



TOWN OF GARNER, NC

# COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR FISCAL YEAR ENDED JUNE 30, 2019

[garnernc.gov](http://garnernc.gov)

# **TOWN OF GARNER**

**NORTH CAROLINA**



**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**FOR THE YEAR ENDED JUNE 30, 2019**

Prepared by:  
Finance Department

# TOWN OF GARNER, NORTH CAROLINA

## COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2019

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# TOWN OF GARNER, NORTH CAROLINA

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# TOWN OF GARNER, NORTH CAROLINA

## COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2019

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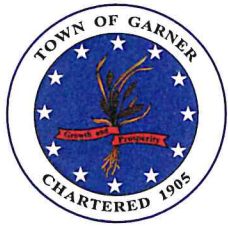
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## INTRODUCTORY SECTION

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## Town of Garner

900 7th Avenue · Garner, North Carolina 27529  
Phone (919) 772-4688 · Fax (919) 662-8874 · [www.GarnerNC.gov](http://www.GarnerNC.gov)



November 26, 2019

The Honorable Mayor, Town Council and Citizens  
Town of Garner, North Carolina

Speaking for the entire management team, we are pleased to present for your review the Comprehensive Annual Financial Report (CAFR) of the Town of Garner for the fiscal year ended June 30, 2019. This report includes financial statements and supplemental schedules audited by Mauldin & Jenkins, PLLC, the independent certified public accountants selected by the Town Council. The financial section of this document includes the auditor's report conveying their unmodified opinion regarding the accuracy of the basic financial statements. The Comprehensive Annual Financial Report consists of management's representations concerning the finances of the Town. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, management of the Town has established a comprehensive internal control framework that is designed both to protect Town assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the Town's financial statements in conformity with accounting principles generally accepted in the United States of America. The Town's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements are 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. All necessary disclosures to enable the reader to obtain an understanding of the Town's financial activities have been included.

The CAFR encompasses all funds of the Town including all activities considered controlled by or dependent on the Town's governing body. Control by or dependence on the Town was determined by the criteria established by the Governmental Accounting Standards Board (GASB) and included in the GASB's guidance in defining the governmental reporting entity. The Town provides a full range of services to its residents. These services include planning and community development; building inspections; police protection; contracted fire and rescue services; the construction and maintenance of streets and infrastructure; recreational activities and events; and sanitation collection. Other governmental-type entities within the Town that are legally separate entities and for which the Town is not financially accountable are the Garner Volunteer Fire Rescue Department and the Downtown Garner Association. These entities have not met the established criteria for inclusion in the reporting entity, and accordingly are excluded from this report. Accounting principles generally accepted in the United States of America specify that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. Some

information traditionally reported in the letter of transmittal is now included in the MD&A as required. The Town's MD&A can be found immediately following the report of the independent auditors.

## ECONOMIC CONDITIONS AND OUTLOOK

The Town of Garner is in Wake County, in central North Carolina. It is adjacent to Raleigh, the State capital, which forms one point of an area of the State known as the Triangle. The other points are Durham and Chapel Hill. Located within the Triangle is the Research Triangle Park, nationally recognized for industrial, governmental and scientific research. The Town's location, within easy commuting distance of all areas of the Triangle, offers widely diversified employment opportunities for its residents. Its proximity to these employment centers has encouraged the Town's steady growth over the years, primarily as a comfortable residential community with close proximity to Raleigh. The Town's unemployment rate at June 30, 2019 was 4.0% compared with 3.6% at June 30, 2018.

Garner is at a critical stage of development as the significant growth experienced in recent years is beginning to positively impact revenue streams. The Town's primary revenue source, property taxes, is anticipated to increase by 10.9 percent in FY 2020 as the projected Town-wide value of assessed property has increased by \$190.7 million and Town Council authorized a 2.75 cents tax rate increase. Increased assessments are primarily based on the construction of new residential and commercial properties which is a good indicator of economic growth.

Growth is anticipated to continue as many of the Town's development related revenue categories continue to grow. One area this is reflected is in the value of new construction permits issued by the Town. The FY 2019 value increased by 10.1% over the prior year and should increase even more in coming years.

Additional indicators of future economic growth include increases in permitting activity. Year-to-date revenue associated with Site Plan/Permit Fees is 23.8 percent higher than the previous fiscal year. In addition, Subdivision Fees revenue collected during the first quarter of the current fiscal year is equal to 60 percent of the total collected for the entire prior fiscal year. This indicates that the development community is confident in the market and plans to continue construction related activity in the future.

Amazon will invest approximately \$200 million to develop the site of the new distribution center. In addition, the center will create an estimated 1,500 jobs, resulting in approximately \$45 million in new payroll within the Town. This announcement, and others such as the development of a new business park off US Highway 70, are anticipated to have a significant impact on the commercial sector of the Town's economy.

The current period of economic growth offers the town a unique opportunity to invest in the infrastructure required to facilitate growth. As part of the FY 2020 Adopted Budget, Town Council approved an increase to the property tax rate by 2.75 cents. This will allow the Town to continue



to fund critical services and to meet core requirements. The Town continues to perform an annual in-depth review of long-term capital infrastructure requirements to ensure resources are available to meet long-term requirements. This work will help to ensure that the Town is positioned to meet future growth.

## MAJOR INITIATIVES

The Town continues to provide facilities and programs to improve the quality of life for its citizens and pursue initiatives to improve economic development within the Town.

- The Town continues to work on several projects related to the approved 2013 bond referendums, including a new recreation center, new sidewalks, and street improvements.
- To facilitate development-related changes, the Town will do a comprehensive review and update of its Unified Development Ordinance.
- The Town was named “One of North Carolina’s Most Affordable Towns” by SmartAsset.com and “A North Carolina Top Small City” by CitiesJournal.com.
- The Town was successful in obtaining an upgrade in our bond rating from Standard and Poor’s Financial Services from AA+ to AAA in July 2018.

## OTHER INFORMATION

**Independent Audit.** State statutes require an annual audit by independent certified public accountants. The Town’s Council selected the accounting firm of Mauldin & Jenkins, PLLC. The auditor's report of the basic financial statements and individual fund statements and schedules are included in the financial section of this report. The goal of the independent audit is to provide reasonable assurance that the financial statements of the Town for the fiscal year ended June 30, 2019, are free of material misstatement. The independent auditor’s report is presented as the first component of the financial section of this report.

**Awards.** The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Garner for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2018. The Certificate of Achievement is a prestigious national award, recognizing conformance with the highest standard for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such CAFR must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements.

A Certificate of Achievement for a CAFR is valid for a period of one year only. The Town of Garner has received a Certificate of Achievement for the CAFR for the last 30 consecutive years. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA for consideration once again.

The GFOA awarded a Certificate of Achievement in Popular Annual Financial Reporting to the Town for its popular annual financial report (PAFR) for the fiscal year ended June 30, 2018. The Certificate of Achievement is a prestigious national award, recognizing a local government's ability to extract information from their CAFR into a report designed to be readily accessible and easily understandable to the general public and other interested parties without a background in public finance.

A Certificate of Achievement for a PAFR is valid for a period of one year only. The Town of Garner has received a Certificate of Achievement for the PAFR for the last five consecutive years. We believe our current report will continue to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA for consideration once again.

The GFOA also presented a Distinguished Budget Presentation Award to the Town of Garner for its annual budget for the fiscal year beginning July 1, 2018. In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan, and as a communications device. The award is valid for a period of one year only. The Town has received a Distinguished Budget Award for 22 years. We believe our current budget continues to conform to program requirements, and we are submitting it to GFOA to determine its eligibility for another award.

**Acknowledgments.** The preparation of the comprehensive annual financial report represents the efforts of the entire Finance Department. We also express our appreciation to the Town Council for their continued support and advice in planning and conducting the financial activities of the Town in a responsible and progressive manner.

## CONCLUSION

The Town's management team stands ready to review this document with the Council and public in the coming weeks. We hope a thorough understanding of the Town's financial activities for FY 2018-19 will allow us to make FY 2019-20 an even more productive year for the Town of Garner.

Respectfully submitted,



Rodney Dickerson  
Town Manager



David C. Beck  
Finance Director

**Town of Garner, North Carolina**  
**List of Principal Officials**  
**June 30, 2019**

**Ronnie S. Williams**

Mayor

**Kathy Behringer**

Council Member

**Ken Marshburn**

Mayor Pro Tem

**Elmo Vance**

Council Member

**Arthur "Buck" Kennedy**

Council Member

**J. Graham "Gra" Singleton, Jr.**

Council Member

**William E. Anderson**  
**McDaniel & Anderson, LLP**

Attorney

**Rodney Dickerson**

Town Manager

**John Hodges**

Assistant Town Manager

Development Services

**Matt Roylance**

Assistant Town Manager

Operations

**Stella Gibson**

Town Clerk

**Pamela J. Wortham**

Finance Director

**Brandon Zuidema**

Police Chief

**Mike Franks**

Budget & Special Projects

**Joseph Stallings**

Economic Development

**Reginald Buie**

Neighborhood Improvement

**B.D. Sechler**

Human Resources

**Rick Mercier**

Communications

**Mari Howe**

Downtown Development

**Chris Johnson**

Engineering

**Jeff Triezenberg**

Planning

**Tony Beasley**

Inspections

**Sonya Shaw**

Parks, Recreation & Cultural  
Resources

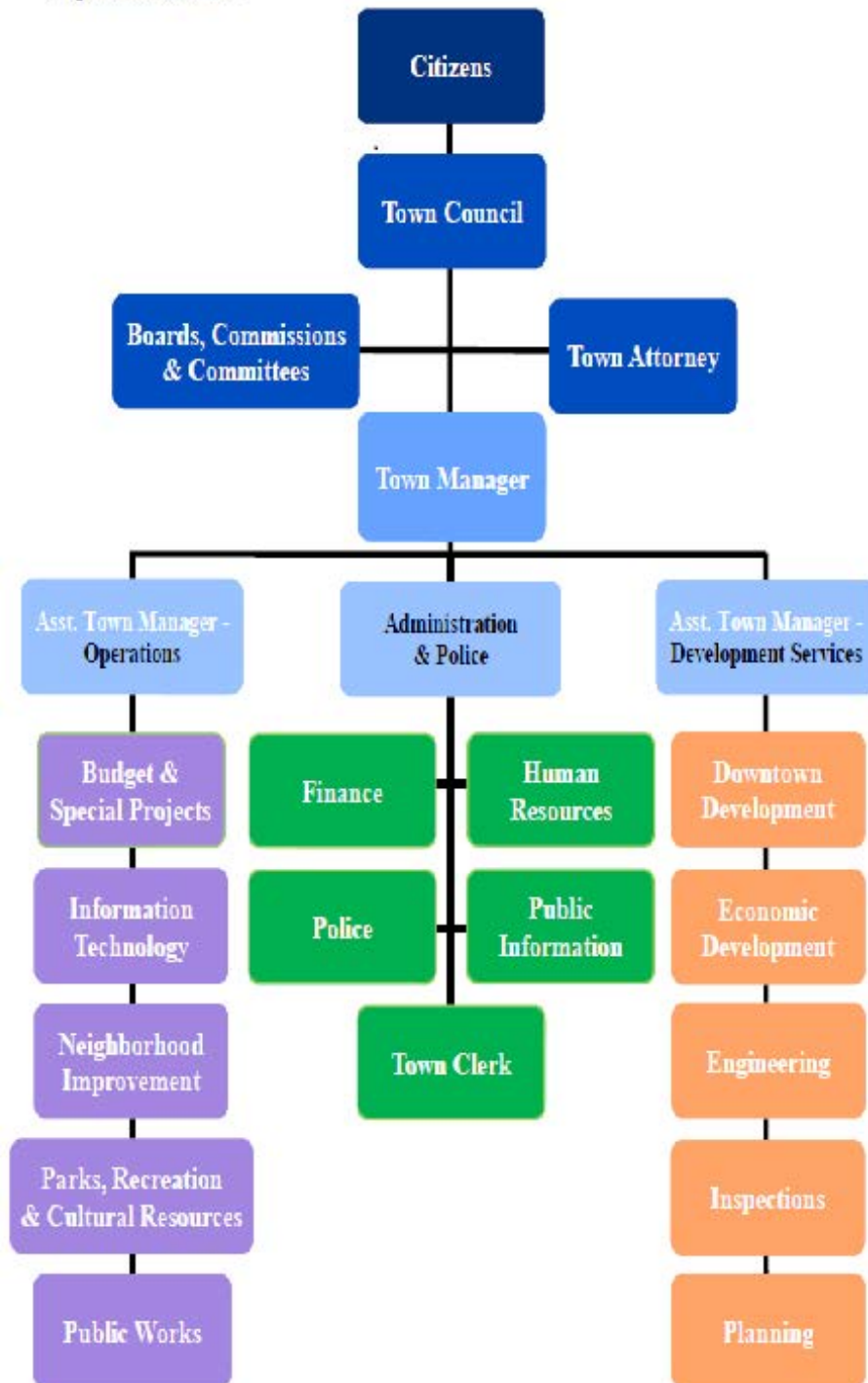
**Forrest Jones**

Public Works

**Bret Kelly**

Information Technology

**Town of Garner, North Carolina  
Organizational Chart**





Government Finance Officers Association

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

Presented to

**Town of Garner  
North Carolina**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2018**

*Christopher P. Morill*

Executive Director/CEO



## FINANCIAL SECTION

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## INDEPENDENT AUDITOR'S REPORT

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**Honorable Mayor and  
Members of the Town Council  
Town of Garner, North Carolina**

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the remaining fund information of the **Town of Garner, North Carolina** (the "Town"), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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.

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***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the remaining fund information of the Town of Garner, North Carolina as of June 30, 2019, and the respective changes in financial position and the 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 & Analysis, the Schedule of Changes in Total Pension Liability – Law Enforcement Officers' Special Separation Allowance, the Schedule of Total Pension Liability as a Percentage of Covered Payroll - Law Enforcement Officers' Special Separation Allowance, the Schedule of Changes in Total OPEB Liability, the Town of Garner's Proportionate Share of Net Pension Liability (Asset), and the Schedule of the Town of Garner's Contributions on pages 4-12, 54, 55, 56, 57, and 58, respectively, 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 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.

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### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The individual nonmajor fund statements and schedules, and the schedule of expenditures of federal and state awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the State Single Audit Implementation Act are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The individual nonmajor fund statements and schedules and the schedule of expenditures of federal and state awards (the "supplementary information") 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, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2019 on our consideration of the Town'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 that report is solely 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 the effectiveness of the Town's 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 Town's internal control over financial reporting and compliance.

*Mauldin & Jenkins, LLC*

Atlanta, Georgia  
November 22, 2019

## **Town of Garner, North Carolina**

### **Management Discussion and Analysis**

As management of the Town of Garner (the “Town”) we offer readers of the Town’s financial statements this overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2019. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the financial statements, which follow this narrative.

#### **Financial Highlights**

- The assets and deferred outflows of resources of the Town exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$70,837,977 (net position). Of this amount \$3,271,208 (unrestricted net position) may be used to meet the government’s ongoing obligations to the citizens and creditors.
- At the end of the fiscal year, the Town’s governmental funds reported combined ending fund balances of \$32,230,171 or a decrease of \$1,026,149.
- As of the close of the fiscal year, the Town’s unassigned fund balance for the General Fund was \$15,559,536, or 43.92%, of total General Fund expenditures for the fiscal year. This amount is considered available for spending at the government’s discretion.
- The Town upgraded its bond rating to AAA with Standard and Poor’s Corporation and maintained its Aa1 rating with Moody’s Investor’s Service.

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

This discussion and analysis are intended to serve as an introduction to Town’s basic financial statements. The Town’s basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The basic financial statements present two different views of the Town 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 Town.

#### **Basic Financial Statements**

The first two statements (pages 13 and 14) in the basic financial statements are the Government-wide Financial Statements. They provide both short and long-term information about the Town’s financial status.

The next statements (pages 15 through 20) are Fund Financial Statements. These statements focus on the activities of the individual parts of the Town’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 fiduciary 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



## Town of Garner, North Carolina

### Management Discussion and Analysis

provided to show details about the Town's individual funds. Budgetary information required by the North Carolina General Statutes and Required Supplementary Information for pensions can also 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 Town'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 Town's financial status as a whole.

The two government-wide statements report the Town's net position and how it has changed. Net position is the difference between total assets and deferred outflows of resources and total liabilities and deferred inflows of resources.

The governmental activities include most of the Town's basic services such as public safety, transportation, parks and recreation, and general administration. Property taxes and State and Federal grant funds finance most of these activities. The Town has no business-type activities or component units.

The government-wide financial statements are on pages 13 and 14 of this report.

#### Fund Financial Statements

The fund financial statements provide a more detailed look at the Town'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 Town of Garner, 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 Town's budget ordinance. All of the funds of the Town are classified as governmental funds or agency funds.

**Governmental Funds.** Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. The Town'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* which 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 Town's programs. The relationship between government activities and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The Town maintains two individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balance for each of these funds.

## Town of Garner, North Carolina

### Management Discussion and Analysis

The Town adopts an annual appropriated budget for its General Fund, as required by General Statutes. The budget is a legally adopted document that incorporates input from citizens, management, and Council about which services to provide and how to pay for them. It also authorizes the Town to obtain funds from identified sources to finance these current period activities. The Town has elected to include all funds as major in the governmental funds. The budgetary statement provided for the General Fund demonstrates how well the Town complied with the budget ordinance and whether or not the Town succeeded in providing the services as planned when the budget was adopted. This 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 Council; 2) the final budget as amended by Council; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the variance between the final budget and the actual resources and charges.

The basic governmental fund financial statements can be found on pages 15-18 of this report.

**Fiduciary Funds.** Fiduciary funds are used to account for assets the Town holds on behalf of others. The Town maintains one fiduciary fund, which is an agency fund, that is used to account for utility-based fees collected for and remitted to the City of Raleigh.

The agency fund financial statements can be found on page 20 of this report.

**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 can be found on pages 21-53 of this report.

**Other Information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Town of Garner's progress in funding its obligation to provide pension benefits to its employees and healthcare benefits for retirees. Required supplementary information can be found on pages 54-59 of this report.

Individual fund statements and schedules are presented immediately following the required supplementary information on pensions and healthcare benefits. The individual fund statements and schedules can be found on pages 60-68 of this report.

