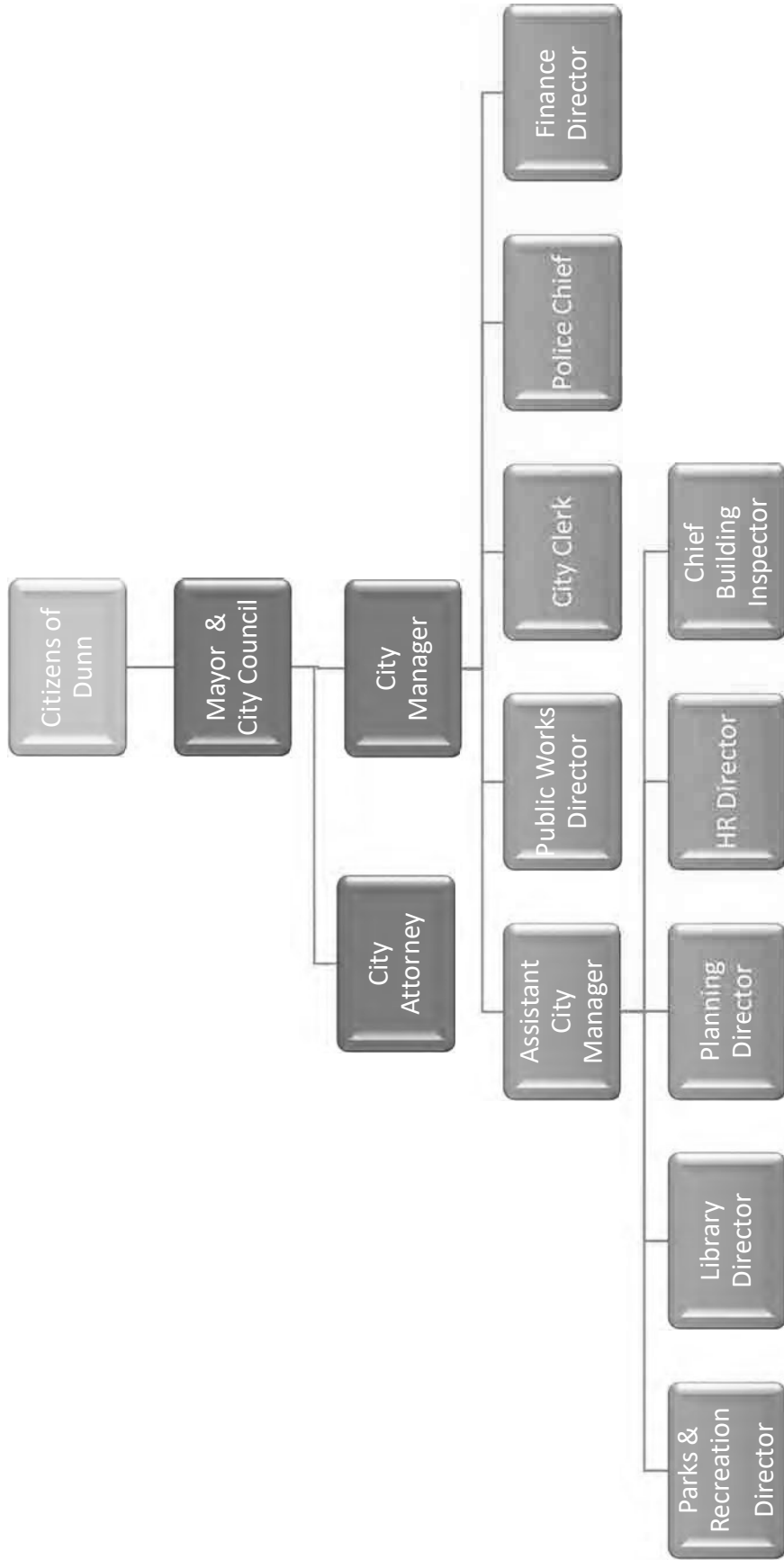
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2017

Christopher P. Morill

Executive Director/CEO

City of Dunn Organizational Chart



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City Council Members

Oscar N. Harris

Mayor

E. Frank Maness III

District 1

Dr. Gwen McNeill

District 2

Frank McLean

District 3

Billy N. Tart

District 4

Charles Turnage

District 5

Appointed Staff

Steven Neuschafer

City Manager

P. Tilghman Pope

City Attorney

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Memberships:

North Carolina
 Association of
 Certified Public
 Accountants

American Institute
 Of Certified Public
 Accountants

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, 2018, 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 1.69%, 0.47% and 2.39%, 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, 2018, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 20 through 30, the Law Enforcement Officers' Special Separation Allowance schedules of the Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll, and the Other Postemployment Benefits' Schedules of Funding Progress and Schedules of Employer Contributions on pages 70 through 72, and the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability (Asset) and Contributions on pages 73 and 74, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Dunn, North Carolina's basic financial statements. The introductory information, combining and individual fund statements, budgetary schedules, other schedules, statistical section and Schedule of Expenditures of Federal and State Awards are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2018 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

November 28, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

As management of the City of Dunn, we offer readers of the City of Dunn's financial statements this narrative overview and analysis of the financial activities of the City of Dunn for the fiscal year ended June 30, 2018. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the city's financial statements, which follow this narrative.

Financial Highlights

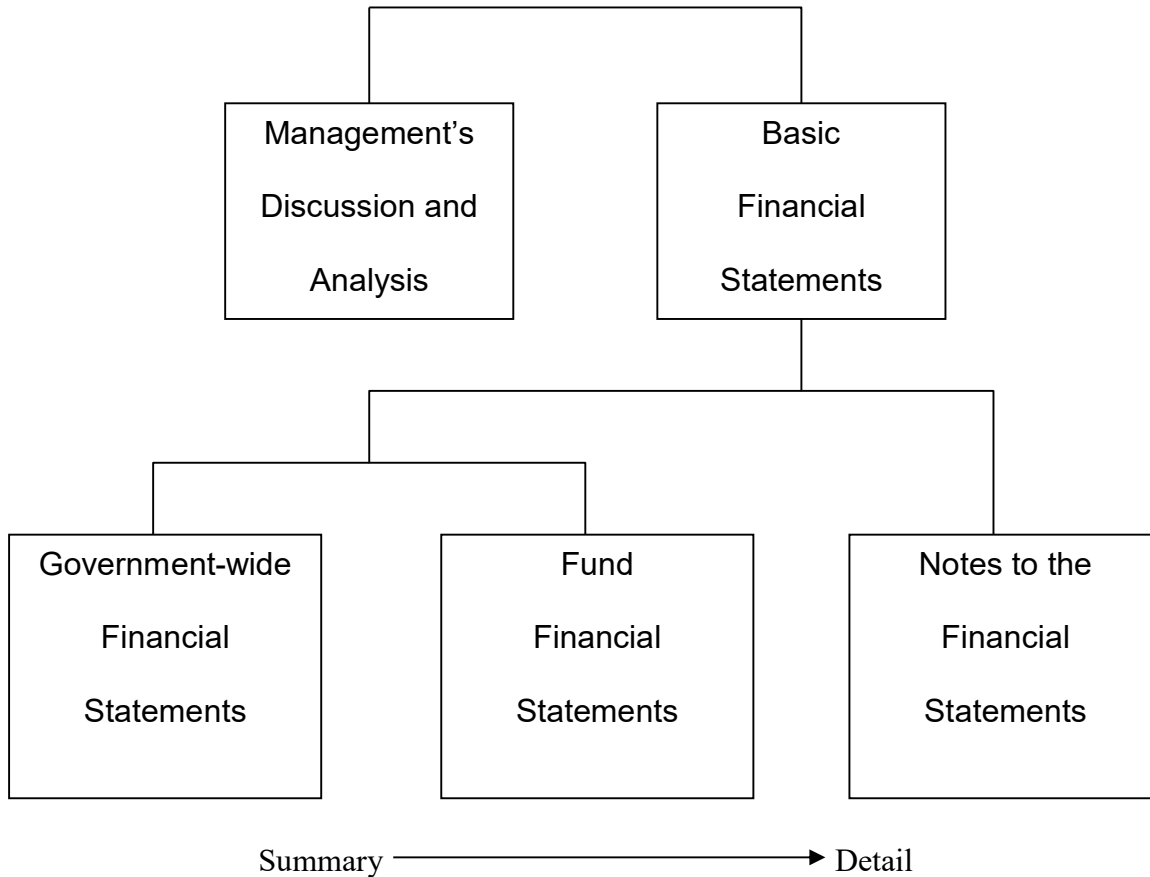
- The assets and deferred outflows of resources of the City of Dunn exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$29,911,366 (net position)
- The government's total net position decreased by \$2,839,014 due to a change in accounting standards related to GASB 75.
- As of the close of the current fiscal year, the City of Dunn's governmental funds reported combined ending fund balances of \$4,707,108 an increase of \$650,968 in comparison with the prior year. Approximately 41% of this total amount, or \$1,925,507 is non spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$2,781,604 or 30% of total general fund expenditures for the fiscal year.
- The City of Dunn's total debt decreased by \$1,175,733 (9%) during the current fiscal year.
- The City of Dunn currently has an A+ bond rating with Standard and Poors, and a rating of A3 with Moody's Investment Service.

Overview of the Financial Statements

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

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

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

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

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

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

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

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

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the City of Dunn’s progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 53-67 of this report.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as one useful indicator of a government’s financial condition. The assets of the City of Dunn exceeded liabilities by \$29,911,366 at the close of the most recent fiscal year.

By far the largest portion (81%) reflects the City of Dunn’s investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt still outstanding that was issued to acquire those items. The City of Dunn uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City’s investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities.

An additional portion of the City of Dunn’s net position (15%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of (4%) is unrestricted.

The City of Dunn’s Net Position

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 8,436,908	\$ 7,539,495	\$ 5,340,382	\$ 5,592,003	\$ 13,777,290	\$ 13,131,498
Capital assets	12,711,836	13,243,782	23,994,640	24,499,902	36,706,476	37,743,684
Total Assets	21,148,744	20,783,277	29,335,022	30,091,905	50,483,766	50,875,182
Deferred outflows of resources	934,684	1,032,304	314,527	365,426	1,249,211	1,397,730
Long-term liabilities outstanding	13,380,903	11,022,425	8,090,434	6,261,629	21,471,337	17,284,054
Other liabilities	1,274,152	1,100,923	1,089,641	984,859	2,363,793	2,085,782
	14,655,055	12,123,348	9,180,075	7,246,488	23,835,130	19,369,836
Deferred inflows of resources	255,325	130,820	94,949	21,724	350,274	152,544
Net position						
Net investment in capital assets	6,444,745	6,436,177	20,102,111	20,201,704	26,546,856	26,637,881
Restricted	4,981,763	4,870,545	-	30,000	4,981,763	4,900,545
Unrestricted	(2,979,308)	(1,745,461)	1,362,055	2,957,415	(1,617,253)	1,211,954
Total net position	\$ 8,447,200	\$ 9,561,261	\$ 21,464,166	\$ 23,189,119	\$ 29,911,366	\$ 32,750,380

City of Dunn Changes in Net Position
 Figure 3

	Governmental Activities	Governmental Activities	Business Type Activities	Business Type Activities	Total	Total
	2018	2017	2018	2017	2018	2017
Revenues:						
Program revenues:						
Charges for services	\$ 1,523,423	\$ 1,442,569	\$ 4,873,477	\$ 4,850,817	\$ 6,396,900	\$ 6,293,386
Operating grants and contributions	492,699	764,107	97,433	-	590,132	764,107
Capital grants and contributions	-	54,000	383,882	-	383,882	54,000
General revenues:						
Property taxes	4,260,553	4,272,245	-	-	4,260,553	4,272,245
Other taxes	2,985,066	2,781,240	-	-	2,985,066	2,781,240
Grants and contributions not restricted						
to specific programs	125,000	144,500	-	-	125,000	144,500
Other	554,300	559,990	269,066	158,470	823,366	718,460
Total revenues	\$ 9,941,041	\$ 10,018,651	\$ 5,623,858	\$ 5,009,287	\$ 15,564,899	\$ 15,027,938
Expenses:						
General government	2,447,292	2,610,109	-	-	2,447,292	2,610,109
Public safety	3,164,633	3,271,705	-	-	3,164,633	3,271,705
Transportation	1,552,433	1,507,138	-	-	1,552,433	1,507,138
Environmental protection	826,201	823,681	-	-	826,201	823,681
Culture and recreation	1,179,906	1,133,907	-	-	1,179,906	1,133,907
Interest on long-term debt	199,655	219,120	-	-	199,655	219,120
Stormwater	-	-	274,919	58,192	274,919	58,192
Water and sewer	-	-	5,588,695	4,746,944	5,588,695	4,746,944
Total expenses	\$ 9,370,120	\$ 9,565,660	\$ 5,863,614	\$ 4,805,136	\$ 15,233,734	\$ 14,370,796
Change in net position before transfers	570,921	452,991	(239,756)	204,151	331,165	657,142
Change in net position	570,921	452,991	(239,756)	204,151	331,165	657,142
Net position, July 1	9,561,261	6,817,618	23,189,119	22,984,968	32,750,380	29,802,586
Restatement	(1,684,982)	2,290,652	(1,485,197)	-	(3,170,179)	2,290,652
Net position, beginning, restated	7,876,279	9,108,270	21,703,922	22,984,968	29,580,201	32,093,238
Net position, June 30	\$ 8,447,200	\$ 9,561,261	\$ 21,464,166	\$ 23,189,119	\$ 29,911,366	\$ 32,750,380

Governmental activities: Governmental activities increased the City's net position by \$570,921. Key elements of this increase are as follows:

- Increase sales taxes
- Increase in permits and fees

Business-type activities: Business-type activities decrease the City of Dunn's net position by \$239,756. Key elements of this increase are as follows:

- Increase in sewer line repair and maintenance expenditures

Financial Analysis of the City of Dunn's Funds

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

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

The general fund is the chief operating fund of the City of Dunn. At the end of the current fiscal year, City of Dunn's fund balance available in the General Fund was \$2,781,601 while total fund balance reached \$4,655,819. The City currently has an available fund balance of 30% of general fund expenditures, while total fund balance represents 50%.

At June 30, 2018, the governmental funds of the City of Dunn reported a combined fund balance of \$4,707,108.

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

Proprietary Funds - The City of Dunn's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to \$1,362,055. The Water and Sewer fund experienced a decrease in net position of \$1,724,953. Factors concerning the finances of this fund have already been addressed in the discussion of the City's business-type activities. Unrestricted net position of the Stormwater Fund amounted to \$121,560.