The Statistical Section presents detailed information on financial trends, revenue capacity, debt capacity, demographic and economic information and operating information. The statistical section can be found on pages 69-95.

## Town of Garner, North Carolina

### Management Discussion and Analysis

**Interdependence with Other Entities.** The Town depends on financial resources flowing from, or associated with, both the federal government and the State of North Carolina. Because of this dependency, the Town is subject to changes in specific flows of intergovernmental revenues based on modifications to federal and State laws and federal and State appropriations. It is also subject to changes in investment earnings and set values associated with U.S. Treasury Securities because of actions by foreign governments and other holders of publicly held U.S. Treasury Securities.

### Government-wide Financial Analysis

As noted earlier, the Town's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$70,837,977 as of June 30, 2019. Approximately 89.94% of the Town's net position reflects the Town's net investment in capital assets. The net investment in capital assets category is defined as the Town's investment in Town owned capital assets (e.g. land, buildings, water and sewer capacity rights, vehicles, equipment and infrastructure) less any related debt still outstanding that was issued to acquire those items. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of 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 net position 5.44% is restricted. This category represents resources that are subject to specific external legal restrictions that limit the Town's ability to access and use these funds beyond the purpose for which they are provided.

**Town of Garner Net Position**  
**Figure 1**

	<b>Governmental Activities</b>	
	<b>2019</b>	<b>2018</b>
<b>ASSETS</b>		
Current and other assets	\$ 34,545,253	\$ 35,707,406
Capital assets	98,593,337	96,052,177
Total assets	133,138,590	131,759,583
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Pension and OPEB deferrals	3,683,445	2,565,727
<b>LIABILITIES</b>		
Long-term debt outstanding	57,944,227	55,335,839
Other liabilities	5,837,512	6,032,675
Total liabilities	63,781,739	61,368,514
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Pension and OPEB deferrals	2,183,169	1,544,807
Prepaid taxes	19,150	25,657
Total deferred inflows of resources	2,202,319	1,570,464

## Town of Garner, North Carolina

### Management Discussion and Analysis

#### NET POSITION

Net investment in capital assets	63,713,621	60,841,862
Restricted	3,853,148	4,172,519
Unrestricted	3,271,208	6,371,951
Total net position	<u>\$ 70,837,977</u>	<u>\$ 71,386,332</u>

The Town's net position decreased by \$548,355, while unrestricted net position decreased by \$3,100,743. The following are some of the items that influenced the change in unrestricted net position:

- Net pension liability increased by \$1,370,555.
- A decrease in current assets of \$1,162,153 due to the Town dipping into its reserves for the purchase of land for future development.

### Town of Garner Changes in Net Position Figure 2

	<b>Governmental Activities</b>	
	<b>2019</b>	<b>2018</b>
<b>REVENUES</b>		
Program revenues		
Charges for services	\$ 3,157,240	\$ 2,889,978
Operating grants & contributions	881,239	1,095,356
Capital grants & contributions	331,504	152,143
General revenues		
Property taxes	19,526,681	18,368,348
Other taxes	9,507,343	8,592,737
Other	1,284,306	732,137
Total Revenues	<u>34,688,313</u>	<u>31,830,699</u>
<b>EXPENSES</b>		
General government	8,235,521	7,748,861
Public safety	13,479,474	12,726,953
Transportation	6,203,524	6,078,817
Environmental protection	2,041,794	1,895,800
Cultural & recreational	4,129,671	3,539,484
Interest on long-term debt	1,146,684	1,153,007
Total expenses	<u>35,236,668</u>	<u>33,142,922</u>
<b>Change in net position</b>	(548,355)	(1,312,223)
Net position, July 1, as previously stated	71,386,332	83,870,888
Restatement	<u>-</u>	<u>(11,172,333)</u>
<b>Net position, July 1, as restated</b>	<u>71,386,332</u>	<u>72,698,555</u>
<b>Net position, June 30</b>	<u><u>\$ 70,837,977</u></u>	<u><u>\$ 71,386,332</u></u>

## **Town of Garner, North Carolina**

### **Management Discussion and Analysis**

**Governmental Activities.** The Town's net position decreased by \$548,355 during the current fiscal year. Key elements of this decrease included:

- While property tax revenues increased \$1,158,333 and other taxes increased by \$914,606 these gains were offset by increasing operating costs and certain one-time expenses.
- Expenses increased 6.3% from the prior year partially attributable to increases in the Town's employees costs, including continued increases from the State in the pension contributions and increasing health care costs.

Total revenues were \$34.7 million. Charges for services, which go directly against expenses, accounted for 9.1% of revenues.

The total cost of all programs and services was \$35.2 million. Cost of public safety programs (building inspections, police and contracted fire services) accounted for 38.3% of expenses, followed by general government expenses at 23.4%. The Town also spent an additional 11.7% for cultural and recreational expenses.

### **Financial Analysis of the Town's Funds**

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

**Governmental Funds.** The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At June 30, 2019, the Town's governmental funds reported a combined ending fund balance of \$32,230,171 a decrease of 3.1% from the previous fiscal year attributed to capital project expenditures during the year of \$4.6 million. Approximately \$15.6 million (48.3%) constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been assigned for other purposes (\$3.9 million), committed by the governing body for future capital projects (\$6.0 million), or restricted by external parties (\$6.7 million).

The General Fund is the chief operating fund of the Town. As of the close of the fiscal year, the Town's unassigned fund balance for the General Fund was \$15,559,536, or 43.92%, of total General Fund expenditures for the fiscal year. The governing body of the Town has determined that the Town should maintain unassigned fund balance equal to at least 30% of General Fund expenditures in case of unforeseen needs or opportunities, in addition to meeting the cash flow needs of the Town.



## Town of Garner, North Carolina

### Management Discussion and Analysis

**General Fund Budgetary Highlights.** During the fiscal year, the Town 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.

There were several reasons the Town revised its budget throughout the year with the primary reason being additional capital outlays. Overall expenditures were held in check to comply with its budgetary requirements and only miscellaneous adjustments were made otherwise.

The fund balance of the Town's General Fund decreased \$(2.2) million during the current fiscal year. Key factors in this decrease are as follows:

- The Town appropriated reserve funds for a one-time capital expenditure to purchase land for future park development
- The Town's budget for FY 19-20 utilizes more fund balance for one-time expenditures than the prior year

**Capital Projects Fund Highlights.** Fund balance of the Capital Projects Fund increased \$1.1 million. This increase was due to newly issued bonds. Construction of the Recreation Facility is continuing, with completion anticipated during the upcoming fiscal year.

### Capital Asset and Debt Administration

**Capital Assets.** The Town's investment in capital assets as of June 30, 2019, amounts to \$98,593,337 (net of accumulated depreciation). This investment in capital assets includes land, buildings, intangible assets, improvements, equipment and infrastructure. The total increase in the Town's investment in capital assets for the current year was \$2,541,160.

Major capital asset investments of \$1.0 million during the fiscal year include: construction in progress for a Recreation Center and the purchase of land for a future park development.

	June 30, 2019	June 30, 2018
Land	\$ 15,946,621	\$ 13,544,499
Buildings	17,991,828	18,310,998
Intangible assets	17,485,081	17,485,081
Improvements	4,105,793	4,417,791
Equipment	2,041,102	1,954,314
Infrastructure	29,348,618	32,267,535
Construction in Progress	11,674,294	8,071,959
Total	\$ 98,593,337	\$ 96,052,177

Additional information on the Town's capital assets can be found on page 35 of the notes to the financial statements of this report.

## Town of Garner, North Carolina

### Management Discussion and Analysis

**Long-term Debt.** The Town issued long-term debt during the fiscal year ended June 30, 2019. The Town issued general obligation bonds in the amount of \$4,050,000 for the cost of street and sidewalk, parks and recreational facilities, and redevelopment improvements. At the end of the fiscal year, the Town had total debt outstanding of \$36,563,617. Of this, \$30.4 million is backed by the full faith and credit of the Town; the remainder is secured by interest property, vehicles, or equipment.

The Town's total debt increased by \$1,501,499 during the fiscal year.

	June 30, 2019	June 30, 2018
General obligation bonds	\$ 30,390,000	\$ 27,345,000
Installment financing agreements	6,173,617	7,717,118
Total	\$ 36,563,617	\$ 35,062,118

As mentioned in the financial highlights section of this document, the Town of Garner maintained its Aa1 from Moody's Investors Service and has a AAA rating from Standard and Poor's Financial Services. This bond rating is a clear indication of the sound financial condition of Town. This achievement is a primary factor in keeping interest costs low on the Town's outstanding debt.

North Carolina General Statutes limit the amount of general obligation debt a governmental entity may issue to 8% of the total assessed value of taxable property. The current debt limitation for the Town is \$282.3 million. This is significantly more than the Town's outstanding general obligation debt. The Town had authorized, but unissued bonds in the amount of \$7,191,000 at June 30, 2019.

Additional information on the Town's long-term debt can be found in the notes to the financial statements on pages 36-38 of this report.

### Economic Factors and Next Year's Budget

The following key economic indicators reflect the growth and prosperity of the Town and the region:

- The unemployment rate for the Town remains low at 4.0%.
- Home sales are up 1.6%.
- Construction values in the Town increased by 10.1%.
- The average home sale price is up 11.0%.

### Budget Highlights for the Fiscal Year Ending June 30, 2020

**Governmental Activities:** The FY 2019 – 2020 budget increased by \$2,212,543, or 6.3 percent, over the FY 2018 – 2019 budget. This budget was developed following a comprehensive review of current and future requirements. As part of this review, it was determined that a combination of market forces, increasing service demands, and unfunded mandates has significantly impacted the Town's ability to fund critical operating requirements. As a result, the Town's property tax rate was increased by 2.75 cents to 56 cents per \$100 of assessed value. This will allow the Town to continue to fund critical services and to meet core requirements.

## **Town of Garner, North Carolina**

### **Management Discussion and Analysis**

As part of the decision to raise taxes, staff performed a review to determine the impact on Town residents and the Town's regional competitiveness. During this review, it was determined that Garner households have the lowest cost for municipal services in Wake County even after the approved tax increase.

Additional revenue growth occurred in multiple categories. Sales tax receipts are anticipated to increase by 4.5 percent based on continued residential and commercial growth. Several categories related to development are anticipated to increase as additional residential and commercial investments occur. Finally, investment earnings are anticipated to increase based on market conditions and the Town's investment strategy.

These additional resources allowed for the Town to cover numerous requirements outside of its control and to make strategic investments to meet demand. The Town funded costs associated with increased retirement contributions rates, higher solid waste costs, and repurposed funding of \$365,000 to meet street resurfacing and maintenance requirements. It also continues to provide quality healthcare with no out-of-pocket premium costs for employees despite this expense increasing by \$950,000 within the last four years. In addition, the Town funded several positions required to meet service demands. A Facility Maintenance Technician will allow the Public Works Department to properly maintain the Town's 56 buildings and structures. Similarly, a Parks and Grounds Athletic Supervisor will oversee all the athletic maintenance in the town, amenities around athletic fields, and special event setup/take down. A Construction Inspector will right size the inspection workload in the Engineering Department. Finally, positions in the Police Department and Fire Department allow for better service levels as population and service area growth have increased demands.

The Town has chosen to appropriate fund balance in the fiscal year 2020 budget. These appropriations of fund balance (totaling \$2,086,136) will be used to make one-time investments in equipment and infrastructure.

### **Requests for Information**

This financial report is designed to provide a general overview of the Town of Garner's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Finance Director, Town of Garner, 900 7th Avenue, Garner, North Carolina. 27529, or visit our Website at [www.garnernc.gov](http://www.garnernc.gov).

# TOWN OF GARNER, NORTH CAROLINA

## STATEMENT OF NET POSITION JUNE 30, 2019

	Primary Government
	Governmental Activities
<b>ASSETS</b>	
Cash and cash equivalents	\$ 21,174,635
Investments	10,018,718
Taxes receivable, net of allowances	71,641
Intergovernmental receivables	2,749,479
Other receivables	419,772
Inventories	21,623
Prepaid items	89,385
Capital assets:	
Non-depreciable	45,105,996
Depreciable, net of accumulated depreciation	53,487,341
Total assets	<u>133,138,590</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows - pension items	3,335,066
Deferred outflows - OPEB items	348,379
Total deferred outflows of resources	<u>3,683,445</u>
<b>LIABILITIES</b>	
Accounts payable	1,558,244
Payroll withholdings	212,182
Accrued liabilities	338,056
Customer deposits	107,520
Interest payable	507,937
Installment notes, due within one year	1,376,113
Installment notes, due in more than one year	4,797,504
Bonds payable, due within one year	1,135,000
Bonds payable, due in more than one year	30,385,501
Compensated absences, due within one year	602,460
Compensated absences, due in more than one year	602,459
Total pension liability (LEOSSA), due in more than one year	3,526,070
Net pension liability (LGERs), due in more than one year	3,780,327
Net OPEB liability, due in more than one year	14,852,366
Total liabilities	<u>63,781,739</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows - pension items	177,738
Deferred inflows - OPEB items	2,005,431
Prepaid taxes	19,150
Total deferred inflows of resources	<u>2,202,319</u>
<b>NET POSITION</b>	
Net investment in capital assets	63,713,621
Restricted for:	
Stabilization by State Statute	3,688,276
Public safety - law enforcement	47,095
Streets - Powell Bill	117,777
Unrestricted	3,271,208
Total net position	<u>\$ 70,837,977</u>

The accompanying notes are an integral part of these financial statements.

# TOWN OF GARNER, NORTH CAROLINA

## STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2019

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and
		Charges for	Operating	Capital	Changes in Net Position
		Services	Grants and Contributions	Grants and Contributions	Governmental Activities
Governmental activities:					
General government	\$ 8,235,521	\$ 595,942	\$ -	\$ -	\$ (7,639,579)
Public safety	13,479,474	1,925,344	115,248	-	(11,438,882)
Transportation	6,203,524	71,171	754,598	165,426	(5,212,329)
Environmental protection	2,041,794	46,659	-	-	(1,995,135)
Culture and recreation	4,129,671	518,124	11,393	166,078	(3,434,076)
Interest on long-term debt	1,146,684	-	-	-	(1,146,684)
Total governmental activities	35,236,668	3,157,240	881,239	331,504	(30,866,685)
Total primary government	\$ 35,236,668	\$ 3,157,240	\$ 881,239	\$ 331,504	\$ (30,866,685)
General revenues:					
Property taxes, levied for general purposes					19,526,681
Local option sales tax					6,881,083
Other taxes					2,626,260
Miscellaneous					451,995
Unrestricted investment earnings					832,311
Total general revenues and transfers					30,318,330
Change in net position					(548,355)
Net position, beginning of year					71,386,332
Net position, end of year					\$ 70,837,977

The accompanying notes are an integral part of these financial statements.



# TOWN OF GARNER, NORTH CAROLINA

## BALANCE SHEET GOVERNMENTAL FUNDS JUNE 30, 2019

	General Fund	Capital Project Fund	Total Governmental Funds
<b>ASSETS</b>			
Cash	\$ 16,691,857	\$ 4,482,778	\$ 21,174,635
Investments	10,018,718	-	10,018,718
Taxes receivable, net	71,641	-	71,641
Intergovernmental receivable	2,749,479	-	2,749,479
Other receivables	144,497	275,275	419,772
Inventory	21,623	-	21,623
Prepaid items	89,385	-	89,385
Total assets	<u>\$ 29,787,200</u>	<u>\$ 4,758,053</u>	<u>\$ 34,545,253</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 600,660	\$ 957,584	\$ 1,558,244
Payroll withholdings	212,182	-	212,182
Deposits payable	107,520	-	107,520
Accrued liabilities	338,056	-	338,056
Total liabilities	<u>1,258,418</u>	<u>957,584</u>	<u>2,216,002</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue - property taxes	71,641	-	71,641
Unavailable revenue - other	8,289	-	8,289
Advance collection of property tax	19,150	-	19,150
Total deferred inflows of resources	<u>99,080</u>	<u>-</u>	<u>99,080</u>
<b>FUND BALANCES</b>			
Nonspendable:			
Prepaid items	89,385	-	89,385
Inventories	21,623	-	21,623
Restricted:			
Stabilization by State Statute	3,688,276	-	3,688,276
Public safety - law enforcement	47,095	-	47,095
Powell Bill projects	117,777	-	117,777
Capital projects	-	2,814,402	2,814,402
Committed:			
Capital projects	3,495,207	-	3,495,207
Other	2,521,899	-	2,521,899
Assigned for:			
Capital projects	-	986,067	986,067
Appropriation in 2020 budget	2,888,904	-	2,888,904
Unassigned	15,559,536	-	15,559,536
Total fund balances	<u>28,429,702</u>	<u>3,800,469</u>	<u>32,230,171</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 29,787,200</u>	<u>\$ 4,758,053</u>	<u>\$ 34,545,253</u>

The accompanying notes are an integral part of these financial statements.

# TOWN OF GARNER, NORTH CAROLINA

## RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION FOR THE YEAR ENDED JUNE 30, 2019

Fund balances-Governmental funds		\$	32,230,171
Amounts reported for governmental activities in the statement of net position are different because:			
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds.			
Cost of capital assets	\$	179,943,136	
Accumulated depreciation on capital assets		(81,349,799)	98,593,337
Some receivables are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the funds.			
			79,930
Net pension liability for the LGERS is not recorded on the fund financial statements.			
			(3,780,327)
Total OPEB liability is not recorded on the fund financial statements.			
			(14,852,366)
Total pension liability for the Special Separation Allowance LEO is not recorded on the fund financial statements.			
			(3,526,070)
Deferred outflows and inflows of resources related to pensions and OPEB which are not current financial resources and, therefore, not reported in the funds.			
			1,500,276
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.			
Bonds payable	\$	(30,390,000)	
Premium on bonds		(1,130,501)	
Promissory notes payable		(6,173,617)	
Compensated absences		(1,204,919)	
Accrued interest		(507,937)	(39,406,974)
Net position of governmental activities		\$	70,837,977

The accompanying notes are an integral part of these financial statements.

**TOWN OF GARNER, NORTH CAROLINA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	General Fund	Capital Projects Fund	Total Governmental Funds
<b>Revenues</b>			
Ad valorem taxes	\$ 19,520,910	\$ -	\$ 19,520,910
Other taxes	7,048,593	-	7,048,593
Intergovernmental revenues	3,443,787	330,567	3,774,354
Permits and fees	2,409,113	-	2,409,113
Sales and services	725,216	-	725,216
Investment earnings	711,823	120,488	832,311
Miscellaneous	401,000	-	401,000
Total revenues	<u>34,260,442</u>	<u>451,055</u>	<u>34,711,497</u>
<b>Expenditures</b>			
Current:			
General government	7,578,884	-	7,578,884
Public safety	12,906,345	-	12,906,345
Transportation	3,564,911	-	3,564,911
Environmental protection	2,041,794	-	2,041,794
Culture and recreation	5,558,172	-	5,558,172
Capital outlay	-	4,551,899	4,551,899
Debt service:			
Principal retirements	2,548,501	-	2,548,501
Interest	1,224,605	-	1,224,605
Total expenditures	<u>35,423,212</u>	<u>4,551,899</u>	<u>39,975,111</u>
Deficiency of revenues over expenditures	<u>(1,162,770)</u>	<u>(4,100,844)</u>	<u>(5,263,614)</u>
<b>Other financing sources (uses)</b>			
Proceeds from issuance of long-term debt	-	4,050,000	4,050,000
Proceeds from premium on bond	-	157,717	157,717
Transfers in	-	1,031,464	1,031,464
Transfers out	(1,031,464)	-	(1,031,464)
Proceeds from sale of capital assets	29,748	-	29,748
Total other financing sources (uses)	<u>(1,001,716)</u>	<u>5,239,181</u>	<u>4,237,465</u>
Net change in fund balances	(2,164,486)	1,138,337	(1,026,149)
<b>Fund balances, beginning of year</b>	<u>30,594,188</u>	<u>2,662,132</u>	<u>33,256,320</u>
<b>Fund balances, end of year</b>	<u>\$ 28,429,702</u>	<u>\$ 3,800,469</u>	<u>\$ 32,230,171</u>

The accompanying notes are an integral part of these financial statements.

**TOWN OF GARNER, NORTH CAROLINA**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2019**

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

Net change in fund balances - total governmental funds	\$ (1,026,149)
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 outlay exceeded depreciation in the current period.	2,541,160
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(23,184)
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, however, has any effect on net position. This amount represents the repayments of the principal of long-term debt.	(1,659,216)
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.	<u>(380,966)</u>
Change in net position - governmental activities	<u><u>\$ (548,355)</u></u>

**The accompanying notes are an integral part of these financial statements.**

**TOWN OF GARNER, NORTH CAROLINA**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES - BUDGET TO ACTUAL (NON-GAAP BASIS)**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	Budget		Actual	Variance with
	Original	Final	Amounts	Actual and Final Budget
				Positive (Negative)
<b>Revenues</b>				
Ad valorem taxes	\$ 19,209,806	\$ 19,209,806	\$ 19,520,910	\$ 311,104
Other taxes	6,846,875	6,846,875	7,048,593	201,718
Intergovernmental revenues	3,334,967	3,334,967	3,443,787	108,820
Permits and fees	1,610,480	1,928,500	2,409,113	480,613
Sales and services	573,573	573,573	725,216	151,643
Investment earnings	410,000	503,000	711,823	208,823
Miscellaneous	163,250	256,607	401,000	144,393
Total revenues	32,148,951	32,653,328	34,260,442	1,607,114
<b>Expenditures</b>				
Current:				
General government	7,441,028	8,123,543	7,578,884	544,659
Public safety	13,020,176	13,171,418	12,906,345	265,073
Transportation	3,905,805	4,447,005	3,564,911	882,094
Environmental protection	1,952,169	1,952,169	2,041,794	(89,625)
Culture and recreation	3,491,807	5,900,807	5,558,172	342,635
Debt service:				
Principal retirements	2,555,492	2,555,492	2,548,501	6,991
Interest	1,162,237	1,162,237	1,224,605	(62,368)
Total expenditures	33,528,714	37,312,671	35,423,212	1,889,459
Deficiency of revenues over expenditures	(1,379,763)	(4,659,343)	(1,162,770)	3,496,573
<b>Other financing sources (uses):</b>				
Fund balance appropriation	2,601,238	6,860,647	-	(6,860,647)
Transfers out	(1,266,475)	(2,246,304)	(1,031,464)	1,214,840
Proceeds from sale of capital assets	45,000	45,000	29,748	(15,252)
Total other financing sources (uses)	1,379,763	4,659,343	(1,001,716)	(5,661,059)
Net change in fund balances	-	-	(2,164,486)	(2,164,486)
<b>Fund balances, beginning of year</b>	30,594,188	30,594,188	30,594,188	-
<b>Fund balances, end of year</b>	\$ 30,594,188	\$ 30,594,188	\$ 28,429,702	\$ (2,164,486)

The accompanying notes are an integral part of these financial statements.

**TOWN OF GARNER, NORTH CAROLINA**

**STATEMENT OF FUDUCIARY NET POSITION  
FIDUCIARY FUND  
FOR THE YEAR ENDED JUNE 30, 2019**

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	<u>Agency Fund</u>
<b>ASSETS</b>	
Accounts receivable	\$ <u>21,731</u>
<b>LIABILITIES</b>	
Due to other governments	\$ <u>21,731</u>

**TOWN OF GARNER, NORTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

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**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Town of Garner, North Carolina (the “Town”) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Town’s significant accounting policies are described below.

**A. Reporting Entity**

Incorporated in 1905, under the laws of the State of North Carolina, the Town of Garner, North Carolina is governed by an elected mayor and a five-member council. The government provides such services as police protection, cultural and recreational activities, and public works services.

**B. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The statement of net position includes non-current assets and non-current liabilities. In addition, the government-wide statement of activities reflects depreciation expense on the Town’s capital assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to those who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The fund financial statements provide information about the Town’s funds, including its fiduciary funds. Separate statements for each fund category, governmental and fiduciary, are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. The Town reports the General Fund and Capital Projects Fund as major funds.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers most revenues to be available if they are collected within 90 days of the end of the current fiscal period, except for property taxes which use a 60 day period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to other long-term liabilities, such as compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, sales taxes, franchise taxes, licenses, intergovernmental grants, and investment income associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Town.

In accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Non-exchange Transactions*, the corresponding assets (receivables) in non-exchange transactions are recognized in the period in which the underlying exchange occurs, when an enforceable legal claim has arisen, when all eligibility requirements have been met, or when resources are received, depending on the revenue source.

In accordance with GASB Statement No. 34, individual major funds are reported as separate columns in the fund financial statements.



## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

The Town reports the following major governmental funds:

The **General Fund** is the Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The **Capital Projects Fund** is used to account for financial resources to be used for the acquisition or construction of major capital facilities. The Town has one capital project fund within the governmental fund types.

Additionally, the Town reports the following fund type:

The **agency fund** is used to account for assets held by the Town as an agent for other governments. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurements of results of operations. The town maintains one agency fund: the Water and Sewer Fees Fund which accounts for the collection of water and sewer fees on behalf of the City of Raleigh.

In accounting and reporting for its proprietary operations, the government applies all GASB pronouncements. GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* incorporated into the GASB's authoritative literature certain accounting and financial reporting guidance issued on or before November 30, 1989 which did not conflict with or contradict GASB pronouncements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. However, any inter-fund services provided and used are not eliminated as this process would distort the direct costs and program revenues reported in the various functions.

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

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### D. Budgets

Annual appropriated budgets are adopted for all funds, with the exception of the trust and agency fund, which is not budgeted. The amounts shown in the financial statements reflect amounts adopted by the budget ordinances as amended and approved at the close of the day on June 30, 2019. The Town adopts annual budgets, prepared on the modified accrual basis for all funds except the capital project fund, which has a project budget adopted. Appropriations for funds with annual budgets lapse at the end of the budget year. Capital project budget appropriations do not lapse until the completion of the project. The Town Council may amend the budget throughout the year.

The annual budgets are adopted at the departmental level and multi-year budgets are adopted at the project level. The Town maintains administrative control over its operations through a more detailed line item budget. The Town Manager may transfer amounts between line items, however any revision to a salary line item must be reported to the governing council. The governing council must approve any amendment, which alters the total budget of a department.

#### E. Deposits

Cash includes amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the Town. The Town pools cash resources of its various funds in order to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the pooled cash accounts is available to meet current operating requirements. Any deposit in excess of the federal depository insured amounts must be collateralized by an equivalent amount of state or U.S. obligations. For purposes of the statement of cash flows, all highly liquid investments with an original maturity of less than 90 days are considered to be cash equivalents.

State law [G.S. 159-30(c)] authorizes the Town 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 Town's investments are reported at fair value. The NCCMT-Cash Portfolio, a SEC-registered (2a-7) external investment pool, is measured at fair value. The NCCMT-Term Portfolio's securities are valued at fair value.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### F. Restricted cash and cash equivalents

The unexpended bond proceeds of public improvement bonds issued by the Town are classified as restricted assets in the capital projects fund because their use is completely restricted to the purpose for which the bonds were originally issued. Asset forfeitures funds and funds received as a distribution of the NC Controlled substance tax are restricted for law enforcement purposes. Powell Bill funds also are 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. The General Fund also reports restricted cash for the portion of assets restricted by outside parties for the maintenance of the Town's cemetery, as well as a sinking fund for the USDA bonds.

#### G. Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. In accordance with state law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2018.

#### H. Allowances

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.

#### I. Interfund Receivables and Payables

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year as well as all other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government wide financial statements as "internal balances."

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### J. Inventories and Prepaid Items

All inventories are valued at cost using the first-in/first-out (FIFO) method. The inventory of the General Fund consists of expendable supplies and is recorded as an expenditure when consumed. The General Fund inventory reported on the fund balance sheet is offset by non-spendable fund balance, which indicates that it does not constitute a resource available for appropriation even though it is a component of net current assets.

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 expended as the items are used.

#### K. Capital Assets

All purchased or constructed capital assets are recorded at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets received prior to June 30, 2015 are recorded at their estimated fair market value at the date of donation. Donated capital assets received after June 30, 2015 are recorded at estimated acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. The Town defines capital assets as assets with an individual cost of more than \$10,000 and an estimated useful life of more than two years. Infrastructure assets include all assets over the capitalization threshold of \$150,000 for streets and \$10,000 for sidewalks that have been acquired since July 1, 1980. Intangible assets include all assets over the capitalization threshold of \$100,000. Intangible assets have an indefinite life; therefore, they are not amortized. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

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

Buildings	40 years
Vehicles and Motorized Equipment	5 years
Machinery and Equipment	3 years
Improvements	20 years
Infrastructure	25 years

#### L. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflow of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Town currently has two items, pension and OPEB deferrals, that meet this criterion.

## NOTES TO FINANCIAL STATEMENTS

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### **NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **L. Deferred Outflows/Inflows of Resources (Continued)**

In addition to liabilities, the statement of net 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 future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has several items under the modified accrual basis of accounting which meet the criterion for this category - prepaid taxes and unavailable revenues. Additionally, the Town reports two items, pension and OPEB deferrals, which are reported only in the governmental activities.

#### **M. Compensated Absences**

The vacation policy of the Town provides for the accumulation of up to two hundred eighty-eight (288) hours earned vacation leave with such leave being fully vested when earned. For the Town's government-wide funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The Town has assumed a first-in, first-out method of using accumulated compensated time. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements. The Town's sick leave policy provides 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 Town has no obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

#### **N. Long-Term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Bond premiums and discounts are accrued and amortized over the term of the bonds using the effective interest method. Bonds payable are reported net of the applicable discount or premium. Bond issuance costs are expensed in the year of issuance.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### N. Long-Term Obligations (Continued)

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of the 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.

#### O. Fund Equity

Fund equity at the governmental fund financial reporting level is classified as “fund balance.” Fund equity for all other reporting is classified as “net position.”

**Fund Balance** – Generally, fund balance represents the difference between the assets and liabilities and deferred inflows of resources under the current financial resources management focus of accounting. In the fund financial statements, governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the Town is bound to honor constraints on the specific purpose for which amounts in those funds can be spent.

Fund balances are classified as follows:

*Nonspendable* – Fund balances are reported as nonspendable when amounts cannot be spent because they are either: (a) not in spendable form (i.e., items that are not expected to be converted to cash), or (b) legally or contractually required to be maintained intact.

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

*Prepays* – portion of fund balance that is not an available resource because it represents the year-end balance of prepaid expenses, which are not spendable resources.

*Restricted* – Fund balances are reported as restricted when there are limitations imposed on their use either through enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors, laws or regulations of other governments.

*Restricted for Stabilization by State statute* – portion of fund balance that is restricted by North Carolina General Statute 159-8(a).

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### O. Fund Equity (Continued)

*Restricted for streets-Powell Bill* – portion of fund balance that is restricted by revenue source for street construction and maintenance expenditures. The amount represents the balance of unexpended Powell Bill funds.

*Restricted for law enforcement* – portion of fund balance that is restricted by revenue source for purchases related to public safety.

*Restricted for capital projects* – portion of fund balance that represents proceeds from debt issuance and other amounts that have not been spent for the designated project.

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

*Committed for park improvements* - portion of fund balance that has been committed by Council for construction of new park facilities or improvements to existing facilities.

*Committed for Veteran's Memorial* – portion of fund balance that has been committed by Council for the future maintenance of the Town's veteran's memorial at Lake Benson Park.

*Committed for regional storm water retention facilities* - portion of fund balance that has been committed by Council for construction or improvements to storm water retention facilities.

*Committed for improvements to Lake Benson Park* - portion of fund balance that has been committed by Council for improvements to Lake Benson Park.

*Committed for purchase of park equipment* - portion of fund balance that has been committed by Council for purchase of equipment in Town parks.

*Committed for Community Center* - portion of fund balance that has been committed by Council for planning of future community/recreation center.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### O. Fund Equity (Continued)

*Committed for purchase of additional water and sewer capacity* - portion of fund balance that has been committed by Council for purchase of additional water and sewer capacity from the City of Raleigh and for debt service on debt to purchase additional capacity if fees are not adequate to pay debt service cost.

*Committed for greenways* - portion of fund balance that has been budgeted by Council for construction of greenways.

*Committed for insurance* – portion of fund balance that has been committed by Council to offset future employee and retiree insurance expenses.

*Committed for public safety* – portion of fund balance that has been committed by Council to offset future public safety operating and capital expenses.

*Committed for roadway improvements* – portion of fund balance that has been committed by Council for the purpose of roadway construction.

*Committed for revenue savings plan* – portion of fund balance that has been committed by Council to offset future debt service needs.

*Committed for storm water retention ponds* – portion of fund balance that has been committed by Council for construction or maintenance of storm water retention ponds.

*Assigned* – Fund balances are reported as assigned when amounts are constrained by the Town's intent to be used for specific purposes, but are neither restricted nor committed. The Town Council, through Town Ordinance, has expressly delegated to the Town Manager or his/her designee, the authority to assign funds for particular purposes. The assigned fund balance of the General Fund includes \$802,590 of outstanding encumbrances.

*Unassigned* – Fund balances are reported as unassigned as the residual amount when the balances do not meet any of the above criterion. The Town reports positive unassigned fund balance only in the General Fund. The Town, by resolution, has created a minimum fund balance policy to be no less than 30% of the next fiscal year's budgeted expenditures and outgoing transfers, in order to maintain adequate reserves to cover unforeseen revenue shortfalls and to maintain a budget stabilization commitment.



## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### O. Fund Equity (Continued)

**Flow Assumptions** – When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the Town's policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the Town's policy to use fund balance in the following order: (1) Committed, (2) Assigned, and (3) Unassigned.

**Net Position** – Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources, in reporting which utilizes the economic resources measurement focus. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used (i.e., the amount that the Town has spent) for the acquisition, construction or improvement of those assets.

Net position is reported as restricted using the same definition as used for restricted fund balance as described in the section above. All other net position is reported as unrestricted.

The Town applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

#### P. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental Employees' Retirement System (LGERs) and additions to/deductions from LGERs' fiduciary net position have been determined on the same basis as they are reported by LGERs. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

#### Q. Management Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, deferred inflows of resources, and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE FINANCIAL STATEMENTS AND FUND FINANCIAL STATEMENTS

#### A. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net change in fund balances – total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “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.” The details of this \$2,541,160 difference are as follows:

Capital outlay	\$ 7,027,830
Depreciation expense	<u>(4,486,670)</u>
Net adjustment to increase <i>net change in fund balances - total governmental funds</i> to arrive at <i>change in net position - governmental activities</i>	<u>\$ 2,541,160</u>

Another element of the reconciliation states that “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.” The details of this \$380,966 difference are as follows:

Compensated absences (i.e., vacation)	\$ 33,682
Change in accrued interest	(32,001)
Amortization of bond premiums	109,922
Net pension liability - LGERS and related deferred outflows and inflows of resources	(132,085)
Total pension liability - LEO Special Separation Allowance and related deferred outflows and inflows of resources	(115,180)
Total OPEB liability - and related deferred outflows and inflows of resources	<u>(245,304)</u>
Net adjustment to decrease <i>net change in fund balances - total governmental funds</i> to arrive at <i>change in net position - governmental activities</i>	<u>\$ (380,966)</u>

## NOTES TO FINANCIAL STATEMENTS

### NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE FINANCIAL STATEMENTS AND FUND FINANCIAL STATEMENTS (CONTINUED)

#### A. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities (Continued)

Another element of the reconciliation states that “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.” The details of this \$1,659,216 difference are as follows:

Issuance of revenue bond	\$ (4,050,000)
Premium on revenue bond	(157,717)
Principal payment on long term liabilities	<u>2,548,501</u>
Net adjustment to decrease <i>net change in fund balances - total governmental funds</i> to arrive at <i>change in net position - governmental activities</i>	<u><u>\$ (1,659,216)</u></u>

### NOTE 3. DEPOSITS AND INVESTMENTS

Total deposits as of June 30, 2019 are summarized as follows:

Statement of Net Position:	
Cash and cash equivalents	\$ 21,174,635
Investments	<u>10,018,718</u>
	<u><u>\$ 31,193,353</u></u>
Cash and investments deposited with financial institutions	\$ 9,861,151
Cash deposited with NCCMT	<u>21,332,202</u>
	<u><u>\$ 31,193,353</u></u>

**Credit risk.** State statutes and the Town’s policies authorize the Town to invest in obligations of the state of North Carolina or other states; obligations issued by the U.S. Government; obligations fully insured or guaranteed by the U.S. Government or by a government agency of the United States; obligations of any corporation of the U.S. Government; prime bankers' acceptances; the North Carolina Capital Management Trust (NCCMT); and obligations of other political subdivisions of the state of North Carolina. The Town does not have a credit rating policy which provides restrictions or limitations on credit ratings for the Town’s investments. The Town’s investment in the NC Capital Management Trust Government Portfolio carried a credit rating of AAAM by Standard & Poor’s as of June 30, 2019. The Town’s investment in the NC Capital Management Trust Term Portfolio is unrated.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 4. DEPOSITS AND INVESTMENTS

As of June 30, 2019 the Town's investment balances were as follows:

<u>Investment by Type</u>	<u>Measurement Method</u>	<u>Book Value June 30, 2019</u>	<u>Duration</u>	<u>Rating</u>
Commercial Paper	Fair Value-Level 2	\$ 1,221,413	12 months	A-1
US Treasury	Fair Value Level 1	8,797,305	12 months	AA+
NC Capital Management Trust - Government Portfolio	Fair Value-Level 1	2,213,770	N/A	AAAm
NC Capital Management Trust - Term Portfolio	Fair Value-Level 1	<u>19,118,432</u>	.11 years	Unrated
		<u><u>\$ 31,350,920</u></u>		

All investments are measured using the market approach: using prices and other relevant information generated by market transactions involving identical or comparable assets or a group of assets.