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, 2018, totals \$36,706,476 (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):

- New Bathroom Facility at Tart Park
- Backhoe/Loader Water/Sewer Fund
- No significant Retirements, dispositions, or demolitions were recorded this year

City of Dunn’s Capital Assets

Figure 4

(net of depreciation)

	Governmental Activities 2018	Governmental Activities 2017	Business-type Activities 2018	Business-type Activities 2017	Total 2018	Total 2017
Land	\$ 1,624,003	\$ 1,624,003	\$ 181,746	\$ 181,746	\$ 1,805,749	\$ 1,805,749
Buildings and system	4,148,656	4,206,826	23,266,281	24,544,385	27,414,937	28,751,211
Improvements other than buildings	6,134,587	6,323,126	-	-	6,134,587	6,323,126
Equipment	275,940	352,898	371,858	341,221	647,798	694,119
Other	-	8,048	64,932	82,452	64,932	90,500
Vehicles	528,650	690,920	13,359	33,679	542,009	724,599
Construction in progress	-	37,961	96,464	-	96,464	37,961
Total	\$ 12,711,836	\$ 13,243,782	\$ 23,994,640	\$ 25,183,483	\$ 36,706,476	\$ 38,427,265

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

Long-term Debt - As of June 30, 2018, the City of Dunn had total bonded debt outstanding of \$1,026,000. This amount is backed by the full faith, credit, and taxing power of the City of Dunn. Additionally, the City had \$8,246,585 outstanding for installment purchase debt and \$3,069,579 outstanding on water and sewer revolving loans, and \$33,462 outstanding on capital leases.

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

Figure 5

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Capital Leases	\$ -	\$ 1,462	\$ 15,911	\$ 32,000	\$ 15,911	\$ 33,462
General obligation bonds	-	-	1,026,000	1,180,000	1,026,000	1,180,000
Installment purchases	6,386,138	6,901,192	1,074,864	1,345,393	7,461,002	8,246,585
Water and Sewer revolving loans	-	-	2,850,324	3,069,579	2,850,324	3,069,579
Total	\$ 6,386,138	\$ 6,902,654	\$ 4,951,188	\$ 5,626,972	\$ 11,353,237	\$ 12,529,626

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government’s boundaries. The legal debt margin for the City of Dunn is \$57,170,863. The City has no bonds authorized but un-issued at June 30, 2018.

Additional information regarding the City of Dunn’s long-term debt can be found on pages 53-56 of this report.

Economic Factors and Next Year’s Budgets and Rates

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

- Inflationary trends in the region compare favorably to national indices.
- The long-term economic forecast for the City of Dunn continues to look stable; commercial and industrial entities continue to adjust to national trends.
- Unemployment rate in Harnett County/Dunn at April 30, 2018 was 4.3%
- Downtown District continues to experience growth with new business openings and the hiring of Downtown Development Coordinator.
- Several vacant retail spaces are now occupied at the Harnett Crossing Shopping Center.

Budget Highlights for the Fiscal Year Ending June 30, 2018

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

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

Requests for Information

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

BASIC FINANCIAL STATEMENTS

**City of Dunn
Statement of Net Position
June 30, 2018**

	Primary Government			City of Dunn ABC Board
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 211,408	\$ 2,045,645	\$ 2,257,053	\$ 315,027
Restricted cash and cash equivalents	750,124	138,423	888,547	-
Investments	2,563,625	-	2,563,625	-
Restricted investments	486,523	-	486,523	-
Taxes receivables (net)	88,809	-	88,809	-
Accounts receivable (net)	522,897	739,025	1,261,922	207
Due from other governments	601,338	282,317	883,655	-
Prepaid items	9,162	3,895	13,057	-
Current portion of note receivable	-	111,035	111,035	-
Inventories	33,079	56,528	89,607	186,777
Total current assets	5,266,965	3,376,868	8,643,833	502,011
Non-current assets:				
Note receivable	3,100,000	1,963,514	5,063,514	-
Capital assets (Note 4):				
Land, non-depreciable improvements, and construction in progress	1,624,003	278,210	1,902,213	-
Other capital assets, net of depreciation	11,087,833	23,716,430	34,804,263	339,258
Total capital assets	12,711,836	23,994,640	36,706,476	339,258
Total non-current assets	15,811,836	25,958,154	41,769,990	339,258
Total assets	21,078,801	29,335,022	50,413,823	841,269
DEFERRED OUTFLOWS OF RESOURCES				
Contributions to pension plan - LGERS	260,912	111,820	372,732	-
Contributions to pension plan - LEO	69,944	-	69,944	-
Contributions to pension plan - OPEB	132,905	76,839	209,744	-
Pension Deferrals - LGERS	436,095	121,869	557,964	-
Pension Deferrals - LEO	97,853	-	97,853	-
Pension Deferrals - OPEB	6,918	3,999	10,917	-
Total deferred outflows of resources	1,004,627	314,527	1,319,154	26,579
LIABILITIES				
Current liabilities:				
Accounts payable	459,228	232,908	692,136	70,185
Accrued interest	163,738	25,439	189,177	-
Liabilities to be paid from restricted assets	-	138,423	138,423	-
Due within one year	651,186	692,871	1,344,057	-
Total current liabilities	1,274,152	1,089,641	2,363,793	70,185
Long-term liabilities:				
Net Pension liability - LGERS	881,666	318,208	1,199,874	18,332
Net pension liability - LEO	1,186,225	-	1,186,225	-
Total OPEB Liability	4,021,112	2,324,819	6,345,931	-
Due in more than one year	6,017,748	4,357,766	10,375,514	-
Total liabilities	13,380,903	8,090,434	21,471,337	88,517
DEFERRED INFLOWS OF RESOURCES				
Prepaid Taxes	2,343	-	2,343	-
Prepaid privilege license	7,720	-	7,720	-
Pension deferrals - LGERS	77,369	8,711	86,080	-
Pension deferrals - LEO	18,731	-	18,731	519
Pension deferrals - OPEB	149,162	86,238	235,400	-
Total deferred inflows of resources	255,325	94,949	350,274	519
NET POSITION				
Net Investment in capital assets	6,444,745	20,102,111	26,546,856	339,258
Restricted for:				
Public safety	140,294	-	140,294	-
Harnett Training School	3,157,535	-	3,157,535	-
Transportation	432,700	-	432,700	-
Stabilization by State Statute	1,131,639	-	1,131,639	-
USDA Debt Service	119,595	-	119,595	-
Working Capital	-	-	-	73,379
Unrestricted	(2,979,308)	1,362,055	(1,617,253)	366,175
Total net position	\$ 8,447,200	\$ 21,464,166	\$ 29,911,366	\$ 778,812

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, 2018**

Functions/Programs	Net (Expense) Revenue and Changes in Net Position						
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	City of Dunn ABC Board
Primary government:							
Governmental Activities:							
General government	\$ 2,447,292	\$ 508,924	\$ -	\$ -	\$ (1,938,368)	\$ -	\$ (1,938,368)
Public safety	3,164,633	75,581	65,883	-	(3,023,169)	-	(3,023,169)
Transportation	1,552,433	29,977	298,946	-	(1,223,510)	-	(1,223,510)
Environmental protection	826,201	828,234	102,985	-	105,018	-	105,018
Culture and recreation	945,010	80,707	24,885	-	(839,418)	-	(839,418)
Library	234,896	-	-	-	(234,896)	-	(234,896)
Interest on long-term debt	199,655	-	-	-	(199,655)	-	(199,655)
Total governmental activities	9,370,120	1,523,423	492,699	-	(7,353,998)	-	(7,353,998)
Business-type activities:							
Water and sewer	5,588,695	4,793,891	97,433	142,181	-	(555,190)	(555,190)
Stormwater	274,919	79,586	-	241,701	-	46,368	46,368
Total business-type activities	5,863,614	4,873,477	97,433	383,882	-	(508,822)	(508,822)
Total primary government	\$ 15,233,734	\$ 6,396,900	\$ 590,132	\$ 383,882	(7,353,998)	(508,822)	(7,862,820)
Component unit:							
ABC Board	\$ 2,475,546	\$ 2,457,055	\$ -	\$ -	\$ -	\$ -	\$ 18,491
Total component unit	\$ 2,475,546	\$ 2,457,055	\$ -	\$ -	\$ -	\$ -	\$ 18,491
General revenues:							
Taxes:							
Property taxes, levied for general purpose					4,260,553	-	4,260,553
Other taxes and licenses					36,003	-	36,003
Local option sales taxes					2,153,607	-	2,153,607
Utility franchise tax					747,123	-	747,123
Beer and wine tax					41,905	-	41,905
Solid waste disposal tax					6,428	-	6,428
Department of Transportation Reimbursement					-	111,053	111,053
Grants and contributions not restricted to specific programs					125,000	-	125,000
Unrestricted investment earnings					39,913	86,547	126,460
Miscellaneous					514,387	71,466	585,853
Total general revenues and transfers					7,924,919	269,066	8,193,985
Change in net assets							
Net position, beginning, as previously reported					570,921	(239,756)	331,165
Change in accounting principle					9,561,261	23,189,119	32,750,380
Net position, beginning, as restated					(1,684,982)	(1,485,197)	(3,170,179)
Net position, ending					7,876,279	21,703,922	29,580,201
Net position, ending					\$ 8,447,200	\$ 21,464,166	\$ 29,911,366

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

**City of Dunn
Balance Sheets
Governmental Funds
June 30, 2018**

	Major Fund		Total Governmental Funds
	General	Total Non-major Funds	
ASSETS			
Cash and cash equivalents	\$ 211,408	\$ -	\$ 211,408
Restricted cash and cash equivalents	692,589	57,535	750,124
Investments	2,563,625	-	2,563,625
Restricted investments	486,523	-	486,523
Receivables, net:			
Taxes	88,809	-	88,809
Accounts	521,139	-	521,139
Due from other governments	601,338	-	601,338
Prepaid Items	9,162	-	9,162
Inventories	33,079	-	33,079
Total assets	<u>5,207,672</u>	<u>57,535</u>	<u>5,265,207</u>
LIABILITIES			
Liabilities:			
Accounts payable and accrued liabilities	452,981	6,246	459,227
Total liabilities	<u>452,981</u>	<u>6,246</u>	<u>459,227</u>
DEFERRED INFLOWS OF RESOURCES			
Property taxes receivable	88,809	-	88,809
Prepaid Taxes	2,343	-	2,343
Prepaid Privilege License	7,720	-	7,720
Total deferred inflows of resources	<u>98,872</u>	<u>-</u>	<u>98,872</u>
FUND BALANCES			
Non Spendable			
Inventories	33,079	-	33,079
Restricted			
Stabilization by State Statute	1,131,639	-	1,131,639
Transportation	432,700	-	432,700
Public Safety	140,294	-	140,294
USDA Debt Service	119,595	-	119,595
Assigned			
Subsequent year's expenditures	6,000	-	6,000
Restricted			
Cultural and Recreation	-	51,289	51,289
Unassigned	2,792,512	-	2,792,512
Total fund balances	<u>4,655,819</u>	<u>51,289</u>	<u>4,707,108</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 5,207,672</u>	<u>\$ 57,535</u>	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	12,711,836
Other long term assets	3,100,000
Deferred outflows of resources related to pensions are not reported in funds	330,856
Deferred outflows of resources related to OPEB are not reported in funds	132,905
Pension related deferrals	540,866
Earned revenues considered deferred inflows of resources in fund statements	88,809
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds	(6,668,934)
Net pension liability - LGERS	(881,666)
Net pension liability - LEO	(1,186,225)
OPEB liability	(4,021,112)
Deferred inflows of resources related to pensions are not reported in the funds	(96,100)
Deferred inflows of resources related to OPEB are not reported in the funds	(149,162)
Other long-term liabilities (accrued interest is not due and payable in the current period and therefore are not reported in the funds)	(161,981)
Net position of governmental activities	<u>\$ 8,447,200</u>

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

City of Dunn
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2018

	Major Funds		
	General Fund	Total Non-Major Funds	Total Governmental Funds
REVENUES			
Ad valorem taxes	\$ 4,262,407	\$ -	\$ 4,262,407
Other taxes and licenses	36,003	-	36,003
Unrestricted intergovernmental	3,074,062	-	3,074,062
Restricted intergovernmental	568,857	-	568,857
Permits and fees	226,317	-	226,317
Sales and services	1,102,925	-	1,102,925
Investment earnings	39,913	-	39,913
Other	658,500	-	658,500
Total revenues	9,968,984	-	9,968,984
EXPENDITURES			
Current:			
General government	2,139,291	686	2,139,977
Public safety	3,098,846	-	3,098,846
Transportation	1,436,435	-	1,436,435
Environmental protection	807,616	-	807,616
Culture and recreation	687,331	-	687,331
Library	239,603	-	239,603
Debt service:			
Principal	515,733	-	515,733
Interest and other charges	211,601	-	211,601
Capital outlay	157,182	23,692	180,874
Total expenditures	9,293,638	24,378	9,318,016
Excess (deficiency) of revenues over expenditures	675,346	(24,378)	650,968
OTHER FINANCING SOURCES (USES)			
Transfers (to) from other funds	-	-	-
Total other financing sources (uses)	-	-	-
Net change in fund balance	675,346	(24,378)	650,968
Fund balance, beginning	3,984,265	75,667	4,059,932
Change in reserve for inventories	(3,792)	-	(3,792)
Fund balances, ending	\$ 4,655,819	\$ 51,289	\$ 4,707,108

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, 2018**

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

Net changes in fund balances - total governmental funds	\$	650,968
<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		180,874
Depreciation expense for governmental assets		(683,994)
Loss on disposal of fixed asset		(28,825)
		(531,945)
Proceeds from sale of fixed assets		(3,196)
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>		
Principal payment on long-term debt		515,733
Decrease in accrued interest payable		11,946
		527,679
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		260,912
Benefit payments paid and administrative expense for the LEOSSA are not included on the Statement of Activities		69,944
OPEB benefit payments and administrative costs made in the current fiscal year are not included on the Statement of Activities		132,905
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Change in unavailable revenue for tax revenues		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		(16,823)
Pension Expense		(423,089)
OPEB Expense		(96,770)
Total changes in net position of governmental activities	\$	570,921

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, 2018**

General Fund				
	Original	Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:				
Ad valorem taxes	\$ 4,256,100	\$ 4,256,100	\$ 4,262,407	\$ 6,307
Other taxes and licenses	36,000	36,000	36,003	3
Unrestricted intergovernmental	2,826,200	2,918,650	3,074,062	155,412
Restricted intergovernmental	569,200	674,200	568,857	(105,343)
Permits and fees	179,800	179,800	226,317	46,517
Sales and services	1,095,700	1,095,700	1,102,925	7,225
Investment earnings	12,700	12,700	39,913	27,213
Other	626,300	664,300	658,500	(5,800)
Total revenues	9,602,000	9,837,450	9,968,984	131,534
Expenditures:				
Current:				
General government	2,291,600	2,406,600	2,139,291	267,309
Public safety	3,144,600	3,206,050	3,098,846	107,204
Transportation	1,699,300	1,699,300	1,436,435	262,865
Environmental protection	822,900	822,900	807,616	15,284
Culture and recreation	722,900	702,900	687,331	15,569
Library	265,400	265,400	239,603	25,797
Debt service:				
Principal retirement	516,900	516,900	515,733	1,167
Interest and other charges	212,200	212,200	211,601	599
Capital Outlay	291,200	488,200	157,182	331,018
Total expenditures	9,967,000	10,320,450	9,293,638	1,026,812
Revenues over (under) expenditures	(365,000)	(483,000)	675,346	1,158,346
Other financing sources (uses):				
Installment purchase proceeds	265,000	265,000	-	(265,000)
Appropriated Fund Balance	100,000	218,000	-	(218,000)
Total other financing sources (uses)	365,000	483,000	-	(483,000)
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>\$ -</u>	<u>675,346</u>	<u>\$ 675,346</u>
Fund balance, beginning			3,984,265	
Change in reserve for inventories			(3,792)	
Fund balances, ending			<u>\$ 4,655,819</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, 2018**

	Major Fund Water and Sewer Fund	Non-Major Stormwater Fund	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,971,292	\$ 74,353	\$ 2,045,645
Restricted cash and investments	138,423	-	138,423
Accounts receivable (net) - billed	533,290	8,661	541,951
Accounts receivable - other	197,074	-	197,074
Due from other governments	243,771	38,546	282,317
Prepaid items	3,895	-	3,895
Current portion of note receivable	111,035	-	111,035
Inventories	56,528	-	56,528
Total current assets	<u>3,255,308</u>	<u>121,560</u>	<u>3,376,868</u>
Noncurrent assets:			
Note receivable	1,963,514	-	1,963,514
Capital assets:			
Land and other non-depreciable assets	181,746	-	181,746
Other capital assets, net of depreciation	23,812,894	-	23,812,894
Capital assets (net)	<u>23,994,640</u>	<u>-</u>	<u>23,994,640</u>
Total noncurrent assets	<u>25,958,154</u>	<u>-</u>	<u>25,958,154</u>
Total assets	<u>29,213,462</u>	<u>121,560</u>	<u>29,335,022</u>
DEFERRED OUTFLOWS OF RESOURCES			
Contributions to pension plan	111,820	-	111,820
Pension deferrals	121,869	-	121,869
OPEB Contributions	76,839	-	76,839
OPEB Deferrals	3,999	-	3,999
Total deferred outflows of resources	<u>314,527</u>	<u>-</u>	<u>314,527</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	232,908	-	232,908
Accrued interest payable	25,439	-	25,439
Customer deposits	138,423	-	138,423
Compensated absences - current	40,789	-	40,789
General obligation bonds payable - current	157,000	-	157,000
Note payable - current	495,082	-	495,082
Total current liabilities	<u>1,089,641</u>	<u>-</u>	<u>1,089,641</u>
Noncurrent liabilities:			
Other noncurrent liabilities:			
Compensated absences	42,455	-	42,455
Other postemployment benefits	2,324,819	-	2,324,819
Net Pension Liability	318,208	-	318,208
General obligation bonds payable - noncurrent (net)	869,000	-	869,000
Note payable - noncurrent	3,446,311	-	3,446,311
Total noncurrent liabilities	<u>7,000,793</u>	<u>-</u>	<u>7,000,793</u>
Total liabilities	<u>8,090,434</u>	<u>-</u>	<u>8,090,434</u>
DEFERRED INFLOWS OF RESOURCES			
OPEB deferrals	86,238	-	86,238
Pension deferrals	8,711	-	8,711
Total deferred inflows of resources	<u>94,949</u>	<u>-</u>	<u>94,949</u>
NET POSITION			
Net investment in capital assets	20,102,110	-	20,102,110
Restricted for Capital Projects	-	-	-
Unrestricted	1,240,496	121,560	1,362,056
Total net position	<u>\$ 21,342,606</u>	<u>\$ 121,560</u>	<u>\$ 21,464,166</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, 2018

	Major Fund Water and Sewer Fund	Non-Major Stormwater Fund	Total
OPERATING REVENUES			
Charges for services	\$ 4,568,132	\$ 79,586	\$ 4,647,718
Water and sewer taps	16,750	-	16,750
Other operating revenues	209,009	-	209,009
Total operating revenues	4,793,891	79,586	4,873,477
OPERATING EXPENSES			
Water and sewer administration	890,707	-	890,707
Water and sewer operations	1,733,382	-	1,733,382
Water supply, pump and filtering	1,102,815	-	1,102,815
Sewage treatment plant operations	950,499	-	950,499
Stormwater expenditures	-	274,919	274,919
Depreciation and amortization	781,667	-	781,667
Total operating expenses	5,459,070	274,919	5,733,989
Operating income (loss)	(665,179)	(195,333)	(860,512)
NONOPERATING REVENUES (EXPENSES)			
Investment earnings	86,547	-	86,547
Grant Revenue	239,614	241,701	481,315
DOT Reimbursement	111,053	-	111,053
Tower site rental	71,466	-	71,466
Interest and other charges	(129,623)	-	(129,623)
Total nonoperating revenue (expenses)	379,057	241,701	620,758
Change in net position	(286,122)	46,368	(239,754)
Total net position, beginning, as previously stated	23,113,925	75,192	23,189,117
Change in accounting principle	(1,485,197)	-	(1,485,197)
Total net position, beginning, restated	21,628,728	75,192	21,703,920
Total net position, ending	\$ 21,342,606	\$ 121,560	\$ 21,464,166

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, 2018

	<u>Major Fund</u> <u>Water and</u> <u>Sewer Fund</u>	<u>Non-Major</u> <u>Stormwater</u> <u>Fund</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$4,787,866	\$ 78,869	\$ 4,866,735
Cash paid for goods and services	(2,555,077)	(274,919)	(2,829,996)
Cash paid to or on behalf of employees for services	(1,929,822)	-	(1,929,822)
Net customer deposits	(149)	-	(149)
Prepaid items	(3,895)	-	(3,895)
Other operating revenues	(9,640)	-	(9,640)
Net cash provided (used) by operating activities	<u>289,283</u>	<u>\$ (196,050)</u>	<u>\$ 93,233</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Interfund Activity	(243,770)	(38,546)	(282,316)
Grant Revenue	239,614	241,701	481,315
DOT Reimbursement	111,053	-	111,053
Total cash flows used by noncapital financing activities	<u>106,897</u>	<u>203,155</u>	<u>310,052</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	(276,404)	-	(276,404)
Proceeds from long-term debt	-	-	-
Principal payment from note receivable	106,722	-	106,722
Interest payment from note receivable	85,278	-	85,278
Principal paid on bond maturities and equipment contracts	(659,453)	-	(659,453)
Interest paid on bond maturities and equipment contracts	(134,216)	-	(134,216)
Net cash provided (used) by capital and related financing activities	<u>(878,073)</u>	<u>-</u>	<u>(878,073)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and dividends	1,268	-	1,268
Tower site rental	71,469	-	71,469
Net cash provided (used) by investing activities	<u>72,737</u>	<u>-</u>	<u>72,737</u>
Net increase (decrease) in cash and cash equivalents	<u>(409,156)</u>	<u>7,105</u>	<u>(402,051)</u>
Balances, beginning	2,518,871	67,248	2,586,119
Balances, ending	<u>\$2,109,715</u>	<u>\$ 74,353</u>	<u>\$ 2,184,068</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, 2018

	Major Fund	Non-Major	
	Water and	Stormwater	
	Sewer Fund	Fund	Total
Reconciliation of operating income to net cash provided by operating activities			
Operating income	\$ (665,179)	\$ (195,333)	\$ (860,512)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	781,667	-	781,667
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	(6,026)	(717)	(6,743)
(Increase) decrease in accounts receivable - other	(9,640)	-	(9,640)
(Increase) decrease in prepaid items	(3,895)	-	(3,895)
(Increase) decrease in inventory	45,442	-	45,442
(Increase) decrease in deferred outflows of resources-pensions	50,899	-	50,899
Increase (decrease) in net pension liability	(113,743)	-	(113,743)
Increase (decrease) in deferred inflows of resources-pensions	73,225	-	73,225
Increase (decrease) in accounts payable and accrued liabilities	112,051	-	112,051
Increase (decrease) in customer deposits	(149)	-	(149)
Increase (decrease) in accrued vacation pay	10,487	-	10,487
Increase (decrease) in OPEB liability	14,144	-	14,144
Total adjustments	954,462	(717)	953,745
Net cash provided by operating activities	<u>\$ 289,283</u>	<u>\$ (196,050)</u>	<u>\$ 93,233</u>

Noncash investing, capital, and financing activities:

None.

City of Dunn, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2018

The City of Dunn, North Carolina (the City) is located in the eastern part of the state and has a 2017 population of approximately 9,734. 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, 2018

The City reports the following major governmental funds:

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

The City reports the following non-major governmental funds:

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

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

The City reports the following major enterprise fund:

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

The City reports the following non major enterprise fund:

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax, collected and held by the State at year-end on behalf of the City are recognized as revenue. Sales taxes are considered a shared revenue for the City of Dunn because the tax is levied by Harnett County and then remitted to and distributed by the State. Most intergovernmental revenues and sales and services are not susceptible to

City of Dunn, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2018

accrual because generally they are not measurable until received in cash. All taxes, including those dedicated for specific purposes are reported as general revenues rather than program revenues. Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

D. Budgetary Data

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

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

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

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

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

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

1. Deposits and Investments

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

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

2. Cash and Cash Equivalents

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

City of Dunn, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2018

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	\$ 432,700
Public Safety	140,294
USDA reserve	119,595
Culture and recreation - Harnett Training School	57,535
Total Governmental Activities	750,124

Business-type Activities

Water and Sewer Fund

Customer Deposits	138,423
Total Business-type Activities	138,423

Total Restricted Cash	\$ 888,547
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City of Dunn Restricted Investments

Governmental Activities

General Fund

Investments	\$ 486,523
Total Restricted Investments	\$ 486,523

4. Ad Valorem Taxes Receivable

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

5. Allowances for Doubtful Accounts

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

6. Inventory and Prepaid Items

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

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

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

City of Dunn, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2018

7. Capital Assets

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

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

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

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

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

8. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The City has five items that meet this criterion, contributions made to the LGERS pension plan in the 2018 fiscal year, contributions made to the LEO pension plan in the 2018 fiscal year, OPEB contributions, OPEB deferrals, and pension deferrals. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The City has four items that meet the criterion for this category- prepaid taxes, prepaid privilege license, OPEB deferrals and pension deferrals – LEO 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

City of Dunn, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2018

approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discount. Bond issuance costs, except for prepaid insurance cost, are expensed in the reporting period in which they are incurred. Prepaid insurance costs are expensed over the life of the debt.

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

10. Compensated Absences

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

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

11. Net Position/Fund Balances

Net Position

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

Fund Balances

In the governmental fund financial statements, fund balance is composed of five classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent. The governmental fund types classify fund balances as follows:

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

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

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

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

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

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

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

City of Dunn, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2018

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

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

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

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

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

12. Pensions

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

II. Stewardship, Compliance, and Accountability

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

1. Noncompliance with North Carolina General Statutes

None.

B. Deficit Fund Balance or Net Position of Individual Funds

None.

C. Excess of Expenditures over Appropriations

None.

III. Detail Notes on All Funds

A. Assets

1. Deposits

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

**City of Dunn, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2018**

approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the City, the ABC Board or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the City and the ABC Board under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The City and the ABC Board have no policy regarding custodial credit risk.

At June 30, 2018, the City's deposits had a carrying amount of \$3,144,530 and a bank balance of \$3,235,668. Of the bank balance, \$572,123 was covered by federal depository insurance and the remainder of \$2,572,407 was covered by collateral held under the Pooling Method. The carrying amount of deposits for the ABC Board was \$312,377 and the bank balance was \$382,848. At June 30, 2018, the bank balances exceeded federal depository insurance coverage. The remaining bank balance of \$132,848 was covered by collateral held under the Pooling Method. At June 30, 2018, the City's petty cash fund totaled \$1,070.

2. Investments

At June 30, 2018, the City's governmental activities investment balances were as follows:

Investments by Type	Valuation Measurement Method	Book Value at 6/30/2018	Maturity	Rating
NC Capital Management Trust-Government Portfolio	Amortized Cost	\$491,673	N/A	AAAm
NC Capital Management Trust-Term Portfolio	Fair Value Level 1	\$2,271,671	0.9 years	Unrated
First Citizens Bank Investment Note	Fair Value Level 1	\$286,804	8/23/2021	N/A
Total:		\$3,050,148		

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

3. Receivables

a. Notes Receivable

General Fund

The City has financed the renovation of Harnett Training School. The School will be used to house apartments for rent to the public. Harnett Training School, LLC will repay the city annually over a 20 year period. The original amount of the notes receivable was \$3,100,000, and repayment to the City is dependent on the profitability performance measures of Harnett Training School. No cash was received from activities related to this transaction during fiscal year 2018.