Level of fair value hierarchy: Level 1 debt securities are valued using directly observable, quoted prices (unadjusted) in active markets for identical assets. Level 2 debt securities are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' benchmark quoted prices.

**Interest rate risk:** The Town has a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Custodial credit risk – deposits:** Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. State statutes (G.S. 159-31) require all deposits and investments (other than federal or state government instruments) to be collateralized by depository insurance, obligations of the U.S. Government, or bonds of public authorities, counties, or municipalities. As of June 30, 2019, the Town's deposits are insured or collateralized as required by state law.

### NOTE 5. RECEIVABLES

Taxes receivables at June 30, 2019, for the Town's General Fund amounted to a balance of \$264,701, with an offsetting allowance for doubtful accounts of \$193,060.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 6. CAPITAL ASSETS

Capital asset activity for the Town for the year ended June 30, 2019 is as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
<b>Governmental Activities:</b>					
Nondepreciable capital assets:					
Land	\$ 13,544,499	\$ 2,402,122	\$ -	\$ -	\$ 15,946,621
Construction in progress	8,071,959	3,861,436	-	(259,101)	11,674,294
Intangible Assets	17,485,081	-	-	-	17,485,081
Total	<u>39,101,539</u>	<u>6,263,558</u>	<u>-</u>	<u>(259,101)</u>	<u>45,105,996</u>
Capital assets, being depreciated:					
Buildings	22,094,258	-	-	224,411	22,318,669
Improvements	10,303,649	-	-	30,324	10,333,973
Equipment	7,657,106	764,272	(346,155)	4,366	8,079,589
Streets and sidewalks	94,104,909	-	-	-	94,104,909
Total being depreciated	<u>134,159,922</u>	<u>764,272</u>	<u>(346,155)</u>	<u>259,101</u>	<u>134,837,140</u>
Less accumulated depreciation for:					
Buildings	(3,783,260)	(543,581)	-	-	(4,326,841)
Improvements	(5,885,858)	(342,322)	-	-	(6,228,180)
Equipment	(5,702,792)	(681,850)	346,155	-	(6,038,487)
Streets and sidewalks	(61,837,374)	(2,918,917)	-	-	(64,756,291)
Total	<u>(77,209,284)</u>	<u>(4,486,670)</u>	<u>346,155</u>	<u>-</u>	<u>(81,349,799)</u>
Total capital assets, being depreciated, net	<u>56,950,638</u>	<u>(3,722,398)</u>	<u>-</u>	<u>259,101</u>	<u>53,487,341</u>
Governmental activities capital assets, net	<u>\$ 96,052,177</u>	<u>\$ 2,541,160</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 98,593,337</u>

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

Governmental activities:	
General government	\$ 381,101
Public safety	452,415
Transportation	3,131,859
Culture and recreation	521,295
Total depreciation expense - governmental activities	<u>\$ 4,486,670</u>

## NOTES TO FINANCIAL STATEMENTS

### NOTE 7. LONG-TERM DEBT

Long-term liability activity for the year ended June 30, 2019 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental activities:</b>					
Direct placement - General obligation bonds	\$ 27,345,000	\$ 4,050,000	\$ 1,005,000	\$ 30,390,000	\$ 1,135,000
Premium on bonds	1,082,706	157,717	109,922	1,130,501	-
Total bonds	<u>28,427,706</u>	<u>4,207,717</u>	<u>1,114,922</u>	<u>31,520,501</u>	<u>1,135,000</u>
Direct borrowing - Promissory notes	7,717,118	-	1,543,501	6,173,617	1,376,113
Compensated absences	1,238,601	685,132	718,814	1,204,919	602,460
Net pension liability (LGERS)	2,454,898	2,194,343	868,914	3,780,327	-
Total pension liability (LEO)	3,486,839	334,511	295,280	3,526,070	-
Total OPEB liability	15,245,101		392,735	14,852,366	-
Total	<u>\$ 58,570,263</u>	<u>\$ 7,421,703</u>	<u>\$ 4,934,166</u>	<u>\$ 61,057,800</u>	<u>\$ 3,113,573</u>

Compensated absences, total OPEB liability, total pension liability, and net pension liabilities for governmental activities have typically been liquidated in the General Fund.

#### Direct Placement - Bonds Payable

The outstanding balances for direct placement bonds as of June 30, 2019 are as follows:

	Balance as of June 30, 2019
<b>General obligation bonds</b>	
\$14,670,000 2015 Public improvement bonds due in annual installments of \$565,000 to \$1,710,000 through August 2036; interest varying from 2.0 to 5.0 percent.	\$ 12,950,000
\$6,050,000 2011 Taxable public improvements bonds due in annual installments of \$115,000 to \$450,000 through February 1 2031; interest varying from 1.05 to 5.25 percent.	4,835,000
\$9,805,000 2014 Public improvements bonds due in annual installments of \$250,000 to \$1,000,000 through August 1, 2034; interest varying from 2.0 to 4.0 percent.	8,555,000
\$4,050,000 2018 Public improvements bonds due in annual installments of \$120,000 to \$480,000 through August 1, 2032; interest varying from 3.0 to 5.0 percent.	4,050,000
Total General Obligation Bonds	<u>\$ 30,390,000</u>

## NOTES TO FINANCIAL STATEMENTS

### NOTE 7. LONG-TERM DEBT (CONTINUED)

The debt service to maturity on the bonds payable is as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year Ending June 30,			
2020	\$ 1,135,000	\$ 1,143,835	\$ 2,278,835
2021	1,145,000	1,096,822	2,241,822
2022	1,610,000	1,048,736	2,658,736
2023	1,610,000	983,213	2,593,213
2024	1,610,000	914,651	2,524,651
2025-2029	8,610,000	3,534,662	12,144,662
2030-2034	9,630,000	1,762,862	11,392,862
2035-2038	5,040,000	271,445	5,311,445
Total	<u>\$ 30,390,000</u>	<u>\$ 10,756,226</u>	<u>\$ 41,146,226</u>

#### Direct Borrowing - Promissory notes and installment purchase contracts:

	<u>Balance as of June 30, 2019</u>
<b>Governmental activities</b>	
\$3,620,759 installment refunding due in semi-annual installments of \$229,758 to \$258,546 through June 23, 2021; interest at 1.94%	\$ 929,630
\$710,000 installment purchase contract for vehicles and equipment due in annual installments through September 1, 2020; interest at 1.42%.	359,000
\$660,000 installment purchase contract for vehicles and equipment due in annual installments of \$162,000 to \$168,000 through March 1, 2022; interest at 1.41%	497,987
\$5,519,000 installment loan for refinancing and for the purchase of a parcel of property due in annual installments of \$532,000 to \$564,000 through September 1, 2026; interest at 1.84%	4,387,000
Total promissory notes and installment purchase contracts	<u>6,173,617</u>
Total long-term debt	<u>\$ 36,563,617</u>

The notes above are secured by the underlying assets being financed. If the Town fails to make the required debt service payments, the creditors have the authority to seize the financed assets and hold a sale of the asset to generate the necessary repayment.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 7. LONG-TERM DEBT (CONTINUED)

The debt service to maturity on the promissory notes and installment purchase contracts is as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year Ending June 30,			
2020	\$ 1,376,113	\$ 103,406	\$ 1,479,519
2021	1,366,504	79,157	1,445,661
2022	723,000	57,302	780,302
2023	551,000	44,758	595,758
2024	546,000	34,666	580,666
2025-2027	1,611,000	44,280	1,655,280
Total	<u>\$ 6,173,617</u>	<u>\$ 363,569</u>	<u>\$ 6,537,186</u>

### NOTE 8. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2019 is as follows:

Interfund transfers:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
Capital Projects Fund	General Fund	\$ 1,031,464

Transfers are used to move revenues from the General Fund to the Capital Projects Fund for capital project matching purposes.



## NOTES TO FINANCIAL STATEMENTS

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### NOTE 9. PENSION PLANS

#### A. Local Governmental Employees' Retirement System

**Plan Description.** The Town of Garner is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the state of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and 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](http://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 postretirement benefit increases. Increases are contingent upon actuarial gains of the plan.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 9. PENSION PLANS (CONTINUED)

#### A. Local Governmental Employees' Retirement System (Continued)

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. The Town of Garner employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town of Garner's contractually required contribution rate for the year ended June 30, 2019, was 8.50% of compensation for law enforcement officers and 7.75% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Garner were \$787,467 for the year ended June 30, 2019.

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

At June 30, 2019, the Town reported a liability of \$3,780,327 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017. The total pension liability was then rolled forward to the measurement date of June 30, 2018 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2018, the Town's proportion was 0.15935%, which was a decrease of 0.00134% from its proportion measured as of June 30, 2017.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 9. PENSION PLANS (CONTINUED)

#### A. Local Governmental Employees' Retirement System (Continued)

For the year ended June 30, 2019, the Town recognized pension expense of \$1,044,176. At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 583,215	\$ 19,570
Changes in plan assumptions	1,003,153	-
Net difference between projected and actual earnings on pension plan investments	518,926	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	1,524	33,789
Town contributions subsequent to the measurement date	787,467	-
Total	<u>\$ 2,894,285</u>	<u>\$ 53,359</u>

Town contributions made subsequent to the measurement date of \$787,467 are reported as deferred outflows of resources and will be recognized as a decrease of the net pension liability in the year ending June 30, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

#### Year ending June 30:

2020	\$ 998,645
2021	647,533
2022	109,913
2023	297,368
	<u>\$ 2,053,459</u>

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 9. PENSION PLANS (CONTINUED)

#### A. Local Governmental Employees' Retirement System (Continued)

**Actuarial Assumptions.** The total pension liability as of June 30, 2018 was determined by the December 31, 2017 actuarial valuation using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.50 to 8.10 percent, including inflation and productivity factor
Investment rate of return	7.20 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2019 are summarized in the table on the following page:

## NOTES TO FINANCIAL STATEMENTS

### NOTE 9. PENSION PLANS (CONTINUED)

#### A. Local Governmental Employees' Retirement System (Continued)

<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 2017 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.05%. All rates of return and inflation are annualized.

**Discount rate.** The discount rate used to measure the total pension liability was 7.00%. This was a decrease from the discount rate used in the previous period, which was 7.20%. 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.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 9. PENSION PLANS (CONTINUED)

#### A. Local Governmental Employees' Retirement System (Continued)

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

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Town's proportionate share of the net pension liability (asset)	\$ 9,080,673	\$ 3,780,327	\$ (648,725)

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

#### B. Law Enforcement Officers Special Separation Allowance

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

All full time law enforcement officers of the Town are covered by the Separation Allowance. At December 31, 2017, the date of the most recent actuarial valuation the Separation Allowance's membership consisted of:

Retirees receiving benefits	14
Active plan members	64
Total	<u>78</u>

## NOTES TO FINANCIAL STATEMENTS

### NOTE 9. PENSION PLANS (CONTINUED)

#### B. Law Enforcement Officers Special Separation Allowance (Continued)

**Basis of Accounting.** The Town 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 criteria which are outlined in GASB Statement 73.

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

Inflation	2.50 percent
Salary increases	3.50 to 7.35 percent, including inflation and productivity factor
Discount rate	3.64 percent

**Contributions.** The Town 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 Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The Town paid \$257,275 as benefits came due for the reporting period.

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

At June 30, 2019, the Town reported a total pension liability of \$3,526,070. The total pension liability was measured as of December 31, 2018 based on a December 31, 2017 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2018 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2019, the Town recognized pension expense of \$247,829.

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Experience differences	\$ 210,072	\$ -
Change in assumptions	106,083	124,379
Town benefit payments made subsequent to the measurement date.	124,626	-
Total	<u>\$ 440,781</u>	<u>\$ 124,379</u>

## NOTES TO FINANCIAL STATEMENTS

### NOTE 9. PENSION PLANS (CONTINUED)

#### B. Law Enforcement Officers Special Separation Allowance (Continued)

The town reported \$124,626 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 ending June 30, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year ending June 30:**

2020	\$ 48,756
2021	48,756
2022	54,250
2023	34,714
2024	5,300
	<u>\$ 191,776</u>

**Changes in the Total Pension Liability.** The changes in the total pension liability of the Town for the fiscal year ended June 30, 2019 were as follows:

	<b>Total Pension Liability</b>
Balance at June 30, 2018	\$ 3,486,839
Service Cost	117,732
Interest	105,519
Experience differences	226,443
Assumption changes	(115,183)
Benefit payments	(295,280)
Balance at June 30, 2019	<u>\$ 3,526,070</u>



## NOTES TO FINANCIAL STATEMENTS

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### NOTE 9. PENSION PLANS (CONTINUED)

#### B. Law Enforcement Officers Special Separation Allowance (Continued)

The required schedule of changes in the Town's total pension liability and related ratios immediately following the notes to the financial statements presents multiyear trend information.

**Sensitivity of the Town's total pension liability to changes in the discount rate.** The following presents the Town's total pension liability calculated using the discount rate of 3.64 percent, as well as what the Town's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.64 percent) or 1-percentage-point higher (4.64 percent) than the current rate:

	1% Decrease (2.64%)	Current Discount Rate (3.64%)	1% Increase (4.64%)
Total pension liability	\$ 3,770,948	\$ 3,526,070	\$ 3,299,662

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

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

#### C. Supplemental Retirement Income Plan for Law Enforcement Officers

**Plan Description.** The Town 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 Town. 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. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 9. PENSION PLANS (CONTINUED)

#### C. Supplemental Retirement Income Plan for Law Enforcement Officers (Continued)

**Funding Policy.** Article 12E of G.S. Chapter 143 requires the Town to contribute, each month, an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2019 were \$316,693 which consisted of \$205,728 from the Town and \$110,965 from the law enforcement officers.

#### D. Supplemental Retirement Income Plan for Employees Other than Law Enforcement Officers

All other permanent full-time employees of the Town (excluding law enforcement officers) also participate in the Supplemental Retirement income Plan, a defined contribution pension plan as described previously. The Plan is a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Town contributes each month an amount equal to 3% of each employee's salary, and all amounts contributed are vested immediately. Also, these employees may make voluntary contributions to the plan. Contributions for the year ended June 30, 2019 were \$472,112, which consisted of \$315,468 from the Town and \$156,644 from the employees.

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## NOTES TO FINANCIAL STATEMENTS

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### NOTE 10. OTHER POSTEMPLOYMENT BENEFITS

**Plan Description and Benefits Provided.** Under the terms of a Town resolution, the Town administers a single-employer defined benefit Healthcare Benefits Plan (the “HCB Plan”). This plan provides postemployment healthcare benefits to retirees of the Town, provided they retire from the North Carolina Local Governmental Employees’ Retirement System with an unreduced retirement benefit, and are actively employed with the Town at the time of retirement.

Retirees hired prior to May 1, 2011 must have at least twenty (20) years of service with the Town, or have at least fifteen (15) years of service with the Town and have attained age sixty-two (62). The Town pays the full cost of coverage for these benefits through private insurers. Health insurance coverage is also available to employees eligible to retire at age sixty-two (62) after five (5) years of service with the Town provided the employee pays the monthly premium. The retiree may continue dependent coverage at the Town’s group rate if enrolled in dependent health coverage at the time of retirement.

Retirees hired on or after May 1, 2011 must have completed twenty-five (25) years of continuous full-time service with the Town immediately prior to retirement. The Town will contribute 50% of the July 1, 2010 employee-only health plan monthly premium (\$222.49). Health insurance coverage is also available to employees eligible to retire at age sixty-two (62) after five (5) years of service with the Town provided the employee pays the monthly premium. The retiree may continue dependent coverage at the Town’s group rate if enrolled in dependent health coverage at the time of retirement.

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 and a separate report was not issued for the plan.

Membership of the HCB Plan consisted of the following at June 30, 2018, the date of the latest actuarial valuation:

Active participants	165
Retirees and beneficiaries currently receiving benefits	<u>48</u>
Total	<u><u>213</u></u>

The plan was closed to new entrants on August 22, 2014.

**Contributions.** The Town Council has elected to fund the HCB Plan on a “pay as you go” basis. Per the Town resolution, retirees are able to continue to receive health insurance at active employee rates, subsidized by Town contributions. For the fiscal year ended June 30, 2019, the Town contributed \$343,924 for the pay as you go benefits for the HCB Plan.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 10. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

#### *Total OPEB Liability*

The Town's total OPEB liability of \$14,852,366 was measured as of June 30, 2018 and was determined by an actuarial valuation as of June 30, 2018.