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

Water and Sewer Fund

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

Note Receivable-monthly payments are \$16,000, including interest at 4.00%, thru August 2032 \$2,074,549

Amount to be collected within more than one year \$1,963,514

City of Dunn, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2018

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, 2018</u>
General Fund	
Taxes receivable	\$54,206
Sanitation charges	4,299
Water and Sewer Fund	
Accounts receivable	\$25,525

c. Accounts Receivable

Accounts receivable consists of:

General Fund	
Trade	\$ 388,904
Special Assessments	133,993
	<u>\$ 522,897</u>
Water and Sewer Fund	
Trade	\$ 533,290
Miscellaneous Billings	10,812
Interest	39,527
Dunn Development Corporation	142,570
Special Assessments	4,165
	<u>\$ 730,364</u>
Stormwater Fund	
Trade	<u>\$ 8,661</u>

City of Dunn, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2018

4. Capital Assets

Primary Government

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated				
Land	\$ 1,624,003	\$ -	\$ -	\$ 1,624,003
Construction in Progress	37,961	-	37,961	-
Total capital assets not being depreciated	1,661,964	-	37,961	1,624,003
Capital assets being depreciated				
Buildings	6,530,341	139,990	-	6,670,331
Other improvements	7,196,002	-	-	7,196,002
Equipment	2,052,593	-	-	2,052,593
Vehicles and motorized equipment	2,359,242	78,844	99,396	2,338,690
Other	468,585	-	-	468,585
Total capital assets being depreciated	18,606,763	218,834	99,396	18,726,201
Less accumulated depreciation for				
Buildings	2,323,514	198,161	-	2,521,675
Other improvements	870,927	190,488	-	1,061,415
Equipment	1,695,547	81,106	-	1,776,653
Vehicles and motorized equipment	1,668,321	212,289	70,570	1,810,040
Other	466,636	1,949	-	468,585
Accumulated depreciation	7,024,945	\$ 683,993	\$ 70,570	7,638,368
Total capital assets, depreciated, net	11,581,818			11,087,833
Governmental activity capital assets, net	<u>\$ 13,243,782</u>			<u>\$ 12,711,836</u>

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

General government	\$ 40,115
Public safety	185,588
Transportation	153,228
Environmental protection	22,850
Cultural and recreational	275,131
Library	7,081
	<u>\$ 683,993</u>

City of Dunn, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2018

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
Capital assets not being depreciated				
Land	\$ 181,746	\$ -	\$ -	\$ 181,746
Construction in Progress	-	96,464	-	96,464
Total capital assets not being depreciated	181,746	96,464	-	278,210
Capital assets being depreciated				
Buildings	852,388	24,100	-	876,488
Equipment	985,604	155,840	47,202	1,094,242
Plant distribution systems	43,443,522	-	-	43,443,522
Vehicles	431,024	-	-	431,024
Other Assets	202,407	-	-	202,407
Total capital assets being depreciated	45,914,945	179,940	47,202	46,047,683
Less accumulated depreciation for:				
Buildings	683,297	20,605	-	703,902
Equipment	698,533	71,053	47,202	722,384
Plant distribution systems	19,676,434	673,393	-	20,349,827
Vehicles	408,568	9,097	-	417,665
Other Assets	129,957	7,518	-	137,475
Accumulated Depreciation	21,596,789	\$ 781,666	\$ 47,202	22,331,253
Capital assets, depreciated, net	24,318,156			23,716,430
Business-type activities capital asset	\$ 24,499,902			\$ 23,994,640

Discretely presented component unit

Activity for the ABC Board for the year ended June 30, 2018 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land	\$ 191,572	\$ -	\$ -	\$ 191,572
Capital assets being depreciated:				
Buildings	368,337	6,320	-	374,657
Furniture and equipment	167,077	-	3,710	163,367
Land improvements	13,344	-	-	13,344
Total capital assets being depreciated	548,758	6,320	3,710	551,368
Less accumulated depreciation for:				
Buildings	232,280	9,419	-	241,699
Furniture and equipment	149,766	4,588	3,710	150,644
Land improvements	10,889	450	-	11,339
Total accumulated depreciation	392,935	\$ 14,457	\$ 3,710	403,682
Total capital assets being depreciated, net	155,823			147,686
ABC capital assets, net	\$ 347,395			\$ 339,258

City of Dunn, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2018

B. Liabilities

1. Pension Plan Obligations

a. Local Governmental Employees' Retirement System

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

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

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. City of Dunn employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The City of Dunn's contractually required contribution rate for the year ended June 30, 2018, was 8.25% of compensation for law enforcement officers and 7.60% 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 \$372,732 for the year ended June 30, 2018.

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

City of Dunn, North Carolina
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For the Fiscal Year Ended June 30, 2018

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, 2018, the City reported a liability of \$1,199,874 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015. The total pension liability was then rolled forward to the measurement date of June 30, 2016 utilizing update procedures incorporating the actuarial assumptions. The City's proportion of the net pension liability was based on a projection of the City's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2017, the City's proportion was 0.0744%, which was a decrease of 0.0100% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the City recognized pension expense of \$389,331. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 69,124	\$ 33,965
Changes of assumptions	171,359	-
Net difference between projected and actual earnings on pension plan investments	291,331	-
Changes in proportion and differences between City contributions and proportionate share of contributions	26,150	52,115
City contributions subsequent to the measurement date	372,732	-
Total	<u>\$ 930,696</u>	<u>\$ 86,080</u>

\$372,732 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2018. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2019	\$ 50,441
2020	333,780
2021	171,238
2022	(83,575)
	<u>\$ 471,884</u>

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

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

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

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

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

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

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

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

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

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

City of Dunn, North Carolina
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For the Fiscal Year Ended June 30, 2018

	1% Decrease (6.20%)	Discount Rate (7.20%)	1% Increase (8.20%)
City's proportionate share of the net pension liability (asset)	\$ 3,602,048	\$ 1,199,874	\$ (805,183)

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

b. Law Enforcement Officers Special Separation Allowance

1. Plan Description.

The City of Dunn administers a public employee retirement system (the Separation Allowance), a single-employer defined benefit pension plan that provides retirement benefits to the City's qualified sworn law enforcement officers under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to .85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full time law enforcement officers of the City are covered by the Separation Allowance. At December 31, 2018, 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 accounting. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

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

3. Actuarial Assumptions.

The entry age actuarial cost method was used in the December 31, 2016 valuation. The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	3.50 – 7.35 percent, including inflation and productivity factor
Discount rate	3.16 percent

City of Dunn, North Carolina
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4. Contributions.

The City is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the benefit payments on a pay as you go basis through appropriations made in the General Fund operating budget. The City's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. The City paid \$49,544 as benefits came due for the reporting period.

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

At June 30, 2018, the City reported a total pension liability of \$1,186,225. The total pension liability was measured as of December 31, 2017 based on a December 31, 2016 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2017 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2018, the City recognized pension expense of \$102,192.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 34,354	\$ -
Changes of assumptions	63,499	18,731
Benefit payments and administrative expenses subsequent to the measurement date	69,944	-
Total	\$ 167,797	\$ 18,731

\$69,944 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date to the measurement date will be recognized as a decrease of the total pension liability in the year end June 30, 2018. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2019	\$ 4,356
2020	4,356
2021	4,356
2022	4,356
2023	1,306
Thereafter	-
	\$ 18,730

\$23,957 paid as benefits came due subsequent to the measurement date are reported as deferred outflows of resources.

Sensitivity of the City's total pension liability to changes in the discount rate. The following presents the City's total pension liability calculated using the discount rate of 3.16 percent, as well as what the City's total pension liability would be if it were calculated using a discount rate that is 1-percentage –point lower (2.16 percent) or 1-percentage point higher (4.16 percent) than the current rate:

	1% Decrease (2.16%)	Discount Rate (3.16%)	1% Decrease (4.16%)
Total pension liability	\$ 1,296,364	\$ 1,186,225	\$ 1,085,721

City of Dunn, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2018

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

	2018
Beginning Balance	\$ 1,031,368
Service Cost at End of Year	48,393
Interest	38,855
Change in benefits terms	-
Difference between expected and actuarial experience	41,130
Changes of assumptions and other inputs	76,023
Benefit payments	(49,544)
Other	-
Ending balance of the total pension liability	\$ 1,186,225

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

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2015.

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

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

	LGERS	LEOSSA	Total
Pension Expense	\$ 389,331	\$ 102,192	\$ 491,523
Pension Liability	1,199,874	1,186,225	2,386,099
Proportionate share of the net pension liability	0.00367%	n/a	

Deferred of Outflows of Resources

Differences between expected and actual experience	69,124	34,354	103,478
Changes of assumptions	171,359	63,499	234,858
Net difference between projected and actual earnings on plan investments	291,331	-	291,331
Changes in proportion and differences between contributions and proportionate share of contributions	26,150	-	26,150
Benefit payments and administrative costs paid subsequent to the measurement date	372,732	69,944	442,676

Deferred of Inflows of Resources

Differences between expected and actual experience	33,965	-	33,965
Changes of assumptions	-	18,731	18,731
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	52,115	-	52,115

City of Dunn, North Carolina
Notes to the Financial Statements
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c. Supplemental Retirement Income Plan for Law Enforcement Officers

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

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

Funding Policy. Article 12E of G.S. Chapter 143 requires the City to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. The City has also elected to contribute each month an amount equal to two percent of each eligible employee's salary for each non-law enforcement employee. Contributions for the year ended June 30, 2018 were \$235,221, which consisted of \$136,180 from the City and \$99,041 from the law enforcement officers. 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, 2018 were \$10,791.

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%

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

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

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

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

Total OPEB Liability

The City's total OPEB liability of \$6,345,931 was measured as of July 1, 2017 and was determined by an actuarial valuation as of that date.

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

Inflation	2.25 percent
Salary increases	3.00 percent, average, including inflation
Discount rate	3.90 percent
Healthcare cost trend rates	8.00 percent for 2017-2018, decreasing to 5.00 percent For 2020-21 and after

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

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at 7/1/2017	\$ 6,307,315
Changes for the year	
Service cost	272,002
Interest	233,305
Changes of benefit terms	-
Differences between expected and actual experience	12,496
Changes of assumptions	(269,443)
Benefit payments	(209,744)
Net changes	38,616
Balance at 6/30/2018	\$ 6,345,931

Changes in assumptions and other inputs reflect a change in the discount rate from 3.60% to 3.90%.

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

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study for the period January 2010 through December 2014.

City of Dunn, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2018

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.90 percent) or 1-percentage-point higher (4.90 percent) than the current discount rate:

	1% Decrease	Discount Rate (3.90%)	1% Increase
Total OPEB liability	\$ 7,310,766	\$ 6,345,931	\$ 5,553,124

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

	1% Decrease	Discount Rate (8.0% decreasing to 5.0%)	1% Increase
Total OPEB liability	\$ 5,390,158	\$ 6,345,931	\$ 7,560,008

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

For the year ended June 30, 2018, the City recognized OPEB expense of \$263,099. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 10,917	
Changes of assumptions	-	235,400
Benefit payments and administrative costs made subsequent to the measurement date	209,744	
Total	\$ 220,661	\$ 235,400

\$209,744 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2019. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2019	\$ 34,043
2020	34,043
2021	34,043
2022	34,043
2023	34,043
Thereafter	65,185
	\$ 235,400

City of Dunn, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2018

2. Other Employment Benefits

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

2. Accounts Payable

Accounts payable is composed of the following elements:

General Fund	
Trade	\$ 264,041
Accrued payroll	195,187
	<u>\$ 459,228</u>
Water and Sewer Fund	
Trade	\$ 175,358
Accrued payroll	57,550
	<u>\$ 232,908</u>

3. Deferred Outflows/Inflows of Resources

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

Contributions to pension plan - LGERS	\$ 372,732
Contributions to pension plan - LEO	69,944
Contributions to pension plan - OPEB	209,744
Pension deferrals - LGERS	557,964
Pension deferrals - LEO	97,853
Pension deferrals - OPEB	10,917
	<u>\$ 1,319,154</u>

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

Prepaid taxes not yet earned (General Fund)	\$ 2,343
Prepaid privilege license	7,720
Pension deferrals - LGERS	86,080
Pension deferrals - LEO	18,731
Pension deferrals - OPEB	235,400
	<u>\$ 350,274</u>

4. Risk Management

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

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

City of Dunn, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2018

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

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

5. Claims and Judgments

At June 30, 2018, 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, 2018 is \$16,546. 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 lease at June 30, 2018 is \$0. 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, 2018:

Classes of Property	Cost	Accumulated	
		Depreciation	Net Book Value
Equipment	\$ 74,370	\$ 54,538	\$ 19,832
Total	<u>\$ 74,370</u>	<u>\$ 54,538</u>	<u>\$ 19,832</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2018 were as follows:

Year Ending June 30	Business-Type	
	Total	Activities
2019	16,546	16,546
Total minimum lease payments	16,546	16,546
Less: amount representing interest	(635)	(635)
Present value of the minimum lease payments	<u>\$ 15,911</u>	<u>\$ 15,911</u>

b. Installment Purchases

General Fund

In July 2004, the City entered into an installment purchase contract for \$950,000 to finance the recreation facility at Tart Park. The contract requires principal payments beginning in the fiscal year 2006 with interest at 4.17%. The balance of this note is \$126,667 at June 30, 2018.

City of Dunn, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2018

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 \$487,500 at June 30, 2018.

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 \$2,659,894 at June 30, 2018.

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 \$46,733 at June 30, 2018.

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 \$490,000 at June 30, 2018.

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 \$82,665 at June 30, 2018.

In August 2014, the City entered into an installment purchase contract for \$2,200,000 to renovate the Harnett Training School (\$2,000,000) and City Hall (\$200,000). The contract requires interest only payments for 12 months and principal payments beginning in the fiscal year 2017 with interest at 2.85% for the initial term. After the initial term the fixed rate cap will be 9.75% or 85% of the Wall Street Journal prime rate, the lesser of the two. This loan matures in August 2025. The balance of this note is \$2,027,280 at June 30, 2018.

In March 2016, the City entered into an installment purchase contract for \$120,000 to finance five police vehicles. The contract requires principal payments beginning in the fiscal year 2017 with interest at 3.125%. The balance of this note is \$88,308 at June 30, 2018.

In July 2016, the City entered into an installment purchase contract for \$128,000 to finance sanitation vehicle. The contract requires principal payments beginning in the fiscal year 2018 with interest at 2.12%. The balance of this note is \$103,500 at June 30, 2018.

In March 2017, the City entered into an installment purchase contract for \$125,000 to finance five police vehicles. The contract requires principal payments beginning in the fiscal year 2018 with interest at 2.75%. The balance of this note is \$108,563 at June 30, 2018.

In March 2017, the City entered into an installment purchase contract for \$181,000 to finance public works equipment. The contract requires principal payments beginning in the fiscal year 2018 with interest at 2.75%. The balance of this note is \$165,029 at June 30, 2018.

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

<u>Year</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 732,061	523,927	208,134
2020	723,583	533,068	190,515
2021	627,174	454,393	172,781
2022	623,792	463,486	160,306
2023	563,095	422,458	140,637
2024-2027	2,666,386	2,243,987	422,399
2028-2032	906,865	644,951	261,914
2033-2037	906,865	766,001	140,864
2038-2039	533,771	333,867	199,904
	<u>\$ 8,283,592</u>	<u>\$ 6,386,138</u>	<u>\$ 1,897,454</u>

City of Dunn, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2018

Water and Sewer Fund

In January 2012, the City entered into an installment purchase contract for \$3,500,000 to finance a water transmission line to Eastover Sanitary District and an elevated storage tank. In September 2013, the City made a prepayment of \$902,187 leaving a balance of \$2,282,529. The financing contract required nine annual payments of \$284,343 beginning January 2014, with interest at 2.30%. The balance of this note is \$1,074,864 at June 30, 2018.

Future minimum payments of these installment purchases are as follows:

<u>Year</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 284,343	259,621	24,722
2020	284,343	265,592	18,751
2021	284,343	271,701	12,642
2022	284,343	277,950	6,393
	<u>\$ 1,137,372</u>	<u>\$ 1,074,864</u>	<u>\$ 62,508</u>

c. General Obligation Bonds

The City's general obligation bonds issue to finance the construction of facilities utilize in the operations of the water and sewer system and which are being retired by its resources are reported as long-term debt in the Water and Sewer Fund. All general obligation bonds are collateralized by the full faith, credit, and taxing power of the City. Principal and interest requirements are appropriated when due.

Bonds payable at June 30, 2018 are comprised of the following individual issues:

Serviced by the Water and Sewer Fund:

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

Annual debt service requirements to maturity for general obligation bonds, including interest of \$85,511 on the Water Treatment Plant Expansion bonds, are as follows:

<u>Year</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 178,974	157,000	21,974
2020	172,596	154,000	18,596
2021	167,302	152,000	15,302
2022	161,048	149,000	12,048
2023	149,860	141,000	8,860
2024-2025	281,731	273,000	8,731
	<u>\$ 1,111,511</u>	<u>\$ 1,026,000</u>	<u>\$ 85,511</u>

At June 30, 2018, the City of Dunn had a legal debt margin of \$ 57,170,863.

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 \$2,850,324 at June 30, 2018.

Annual debt service requirements to maturity for the revolving water and sewer loan, including interest of \$498,807 is as follows:

City of Dunn, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2018

Year	Total	Principal	Interest
2019	\$ 290,514	\$ 219,256	71,258
2020	285,033	219,256	65,777
2021	279,551	219,256	60,295
2022	274,070	219,256	54,814
2023	268,589	219,256	49,333
2024-2027	1,019,539	877,023	142,516
2028-2031	931,835	877,021	54,814
	<u>\$ 3,349,131</u>	<u>\$ 2,850,324</u>	<u>\$ 498,807</u>

f. Changes in Long-Term Liabilities

	Balance 7/1/2017	Increases	Decreases	Balance 6/30/2018	Current Portion
Governmental Activities:					
Installment purchase	\$ 6,901,189	\$ -	\$ 515,051	\$ 6,386,138	\$ 523,928
Capital lease	1,229	-	1,229	-	-
Compensated absences	265,972	16,823	-	282,796	127,258
Total OPEB Liability	3,996,643	24,469	-	4,021,112	-
Total pension liability (LEO)	1,031,368	154,857	-	1,186,225	-
Net pension liability (LGERS)	1,147,066	-	265,400	881,666	-
Total Governmental Activities	<u>\$ 13,343,467</u>	<u>\$ 196,149</u>	<u>\$ 781,680</u>	<u>\$ 12,757,937</u>	<u>\$ 651,186</u>
Business-type Activities					
Capital leases	\$ 31,874	\$ -	\$ 15,963	\$ 15,911	\$ 16,206
Installment purchases	1,345,393	-	270,529	1,074,864	259,620
General obligation bonds	1,180,000	-	154,000	1,026,000	157,000
Water pollution control revolving loan	3,069,579	-	219,256	2,850,323	219,256
Total OPEB Liability	2,310,672	14,147	-	2,324,819	-
Compensated absences	72,755	10,487	-	83,539	40,789
Net pension liability (LGERS)	431,951	-	113,743	318,208	-
Total Business-type Activities	<u>\$ 8,442,224</u>	<u>\$ 24,634</u>	<u>\$ 773,491</u>	<u>\$ 7,693,664</u>	<u>\$ 692,871</u>

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

City of Dunn, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2018

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	\$ 4,655,819
Less:	
Inventories	33,079
Stabilization by State Statute	1,131,639
Transportation - Powell Bill	432,700
Public Safety	140,294
USDA Debt Service	119,595
Subsequent year's expenditures	6,000
Remaining fund balance	\$ 2,792,512

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. Encumbrances

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

General Fund	\$6,000
Water and Sewer Fund	\$160,300

IV. Commitments

The City has leased various pieces of office equipment through various agreements and estimated commitments for the years ended June 30, 2018 and 2019 are \$14,000 and \$14,000, respectively.

The City has leased building space to Johnson-Lee-Harnett Community Action, Inc. The lease calls for monthly lease payments in the amount of \$1,463. The lease is for a ten year period ending March 2020. The amount collected for fiscal year ended June 30, 2018 is \$17,556. Future payments for the remaining lease term are \$30,723. The leased assets have no net value as the property was donated to the City.

The City has entered into an agreement with Central Carolina Community College for the College to operate the Dunn Enrichment Center. The Center provides leisure and recreational activities to senior citizens of the City. The City will reimburse the College the salary and benefits of two full time employees. During the fiscal year which ended June 30, 2018 the City paid Central Carolina Community College \$39,829 for these services.

V. Related Organization

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

City of Dunn, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2018

VI. Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

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

VII. Subsequent Events

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

VIII. Change in Accounting Principle

The City implemented Governmental Accounting Standards Board (GASB) No. Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, in the fiscal year ending June 30, 2018. The implementation of the statement required the City to record beginning total OPEB liability and the effects on net position of benefit payments and administrative expenses by the City related to OPEB during the measurement period (fiscal year ending December 31, 2017). Beginning deferred outflows and inflows of resources associated with the implementation were excluded from the restatement. As a result, net position for the governmental activities decreased \$1,684,982 and \$1,485,197 for the business-type activities.

IX. Economic Development Incentive

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

For the fiscal year ended June 30, 2018, the City appropriated \$234,547 to RTG.

REQUIRED SUPPLEMENTAL FINANCIAL DATA

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

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

Schedule of Contributions to Local Government Employees' Retirement System

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

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

Schedule of Changes in the Total OPEB Liability

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

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

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

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

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

City of Dunn
Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance
Required Supplementary Information
June 30, 2018

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

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

City of Dunn
Schedule of Pension Liability as a Percentage of Covered Payroll
Law Enforcement Officers' Special Separation Allowance
June 30, 2018

	2018	2017
Total pension liability	\$ 1,186,225	\$ 1,031,368
Covered payroll	1,650,676	1,789,543
Total pension liability as a percentage of covered payroll	71.86%	57.63%

Notes to the schedules:

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

City of Dunn
Schedule of Changes in the Total OPEB Liability and Related Ratios
June 30, 2018

	2018
Total OPEB Liability	
Service cost	\$ 272,002
Interest	233,305
Changes on benefit terms	-
Differences between expected and actual experience	12,496
Changes of assumptions	(269,443)
Benefit payments	(209,744)
Net change in total OPEB Liability	38,616
Total OPEB Liability - beginning	6,307,315
Total OPEB Liability - ending	\$ 6,345,931
Covered payroll	5,026,747
Total OPEB liability as a percentage of covered payroll	126.24%

Notes to Schedule

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

Fiscal year	Rate
2018	3.90%

INDIVIDUAL FUND FINANCIAL STATEMENTS
AND SCHEDULES

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

City of Dunn
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Annual Budget and Actual
For the Fiscal Year Ended June 30, 2018

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Ad valorem taxes:			
Taxes	\$	\$ 4,244,725	\$
Penalties and interest		17,682	
Total	<u>4,256,100</u>	<u>4,262,407</u>	<u>6,307</u>
Other taxes and licenses:			
DMV license		36,003	
Total	<u>36,000</u>	<u>36,003</u>	<u>3</u>
Unrestricted intergovernmental:			
Local option sales taxes		2,153,607	
Utility franchise tax		747,122	
Beer and wine tax		41,905	
ABC profit distribution		125,000	
Solid waste disposal tax		6,428	
Total	<u>2,918,650</u>	<u>3,074,062</u>	<u>155,412</u>
Restricted intergovernmental:			
Powell Bill allocation		298,946	
ABC law enforcement		8,000	
Controlled substance tax		17,694	
N. C. Department of Transportation		7,977	
Harnett County BOE School Resource Officer		57,887	
Governor's Highway Safety Grant		52,883	
Electric Vehicle Charging Station		5,000	
NADDI-Grant		5,000	
EPA-Brownsfield Grant		97,985	
Senior Center		17,485	
Total	<u>674,200</u>	<u>568,857</u>	<u>(105,343)</u>
Permits and fees:			
Permits and fees		226,317	
Total	<u>199,800</u>	<u>226,317</u>	<u>26,517</u>

**City of Dunn
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Annual Budget and Actual
For the Fiscal Year Ended June 30, 2018**

	Budget	Actual	Variance Positive (Negative)
Sales and services:			
Cemetery lots		55,524	
Cemetery opening/closing fee		103,250	
Recreation department, concessions, entry fees		72,113	
Rentals		43,804	
Garbage and recycling collection		828,234	
Total	1,082,700	1,102,925	20,225
Investment earnings	12,700	39,913	27,213
Other revenues			
Dunn Area Tourism-Downtown Revitalization		20,000	
Dunn Area Tourism-I95 Area Light Reimbursement		22,000	
Tourism Reimbursement for Salary & Benefits		89,869	
Miscellaneous		91,514	
Special assessments		4,331	
Donations and gifts		428	
Parks and recreation pledges		74,699	
Harnett Health Contractual Payment		355,659	
Total	645,800	658,500	12,700
Total revenues	9,825,950	9,968,984	143,034
Expenditures:			
General Government			
Governing Body			
Salaries and employee benefits		20,297	
Other operating expenditures		43,066	
Total	76,800	63,363	13,437
Administration			
Salaries and employee benefits		236,577	
Other operating expenditures		301,557	
Total	634,800	538,134	96,666
Finance			
Salaries and employee benefits		126,656	
Other operating expenditures		78,604	
Total	221,900	205,260	16,640

**City of Dunn
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Annual Budget and Actual
For the Fiscal Year Ended June 30, 2018**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Non-Departmental			
Other operating expenditures		768,523	
Total	<u>795,800</u>	<u>768,523</u>	<u>27,277</u>
Building inspector			
Salaries and employee benefits		360,450	
Other operating expenditures		203,561	
Total	<u>677,300</u>	<u>564,011</u>	<u>113,289</u>
Total general government	<u>2,406,600</u>	<u>2,139,291</u>	<u>267,309</u>
Public safety:			
Police:			
Salaries and employee benefits		2,367,177	
Other operating expenditures		546,279	
Capital outlay		54,625	
Total	<u>3,212,750</u>	<u>2,968,081</u>	<u>244,669</u>
Police athletic league			
Donation		185,390	
Total	<u>191,300</u>	<u>185,390</u>	<u>5,910</u>
Total public safety	<u>3,404,050</u>	<u>3,153,471</u>	<u>- 250,579</u>

**City of Dunn
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Annual Budget and Actual
For the Fiscal Year Ended June 30, 2018**

	Budget	Actual	Variance Positive (Negative)
Transportation:			
Streets			
Salaries and employee benefits		723,921	
Other operating expenditures		569,562	
Capital outlay		24,219	
Total	<u>1,425,500</u>	<u>1,317,702</u>	<u>107,798</u>
Powell Bill - street repairs and construction			
Other operating expenditures		142,952	
Total	<u>400,000</u>	<u>142,952</u>	<u>257,048</u>
Total transportation	<u>1,825,500</u>	<u>1,460,654</u>	<u>364,846</u>
Environmental protection			
Sanitation			
Salaries and employee benefits		89,179	
Other operating expenditures		718,437	
Total environmental protection	<u>822,900</u>	<u>807,616</u>	<u>15,284</u>
Culture and recreation:			
Parks and recreation			
Salaries and employee benefits		407,339	
Other operating expenditures		239,826	
Capital outlay		78,338	
Total	<u>816,900</u>	<u>725,503</u>	<u>91,397</u>
Senior center operations			
Other operating expenditures		40,166	
Total	<u>50,000</u>	<u>40,166</u>	<u>9,834</u>
Total culture and recreation	<u>866,900</u>	<u>765,669</u>	<u>101,231</u>

City of Dunn
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Annual Budget and Actual
For the Fiscal Year Ended June 30, 2018

	Budget	Actual	Variance Positive (Negative)
Library			
Salaries and employee benefits		173,669	
Other operating expenditures		65,934	
Total library	<u>265,400</u>	<u>239,603</u>	<u>25,797</u>
Debt service			
Principal retirement		515,733	
Interest and other charges		211,601	
Total debt service	<u>729,100</u>	<u>727,334</u>	<u>1,766</u>
Total expenditures	<u>10,320,450</u>	<u>9,293,638</u>	<u>1,026,812</u>
Revenues over (under) expenditures	<u>(494,500)</u>	<u>675,346</u>	<u>1,169,846</u>
Other financing sources (uses):			
Sale of fixed assets	11,500	-	(11,500)
Installment purchase proceeds	265,000	-	(265,000)
Appropriated Fund Balance	218,000	-	(218,000)
Total	<u>494,500</u>	<u>-</u>	<u>(494,500)</u>
Revenues and other financing sources over expenditures and other financing uses	<u>\$ -</u>	675,346	<u>\$ 675,346</u>
Fund balances, beginning		3,984,265	
Change in reserve for inventories		(3,792)	
Fund balances, ending		<u>\$ 4,655,819</u>	

**City of Dunn
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2018**

	Tart Park Renovations Capital Project Fund	Dunn City Hall and Harnett Training School Capital Project Fund
Assets		
Cash and cash equivalents	\$ -	\$ 57,535
Total assets	\$ -	\$ 57,535
 Liabilities and Fund Balances		
Liabilities		
Accounts Payable and accrued liabilities		
Total liabilities	\$ -	\$ 6,246
Fund balances		
Assigned	-	-
Restricted	-	51,289
Total fund balances	-	51,289
Total liabilities and fund balances	\$ -	\$ 57,535

City of Dunn
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Governmental Funds
June 30, 2018

	Tart Park Renovations Capital Project Fund	Dunn City Hall and Harnett Training School Capital Project Fund	Total Nonmajor Governmental Funds
Expenditures			
Non-capital expenditures	\$ -	\$ 686	\$ 686
Capital Outlay	-	23,692	23,692
	-	24,378	24,378
Total expenditures	-	24,378	24,378
	-	(24,378)	(24,378)
Revenues over (under) expenses	-	(24,378)	(24,378)
	-	75,667	75,667
Fund balance, beginning	-	75,667	75,667
	-	51,289	51,289
Fund balance, ending		\$ 51,289	