**Actuarial assumptions and other inputs.** The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation rate	2.50%
Real wage growth	1.00%
Wage inflation	3.50%
Salary increase, including wage inflation	
General employees	3.50% - 7.75%
Law Enforcement Officers	3.50% - 7.35%
Municipal bond index rate	
Prior measurement date	3.56%
Measurement date	3.89%
Health care cost trends	
Pre-medicare	7.25% - 4.75%, Ultimate Trend in 2028
Medicare	5.38% - 4.75%, Ultimate Trend in 2022

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

**Changes in the Total OPEB Liability.** The changes in the total OPEB liability for the Town for the fiscal year ended June 30, 2019 were as follows:

	<b>Total OPEB Liability</b>
Balance at June 30, 2018	\$ 15,245,101
Service Cost	388,709
Interest	535,824
Experience differences	(271,569)
Assumption changes	(654,520)
Benefit payments	(391,179)
Balance at June 30, 2019	<u>\$ 14,852,366</u>

Change in assumption and other inputs reflect a change in the discount rate from 3.56% to 3.89%. The current mortality rates were based on the RP-2014 mortality tables, with adjustments for LGERS experience and generational mortality improvements using Scale MP-2015. The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 10. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

#### *Total OPEB Liability (Continued)*

**Sensitivity of the total OPEB liability to changes in the discount rate.** The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.89 percent) or 1-percentage-point higher (4.89 percent) than the current discount rate:

	<b>1% Decrease (2.89%)</b>	<b>Current Discount Rate (3.89%)</b>	<b>1% Increase (4.89%)</b>
Total OPEB liability	\$ 17,506,096	\$ 14,852,366	\$ 12,759,787

**Sensitivity of the total OPEB liability to changes in the healthcare cost trend rate.** The following presents the total OPEB liability of the Town, as well as what the Town'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:

	<b>1% Decrease</b>	<b>Current</b>	<b>1% Increase</b>
Total OPEB liability	\$ 12,636,467	\$ 14,852,366	\$ 17,689,112

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revisions as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. Calculations are based on the substantive plan in effect as of June 30, 2018 and the current sharing pattern of costs between employer and inactive employees.

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

For the year ended June 30, 2019 the Town recognized OPEB expense of \$618,492. At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 4,455	\$ 236,930
Changes in plan assumptions	-	1,768,501
Town contributions subsequent to the measurement date	343,924	-
Total	<u>\$ 348,379</u>	<u>\$ 2,005,431</u>

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 10. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

#### *OPEB Expense and Deferred Outflows and Deferred Inflows of Resources Related to OPEB (Continued)*

Town contributions made subsequent to the measurement date of \$343,924 are reported as deferred outflows of resources and will be recognized as a decrease of the total pension liability in the year ending June 30, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year ending June 30:**

2019	\$	(320,673)
2020		(320,673)
2021		(320,673)
2022		(320,673)
2023		(320,673)
Thereafter		(397,611)
	\$	<u>(2,000,976)</u>

### NOTE 11. OTHER EMPLOYMENT BENEFITS

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

The Town also provides an additional death benefit which provides the beneficiaries of those employees who die in active service a lump sum death benefit equal to the employee's salary, but the benefit may not exceed \$100,000.

## NOTES TO FINANCIAL STATEMENTS

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### **NOTE 12. RISK MANAGEMENT**

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

The Town 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 Town does not carry flood insurance because flood plain maps show insignificant property values within flood plains.

In accordance with G.S. 159-29, the Town's employees that have access to \$100 or more at any given time of the Town's funds are performance bonded through a commercial surety bond. The Finance Director, Town Manager, and tax collector are each individually bonded for \$50,000. The remaining employees that have access to funds are bonded under a blanket bond for \$50,000.

### **NOTE 13. COMMITMENTS AND CONTINGENT LIABILITIES**

#### **Litigation:**

The government is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of management and legal counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the Town.

#### **Grant Contingencies:**

The Town has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to the disallowance of certain expenditures previously reimbursed by those agencies. Based upon prior experience, management of the Town believes such disallowances, if any, will not be significant.

## REQUIRED SUPPLEMENTARY INFORMATION

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**TOWN OF GARNER, NORTH CAROLINA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY**  
**JUNE 30, 2019**

**LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE**

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total pension liability, beginning balance	\$ 3,486,839	\$ 3,313,668	\$ 3,414,080
Service Cost	117,732	99,562	110,693
Interest on the total pension liability	105,519	122,858	117,231
Difference between expected and actual experience	226,443	42,785	-
Changes of assumptions or other inputs	(115,183)	169,607	(67,766)
Benefit payments	(295,280)	(261,641)	(260,570)
Total pension liability, ending balance	<u>\$ 3,526,070</u>	<u>\$ 3,486,839</u>	<u>\$ 3,313,668</u>

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

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

**TOWN OF GARNER, NORTH CAROLINA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF TOTAL PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL**  
**LAST THREE FISCAL YEARS**  
**LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE**

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	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total pension liability	\$ 3,526,070	\$ 3,486,839	\$ 3,313,668
Town's covered payroll	\$ 4,183,629	\$ 4,117,105	\$ 4,363,230
Total pension liability as a percentage of covered payroll	84.28%	84.69%	75.95%

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

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

**TOWN OF GARNER, NORTH CAROLINA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**OPEB HEALTHCARE BENEFIT PLAN**  
**SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY**  
**AND RELATED RATIOS**

	<u>2019</u>	<u>2018</u>
Total OPEB liability		
Service cost	\$ 388,709	\$ 444,708
Interest on total OPEB liability	535,824	484,665
Difference between expected and actual experience	(271,569)	5,967
Changes of assumptions and other inputs	(654,520)	(1,604,076)
Benefit payments	(391,179)	(373,205)
<b>Net change in total OPEB liability</b>	<u>(392,735)</u>	<u>(1,041,941)</u>
<b>Total OPEB liability - beginning</b>	<u>15,245,101</u>	<u>16,287,042</u>
<b>Total OPEB liability - ending</b>	<u><u>\$ 14,852,366</u></u>	<u><u>\$ 15,245,101</u></u>
 <b>Covered-employee payroll</b>	 \$ 9,675,324	 \$ 8,878,383
 <b>Total OPEB liability as a percentage of covered-employee payroll</b>	 153.5%	 171.7%

**Notes to the Schedule:**

The schedule will present 10 years of information once it is accumulated.

The Town is not accumulating assets in a trust fund that meets the criteria in paragraph 4 of GASB Statement No. 75 for payment of future OPEB benefits.

**TOWN OF GARNER, NORTH CAROLINA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**TOWN OF GARNER'S PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET)**  
**LAST SIX FISCAL YEARS\***  
**LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM**

	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Town's proportion of the net pension liability (asset) (%)	0.15935%	0.16069%	0.16521%	0.15980%	0.16120%	0.16520%
Town's proportion of the net pension liability (asset) (\$)	\$ 3,780,327	\$ 2,454,898	\$ 3,506,311	\$ 717,174	\$ (950,671)	\$ 1,991,294
Town's covered payroll	\$ 10,004,274	\$ 9,946,981	\$ 9,447,504	\$ 9,229,581	\$ 9,063,665	\$ 8,685,568
Town's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	37.79%	24.68%	37.11%	7.77%	( 10.49%)	22.93%
Plan fiduciary net position as a percentage of the total pension liability	91.63%	94.18%	91.47%	98.09%	102.64%	94.35%

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

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

**TOWN OF GARNER, NORTH CAROLINA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF TOWN OF GARNER'S CONTRIBUTIONS**  
**LAST SIX FISCAL YEARS**  
**LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM**

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	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 787,467	\$ 782,069	\$ 756,263	\$ 651,988	\$ 669,335	\$ 648,964
Contributions in relation to the contractually required contribution	787,467	782,069	756,263	651,988	669,335	648,964
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered payroll	\$ 10,490,544	\$ 10,004,274	\$ 9,946,981	\$ 9,447,504	\$ 9,229,581	\$ 9,063,665
Contributions as a percentage of covered payroll	7.51%	7.82%	7.60%	6.90%	7.25%	7.16%

# TOWN OF GARNER, NORTH CAROLINA

## NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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**Method and assumptions used in calculations of actuarially determined contributions :** The actuarially determined contribution rates in the schedule of contributions are calculated as of December 31, one year prior to the end of the fiscal year in which contributions are reported. The following actuarial methods and assumptions were used to determine the contractually required contributions for year ended June 30, 2018 reported in that schedule:

Valuation date	December 31, 2017
Actuarial cost method	Frozen Entry age
Amortization method	Level dollar, closed
Remaining amortization period	12 years
Asset valuation method	Assets return in excess of or less than the expected return on market value of assets reflected over a five-year period and not less than 80% of market value)
Inflation rate	3.00%
Salary increases	3.50 - 8.10%, including inflation
Investment rate of return	7.00%, net of pension plan investment expense, including inflation

## **SUPPLEMENTARY INFORMATION**

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**TOWN OF GARNER, NORTH CAROLINA**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - BUDGET AND ACTUAL (BUDGETARY BASIS)**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	Budget			Variance With
	Original	Final	Actual	Final Budget
Revenues				
Ad valorem taxes:				
Current year	\$ 19,104,506	\$ 19,104,506	\$ 19,397,814	\$ 293,308
Prior year	60,500	60,500	76,573	16,073
Penalties and interest	44,800	44,800	46,523	1,723
Total ad valorem taxes	19,209,806	19,209,806	19,520,910	311,104
Other taxes and licenses:				
ABC mixed beverage	135,000	135,000	144,929	9,929
Local option sales taxes	6,691,875	6,691,875	6,881,083	189,208
Solid waste disposal tax	20,000	20,000	22,301	2,301
Rental taxes	-	-	280	280
Total other taxes and licenses	6,846,875	6,846,875	7,048,593	201,718
Intergovernmental revenues:				
Beer and wine tax	135,000	135,000	129,694	(5,306)
Utility franchise tax	1,866,000	1,866,000	2,050,802	184,802
Video programming fees	249,000	249,000	239,910	(9,090)
Powell Bill allocation	745,000	745,000	754,598	9,598
PEG channel funds	63,166	63,166	67,299	4,133
Federal asset forfeiture	-	-	6,616	6,616
Controlled substances tax	10,000	10,000	10,693	693
Build America Bond - interest reimbursement	73,770	73,770	74,605	835
Federal grants	3,575	3,575	2,496	(1,079)
State grants	83,320	83,320	-	(83,320)
Wake County grants	106,136	106,136	107,074	938
Total intergovernmental revenues	3,334,967	3,334,967	3,443,787	108,820
Sales and service:				
Recreation fees	236,848	236,848	260,318	23,470
Facility rentals	260,000	260,000	257,806	(2,194)
Sanitation fees	28,775	28,775	46,658	17,883
Dental insurance fees	-	-	84,691	84,691
Third-party bill collection	4,950	4,950	4,572	(378)
Street repairs	20,000	20,000	40,944	20,944
Right of way mowing	23,000	23,000	30,227	7,227
Total sales and service	573,573	573,573	725,216	151,643

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**TOWN OF GARNER, NORTH CAROLINA**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - BUDGET AND ACTUAL (BUDGETARY BASIS)**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	Budget		Actual	Variance With Final Budget
	Original	Final		
Permits and fees:				
Police outside employment	225,000	225,000	243,648	18,648
Animal license	500	500	755	255
Planning and zoning fees	31,000	31,000	41,560	10,560
Inspection fees	1,325,980	1,387,716	1,706,036	318,320
Business registration	17,000	17,000	19,548	2,548
Fee in lieu of park land	-	256,284	377,441	121,157
Special event permits	700	700	890	190
Retention pond fees	-	-	800	800
Rental property registration fees	-	-	665	665
False alarm charges	10,300	10,300	17,750	7,450
Taxi cab inspection fees	-	-	20	20
Total permits and fees	1,610,480	1,928,500	2,409,113	480,613
Investment earnings	410,000	503,000	711,823	208,823
Miscellaneous revenues	163,250	256,607	401,000	144,393
Total revenues	32,148,951	32,653,328	34,260,442	1,607,114
<b>Expenditures</b>				
<b>Current:</b>				
<b>General government:</b>				
Governing body:				
Salaries and employee benefits	133,001	133,001	123,208	9,793
Operating expenditures	68,118	68,118	61,954	6,164
Professional services	38,250	38,250	34,011	4,239
Contract services	4,300	4,300	4,030	270
Total	243,669	243,669	223,203	20,466
Administration:				
Salaries and employee benefits	1,272,510	1,272,510	1,236,987	35,523
Operating expenditures	270,409	264,616	224,824	39,792
Professional services	104,750	168,750	167,201	1,549
Contract services	124,079	124,079	134,161	(10,082)
Retiree insurance	404,048	404,048	343,924	60,124
Other insurance	560,910	560,910	644,377	(83,467)
Total	2,736,706	2,794,913	2,751,474	43,439
Finance:				
Salaries and employee benefits	568,601	568,601	518,978	49,623
Operating expenditures	30,479	30,479	29,632	847
Professional services	57,914	72,914	70,075	2,839
Contract services	195,271	253,018	266,158	(13,140)
Total	852,265	925,012	884,843	40,169
Economic development:				
Salaries and employee benefits	192,706	192,706	194,020	(1,314)
Operating expenditures	98,908	163,701	147,081	16,620
Contract services	10,800	15,800	10,501	5,299
Total	302,414	372,207	351,602	20,605

*continued*

**TOWN OF GARNER, NORTH CAROLINA**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - BUDGET AND ACTUAL (BUDGETARY BASIS)**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	Budget		Actual	Variance With Final Budget
	Original	Final		
Planning:				
Salaries and employee benefits	653,859	653,859	650,160	3,699
Operating expenditures	45,763	46,263	33,856	12,407
Professional services	6,000	11,900	11,909	(9)
Contract services	54,068	77,668	43,533	34,135
Total	759,690	789,690	739,458	50,232
Engineering:				
Salaries and employee benefits	579,818	617,114	583,847	33,267
Operating expenditures	26,702	31,702	31,332	370
Contract services	4,260	160,760	21,461	139,299
Total	610,780	809,576	636,640	172,936
Information Technology:				
Salaries and employee benefits	314,628	353,285	338,519	14,766
Operating expenditures	145,665	325,827	324,588	1,239
Professional services	3,500	3,500	3,361	139
Contract services	81,342	113,285	112,594	691
Total	545,135	795,897	779,062	16,835
Building maintenance:				
Salaries and employee benefits	363,305	363,305	322,243	41,062
Operating expenditures	439,922	410,922	357,507	53,415
Contract services	222,635	243,250	172,293	70,957
Total	1,025,862	1,017,477	852,043	165,434
Vehicle maintenance:				
Salaries and employee benefits	312,648	312,648	300,009	12,639
Operating expenditures	41,973	41,973	45,668	(3,695)
Contract services	9,886	9,886	14,882	(4,996)
Capital outlays	-	10,595	-	10,595
Total	364,507	375,102	360,559	14,543
Total general government	7,441,028	8,123,543	7,578,884	544,659
<b>Public Safety:</b>				
Police:				
Salaries and employee benefits	7,055,312	7,055,312	6,972,911	82,401
Operating expenditures	566,105	658,407	607,813	50,594
Professional services	13,400	13,400	12,845	555
Contract services	547,541	547,541	534,746	12,795
Capital outlays	331,882	376,882	349,992	26,890
Total	8,514,240	8,651,542	8,478,307	173,235
Inspections:				
Salaries and employee benefits	1,037,058	1,027,998	975,066	52,932
Operating expenditures	53,534	56,534	41,374	15,160
Contract services	7,323	7,323	6,460	863
Capital outlays	-	-	737	(737)
Total	1,097,915	1,091,855	1,023,637	68,218

*continued*

**TOWN OF GARNER, NORTH CAROLINA**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - BUDGET AND ACTUAL (BUDGETARY BASIS)**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	Budget		Actual	Variance With Final Budget
	Original	Final		
<b>Fire Department:</b>				
Operating expenditures	32,409	32,409	227,455	(195,046)
Contract services	3,375,612	3,395,612	3,176,946	218,666
Total	3,408,021	3,428,021	3,404,401	23,620
Total public safety	13,020,176	13,171,418	12,906,345	265,073
<b>Transportation:</b>				
Transportation:				
Salaries and employee benefits	380,813	380,813	370,733	10,080
Operating expenditures	19,696	19,696	19,671	25
Contract services	8,912	8,912	8,187	725
Capital outlays	132,085	117,085	107,379	9,706
Total	541,506	526,506	505,970	20,536
Street repair and construction:				
Salaries and employee benefits	970,669	970,669	910,958	59,711
Operating expenditures	1,578,265	2,111,065	1,553,753	557,312
Contract services	419,066	442,466	288,066	154,400
Capital outlays	396,299	396,299	306,164	90,135
Total	3,364,299	3,920,499	3,058,941	861,558
Total transportation	3,905,805	4,447,005	3,564,911	882,094
<b>Environmental Protection:</b>				
Sanitation:				
Operating expenditures	347,574	347,574	427,182	(79,608)
Contract services	1,604,595	1,604,595	1,614,612	(10,017)
Total	1,952,169	1,952,169	2,041,794	(89,625)
<b>Culture and Recreation:</b>				
Administration:				
Salaries and employee benefits	278,622	278,622	280,737	(2,115)
Operating expenditures	24,920	24,920	32,827	(7,907)
Contract services	214,565	214,565	70,385	144,180
Capital outlays	-	2,400,000	2,402,122	(2,122)
Total	518,107	2,918,107	2,786,071	132,036
Recreation programs:				
Salaries and employee benefits	1,333,943	1,308,943	1,194,339	114,604
Operating expenditures	413,606	413,606	399,275	14,331
Professional services	-	-	-	-
Contract services	182,619	182,619	116,214	66,405
Capital outlays	-	-	-	-
Total	1,930,168	1,905,168	1,709,828	195,340