City of Dunn
Dunn City Hall and Harnett Training School - Capital Project Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2018

	Project Authorization	Prior Years	Current Year	Total Project To Date	Variance Favorable (Unfavorable)
Revenues:					
Restricted intergovernmental	\$ 500,000	\$ 500,000	\$ -	\$ 500,000	\$ -
Total revenues	<u>500,000</u>	<u>500,000</u>	<u>-</u>	<u>500,000</u>	<u>-</u>
Expenditures:					
Harnett Training School	3,175,000	3,099,999	24,378	3,124,377	50,623
City Hall Renovations	200,000	199,334	-	199,334	666
Total expenditures	<u>3,375,000</u>	<u>3,299,333</u>	<u>24,378</u>	<u>3,323,711</u>	<u>51,289</u>
Revenues over (under) expenditures	<u>(2,875,000)</u>	<u>(2,799,333)</u>	<u>(24,378)</u>	<u>(2,823,711)</u>	<u>51,289</u>
Other financing sources (uses):					
Installment purchase	2,200,000	2,200,000	-	2,200,000	-
Transfer from General Fund	675,000	675,000	-	675,000	-
Total other financing sources (uses)	<u>2,875,000</u>	<u>2,875,000</u>	<u>-</u>	<u>2,875,000</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ 75,667</u>	<u>\$ (24,378)</u>	<u>\$ 51,289</u>	<u>\$ 51,289</u>
Fund balance, beginning			<u>75,667</u>		
Fund balance, ending			<u>\$ 51,289</u>		

City of Dunn
Tart Park Renovations - Capital Project Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2018

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

City of Dunn
Water and Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Fiscal Year Ended June 30, 2018

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Water sales	\$	\$ 2,659,722	\$
Sewer charges		1,883,277	
Fireline protection charge		25,134	
Total	<u>4,772,000</u>	<u>4,568,133</u>	<u>(203,867)</u>
Water and sewer taps	<u>13,000</u>	<u>16,750</u>	<u>3,750</u>
Other operating revenues			
Reconnect fees		59,249	
Impact fees		6,027	
Returned check fees		2,425	
Penalties		85,150	
Miscellaneous		56,158	
Total other operating revenues	<u>184,300</u>	<u>209,009</u>	<u>24,709</u>
Nonoperating revenues:			
DOT Reimbursement		111,053	
Grant Revenue		239,614	
Tower site rental		71,468	
Interest earnings		1,268	
Total nonoperating revenues	<u>330,700</u>	<u>423,403</u>	<u>92,703</u>
Total revenues	<u>5,300,000</u>	<u>5,217,295</u>	<u>(82,705)</u>
Expenditures:			
Water and sewer administration/finance			
Salaries and employee benefits		467,714	
Postage		22,032	
Supplies		10,193	
Other operating expenditures		275,907	
Total	<u>838,700</u>	<u>775,846</u>	<u>62,854</u>
Water and sewer operations			
Salaries and employee benefits		531,425	
Telephone		4,793	
Utilities		5,265	
Travel		4,381	
Maintenance and repairs		699,358	
Automotive supplies		18,995	
Supplies		11,691	
Meters		44,507	
Infiltration		32,150	
Other operating expenditures		405,673	
Capital outlay		117,811	
Total	<u>2,046,700</u>	<u>1,876,049</u>	<u>170,651</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, 2018**

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Water supply, pump and filtering			
Salaries and employee benefits		468,915	
Telephone		4,785	
Utilities		179,515	
Travel		2,547	
Maintenance		111,616	
Supplies		31,767	
Chemicals		227,619	
Independent lab test		14,088	
Contract services		68,645	
Other operating expenditures		18,139	
Capital outlay		47,224	
Total	<u>1,397,500</u>	<u>1,174,860</u>	<u>222,640</u>
Sewage treatment plant operations			
Salaries and employee benefits		578,566	
Telephone		3,956	
Utilities		172,413	
Travel		2,206	
Maintenance		80,671	
Supplies		7,564	
Chemicals		55,902	
Independent lab test		6,799	
Contract services		54,394	
Other operating expenditures		18,198	
Capital outlay		38,029	
Total	<u>1,108,900</u>	<u>1,018,698</u>	<u>90,202</u>
Debt service:			
Principal retirement		659,453	
Interest and other charges		134,216	
Total debt service	<u>794,700</u>	<u>793,669</u>	<u>1,031</u>
Total expenditures	<u>6,186,500</u>	<u>5,639,122</u>	<u>547,378</u>
Other financing sources (uses):			
Debt Payment from Eastover Sanitary District	192,000	192,000	-
Appropriated Fund Balance	694,500	-	(694,500)
Total other financing sources (uses)	<u>886,500</u>	<u>192,000</u>	<u>(694,500)</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>\$ (229,827)</u>	<u>\$ (229,827)</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, 2018

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Revenues and other sources over expenditures and other uses		\$ (229,827)	
Reconciling items:			
Principal retirement		659,453	
Capital outlay		203,064	
Principal payments from note receivable		(106,722)	
Depreciation and amortization		(781,667)	
Increase in compensated absences		(10,487)	
Decrease in accrued interest payable		4,593	
Increase in OPEB liability		(14,148)	
Decrease in net pension liability		113,742	
Decrease in deferred outflows of resources - pensions		(50,899)	
Decrease in deferred inflows of resources - pensions		(73,224)	
Total reconciling items		<u>(56,295)</u>	
Change in net position		<u>\$ (286,122)</u>	

**City of Dunn
Stormwater Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Fiscal Year Ended June 30, 2018**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Stormwater fees	\$ 78,000	\$ 79,586	\$ (1,586)
Total operating revenues	<u>78,000</u>	<u>79,586</u>	<u>1,586</u>
Nonoperating revenues:			
FEMA Proceeds	198,000	241,701	43,701
Total nonoperating revenues	<u>198,000</u>	<u>241,701</u>	<u>43,701</u>
Total revenues	<u>276,000</u>	<u>321,287</u>	<u>45,287</u>
Expenditures:			
Engineering	7,500	24,156	
Materials	10,000	-	
Stormwater Contracted Services	<u>258,500</u>	<u>250,763</u>	
Total expenditures	<u>276,000</u>	<u>274,919</u>	<u>1,081</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>\$ 46,368</u>	<u>\$ 46,368</u>

OTHER SCHEDULES

This section contains additional information required
on property taxes.

Schedule of Ad Valorem Taxes Receivable

Analysis of Current Tax Levy

**City of Dunn
General Fund
Schedule of Ad Valorem Taxes Receivable
June 30, 2018**

Fiscal Year	Uncollected Balance <u>July 1, 2017</u>	<u>Additions</u>	Collections and Credits	Abatements and <u>Adjustments</u>	Uncollected Balance <u>June 30, 2018</u>
2017-2018	\$ -	\$ 4,252,890	\$ (4,185,643)	\$ (34,219)	\$ 33,028
2016-2017	23,267		(8,714)	(571)	13,982
2015-2016	10,073		(1,601)	(505)	7,967
2014-2015	8,489		(1,165)	(505)	6,819
2013-2014	7,720		(371)	(505)	6,844
2012-2013	9,013		(1,451)	(46)	7,516
2011-2012	8,544		(1,050)	(230)	7,264
2010-2011	22,225		(2,537)	(14)	19,674
2009-2010	33,176		(3,390)	(122)	29,664
2008-2009	11,248	-	(888)	(103)	10,257
	<u>\$ 133,755</u>	<u>\$ 4,252,890</u>	<u>\$ (4,206,810)</u>	<u>\$ (36,820)</u>	<u>\$ 143,015</u>
Less: allowance for uncollectible accounts General Fund					<u>(54,206)</u>
Ad valorem taxes receivable-net					<u>\$ 88,809</u>
 <u>Reconciliation with revenues:</u>					
Ad valorem taxes-General Fund					\$ 4,262,407
Reconciling items:					
Refund of Taxes paid					613
Municipal Service District Taxes					(37,768)
Interest and Penalties					(17,682)
Taxes Written Off					(760)
Subtotal					<u>(55,597)</u>
Total collections and credits					<u>\$ 4,206,810</u>

City of Dunn
Analysis of Current Tax Levy
City - Wide Levy
For the Fiscal Year Ended June 30, 2018

	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	\$ 850,578,000	0.50	\$ 4,252,890	\$ 3,908,784	\$ 344,106
Discoveries	45,427,600		227,138	227,138	
Releases	(52,271,400)		(261,357)	(261,357)	-
Total Property Valuation	\$ 843,734,200		\$ 4,218,671	\$ 3,874,565	\$ 344,106
 Net levy			4,218,671	3,874,565	344,106
 Uncollected taxes at June 30, 2018			(33,028)	(33,028)	-
 Current year's taxes collected			\$ 4,185,643	\$ 3,841,537	\$ 344,106
 Current levy collection percentage			99.22%	99.15%	100.00%

STATISTICAL SECTION

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

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

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

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

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

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

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

Table 1

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Governmental activities										
Net investment in capital assets	\$ 2,969,433	\$ 1,981,691	\$ 2,332,056	\$ 1,165,191	\$ 2,925,002	\$ 3,627,133	\$ 4,244,430	\$ 5,696,256	\$ 6,436,177	\$ 6,444,745
Restricted	522,128	479,067	791,384	2,720,291	1,837,471	1,726,667	1,424,244	1,653,746	4,870,545	576,165
Unrestricted	2,741,583	2,814,673	1,853,557	847,595	615,511	173,560	(204,386)	(532,383)	(1,745,461)	1,356,347
Total governmental activities net position	\$ 6,233,144	\$ 5,275,431	\$ 4,976,997	\$ 4,733,077	\$ 5,377,984	\$ 5,527,360	\$ 5,464,288	\$ 6,817,619	\$ 9,561,261	\$ 8,377,257
Business-type activities										
Net investment in capital assets	\$ 13,725,056	\$ 14,649,312	\$ 17,296,915	\$ 16,061,004	\$ 15,530,084	\$ 17,951,590	\$ 20,284,577	\$ 20,535,568	\$ 20,201,704	\$ 20,102,110
Restricted	-	-	-	-	-	-	-	-	30,000	-
Unrestricted	1,992,477	1,532,549	772,541	3,620,425	4,083,012	1,784,948	2,395,563	2,449,400	2,957,415	1,362,055
Total business-type activities net position	\$ 15,717,533	\$ 16,181,861	\$ 18,069,456	\$ 19,681,429	\$ 19,613,096	\$ 19,736,538	\$ 22,680,140	\$ 22,984,968	\$ 23,189,119	\$ 21,464,165
Primary government										
Net investment in capital assets	\$ 16,694,489	\$ 16,631,003	\$ 19,628,971	\$ 17,226,195	\$ 18,455,086	\$ 21,578,723	\$ 24,529,007	\$ 26,231,824	\$ 26,637,881	\$ 26,546,855
Restricted	522,128	479,067	791,384	2,720,291	1,837,471	1,726,667	1,424,244	1,653,746	4,870,545	576,165
Unrestricted	4,734,060	4,347,222	2,626,098	4,468,020	4,698,523	1,958,508	2,191,177	1,917,017	1,211,954	2,718,402
Total primary government net position	\$ 21,950,677	\$ 21,457,292	\$ 23,046,453	\$ 24,414,506	\$ 24,991,080	\$ 25,263,898	\$ 28,144,428	\$ 29,802,587	\$ 32,720,380	\$ 29,841,422

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

Table 2

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Expenses										
Governmental activities:										
General government	\$ 1,947,905	\$ 1,876,598	\$ 1,753,876	\$ 1,800,246	\$ 1,946,686	\$ 1,548,470	\$ 1,590,905	\$ 1,904,648	\$ 2,610,109	\$ 2,447,292
Public safety	3,624,401	3,904,128	4,043,216	3,981,466	3,969,606	4,024,211	3,933,301	3,235,533	3,271,705	3,234,576
Transportation	1,586,563	2,526,510	1,468,162	1,488,777	1,478,572	1,481,341	1,387,484	1,387,659	1,507,138	1,552,433
Environmental protection	375,025	400,090	532,238	510,908	570,653	599,302	622,719	659,849	823,681	826,201
Cultural and recreational	778,682	755,265	843,247	794,430	807,335	852,692	817,707	720,860	893,959	945,010
Library	231,023	253,678	244,025	254,314	236,562	246,004	263,638	257,271	239,948	234,896
Community Services	23,207	-	6,650	31,784	-	-	-	-	-	-
Interest on long-term debt	61,154	55,919	171,645	118,702	132,584	45,353	191,693	247,360	219,120	199,655
Total governmental activities expenses	\$ 8,627,960	\$ 9,772,188	\$ 9,063,059	\$ 8,950,627	\$ 9,141,998	\$ 8,797,373	\$ 8,807,447	\$ 8,413,180	\$ 9,565,660	\$ 9,440,063
Business-type activities:										
Water and sewer	3,646,090	4,043,652	3,944,868	4,128,782	4,343,372	5,122,206	4,686,063	4,857,768	4,746,944	5,588,695
Stormwater	-	-	-	-	-	-	-	-	-	274,919
Total business-type activities	\$ 3,646,090	\$ 4,043,652	\$ 3,944,868	\$ 4,128,782	\$ 4,343,372	\$ 5,122,206	\$ 4,686,063	\$ 4,857,768	\$ 4,746,944	\$ 5,863,614
Total primary government expenses	\$ 12,274,050	\$ 13,815,840	\$ 13,007,927	\$ 13,079,409	\$ 13,485,370	\$ 13,919,579	\$ 13,493,500	\$ 13,270,948	\$ 14,370,796	\$ 15,303,677
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 220,530	\$ 327,721	\$ 396,846	\$ 329,677	\$ 383,550	\$ 461,784	\$ 340,748	\$ 399,857	\$ 414,489	\$ 508,924
Public safety	5,646	-	-	-	-	-	44,159	188,947	95,082	75,581
Transportation	50,800	17,476	38,354	35,310	35,550	34,941	-	34,659	36,373	29,977
Environmental protection	531,981	552,444	646,979	644,207	687,723	678,051	738,992	721,184	818,216	828,234
Cultural and recreational	84,505	95,823	76,419	77,791	78,035	83,670	103,034	87,611	78,409	80,707
Operating grants and contributions	920,422	903,855	1,073,718	851,155	889,292	967,699	800,634	776,867	764,107	492,699
Capital grants and contributions	-	97,358	-	-	809,668	528,495	523,000	351,848	54,000	-
Total governmental activities program revenues	\$ 1,813,884	\$ 1,994,677	\$ 2,232,316	\$ 1,938,140	\$ 2,883,818	\$ 2,754,640	\$ 2,550,567	\$ 2,560,973	\$ 2,260,676	\$ 2,016,122
Business-type activities:										
Charges for services:										
Water and sewer	4,105,603	4,172,441	4,478,773	4,553,134	4,567,460	4,672,187	4,807,268	4,859,613	4,771,864	4,904,944
Stormwater	-	-	-	-	-	-	-	-	78,953	79,586
Operating grants and contributions	-	-	-	-	-	-	-	-	-	97,433
Capital grants and contributions	182,100	615,335	1,628,676	1,563,889	-	-	2,841,252	146,153	-	383,880
Total business-type activities program revenues	\$ 4,287,703	\$ 4,787,776	\$ 6,107,449	\$ 6,117,023	\$ 4,567,460	\$ 4,672,187	\$ 7,648,520	\$ 5,005,766	\$ 4,850,817	\$ 5,465,843
Total primary government program revenues	\$ 6,101,587	\$ 6,782,453	\$ 8,339,765	\$ 8,055,163	\$ 7,451,278	\$ 7,426,827	\$ 10,199,087	\$ 7,566,739	\$ 7,111,493	\$ 7,481,965
Net (expense)/revenue										
Governmental activities	\$ (6,814,076)	\$ (7,777,511)	\$ (6,830,743)	\$ (7,012,487)	\$ (6,258,180)	\$ (6,042,733)	\$ (6,256,880)	\$ (5,852,207)	\$ (7,304,984)	\$ (7,423,941)
Business-type activities	641,613	744,124	2,162,581	1,988,241	224,088	(450,019)	2,962,467	147,998	45,681	(397,771)
Total primary government net revenue/(expense)	\$ (6,172,463)	\$ (7,033,387)	\$ (4,668,162)	\$ (5,024,246)	\$ (6,034,092)	\$ (6,492,752)	\$ (3,294,413)	\$ (5,704,209)	\$ (7,259,303)	\$ (7,821,712)

Table 2 (cont.)

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes:										
Property taxes, levied for general purpose	\$ 3,144,801	\$ 3,712,764	\$ 3,593,590	\$ 3,652,523	\$ 3,661,971	\$ 3,985,873	\$ 3,844,346	\$ 3,990,356	\$ 4,272,245	\$ 4,260,553
Other taxes	2,187,140	1,976,842	2,008,585	2,062,487	2,239,860	2,089,472	2,327,549	2,460,359	2,781,240	2,985,066
Unrestricted grants and contributions	168,911	155,474	135,404	126,227	131,950	110,000	110,000	128,800	144,500	125,000
Unrestricted investment earnings	71,400	18,180	14,263	12,728	9,190	17,850	14,606	29,593	7,968	39,913
Miscellaneous	545,616	571,263	440,467	458,602	463,343	405,279	431,073	439,986	545,659	514,387
Gain/(Loss) on Disposal of Equipment	(242,863)	35,275	-	-	-	-	2,582	-	-	-
Special items - sale of assets	-	-	-	-	-	-	-	25,404	6,363	-
Special items - donated assets	-	5,000	-	-	(18,727)	-	-	131,040	-	-
Special items - loss on investment	-	-	-	-	415,500	-	-	-	-	-
Transfers	650,000	345,000	340,000	456,000	-	-	-	-	-	-
Total government activities	\$ 6,525,005	\$ 6,819,798	\$ 6,532,309	\$ 6,768,567	\$ 6,903,087	\$ 6,608,474	\$ 6,730,156	\$ 7,205,538	\$ 7,757,975	\$ 7,924,919
Business-type activities:										
Unrestricted investment earnings	25,166	4,726	2,838	3,250	62,572	101,992	97,930	93,470	90,967	85,278
Miscellaneous	57,530	59,831	62,176	76,482	53,367	55,104	60,075	63,360	67,503	72,737
Gain/(Loss) on Disposal of Equipment	(1,552)	647	-	-	-	-	11,576	-	-	-
Special items - donated assets	-	-	-	-	7,140	-	-	-	-	-
Transfers	(650,000)	(345,000)	(340,000)	(456,000)	(415,500)	-	-	-	-	-
Total business-type activities	\$ (568,856)	\$ (279,796)	\$ (274,986)	\$ (376,268)	\$ (292,421)	\$ 157,096	\$ 169,581	\$ 156,830	\$ 158,470	\$ 168,015
Total primary government	\$ 5,956,149	\$ 6,540,002	\$ 6,257,323	\$ 6,392,299	\$ 6,610,666	\$ 6,765,570	\$ 6,899,737	\$ 7,362,368	\$ 7,916,445	\$ 8,082,934
Change in Net Position										
Governmental activities	\$ (289,071)	\$ (957,713)	\$ (298,434)	\$ (243,920)	\$ 644,907	\$ 565,741	\$ 473,276	\$ 1,353,331	\$ 452,991	\$ 500,978
Business-type activities	72,757	464,328	1,887,595	1,611,973	(68,333)	(292,923)	3,132,048	304,828	204,151	(239,756)
Total primary government	\$ (216,314)	\$ (493,385)	\$ 1,589,161	\$ 1,368,053	\$ 576,574	\$ 272,818	\$ 3,605,324	\$ 1,658,159	\$ 657,142	\$ 261,222

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

Table 3

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>Tax Rate</u>
2009	3,214,818	0.48
2010	3,714,518	0.48
2011	3,628,709	0.48
2012	3,657,181	0.48
2013	3,672,427	0.48
2014	3,959,238	0.50
2015	3,887,947	0.50
2016	4,012,290	0.50
2017	4,272,245	0.50
2018	4,260,553	0.50

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

Table 4

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Fund										
Non Spendable	\$ 22,430	\$ 23,803	\$ 90,522	\$ 46,038	\$ 48,234	\$ 116,246	\$ 30,625	\$ 32,142	\$ 46,556	\$ 33,079
Restricted	1,271,675	1,366,434	1,292,486	1,297,819	1,364,826	1,425,142	1,424,244	1,653,747	1,770,545	1,874,218
Assigned	-	-	-	-	-	-	-	-	98,000	6,000
Unassigned	1,972,352	1,980,220	2,016,283	2,116,425	2,068,671	1,999,838	2,117,478	1,985,379	2,069,164	2,742,522
Total General Fund	3,266,457	3,370,457	3,399,291	3,460,282	3,481,731	3,541,226	3,572,347	3,671,268	3,984,265	4,655,819
All other governmental funds										
Restricted	360,471	422,428	314,511	189,319	240,041	301,525	-	-	-	-
Assigned	-	42,126	305	-	260,391	(160,305)	67,468	186,772	75,667	51,289
Committed	-	-	-	-	-	-	-	-	-	-
Unassigned	(34,125)	-	(210,312)	(133,984)	-	-	-	-	-	-
Total all other governmental funds	\$ 326,346	\$ 464,554	\$ 104,504	\$ 55,335	\$ 500,432	\$ 141,220	\$ 67,468	\$ 186,772	\$ 75,667	\$ 51,289

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

Table 5

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Revenues										
Ad valorem taxes	\$ 3,214,818	\$ 3,714,518	\$ 3,628,709	\$ 3,657,181	\$ 3,672,427	\$ 3,959,238	\$ 3,887,947	\$ 4,012,290	\$ 4,284,741	\$ 4,262,407
Other taxes and licenses	41,284	41,997	67,994	70,065	207,325	66,558	43,942	36,190	37,369	36,003
Unrestricted intergovernmental	2,314,767	2,090,319	2,075,995	2,118,650	2,188,057	2,132,914	2,393,607	2,539,169	2,868,871	3,074,062
Restricted intergovernmental	900,572	1,004,498	1,031,092	811,501	1,233,958	932,179	1,248,868	1,093,605	920,038	568,857
Permits and fees	159,432	234,259	201,263	148,377	187,466	289,552	216,875	206,985	200,541	226,317
Sales and services	683,230	741,729	919,292	903,298	961,843	933,953	1,003,235	1,002,666	1,112,743	1,102,925
Investment earnings	71,401	18,180	14,262	12,728	9,227	17,850	14,606	29,593	7,968	39,913
Miscellaneous	596,416	585,454	504,333	513,851	584,035	570,373	513,106	711,504	592,511	658,500
Private Donations	-	-	-	-	359,688	-	-	-	-	-
Total revenues	\$ 7,981,920	\$ 8,430,954	\$ 8,442,940	\$ 8,235,651	\$ 9,404,006	\$ 8,902,617	\$ 9,322,186	\$ 9,632,002	\$ 10,024,782	\$ 9,968,984
Expenditures										
General government	1,893,611	1,782,354	1,671,999	1,709,906	1,867,599	1,474,587	1,535,053	1,707,135	2,146,402	2,139,977
Public Safety	3,406,640	3,558,174	3,731,418	3,641,699	3,611,487	3,676,533	3,254,461	3,000,794	3,055,693	3,098,846
Transportation	1,469,579	2,367,880	1,372,824	1,337,850	1,366,567	1,376,111	1,309,052	1,308,013	1,341,992	1,436,435
Environmental protection	360,970	382,692	522,197	496,935	557,002	584,670	607,313	647,025	799,224	807,616
Culture and recreation	751,328	703,903	727,090	677,456	690,733	730,745	725,807	612,267	683,268	687,331
Library	210,285	224,473	220,937	225,667	226,439	231,410	251,963	247,091	227,154	239,603
Community Service	23,207	-	6,650	31,785	-	-	-	-	-	-
Debt service										
Principal	249,722	260,874	407,133	383,212	516,667	408,678	519,237	615,919	865,540	515,733
Interest and other charges	61,154	55,919	95,970	85,178	79,564	75,063	184,019	212,112	234,114	211,601
Capital outlay	174,355	565,379	553,816	1,986,286	2,765,173	805,119	3,379,997	1,388,561	894,471	180,874
Total expenditures	8,600,851	9,901,648	9,310,034	10,575,774	11,681,231	9,362,916	11,766,902	9,738,917	10,247,858	9,318,016
Excess of revenues over (under) expenditures	(618,931)	(1,470,694)	(867,094)	(2,340,123)	(2,277,225)	(460,299)	(2,444,716)	(106,915)	(223,076)	650,968
Other financing sources (uses)										
Transfers in	650,000	345,000	340,000	533,106	415,500	-	-	777,857	-	-
Transfers out	-	-	-	(77,106)	-	-	(498,713)	(777,857)	(75,000)	-
Insurance Proceeds	-	-	-	-	-	-	-	-	-	-
Harnett County Reimbursement	19,850	-	-	-	-	-	-	-	-	-
Sale of capital assets	31,114	35,275	16,801	19,718	15,760	17,497	14,494	25,404	7,669	-
Loss on investment	-	-	-	-	(18,727)	-	-	-	-	-
Capital Lease Proceeds	-	-	-	-	-	-	23,777	-	-	-
Installment purchase obligations	125,000	1,334,000	190,000	3,114,000	1,100,000	132,000	2,860,757	296,243	434,000	-
Total other financing sources (uses)	825,964	1,714,275	546,801	3,589,718	1,512,533	149,497	2,400,315	321,647	143,593	-
Net change in fund balances	\$ 207,033	\$ 243,581	\$ (320,293)	\$ 1,249,595	\$ (764,692)	\$ (310,802)	\$ (44,401)	\$ 214,732	\$ (79,483)	\$ 650,968
Debt service as a percentage of noncapital expenditures	3.7%	3.4%	5.7%	5.5%	6.7%	5.7%	8.4%	9.9%	11.8%	8.0%

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

Table 6

Fiscal Year	Real and Personal Property	Personal Property	Total Assessed Value	Ratio of Assessed Value to Estimated Actual Value ⁽¹⁾	Property Tax Rate ⁽²⁾
2009	589,233,958	62,178,031	651,411,989	100%	0.48
2010	691,432,511	54,758,296	746,190,807	100%	0.48
2011	687,691,113	53,755,958	741,447,071	100%	0.48
2012	688,347,929	55,823,333	744,171,262	100%	0.48
2013	689,408,623	58,631,458	748,040,081	100%	0.48
2014	705,496,295	33,648,039	739,144,334	100%	0.50
2015	701,263,136	57,067,989	758,331,125	100%	0.50
2016	738,999,170	54,300,322	793,299,492	100%	0.50
2017	782,593,029	61,229,571	843,822,600	100%	0.50
2018	782,586,835	61,147,365	843,734,200	100%	0.50
2019					

Notes:

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

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

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

Table 7

Fiscal Year	City of Dunn⁽¹⁾	Harnett County⁽²⁾	Dunn Emergency Services⁽²⁾	Averasboro School District⁽²⁾	Combined Tax Rate Per \$100 of Assessed Value
2008	0.52	0.735	-	0.02	1.275
2009	0.48	0.735	0.07	0.02	1.305
2010	0.48	0.725	0.07	0.02	1.295
2011	0.48	0.725	0.07	0.02	1.295
2012	0.48	0.725	0.07	0.02	1.295
2013	0.48	0.725	0.07	0.02	1.295
2014	0.50	0.725	0.07	0.02	1.319
2015	0.50	0.750	0.07	0.02	1.340
2016	0.50	0.750	0.09	0.02	1.360
2017	0.50	0.750	0.09	0.02	1.360
2018	0.50	0.750	0.09	0.02	1.360

Notes:

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

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

**City of Dunn
Principal Property Taxpayers
June 30, 2018**

Table 8

	2018				2009			
	Taxpayer	Type of Enterprise	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Rooms to Go Distribution Co LLC	Distribution	\$ 58,636,630	1	6.95%	\$ -			
Duke Energy Progress Inc.	Utility Company	14,934,556	2	1.77%	9,617,861	3	1.48%	
Wal Mart	Retail Store	11,042,810	3	1.31%	12,553,977	2	1.93%	
MRCT3 Dunn LLC	Hotel	7,355,440	4	6.03%				
RTG Furniture Corp of Georgia	Distribution	7,194,463	5	0.85%				
Dunn Hospitality Ventures, LLC	Hotel	6,640,170	6	0.79%				
GG Retail Properties, LLC	Real Estate	4,331,190	7	0.51%	3,767,290	9	0.58%	
Carolina Telephone	Utility Company	4,200,011	8	0.50%	7,034,409	6	1.08%	
RPH Harnett Crossing NC LLC	Shopping Center	4,024,570	9	0.48%	7,181,270	5	1.10%	
Gray Properties of NC LLC	Manufacturer	3,720,940	10	0.44%	7,672,685	4	1.18%	
Energy Conversion Systems, LLC	Carbon Brushes				18,610,863	1	2.86%	
Rylie Properties	Hotel				6,336,240	7	0.97%	
NWD-T/A Dunbar	Packaging Plant				4,687,923	8	0.72%	
Two Till LLC	Real Estate				3,529,560	10	0.54%	
Totals		\$ 122,080,780		19.62%	\$ 71,374,217		12.43%	
Total Assessed Value		\$ 843,734,200			\$ 651,411,989			