*continued*

**TOWN OF GARNER, NORTH CAROLINA**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - BUDGET AND ACTUAL (BUDGETARY BASIS)**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	Budget		Actual	Variance With Final Budget
	Original	Final		
Park maintenance and development:				
Salaries and employee benefits	845,994	845,994	853,851	(7,857)
Operating expenditures	168,538	168,538	159,297	9,241
Contract services	29,000	63,000	49,125	13,875
Total	1,043,532	1,077,532	1,062,273	15,259
Total culture and recreation	3,491,807	5,900,807	5,558,172	342,635
<b>Debt Service:</b>				
Principal	2,555,492	2,555,492	2,548,501	6,991
Interest	1,162,237	1,162,237	1,224,605	(62,368)
Total debt service	3,717,729	3,717,729	3,773,106	(55,377)
 Total expenditures	 33,528,714	 37,312,671	 35,423,212	 1,889,459
 Deficiency of revenues over expenditures	 (1,379,763)	 (4,659,343)	 (1,162,770)	 3,496,573
<b>Other financing sources (uses)</b>				
Fund balance appropriation	2,601,238	6,860,647	-	(6,860,647)
Transfers out	(1,266,475)	(2,246,304)	(1,031,464)	1,214,840
Proceeds from sale of capital assets	45,000	45,000	29,748	(15,252)
Issuance of note payable	-	-	-	-
Total other financing sources (uses)	1,379,763	4,659,343	(1,001,716)	(5,661,059)
 Net change in fund balances	 \$ -	 \$ -	 (2,164,486)	 \$ (2,164,486)
 <b>Fund balance, beginning of year</b>			 30,594,188	
 <b>Fund balance, end of year</b>			 \$ 28,429,702	

**TOWN OF GARNER, NORTH CAROLINA**  
**CAPITAL PROJECTS FUND**

**SCHEDULE OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BASIS)**  
**PROJECT LIFE AS OF JUNE 30, 2019**

	Project Budget	Prior Years	Actual Current Year	Total
<b>REVENUES</b>				
Intergovernmental	\$ 8,645,383	\$ 2,855,580	\$ 330,567	\$ 3,186,147
Investment earnings	218,595	253,547	120,488	374,035
Contributions	529,234	178,449	-	178,449
Total revenues	9,393,212	3,287,576	451,055	3,738,631
<b>EXPENDITURES</b>				
Parks and recreation improvements	2,489,612	1,290,293	90,949	1,381,242
Town Hall/Police Station	15,223,315	14,243,731	237,611	14,481,342
Sewer outfall project	1,040,944	48,780	78,814	127,594
Timber Drive	1,844,410	1,857,971	-	1,857,971
Vandora/Buffalo roundabout	333,825	333,824	-	333,824
US 70 Highway improvements	11,556,313	6,295,480	-	6,295,480
Recreation center	10,902,140	6,934,970	3,076,356	10,011,326
Redevelopment	1,811,587	1,474,566	375,280	1,849,846
Street & sidewalk improvements	13,261,320	4,642,322	580,185	5,222,507
Debt expenditures	711,306	455,032	112,704	567,736
Total expenditures	59,174,772	37,576,969	4,551,899	42,128,868
Deficiency of revenues over expenditures	(49,781,560)	(34,289,393)	(4,100,844)	(38,390,237)
<b>OTHER FINANCING SOURCES</b>				
Proceeds from debt issuance	38,566,000	27,325,000	4,050,000	5,391,611
Premium on bond issuance	1,427,131	1,341,611	157,717	27,482,717
Transfers in	9,788,429	8,284,914	1,031,464	9,316,378
Total other financing sources	49,781,560	36,951,525	5,239,181	42,190,706
Net change in fund balance	\$ -	\$ 2,662,132	1,138,337	\$ 3,800,469
<b>FUND BALANCE, beginning of year</b>			2,662,132	
<b>FUND BALANCE, end of year</b>			\$ 3,800,469	

**TOWN OF GARNER, NORTH CAROLINA**  
**WATER AND SEWER FEES AGENCY FUND**

**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**FOR THE YEAR ENDED JUNE 30, 2019**

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	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
<b>ASSETS</b>				
Cash and cash equivalents	\$ 56,037	\$ 651,781	\$ 707,818	\$ -
Accounts receivable	21,731	651,781	651,781	21,731
Total assets	<u>\$ 77,768</u>	<u>\$ 1,303,562</u>	<u>\$ 1,359,599</u>	<u>\$ 21,731</u>
<b>LIABILITIES</b>				
Intergovernmental payable	<u>\$ 77,768</u>	<u>\$ 1,303,562</u>	<u>\$ 1,359,599</u>	<u>\$ 21,731</u>

# TOWN OF GARNER, NORTH CAROLINA

## SCHEDULE OF AD VALOREM TAXES RECEIVABLE JUNE 30, 2019

Fiscal Year	Uncollected Balance June 30, 2018	Additions	Collections And Credits	Uncollected Balance June 30, 2019
2019-2020	\$ -	\$ 37,750	\$ 15,896	\$ 21,854
2018-2019	31,884	19,376,922	19,359,021	49,785
2017-2018	33,984	44,894	66,694	12,184
2016-2017	13,073	1,316	6,751	7,638
2015-2016	6,826	1,830	4,287	4,369
2014-2015	19,096	2,513	3,599	18,010
2013-2014	30,332	4,325	5,510	29,147
2012-2013	43,911	-	588	43,323
2011-2012	43,402	-	228	43,174
2010-2011	35,494	-	277	35,217
2009-2010	35,486	-	35,486	-
	<u>\$ 293,488</u>	<u>\$ 19,469,550</u>	<u>\$ 19,482,441</u>	<u>264,701</u>
Less: allowance for uncollectible accounts General Fund				<u>193,060</u>
Ad valorem taxes receivable - net				<u>\$ 71,641</u>
<u>Reconciliation to revenues:</u>				
Ad valorem taxes - General Fund				\$ 19,520,910
Reconciling items:				
Releases and write-offs				42,614
Change in allowance for doubtful accounts				(34,560)
Interest collected				(46,523)
Total collections and credits				<u>\$ 19,482,441</u>

# TOWN OF GARNER, NORTH CAROLINA

## ANALYSIS OF CURRENT TAX LEVY TOWN-WIDE LEVY JUNE 30, 2019

	Town - Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Real and personal property	\$ 3,505,840,188	0.5325	\$ 18,668,599	\$ 16,511,626	\$ 2,156,973
Public service company	133,018,404	0.5325	708,323	708,323	-
Penalties	-		1,782	-	-
Total	<u>3,638,858,592</u>		<u>19,378,704</u>	<u>17,219,949</u>	<u>2,156,973</u>
Discoveries:					
Prior year taxes	10,305,540	0.5325	54,877	54,877	-
Penalties	-		6,564	-	-
Total	<u>10,305,540</u>		<u>61,441</u>	<u>54,877</u>	<u>-</u>
Abatements	<u>(1,019,155)</u>	0.5325	<u>(5,427)</u>	<u>(5,427)</u>	<u>-</u>
Total property valuation	<u>\$ 3,648,144,977</u>				
Net levy			19,426,372	17,269,399	2,156,973
Uncollected taxes at June 30, 2019			<u>(49,785)</u>	<u>(49,785)</u>	<u>-</u>
Current year's taxes collected			<u>\$ 19,376,587</u>	<u>\$ 17,219,614</u>	<u>\$ 2,156,973</u>
Current levy collection percentage			<u>99.74%</u>	<u>99.71%</u>	<u>100.00%</u>



## STATISTICAL SECTION

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This part of the Town of Garner's 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 government's overall financial health.

<b>Contents</b>	<b>Page</b>
Financial Trends <i>These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.</i>	69-76
Revenue Capacity <i>These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.</i>	77-82
Debt Capacity <i>These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.</i>	83-87
Demographic and Economic Information <i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.</i>	88-90
Operating Information <i>These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.</i>	91-95

**Town of Garner, North Carolina**  
**Governmental Net Position**  
**Last Ten Fiscal Years**  
**(Unaudited)**

Table 1  
Page 1 of 2

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Governmental Activities				
Net investment in capital assets	\$ 73,287,732	\$ 65,859,876	\$ 64,781,668	\$ 63,035,753
Restricted	148,090			
Stabilization by state statute	-	1,345,242	1,360,720	1,940,597
Streets	-	271,766	405,797	484,250
Law enforcement	-	-	-	20,396
Capital projects	-	-	683,398	-
Unrestricted	<u>15,250,782</u>	<u>16,650,305</u>	<u>16,984,241</u>	<u>16,913,915</u>
 Total governmental activities net position	 <u><u>\$ 88,686,604</u></u>	 <u><u>\$ 84,127,189</u></u>	 <u><u>\$ 84,215,824</u></u>	 <u><u>\$ 82,394,911</u></u>

Note:

The change in the classifications of fund balance amounts in 2011 is discussed in Management's Discussion and Analysis.

\*\*Prior year amounts have not been restated for the implementation of Statement 54.

**Town of Garner, North Carolina**  
**Governmental Net Position**  
**Last Ten Fiscal Years**  
**(Unaudited)**

Table 1  
Page 2 of 2

<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
\$ 65,505,673	\$ 63,979,719	\$ 61,370,282	\$ 61,066,119	\$ 60,841,862	\$ 63,713,621
3,761,936	3,974,251	2,943,559	3,508,572	3,358,985	3,688,276
615,932	662,812	570,628	836,096	773,055	117,777
34,294	95,480	100,429	37,002	40,479	47,095
-	-	-	-	-	-
<u>15,732,218</u>	<u>16,977,444</u>	<u>21,214,333</u>	<u>18,423,099</u>	<u>6,371,951</u>	<u>3,271,208</u>
<u><u>\$ 85,650,053</u></u>	<u><u>\$ 85,689,706</u></u>	<u><u>\$ 86,199,231</u></u>	<u><u>\$ 83,870,888</u></u>	<u><u>\$ 71,386,332</u></u>	<u><u>\$ 70,837,977</u></u>

**Town of Garner, North Carolina**  
**Changes in Governmental Net Position**  
**Last Ten Fiscal Years**  
**(accrual basis of accounting)**  
**(Unaudited)**

Table 2  
Page 1 of 2

<b>FUNCTIONS/PROGRAMS</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
<b>Expenses</b>					
Government activities:					
General government	\$ 6,822,627	\$ 6,681,939	\$ 6,132,147	\$ 6,552,537	\$ 6,766,914
Public safety	9,476,699	9,538,923	9,743,696	9,803,267	10,216,257
Transportation	5,336,617	5,229,693	5,326,310	4,836,477	4,834,011
Environmental protection	1,920,656	1,663,545	1,744,989	1,729,033	1,736,723
Cultural/recreational	2,809,490	2,964,727	2,933,020	3,037,853	2,951,491
Interest on long-term debt	256,299	384,113	582,873	567,914	637,528
<b>Total governmental activities</b>	<b>26,622,388</b>	<b>26,462,940</b>	<b>26,463,035</b>	<b>26,527,081</b>	<b>27,142,924</b>
<b>Program Revenues</b>					
Governmental Activities:					
Charges for services					
General government	244,097	128,207	181,811	347,772	2,225,404
Public safety	594,963	463,281	576,322	586,925	805,086
Transportation	85,991	35,978	88,269	46,688	31,812
Environmental protection	116,506	167,229	104,429	109,500	31,980
Cultural & recreational	273,510	261,683	267,830	504,361	811,357
Interest on long-term debt	27,999	22,402	16,799	11,199	-
Operating grants and contributions	866,550	946,980	1,043,468	1,016,612	965,124
Capital grants and contributions	132,427	55,132	2,559,425	263,678	1,578,562
<b>Total program revenues</b>	<b>2,342,043</b>	<b>2,080,892</b>	<b>4,838,353</b>	<b>2,886,735</b>	<b>6,449,325</b>
<b>Total Governmental net (expense)/revenue</b>	<b>(24,280,345)</b>	<b>(24,382,048)</b>	<b>(21,624,682)</b>	<b>(23,640,346)</b>	<b>(20,693,599)</b>
<b>Revenues</b>					
Governmental Activities:					
General Revenues:					
Property taxes	\$ 14,921,267	\$ 14,786,084	\$ 14,770,016	\$ 14,804,481	\$ 15,426,294
Sales taxes	4,045,884	4,344,010	4,324,449	4,470,661	4,858,268
Other taxes	1,782,096	1,942,599	1,928,686	2,208,444	1,841,516
Grants and contributions					
not restricted to specific programs	2,357	13,750	9,500	799	500
Unrestricted investment earnings	40,177	28,323	17,852	11,189	6,992
Other	520,135	574,615	662,815	512,043	1,815,171
<b>Total general revenues</b>	<b>21,311,916</b>	<b>21,689,381</b>	<b>21,713,318</b>	<b>22,007,617</b>	<b>23,948,741</b>
<b>Changes in net position</b>	<b>(2,968,429)</b>	<b>(2,692,667)</b>	<b>88,636</b>	<b>(1,632,729)</b>	<b>3,255,142</b>
<b>Net position, beginning of year</b>	<b>77,207,952</b>	<b>88,686,604</b>	<b>84,127,189</b>	<b>84,215,824</b>	<b>82,394,911</b>
<b>Prior period adjustment</b>	<b>14,447,081</b>	<b>(1,866,748)</b>	<b>-</b>	<b>(188,184)</b>	<b>-</b>
<b>Net position, end of year</b>	<b>\$ 88,686,604</b>	<b>\$ 84,127,189</b>	<b>\$ 84,215,825</b>	<b>\$ 82,394,911</b>	<b>\$ 85,650,053</b>

**Town of Garner, North Carolina**  
**Changes in Governmental Net Position**  
**Last Ten Fiscal Years**  
**(accrual basis of accounting)**  
**(Unaudited)**

Table 2  
Page 2 of 2

<b>FUNCTIONS/PROGRAMS</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
<b>Expenses</b>					
Government activities:					
General government	\$ 5,483,946	\$ 6,855,255	\$ 7,021,774	\$ 7,748,861	\$ 8,235,521
Public safety	10,746,853	11,011,804	12,208,004	12,726,953	13,479,474
Transportation	4,671,100	5,612,182	5,435,823	6,078,817	6,203,524
Environmental protection	1,768,301	1,853,286	1,888,478	1,895,800	2,041,794
Cultural/recreational	3,597,114	3,044,810	3,338,442	3,539,484	4,129,671
Interest on long-term debt	756,985	1,136,933	1,312,239	1,153,007	1,146,684
Total governmental activities	<u>27,024,299</u>	<u>29,514,270</u>	<u>31,204,760</u>	<u>33,142,922</u>	<u>35,236,668</u>
<b>Program Revenues</b>					
Governmental Activities:					
Charges for services					
General government	775,755	1,760,641	1,130,793	380,906	595,942
Public safety	686,758	1,000,264	1,153,200	1,316,971	1,925,344
Transportation	28,254	37,794	59,122	49,897	71,171
Environmental protection	28,600	31,157	20,679	35,070	46,659
Cultural & recreational	419,433	657,107	1,002,668	1,107,134	518,124
Interest on long-term debt	-	-	-	-	-
Operating grants and contributions	1,054,284	876,610	1,009,068	1,095,356	881,239
Capital grants and contributions	1,245,652	129,726	36,311	152,143	331,504
Total program revenues	<u>4,238,736</u>	<u>4,493,299</u>	<u>4,411,841</u>	<u>4,137,477</u>	<u>4,369,983</u>
Total Governmental net (expense)/revenue	<u>(22,785,563)</u>	<u>(25,020,971)</u>	<u>(26,792,919)</u>	<u>(29,005,445)</u>	<u>(30,866,685)</u>
<b>Revenues</b>					
Governmental Activities:					
General Revenues:					
Property taxes	\$ 15,439,837	\$ 17,072,956	\$ 17,817,253	\$ 18,368,348	\$ 19,526,681
Sales taxes	5,284,843	5,826,797	6,064,218	6,208,086	6,881,083
Other taxes	2,570,214	2,167,490	2,573,785	2,384,651	2,626,260
Grants and contributions					
not restricted to specific programs	-				
Unrestricted investment earnings	13,044	148,479	244,541	456,212	832,311
Other	859,609	314,774	146,312	275,925	451,995
Total general revenues	<u>24,167,547</u>	<u>25,530,496</u>	<u>26,846,109</u>	<u>27,693,222</u>	<u>30,318,330</u>
Changes in net position	1,381,984	509,525	53,190	(1,312,223)	(548,355)
Net position, beginning of year	85,650,053	85,689,706	86,199,231	83,870,888	71,386,332
Prior period adjustment	<u>(1,342,331)</u>	<u>-</u>	<u>(2,381,533)</u>	<u>(11,172,333)</u>	<u>-</u>
Net position, end of year	<u>\$ 85,689,706</u>	<u>\$ 86,199,231</u>	<u>\$ 83,870,888</u>	<u>\$ 71,386,332</u>	<u>\$ 70,837,977</u>

**Town of Garner, North Carolina**  
**Fund Balances of Governmental Funds**  
**Last Ten Fiscal Years**  
**(modified accrual basis of accounting)**  
**(Unaudited)**

Table 3  
Page 1 of 2

	2010	2011	2012	2013	2014
<b>General fund</b>					
Reserved	\$ 4,390,881				
Unreserved	15,151,047				
Nonspendable		\$ 113,877	\$ 49,410	\$ 66,393	\$ 127,934
Restricted		1,617,008	1,766,517	2,445,243	2,858,365
Committed		-	-	6,868,750	2,717,555
Assigned		5,404,399	8,220,431	283,940	913,645
Unassigned		13,495,884	13,382,466	14,100,580	14,602,375
Total general fund	<u>\$ 19,541,928</u>	<u>\$ 20,631,168</u>	<u>\$ 23,418,824</u>	<u>\$ 23,764,906</u>	<u>\$ 21,219,874</u>
<b>All other governmental funds</b>					
Reserved					
Unreserved:					
Capital projects	\$ (2,522,694)				
Restricted		\$ 6,857,936	\$ 2,156,493	\$ 823,760	\$ 11,663,140
Committed					2,256,119
Total all other governmental funds	<u>\$ (2,522,694)</u>	<u>\$ 6,857,936</u>	<u>\$ 2,156,493</u>	<u>\$ 823,760</u>	<u>\$ 13,919,259</u>

Note: Due to GASB 54 guidelines, reclassification of fund balance is in effect beginning with Fiscal Year 2011.