Source: Harnett County Assessor's Office

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

Table 9

Fiscal Year	Tax Levy	Current Tax Collections	Percent of Taxes Collected	Delinquent Tax Collections (1)	Total Tax Collections	Ratio of Total Tax Collections to Total Tax Levy
2008	3,228,085	3,119,085	96.62%	97,725	3,216,810	99.65%
2009	3,151,197	3,029,589	96.14%	106,674	3,136,263	99.53%
2010 (2)	3,581,716	3,449,544	96.31%	90,148	3,539,692	98.83%
2011	3,558,973	3,464,942	97.36%	62,143	3,527,085	99.10%
2012	3,572,022	3,489,428	97.69%	57,255	3,546,683	99.29%
2013	3,590,593	3,519,160	98.01%	-	3,519,160	98.01%
2014	3,678,336	3,626,198	98.58%	-	3,626,198	98.58%
2015	3,783,906	3,761,518	99.41%	-	3,761,518	99.41%
2016	3,966,497	3,942,458	99.39%	-	3,942,458	99.39%
2017	4,219,113	4,195,846	99.45%	26,269	4,222,115	100.07%
2018 (2)	4,218,671	4,185,643	99.22%	21,167	4,206,810	99.72%

Notes:

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

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

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

Table 10

Fiscal Year	Governmental Activities			Business-Type Activities			Total Primary Government	Debt as a % of	
	Capital Leases	Installment Purchases	Capital Leases	GO Bonds	Installment Purchases	Revolving Water and Sewer Loan		Assessed Valuation (3)	Per Capita (4)
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	8,949,465 (5)	1.2%	966
2012	-	4,996,968 (2)	-	1,785,000	3,833,333 (6)	4,274,354	14,889,655	2.0%	1,578
2013	-	5,580,300 (7)	-	1,665,000	2,629,196	3,946,603	13,821,099	1.8%	1,466
2014	-	5,288,337	74,370	1,540,000	2,402,819	3,727,347	13,032,873	1.8%	1,357
2015	17,868	7,653,635 (8)	69,598	1,410,000	2,071,259	3,508,091	14,730,451	1.9%	1,533
2016	9,368	7,324,590	50,970	1,275,000	1,609,835	3,288,835	13,558,598	1.8%	1,450
2017	1,229	6,901,189	31,874	1,180,000	1,345,393	3,069,579	12,529,264	1.8%	1,299
2018	-	6,386,138	15,911	1,026,000	1,074,864	2,850,323	11,353,236	1.3%	1,166

Notes:

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

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

Table 11

<u>Fiscal Year</u>	<u>General Obligation Bonds (1)</u>	<u>Percentage of Assessed Property Value</u>	<u>Per Capita (2)</u>
2009	2,125,000	0.33%	208
2010	2,015,000	0.27%	194
2011	1,900,000	0.26%	205
2012	1,785,000	0.24%	189
2013	1,665,000	0.22%	177
2014	1,540,000	0.21%	161
2015	1,410,000	0.19%	148
2016	1,275,000	0.16%	133
2017	1,180,000	0.14%	122
2018	1,026,000	0.12%	105

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, 2018

Table 12

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable To Town ⁽¹⁾	Estimated Share of Overlapping Debt
Harnett County Debt Outstanding	\$ 136,692,200	10.32%	\$ 14,106,635
Subtotal, overlapping debt			14,106,635
City of Dunn direct debt			<u>6,386,138</u> ⁽²⁾
Total direct and overlapping debt			<u><u>\$ 20,492,773</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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Debt limit	\$ 52,112,959	59,695,265	59,315,766	59,533,701	\$ 59,843,206	\$ 59,131,547	\$ 60,666,490	\$ 63,463,959	67,498,736	67,498,736
Total net debt applicable to limit	1,410,188	2,483,314	7,049,465	13,104,655	12,156,099	11,418,503	13,232,984	12,615,086	11,349,264	10,327,236
Legal debt margin	\$ 50,702,771	\$ 57,211,951	\$ 52,266,301	\$ 46,429,046	\$ -	\$ 47,713,044	\$ 47,433,506	\$ 50,848,873	\$ 56,149,472	\$ 57,171,500
Total net debt applicable to the limit as a percentage of debt limit	2.71%	4.16%	11.88%	22.01%	20.31%	19.31%	21.81%	19.88%	16.81%	15.30%

Legal Debt Margin Calculation for Fiscal Year 2018 ⁽¹⁾

Assessed Value	\$ 843,734,200
Debt Limit (8% of total assessed value)	67,498,736
Debt applicable to limit:	
General obligation bonds	1,026,000
Non bonded debt	10,327,236
Less: Statute exclusion for Water Bonds	<u>(1,026,000)</u>
Total net debt applicable to limit	<u>\$ 57,171,500</u>

Notes:

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

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

Table 14

Fiscal Year	Population(2)	Personal Income(2)	Per Capita Income(2)	Median Age(2)	School Enrollment(3)	Unemployment Rate(4)
2009	112,030	2,253,268,992	20,113	35	18,968	11.8%
2010	115,761	2,210,303,772	19,094	35	18,518	10.7%
2011	114,678	2,147,345,550	18,725	34	18,764	11.8%
2012	121,417	2,254,013,124	18,564	34	19,011	11.2%
2013	122,355	2,310,551,820	18,884	34	19,378	10.5%
2014	123,316	2,370,873,416	19,226	34	19,868	7.4%
2015	125,717	2,400,566,115	19,095	34	20,099	7.3%
2016	127,348	2,431,710,060	19,095	34	20,269	5.4%
2017	130,881	2,730,701,184	20,864	34	20,357	4.8%
2018	132,754	2,816,243,356	21,214	34	20,390	3.7%

Notes:

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

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

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

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

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

Table 15

Employer	2018 ⁽¹⁾		2009	
	Employees	Rank	Employees	Rank
Harnett County Schools	1,000+	1	1,000+	1
Food Lion	1,000+	2	1,000+	2
Harnett Health System	500-999	3	500-999	3
Carlie C's Operation Center Inc.	250-499	4	250-499	5
Rooms To Go	250-499	5	-	-
Wal-Mart Associates Inc.	500-999	6	250-499	4
Godwin Manufacturing Co Inc.	100-249	7	-	-
Tri-Arc Food Systems Inc.	100-249	8	-	-
Gray Metal South Inc.	100-249	9	-	-
City of Dunn	100-249	10	100-249	8
Affinity Health Services	-	-	100-249	6
KTL McDonalds LLC	-	-	100-249	7
Family Medical Supply, Inc.	-	-	100-249	10
Basic Home Health Care Inc.	-	-	100-249	9

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

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

Table 16

Function	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Government										
Administration	3	3	3	5	5	6	6	6	6	7
Finance	4	4	4	3	3	3	3	3	3	3
Economic & Physical Development										
Planning	2	2	2	1	1	1	1	1	1	1
Inspections	3	3	3	3	3	3	3	4	5	5
Public Safety										
Law Enforcement										
Officers	41	41	41	36	36	36	36	39	39	39
Civilians	12	11	11	16	16	16	5	4	4	4
Public Works										
Streets	18	18	18	17	16	16	16	16	14	15
Solid Waste	2	2	2	2	2	2	2	2	2	2
Fleet Maintenance	2	2	2	2	2	1	1	1	1	1
Parks & Recreation	11	11	11	10	10	10	10	9	8	8
Library	3	3	3	3	3	4	4	4	4	4
Public Utilities-Water/Sewer										
Finance	5	5	5	5	5	5	5	5	5	3
Distribution	8	8	8	8	8	8	8	8	8	10
Water Treatment	8	8	8	8	8	8	8	8	9	8
WasteWater Treatment	10	10	10	9	9	9	9	9	9	9
Total	132	131	131	128	127	128	117	119	118	119

**City of Dunn
Operating Indicators by Function
Last Ten Years**

Table 17

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Function:										
Public Safety										
Arrests	1,795	1,599	1,502	1,524	2,460	3,299	2,190	1,231	1,274	1,040
Traffic violations	3,614	3,565	4,343	4,072	4,423	3,613	3,396	3,186	3,236	3,523
Highways and streets										
Street resurfacing (miles)	-	7	-	-	-	1	2	0.34	0.39	0.10
Potholes repaired	550	600	525	670	700	615	750	210	191	214
Sidewalk repaired (linear ft.)	2,500	1,000	625	225	300	7,500	600	4,841	3,324	146
Street sweeping (miles)	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	1,782	1,656
Inspections										
Building permits issued	275	281	437	322	398	380	362	385	476	431
Sanitation										
Residential waste collected (tons/year)	3,450	3,331	2,911	2,819	2,799	2,742	2,663	2,814	2,782	2,624
Yard waste collected (tons/year)	1,686	3,590	3,487	3,293	3,140	2,637	2,642	825	1,148	2,010
Trash pick-up fee	12	12	15	15	15	16	17	17	17	17
Library										
Admissions	88,900	104,500	93,595	88,086	83,837	76,119	83,423	65,704	60,797	55,792
Volumes in Collection	25,000	33,300	37,430	38,154	41,157	41,913	42,630	44,784	45,112	45,399
Recreation										
Youth participation:										
Fall sports	371	385	317	310	330	359	360	343	291	295
Winter sports	162	216	204	308	224	213	220	314	216	212
Spring Sports	529	572	461	474	526	510	450	325	339	347
Water										
Utility customers	4,620	4,625	4,618	4,622	4,625	4,628	4,635	4,700	4,701	4,704
Average utility bill	46	47	48	48	48	48	52	55	58	60
New Customer Connections	19	14	12	16	7	10	10	12	13	10
Sanitary Sewer Overflows (SSO)	11	13	5	3	5	6	6	5	7	0
Average daily consumption (MGD)	4	3	3	3	3	3	2.9	2.74	2.73	2.88
Wastewater										
Average daily sewage treatment (MGD)	2	3	2	2	2	2	2.8	2.76	2.61	1.92

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

Table 18

Function	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Public safety										
Police stations	1	1	1	1	1	1	1	1	1	1
Police patrol units	4	4	4	4	4	4	4	4	4	4
Police vehicles	33	33	33	33	47	43	43	45	45	45
911 Centers	1	1	1	1	1	1	0	0	0	0
Sanitation										
Collection trucks	2	2	2	2	2	2	2	2	2	2
Highways and streets										
Streets (miles)	65	65	65	65	65	65	65	65	65	65
Traffic signals	5	5	5	5	5	5	5	5	5	5
Culture and recreation										
Parks acreage	32	32	32	32	32	32	32	36	36	36
Parks	3	3	3	3	3	3	3	3	3	3
Baseball/Softball Fields	7	7	7	7	7	7	7	8	8	8
Pools	1	1	1	1	1	1	1	1	1	1
Tennis courts	5	5	5	5	5	5	5	3	3	3
Community centers	2	2	2	2	2	2	2	2	2	2
Water										
Water mains (feet)	454,080	454,080	454,080	454,080	454,080	454,080	454,080	459,360	459,360	459,360
Maximum daily capacity (millions of gallons per day)	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
Sewer										
Sewer Lines (feet)	396,000	396,000	396,000	396,000	396,000	396,000	396,000	406,560	406,560	405,560
Max daily treatment capacity (millions of gallons per day)	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75

COMPLIANCE SECTION



PETWAY
MILLS &
PEARSON, PA
 CERTIFIED PUBLIC ACCOUNTANTS

**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**

C. Briggs Petway, Jr.
 Phyllis M. Pearson

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

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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, 2018, 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 November 28, 2018. Our report includes a reference to other auditors who audited the financial statements of the City of Dunn's ABC Board, as described in our report on the City of Dunn's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported separately by those auditors. The financial statements of the City of Dunn's ABC Board were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Dunn's financial statements are free from material misstatement, we performed tests of its compliance

Memberships:

North Carolina
 Association of
 Certified Public
 Accountants

American Institute
 Of Certified Public
 Accountants

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

November 28, 2018

**CITY OF DUNN
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2018**

SECTION I. - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? _____ yes _____ X no

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

Noncompliance material to financial
statements noted _____ yes _____ X no

**CITY OF DUNN
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2018**

SECTION II. - FINANCIAL STATEMENT FINDINGS

None.

**CITY OF DUNN
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2018**

SECTION II. - FINANCIAL STATEMENT FINDINGS

None.

**CITY OF DUNN
SUMMARY SCHEDULE OF PRIOR YEARS' FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018**

SECTION II. - FINANCIAL STATEMENT FINDINGS

There were no prior year financial statement audit findings.

**CITY OF DUNN, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2018**

Grantor/Pass-through/ Grantor-Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Federal Expenditures	State Expenditures
FEDERAL AWARDS				
US Environmental Protection Agency				
Brownfields Assessment and Cleanup Cooperative Agreements	66.818		\$ 97,985	\$ -
US Department of Homeland Security				
Passed through NC Department of Public Safety Federal Emergency Management Agency	97.036	085-18320-00	287,912	95,970
US Department of Health and Human Services				
Division of Aging and Adult Services: Passed through Mid Carolina Council of Government Senior Center Operations and Outreach	93.044	16-701, 20-701	11,485	-
US Department of Transportation				
Passed through NC Department of Transportation Governor's Highway Safety			52,883	-
STATE AWARDS				
NC Dept. of Transportation		17BP.6.R.89	-	111,053
NC Dept. of Environment and Natural Resources				
Division of Water Infrastructure Water Asset and Inventory Assessment		H-AIA-D-17-009	-	97,433
NC Dept. of Transportation				
Powell Bill		DOT-4	-	142,953
TOTAL FEDERAL AND STATE ASSISTANCE			<u>\$ 450,265</u>	<u>\$ 447,409</u>

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

Note 1: Basis of Presentation

The accompanying Schedule of Expenditures of Federal and State Awards includes the federal and State grant activity of the City of Dunn under the programs of the State of North Carolina for the year ended June 30, 2018. Because the Schedule presents only a selected portion of the operations of the City of Dunn, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of Dunn.

Note 2: Summary of Significant Accounting Policies

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

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