**Town of Garner, North Carolina**  
**Fund Balances of Governmental Funds**  
**Last Ten Fiscal Years**  
**(modified accrual basis of accounting)**  
**(Unaudited)**

Table 3  
Page 2 of 2

	2015	2016	2017	2018	2019
<b>General fund</b>					
Reserved					
Unreserved					
Nonspendable	\$ 84,259	\$ 27,685	\$ 43,342	\$ 45,752	\$ 111,008
Restricted	3,473,514	3,440,208	4,364,506	4,172,519	3,853,148
Committed	2,791,034	4,200,667	5,767,055	6,503,558	6,017,106
Assigned	978,865	1,052,211	1,707,136	2,145,498	2,888,904
Unassigned	16,405,277	17,940,081	18,065,140	17,726,861	15,559,536
Total general fund	<u>\$ 23,732,949</u>	<u>\$ 26,660,852</u>	<u>\$ 29,947,179</u>	<u>\$ 30,594,188</u>	<u>\$ 28,429,702</u>
<b>All other governmental funds</b>					
Reserved					
Unreserved:					
Capital projects					
Restricted	\$ 20,944,933	\$ 15,405,693	\$ 6,626,985	\$ 934,509	\$ 2,814,402
Committed	3,019,673	4,633,993	3,183,529	1,727,623	986,067
Total all other governmental funds	<u>\$ 23,964,606</u>	<u>\$ 20,039,686</u>	<u>\$ 9,810,514</u>	<u>\$ 2,662,132</u>	<u>\$ 3,800,469</u>



**Town of Garner, North Carolina**  
**Changes in Fund Balances of Governmental Funds**  
**Last Ten Fiscal Years**  
**(modified accrual basis of accounting)**  
**(Unaudited)**

Table 4  
Page 1 of 2

	2010	2011	2012	2013	2014
<b>REVENUES</b>					
Ad valorem taxes	\$ 14,980,052	\$ 14,876,541	\$ 14,793,235	\$ 14,805,148	\$ 15,467,523
Other taxes and licenses	4,217,586	4,586,384	4,573,911	4,731,561	5,117,135
Intergovernmental revenues	2,756,568	2,844,452	2,918,028	3,356,940	4,408,193
Permits and fees	1,127,074	866,912	1,079,702	1,188,185	3,851,543
Sales and services	467,471	453,915	501,335	551,939	514,268
Investment earnings	40,177	28,324	17,851	11,189	8,092
Other revenues	239,584	289,588	2,730,840	298,156	335,835
<b>Total revenues</b>	<b>23,828,512</b>	<b>24,001,944</b>	<b>26,614,902</b>	<b>24,943,118</b>	<b>29,702,589</b>
<b>EXPENDITURES</b>					
Current					
General government	6,031,883	6,712,757	5,989,612	6,391,794	6,330,924
Public safety	9,415,377	9,309,560	9,554,279	9,797,725	10,646,438
Transportation	2,032,223	1,870,034	2,289,221	2,205,869	2,128,167
Environmental protection	1,916,298	1,661,240	1,742,909	1,726,953	1,736,723
Cultural and recreational	2,396,481	2,567,941	2,471,480	2,540,428	2,540,999
Capital projects	1,112,593	331,081	5,244,596	1,763,592	4,996,717
Debt service					
Principal retirement	682,611	951,123	729,617	952,021	4,698,123
Interest and fees	258,065	302,892	542,177	552,432	497,080
<b>Total expenditures</b>	<b>23,845,531</b>	<b>23,706,628</b>	<b>28,563,891</b>	<b>25,930,814</b>	<b>33,575,171</b>
<b>Revenues over (under) expenditures</b>	<b>(17,019)</b>	<b>295,316</b>	<b>(1,948,989)</b>	<b>(987,696)</b>	<b>(3,872,582)</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Sale of capital assets	\$ 29,004	\$ 345,000	\$ 35,202	\$ 1,045	\$ 31,500
Premium on bonds	-	55,828	-	-	253,495
Issuance of debt	-	9,829,554	-	-	14,138,054
Payment to escrow agent	-	-	-	-	-
Transfers in	727,925	203,800	541,284	431,354	6,477,132
Transfers out	(727,925)	(203,800)	(541,284)	(431,354)	(6,477,132)
<b>Total other financing sources (uses)</b>	<b>29,004</b>	<b>10,174,554</b>	<b>35,202</b>	<b>1,045</b>	<b>14,423,049</b>
<b>Net change in fund balance</b>	<b>\$ 11,985</b>	<b>\$ 10,469,870</b>	<b>\$ (1,913,787)</b>	<b>\$ (986,651)</b>	<b>\$ 10,550,467</b>
<b>Debt service as a percentage of non-capital expenditures</b>	<b>4.14%</b>	<b>5.36%</b>	<b>5.45%</b>	<b>6.23%</b>	<b>18.18%</b>

**Town of Garner, North Carolina**  
**Changes in Fund Balances of Governmental Funds**  
**Last Ten Fiscal Years**  
**(modified accrual basis of accounting)**  
**(Unaudited)**

Table 4  
Page 2 of 2

	Fiscal Year				
	2015	2016	2017	2018	2019
<b>REVENUES</b>					
Ad valorem taxes	\$ 15,469,793	\$ 17,061,096	\$ 17,834,515	\$ 18,336,285	\$ 19,520,910
Other taxes and licenses	5,547,552	5,826,797	6,236,202	6,376,074	7,048,593
Intergovernmental revenues	4,696,851	3,247,530	3,298,717	3,468,976	3,774,354
Permits and fees	1,816,364	2,981,635	2,690,728	2,217,839	2,409,113
Sales and services	490,653	510,108	546,432	672,139	725,216
Investment earnings	15,360	127,477	244,541	456,212	832,311
Other revenues	441,378	285,490	325,818	180,654	401,000
<b>Total revenues</b>	<b>28,477,951</b>	<b>30,040,133</b>	<b>31,176,953</b>	<b>31,708,179</b>	<b>34,711,497</b>
<b>EXPENDITURES</b>					
Current					
General government	5,688,444	6,780,440	6,212,951	6,960,076	7,578,884
Public safety	10,341,777	10,406,031	11,214,072	12,989,182	12,906,345
Transportation	2,350,138	2,708,200	2,374,446	2,899,718	3,564,911
Environmental protection	1,768,301	1,853,286	1,888,478	1,895,800	2,041,794
Cultural and recreational	2,620,696	2,795,777	2,759,364	2,936,533	5,558,172
Capital projects	7,184,635	4,389,939	14,273,161	7,493,450	4,551,899
Debt service					
Principal retirement	1,495,425	1,625,841	2,150,627	2,520,206	2,548,501
Interest and fees	775,391	1,166,804	1,285,042	1,227,800	1,224,605
<b>Total expenditures</b>	<b>32,224,807</b>	<b>31,726,318</b>	<b>42,158,141</b>	<b>38,922,765</b>	<b>39,975,111</b>
<b>Revenues over (under) expenditures</b>	<b>(3,746,856)</b>	<b>(1,686,185)</b>	<b>(10,981,188)</b>	<b>(7,214,586)</b>	<b>(5,263,614)</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Sale of capital assets	\$ 39,262	\$ 59,168	\$ 101,066	\$ 53,213	\$ 29,748
Premium on bonds	1,061,816	-	-	-	157,717
Issuance of debt	15,204,200	630,000	6,229,000	660,000	4,050,000
Payment to escrow agent	-	-	(2,291,723)	-	-
Transfers in	250,360	118,456	-	-	1,031,464
Transfers out	(250,360)	(118,456)	-	-	(1,031,464)
<b>Total other financing sources (uses)</b>	<b>16,305,278</b>	<b>689,168</b>	<b>4,038,343</b>	<b>713,213</b>	<b>4,237,465</b>
<b>Net change in fund balance</b>	<b>\$ 12,558,422</b>	<b>\$ (997,017)</b>	<b>\$ (6,942,845)</b>	<b>\$ (6,501,373)</b>	<b>\$ (1,026,149)</b>
<b>Debt service as a percentage of non-capital expenditures</b>	<b>9.07%</b>	<b>10.22%</b>	<b>12.32%</b>	<b>12.19%</b>	<b>11.45%</b>

**Town of Garner, North Carolina**  
General Governmental Revenues by Source <sup>(1)</sup>  
Last Ten Fiscal Years  
(modified accrual basis of accounting)  
(Unaudited)

Table 5

<u>Fiscal Year</u>	<u>Ad Valorem Taxes</u>	<u>Other Taxes and Licenses</u>	<u>Intergovernmental Revenues</u>	<u>Permits and Fees</u>	<u>Sales and Services</u>	<u>Investment Earnings</u>	<u>Other Revenues</u>	<u>Total</u>
2010	\$ 14,980,052	\$ 4,217,586	\$ 2,756,568	\$ 1,127,074	\$ 467,471	\$ 40,177	\$ 239,584	\$ 23,828,512
2011	14,876,541	4,586,384	2,844,452	866,912	453,915	28,324	289,588	23,946,116
2012	14,793,235	4,573,911	2,918,028	1,079,702	501,335	17,851	2,730,840	26,614,902
2013	14,805,148	4,731,561	3,356,940	1,188,185	551,939	11,189	298,156	24,943,118
2014	15,467,523	5,117,135	4,408,193	3,851,543	514,268	8,092	335,835	29,702,589
2015	15,469,793	5,547,552	4,696,851	1,816,364	490,653	15,360	441,378	28,477,951
2016	17,061,096	5,826,797	3,247,530	2,981,635	510,108	127,477	285,490	30,040,133
2017	17,834,515	6,236,202	3,298,718	2,690,728	546,432	244,541	325,818	31,176,954
2018	18,336,285	6,376,074	3,468,976	2,217,839	672,139	456,212	180,654	31,708,179
2019	19,520,910	7,048,593	3,774,354	2,409,113	725,216	832,311	401,000	34,711,497

(1) Includes General and Capital Project Funds.

**Town of Garner, North Carolina**  
**General Governmental Expenditures by Source <sup>(1)</sup>**  
**Last Ten Fiscal Years**  
**(Unaudited)**

Table 6

Fiscal Year	General Government	Public Safety	Streets and Transportation	Environmental Protection	Cultural and Recreational	Capital Projects	Debt Service	Total
2010	\$ 6,031,883	\$ 9,415,377	\$ 2,032,223	\$ 1,916,298	\$ 2,396,481	\$ 1,112,593	\$ 940,676	\$ 23,845,531
2011	6,712,757	9,309,560	1,870,034	1,661,240	2,567,941	331,081	1,254,015	23,706,628
2012	5,989,612	9,554,279	2,289,221	1,742,909	2,471,480	5,244,596	1,271,794	28,563,891
2013	6,391,794	9,797,725	2,205,869	1,726,953	2,540,428	1,763,592	1,504,453	25,930,814
2014	6,330,924	10,646,438	2,128,167	1,736,723	2,540,999	4,996,717	5,195,203	33,575,171
2015	5,688,444	10,341,777	2,350,138	1,768,301	2,620,696	7,184,635	2,270,816	32,224,807
2016	6,780,440	10,751,421	2,708,200	1,853,286	2,795,777	4,044,549	2,792,645	31,726,318
2017	6,212,951	11,605,337	2,656,663	1,888,478	6,045,833	10,313,209	3,435,669	42,158,140
2018	6,960,076	12,989,182	2,899,718	1,895,800	2,936,533	7,493,450	3,748,006	38,922,765
2019	7,578,884	12,906,345	3,564,911	2,041,794	5,558,172	4,551,899	3,773,106	39,975,111

(1) Includes General and Capital Project Funds.

**Town of Garner, North Carolina**  
**Assessed Value of Taxable Property**  
**Last Ten Fiscal Years**  
**(Unaudited)**

Table 7

Fiscal Year Ending	Real Property	Public Service Co. <sup>(1)</sup>	Personal Property		Total Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
			Motor Vehicle	Other				
2010	\$ 2,469,678,054	\$ 77,711,846	\$ 262,907,169	\$ 192,675,880	\$ 3,002,972,949	0.490	\$ 2,756,005,144	108.96%
2011	2,463,484,759	75,237,723	254,503,481	188,077,390	2,981,303,353	0.490	2,808,859,420	106.14%
2012	2,516,107,912	73,569,802	216,342,522	198,944,121	3,004,964,357	0.490	2,879,158,961	104.37%
2013	2,525,516,066	84,276,805	209,030,147	193,694,549	3,012,517,567	0.490	3,005,648,283	100.23%
2014	2,545,063,692	84,992,903	277,051,961	196,003,306	3,103,111,862	0.490	3,057,641,837	101.49%
2015	2,584,113,562	85,722,393	211,479,241	187,742,315	3,069,057,511	0.500	3,045,027,800	100.79%
2016	2,665,301,113	114,535,800	242,511,731	172,973,961	3,195,322,605	0.5175	3,209,121,829	99.57%
2017 <sup>(2)</sup>	2,710,296,531	118,064,138	254,734,085	181,432,076	3,264,526,830	0.5325	3,461,852,418	94.30%
2018	2,777,319,789	132,723,662	262,102,485	203,739,029	3,375,884,965	0.5325	3,793,129,175	89.00%
2019	2,896,345,048	133,018,450	282,099,430	219,257,615	3,530,720,543	0.5325	4,181,336,503	84.44%

(1) Valuation of railroads, telephone companies and other utilities is determined by the North Carolina Property Tax Commission

(2) A revaluation of real property is required by North Carolina General Statutes at least every eight years. A revaluation was completed for tax year 2016.

**Town of Garner, North Carolina**  
**Property Tax Rates**  
**Direct and Overlapping Governments**  
**Last Ten Fiscal Years**  
**(per \$100 of assessed valuation)**  
**(Unaudited)**

Table 8

<u>Fiscal Year</u>	<u>Town of Garner</u>	<u>Wake County</u>	<u>Total</u>
2010	0.490	0.534	1.024
2011	0.490	0.534	1.024
2012	0.490	0.534	1.024
2013	0.490	0.534	1.024
2014	0.490	0.534	1.024
2015	0.500	0.578	1.078
2016	0.5175	0.6145	1.132
2017 <sup>(1)</sup>	0.5325	0.6005	1.133
2018	0.5325	0.615	1.148
2019	0.5325	0.6544	1.187

(1) A revaluation of real property is required by North Carolina General Statutes at least every eight years. A revaluation was completed for tax year 2016.

**Town of Garner, North Carolina**  
Principal Property Taxpayers  
Ten Year Comparison  
(Unaudited)

Table 9

Taxpayer	Fiscal Year 2019			Fiscal Year 2009		
	1/1/17 Assessed Valuation	Rank	Percentage of Total Assessed Valuation	1/1/07 Assessed Valuation	Rank	Percentage of Total Assessed Valuation
Duke Energy(1)	\$ 99,604,214	1	2.82%	\$ 60,848,225	2	2.03%
Inland American Garner White Oak	84,253,047	2	2.39%			
Adeline at White Oak, LLC	39,373,734	3	1.12%			
Ten Ten Apartments LP	34,395,454	4	0.97%			
Abberly Place Garner Phase I, LP	33,965,530	5	0.96%	25,165,430	7	0.84%
Greenfield Multifamily Investors LLC	33,722,973	6	0.96%			
Ashton Village, LP	31,795,876	7	0.90%			
IRT Lenoxplace Apartments LLC	27,488,659	8	0.78%			
Time Warner Cable	26,366,411	9	0.75%			
White Oak Associates LLC	23,714,291	10	0.67%			
Garner Retail LLC				89,197,063	1	2.97%
Goodmark Corporation				57,767,084	3	1.92%
Pergo Inc				41,945,316	4	1.40%
Regency Center LP				27,805,120	5	0.93%
North South Station LLC				27,084,658	6	0.90%
Alltel Communications Inc.				24,166,818	8	0.80%
Thompson Contracting, Inc.				19,710,039	9	0.66%
JP Realty IV, LLC				17,197,070	10	0.57%
Totals	<u>\$ 434,680,189</u>		<u>12.31%</u>	<u>\$ 390,886,823</u>		<u>13.02%</u>

(1) Formerly Progress Energy/Carolina Power & Light Co

**Town of Garner, North Carolina**  
**Property Tax Levies and Collections**  
**Last Ten Fiscal Years**  
**(Unaudited)**

Table 10

Fiscal Year	Total Tax Levy	Current Tax Collections	Percent of Current Taxes Collected	Collections in Subsequent Years	Total Collections to Date	
					Amount Collections	Percentage of Adjusted Levy
2010	\$ 14,913,304	\$ 14,625,986	98.10%	\$ 287,318	\$ 14,913,304	100.00%
2011	14,793,869	14,579,297	98.50%	179,355	14,758,652	99.80%
2012	14,792,108	14,575,719	98.50%	173,215	14,748,934	99.70%
2013	14,837,586	14,616,472	98.50%	177,791	14,794,263	99.70%
2014	15,293,124	15,179,014	99.30%	84,963	15,263,977	99.80%
2015	15,388,156	15,343,922	99.70%	26,225	15,370,147	99.90%
2016	16,900,584	16,849,516	99.70%	46,699	16,896,215	100.00%
2017	17,764,759	17,730,952	99.80%	26,169	17,757,121	100.00%
2018	18,314,301	18,280,317	99.80%	21,800	18,302,117	99.90%
2019	19,416,589	19,366,803	99.70%	-	19,366,803	99.70%
Reconciliation to revenues collected:						
Total collected as stated above			\$ 19,366,803			
Prior year collections in current year			86,692			
Penalties and interest collected			67,415			
Ad valorem taxes collected per general fund financial statements			<u>\$ 19,520,910</u>			



**Town of Garner, North Carolina**  
**Ratio of Outstanding Debt**  
**Governmental Activities**  
**Last Ten Fiscal Years**  
**(Unaudited)**

Table 11

<u>Fiscal Year</u>	<u>Installment Purchase</u>	<u>General Obligation Bonds</u>	<u>Total</u>	<u>Per Capita <sup>(1)</sup></u>	<u>Percentage of Personal Income <sup>(2)</sup></u>
2010	\$ 5,361,993	\$ 425,000	\$ 5,786,993	\$ 218	0.70%
2011	8,290,424	6,428,966	14,719,390	569	1.82%
2012	7,775,807	6,211,175	13,986,982	538	1.67%
2013	7,045,820	5,988,387	13,034,207	499	1.47%
2014	6,900,751	15,525,000	22,425,751	854	2.53%
2015	6,374,526	31,039,675	37,414,201	1,383	4.95%
2016	5,803,685	29,335,000	35,138,685	1,222	4.37%
2017	8,577,324	28,345,000	36,922,324	1,273	4.39%
2018	7,717,118	27,345,000	35,062,118	1,120	3.81%
2019	6,173,617	31,520,501	37,694,118	1,175	4.23%

(1) Population data provided by the Town of Garner Planning Department & State Data Center

(2) Personal income data provided by US Census Bureau and NC Home Town Locator

## Town of Garner, North Carolina

### Computation of Direct and Overlapping Debt General Obligation Bonds June 30, 2019 (Unaudited)

Table 12

<u>Jurisdiction</u>	<u>Net General Obligation Bonded Debt Outstanding</u>	<u>Percentage Applicable to Town of Garner <sup>(2)</sup></u>	<u>Amount Applicable to Town of Garner</u>
Wake County	\$ 1,727,510,000 <sup>(1)</sup>	2.37%	\$ 40,941,987
Town of Garner	37,694,118	100.00%	<u>37,694,118</u>
Total direct and overlapping debt			<u><u>\$ 78,636,105</u></u>

(1) Information provided by Wake County Finance Department. Of the total general obligation debt outstanding, \$1,421,230,484, or 82.27%, is for the Wake County Public School System.

(2) 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 Wake County's total assessed value.

**Town of Garner, North Carolina**  
**Ratio of Net General Bonded Debt**  
**To Assessed Value and Net Bonded Debt Per Capita**  
**Last Ten Fiscal Years**  
**(Unaudited)**

Table 13

<u>Fiscal Year</u>	<u>Population Estimate <sup>(1)</sup></u>	<u>Total Assessed Value</u>	<u>Net Bonded Debt</u>	<u>Percent of Net Bonded Debt to Assessed Value</u>	<u>Net Bonded Debt Per Capita</u>
2010	26,523	\$ 3,002,972,949	\$ 5,786,995	0.19%	\$ 218.19
2011	25,891	2,981,303,353	14,719,390	0.49%	568.51
2012	25,999	3,004,964,357	13,986,982	0.47%	537.98
2013	26,124	3,012,517,567	13,034,207	0.43%	498.94
2014	26,253	3,103,111,862	22,712,167	0.73%	865.13
2015	27,060	3,069,057,511	37,414,201	1.22%	1,382.64
2016	28,766	3,195,322,605	35,138,685	1.10%	1,221.54
2017	28,999	3,264,526,830	36,922,324	1.13%	1,273.23
2018	31,317	3,375,884,965	35,062,118	1.04%	1,119.59
2019	32,069	3,530,720,543	37,694,118	1.07%	1,175.41

(1) Estimates of Town of Garner Planning Department, as of June 30 of each year.

**Town of Garner, North Carolina**  
**Computation of Legal Debt Margin**  
**Last Ten Fiscal Years**  
(amounts expressed in thousands)  
(Unaudited)

Table 14  
Page 1 of 2

	2010	2011	2012	2013	2014
Debt Limit	\$ 240,238	\$ 238,504	\$ 240,397	\$ 241,001	\$ 248,249
Total net debt applicable to limit	<u>5,787</u>	<u>14,719</u>	<u>13,987</u>	<u>13,034</u>	<u>22,426</u>
Legal debt margin	<u>\$ 234,451</u>	<u>\$ 223,785</u>	<u>\$ 226,410</u>	<u>\$ 227,967</u>	<u>\$ 225,823</u>

**Town of Garner, North Carolina**  
**Computation of Legal Debt Margin**  
**Last Ten Fiscal Years**  
(amounts expressed in thousands)  
(Unaudited)

Table 14  
Page 2 of 2

	2015	2016	2017	2018	2019
Debt Limit	\$ 245,365	\$ 255,626	\$ 261,162	\$ 270,071	\$ 282,458
Total net debt applicable to limit	<u>36,135</u>	<u>35,139</u>	<u>36,922</u>	<u>35,062</u>	<u>37,694</u>
Legal debt margin	<u>\$ 209,230</u>	<u>\$ 220,487</u>	<u>\$ 224,240</u>	<u>\$ 235,009</u>	<u>\$ 244,764</u>

Legal Debt Margin Calculation for Fiscal Year 2017	
Assessed Value	\$ 3,530,720,543
Debt Limit (8% of total assessed value)	282,457,643
Debt applicable to limit:	
Outstanding General Bonded Debt	\$ 31,520,501
Installment Purchase	<u>6,173,617</u>
Subtotal	37,694,118
Authorized and unissued debt	<u>11,241,000</u>
Total Gross Debt	48,935,118
Less: Statutory deductions	
Authorized and unissued debt	<u>11,241,000</u>
Total amount of debt applicable to debt limit	<u>37,694,118</u>
Legal debt margin	<u>\$ 244,763,525</u>

**Town of Garner, North Carolina**  
Demographic Statistics  
Last Ten Fiscal Years  
(Unaudited)

Table 15

<u>Fiscal Year</u>	<u>Population <sup>(1)</sup></u>	<u>Per Capita Personal Income <sup>(2)</sup></u>	<u>Unemployment Rate <sup>(3)</sup></u>	<u>Personal Income (Thousands of Dollars) <sup>(4)</sup></u>
2010	26,523	\$ 31,021	8.50%	\$ 822,770
2011	25,891	31,178	8.00%	807,230
2012	25,999	32,228	6.90%	837,896
2013	26,124	33,917	6.30%	886,048
2014	26,253	33,727	4.70%	885,435
2015	27,060	27,926	4.90%	755,678
2016	28,766	Not Available	4.60%	803,319
2017	28,999	28,973	3.70%	840,188
2018	31,317	29,399	3.60%	920,688
2019	32,069	27,805	4.00%	891,679

(1) Estimates of Town of Garner Planning Department as of June 30 of each year.

(2) From Wake County Economic Development. Figures are for Wake County, Town not available.

(3) From North Carolina Employment Security Commission for June of each year.

(4) 2019 personal income amounts are calculated using 2018 personal income.

**Town of Garner, North Carolina**  
Principal Employers <sup>(1)</sup>  
Fiscal Year 2019 and Ten Year Comparison  
(Unaudited)

Table 16

Employer	2019			2009		
	Employees	Rank	Percentage of Total Town Employment <sup>(2)</sup>	Employees	Rank	Percentage of Total Town Employment
Wake County Public Schools	800	1	5.50%	1,040	1	6.80%
Food Lion	360	2	2.50%			
Wal-Mart	350	3	2.40%	212	5	1.40%
Pergo, Inc.	284	4	1.90%	280	4	1.80%
Cabelas	277	5	1.90%			
Golden State Foods	265	6	1.80%			
F&D Huebner, LLC	258	7	1.80%			
Target	251	8	1.70%	288	3	1.90%
Strategic Behavioral Health	206	9	1.40%			
Town of Garner	170	10	1.20%	158	9	1.00%
Lowes Food				200	6	1.30%
Con Agra Foods				600	2	3.90%
LL Vann Electric				200	7	1.30%
Laurel's of Forest Glen				160	8	1.00%
Home Depot				150	10	1.00%
Totals	3,221		22.11%	3,288		21.56%

(1) Data from the Greater Raleigh Chamber of Commerce, updated as of April 2016.

(2) Total Town Employment data from the NC Employment Security Commission.

**Town of Garner, North Carolina**  
Property Value and Construction  
Last Ten Fiscal Years  
(Unaudited)

Table 17

Fiscal Year	Construction <sup>(1)</sup>		
	Property Value	Number of Permits	Construction Value
2010	\$ 3,002,972,949	889	\$ 14,475,118
2011	2,981,303,353	875	18,816,144
2012	3,004,964,357	1,023	38,680,248
2013	3,012,517,567	833	34,770,509
2014	3,103,111,862	995	73,351,752
2015	3,081,432,283	1,297	46,549,862
2016	3,195,322,605	1,207	77,561,649
2017	3,264,526,830	1,324	90,196,870
2018	3,375,884,965	1,531	97,306,018
2019	3,530,720,543	1,547	107,095,626

(1) From Town of Garner Inspections Department.



**Town of Garner, North Carolina**  
**Full-time Town Employees by Function**  
**Last Ten Fiscal Years**  
**(Unaudited)**

Table 18

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
General Government	43	40	37	37	37	44	40	46	48	48
Public Safety	77	75	77	77	78	77	78	81	81	80
Streets and Transportation	13	11	17	17	17	13	14	14	14	10
Cultural & Recreation	25	22	26	25	25	25	25	26	30	30
Total	<u>158</u>	<u>148</u>	<u>157</u>	<u>156</u>	<u>157</u>	<u>159</u>	<u>157</u>	<u>167</u>	<u>173</u>	<u>168</u>

**Town of Garner, North Carolina**  
**Operating Indicators by Function**  
**Last Ten Fiscal Years**  
**(Unaudited)**

Table 19  
Page 1 of 2

Function	2010	2011	2012	2013	2014
Community Development Services					
Inspections:					
Permits issued (all trade types)	889	875	876	833	995
Building inspections conducted	4,053	4,584	3,519	3,856	5,971
Public Works					
Miles of streets maintained	98	98	99	99	99
Traffic control signs repaired/replaced	223	411	210	240	133
Town parks maintained	12	12	12	12	12
Town athletic fields/courts maintained	30	30	30	30	30
Town building/grounds maintained	42	42	44	44	55
Police					
Calls for service	29,681	27,518	27,272	31,959	31,913
Accidents investigated	1,127	1,073	1,125	1,147	1,249
Arrests	1,288	936	826	1,062	1,304
Fire/Rescue <sup>(1)</sup>					
Fire call answered	4,307	4,733	4,737	4,743	4,725
	Not	Not	Not	Not	Not
EMS calls answered	Available	Available	Available	Available	Available
Solid Waste					
Sanitation customers	8,543	8,595	8,700	8,802	8,852
% of solid waste stream reduction reported to the state	40%	40%	40%	40%	40%
Spring and fall cleanups - tons collected	390	400	360	320	401
Leisure Services					
Parks & Recreation program registrations	1,878	1,750	3,220	4,512	3,634
Picnic shelter reservations	289	410	475	652	708
Auditorium event attendance	27,353	30,000	30,000	37,642	35,844
Independence day attendance	15,000	20,000	20,000	17,000	17,000

**Source:**

Departmental performance indicators in the Town of Garner Budget Document

(1) Fire and Rescue services merged in 2010.

**Town of Garner, North Carolina**  
**Operating Indicators by Function**  
**Last Ten Fiscal Years**  
**(Unaudited)**

Table 19  
Page 2 of 2

Function	2015	2016	2017	2018	2019
Community Development Services					
Inspections:					
Permits issued (all trade types)	1,297	1,207	1,324	1,531	1,547
Building inspections conducted	6,303	5,244	7,619	11,608	13,547
Public Works					
Miles of streets maintained	100	101	102	105	105
Traffic control signs repaired/replaced	140	142	122	113	134
Town parks maintained	14	14	11	11	11
Town athletic fields/courts maintained	36	36	14	19	19
Town building/grounds maintained	56	56	53	55	55
Police					
Calls for service	35,963	33,132	36,611	35,968	36,684
Accidents investigated	1,260	1,371	1,342	1,469	1,391
Arrests	1,330	1,082	1,156	1,122	1,170
Fire/Rescue <sup>(1)</sup>					
Fire call answered	4,875	1,922	2,078	2,438	2,472
Not					
EMS calls answered	Available	3,198	1,835	2,761	2,860
Solid Waste					
Sanitation customers	8,952	8,957	9,023	9,186	9,434
% of solid waste stream reduction reported to the state	52%	50%	61%	61%	62%
Spring and fall cleanups - tons collected	423	486	711	414	1,350
Leisure Services					
Parks & Recreation program registrations	4,200	4,025	4,011	4,312	4,339
Picnic shelter reservations	600	700	582	582	572
Auditorium event attendance	31,395	31,869	33,458	31,923	40,798
Independence day attendance	10,000	8,500	15,000	14,000	9,000

# Town of Garner, North Carolina

## Capital Asset by Function

### Last Ten Fiscal Years

(Unaudited)

Table 20  
Page 1 of 2

Function	2010	2011	2012	2013	2014
Public Safety					
Police stations	2	2	3	3	3
Patrol and investigative units	2	2	3	3	3
K-9 Units	3	4	4	4	4
Fire stations	3	3	4	4	4
Fire apparatus	Not Available	14	14	15	15
Highways and Streets					
Streets (miles)	97.67	99.07	99.07	99.07	99.78
Sidewalks (feet)	131,644	274,967	277,207	309,921	318,892
Leisure Services					
Number of major parks	13	13	13	13	13
Total park acreage	350	350	350	350	350
Baseball fields	7	7	7	7	7
Tennis courts	6	6	6	6	6
Basketball courts	2	2	2	2	2

**Town of Garner, North Carolina**  
**Capital Asset by Function**  
**Last Ten Fiscal Years**  
**(Unaudited)**

Table 20  
Page 2 of 2

Function	2015	2016	2017	2018	2019
Public Safety					
Police stations	3	1	1	1	1
Patrol and investigative units	3	1	1	1	1
K-9 Units	4	4	4	4	4
Fire stations	4	4	4	4	4
Fire apparatus	15	15	15	15	15
Highways and Streets					
Streets (miles)	100.00	101.43	102.30	104.71	106.85
Sidewalks (feet)	332,640	323,180	355,208	361,385	361,385
Leisure Services					
Number of major parks	14	14	14	14	14
Total park acreage	350	350	350	375	375
Baseball fields	7	7	7	7	7
Tennis courts	6	6	6	6	6
Basketball courts	2	2	2	2	2

## COMPLIANCE SECTION

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

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**To the Honorable Mayor and Members  
of Town Council  
Town of Garner, North Carolina**

We have audited, in accordance with the 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, the financial statements of the governmental activities, each major fund, and the remaining fund information of the Town of Garner, North Carolina (the "Town") as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated November 22, 2019.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Town'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 Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

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

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

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**Compliance and Other Matters**

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

**Purpose of this Report**

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

*Mauldin & Jenkins, LLC*

Atlanta, Georgia  
November 22, 2019





**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROGRAM  
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH  
APPLICABLE SECTIONS OF THE UNIFORM GUIDANCE AND THE STATE SINGLE AUDIT  
IMPLEMENTATION ACT**

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**To the Honorable Mayor and Members  
of Town Council  
Town of Garner, North Carolina**

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

We have audited the Town of Garner, North Carolina's (the "Town") compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the Town's major state programs for the year ended June 30, 2019. The Town's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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

***Opinion on Each Major State Program***

In our opinion, the Town complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2019.

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## Report on Internal Control Over Compliance

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

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

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

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

*Mauldin & Jenkins, LLC*

Atlanta, Georgia  
November 22, 2019

# TOWN OF GARNER, NORTH CAROLINA

## SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS JUNE 30, 2019

Awarding Agency	CFDA Number	Pass-through Number	Federal	State
<b>FEDERAL AWARDS</b>				
<u>Dept of Justice</u>				
Bulletproof Vest Partnership Program	16.607	n/a	\$ 2,496	\$ -
<u>Dept of Housing and Urban Development</u>				
Passed through N.C. Department of Commerce, Planning and Community Development Community Development Block Grant	14.218	83-041-7742	116,078	-
<u>U.S. Department of Transportation</u>				
Passed through N.C. Department of Transportation Highway Planning and Construction	20.205	43714.1.13	49,920	-
<b>TOTAL FEDERAL AWARDS</b>			168,494	-
<b>STATE AWARDS</b>				
<u>N.C. Department of Health and Human Services</u>				
Senior Center Development Grant		M5HVE-2017-15-03	-	10,693
<u>N.C. Department of Health and Human Services</u>				
Town of Garner Main Street Recreation Center IT Infrastructure			-	50,000
<u>N.C. Department of Transportation</u>				
Powell Bill		DOT-4	-	1,419,961
<b>TOTAL STATE AWARDS</b>			-	1,480,654
<b>TOTAL FEDERAL AND STATE AWARDS</b>			\$ 168,494	\$ 1,480,654

**Note 1. Basis of Presentation**

The accompanying schedule of expenditures of federal and state awards (the "SEFSA") includes the federal and state award activity of the Town of Garner, North Carolina (the "Town") under programs of the federal government and the state of North Carolina for the year ended June 30, 2019. The information in this SEFSA is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and the State Single Audit Implementation Act. Because the SEFSA presents only a selected portion of the operations of the Town, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Town.

**Note 2. Summary of Significant Accounting Policies**

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

**Note 3. Indirect Cost Rate**

The Town did not utilize the 10% de minimus indirect cost rate.

**TOWN OF GARNER, NORTH CAROLINA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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**SECTION I**  
**SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**

Type of report the auditor issued on whether the financial  
statements audited were prepared in accordance  
with GAAP:

Unmodified

Internal control over financial reporting:

Material weaknesses identified?

\_\_\_\_\_ yes   X   no

Significant deficiencies identified?

\_\_\_\_\_ yes   X   none reported

Noncompliance material to financial statements noted?

\_\_\_\_\_ yes   X   no

**Federal Awards**

There was not an audit of major federal award programs for the year ended June 30, 2019 due to the total amount expended being less than \$750,000.

**State Awards**

Internal control over major state programs:

Material weaknesses identified:

\_\_\_\_\_ yes   X   no

Significant deficiencies identified:

\_\_\_\_\_ yes   X   none reported

Type of auditor's report issued on compliance of major state  
programs:

Unmodified

Any audit findings disclosed that are require to be reported

In accordance with the State Single Audit Implementation Act?

\_\_\_\_\_ yes   X   no

Identification of major state program:

Program Name

Powell Bill

**TOWN OF GARNER, NORTH CAROLINA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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**SECTION II**  
**FINANCIAL STATEMENT FINDINGS AND RESPONSES**

None noted

# TOWN OF GARNER, NORTH CAROLINA

## SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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### 2018-001      Restatement of Opening Balances

**Criteria:** Internal controls should be in place to ensure that financial statements properly present the financial position and results of operations of the Town.

**Condition:** Internal controls were not sufficient to timely detect material misstatements in the Town's financial statements for the fiscal year ended June 30, 2017. As a result of the issue identified, the total restatement to the beginning net position of governmental activities was \$76,645.

**Status:** Item was corrected as of June 30, 2019.

### 2018-002      General Ledger Maintenance

**Criteria:** Internal controls should be in place to ensure that financial statements properly present the financial position and results of the Town in accordance with generally accepted accounting principles.

**Condition:** The Town's reviews and manual adjustments were not sufficient to detect, correct, and prevent errors in the reporting of several general ledger accounts. Audit adjustments of approximately \$692,000 were needed to correctly report general ledger balances in accordance with generally accepted accounting principles.

**Status:** Item was corrected as of June 30, 2019.