

TOWN OF GARNER, NC

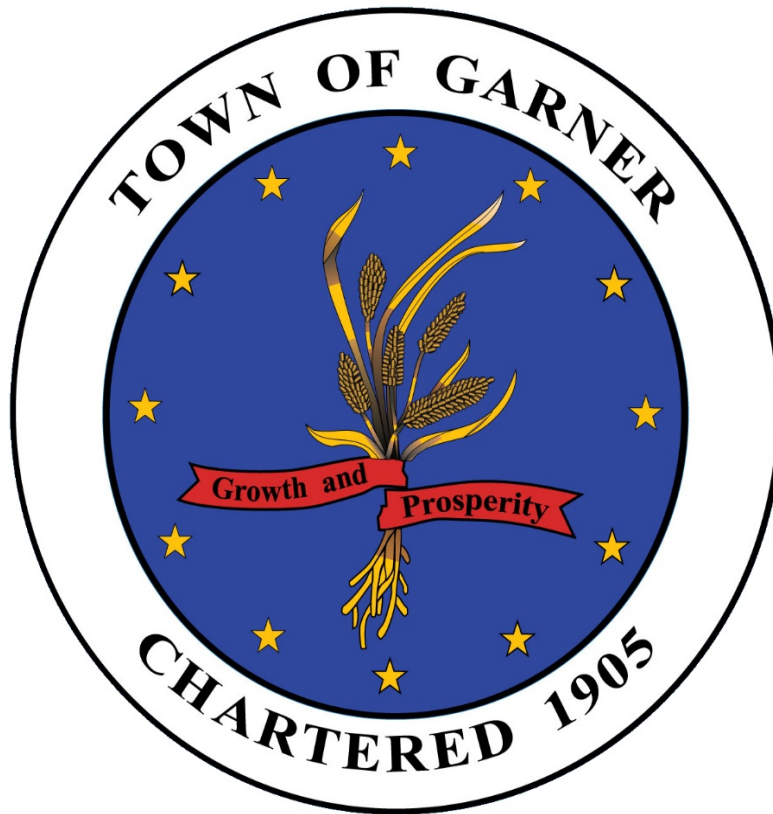
COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR FISCAL YEAR ENDED JUNE 30, 2020



TOWN OF GARNER

NORTH CAROLINA



COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

**PREPARED BY:
FINANCE DEPARTMENT**

TOWN OF GARNER, NORTH CAROLINA

COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2020

TABLE OF CONTENTS

	Page Number
INTRODUCTORY SECTION	
Letter of Transmittal	i-iv
List of Principal Officials	v
Organizational Chart	vi
GFOA Certificate of Achievement	vii
FINANCIAL SECTION	
Independent Auditor's Report	1
Management's Discussion and Analysis	4
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Position	12
Statement of Activities	13
Fund Financial Statements	
Balance Sheet - Governmental Funds	14
Reconciliation of the Balance Sheet to the Statement of Net Position	15
Statement of Revenues, Expenditures, and Changes in Fund	
Balances - Governmental Funds	16
Reconciliation of the Statement of Revenues, Expenditures, and Changes	
in Fund Balances of Governmental Funds to the Statement of Activities	17
General Fund - Statement of Revenues, Expenditures, and Changes in	
Fund Balances - Budget and Actual	18
Statement of Net Position - Fiduciary Funds	19
Notes to Financial Statements	20
Required Supplementary Information:	
Schedule of Changes in Total Pension Liability - Law Enforcement Officers' Special	
Separation Allowance	48
Schedule of Total Pension Liability as a Percentage of Covered Payroll - Law	
Enforcement Officers' Special Separation Allowance.	49
Schedule of Changes in Total OPEB Liability	50
Schedule of Town's Proportionate Share of Net Pension Liability (Asset)	51
Schedule of Town of Garner's Contributions	52
Notes to Required Supplementary Information	53

TOWN OF GARNER, NORTH CAROLINA

COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2020

TABLE OF CONTENTS

	Page Number
Individual Fund Statements and Schedules:	
General Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual (Budgetary Basis)	54
Capital Projects Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (NON-GAAP)	59
Water and Sewer Fees Agency Fund - Statement of Changes in Assets and Liabilities	60
Schedule of Ad Valorem Taxes Receivable	61
Analysis of Current Tax Levy	62
Detailed Analysis of Current Tax Levy	63
 STATISTICAL SECTION	
Governmental Net Position	64
Changes in Governmental Net Position	66
Fund Balances of Governmental Funds	68
Changes in Fund Balances of Governmental Funds	70
General Governmental Revenues by Source	72
General Governmental Expenditures by Source	73
Assessed Value of Taxable Property	74
Property Tax Rates - Direct and Overlapping Governments	75
Principal Property Taxpayers	76
Property Tax Levies and Collections	77
Ratio of Outstanding Debt	78
Computation of Direct and Overlapping Debt	79
Ratio of Net General Bonded Debt	80
Computation of Legal Debt Margin	81
Demographic Statistics	83
Principal Employers	84
Property Value and Construction	85
Full-Time Town Employees by Function	86
Operating Indicators by Function	87
Capital Assets by Function	89

TOWN OF GARNER, NORTH CAROLINA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2020

TABLE OF CONTENTS

	Page Number
COMPLIANCE SECTION	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	91
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	93
Schedule of Expenditures of Federal and State Awards	95
Schedule of Findings and Questioned Costs	96
Schedule of Prior Year Audit Findings	98

INTRODUCTORY SECTION





Town of Garner

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



December 18, 2020

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, 2020. 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, 2020 was 7.6% compared with 4.0% at June 30, 2019 with the increase largely attributed to the COVID-19 pandemic.

Garner is at a critical stage of development as the significant growth experienced in recent years is beginning to positively impact revenue streams but also creates additional demand for services. The Town's primary revenue source, property taxes, is anticipated to increase by 12.2 percent in FY 2021 as the projected Town-wide value of assessed property has increased by \$981.1 million due to revaluation and natural growth. Natural growth in the tax base comes primarily from the construction of new residential and commercial properties which is a good indicator of the Town's economic climate.

Growth is anticipated to continue as many of the Town's development related indicators continue to trend upwards. One area this is reflected in is the value of new construction permits issued by the Town. The FY 2020 value increased by 54.9% over the prior year and should increase even more in coming years.

Additional indicators of continued economic growth are seen in permitting activity. Year-to-date revenue associated with Subdivision Fees is only 3.7 percent lower than the pre-pandemic period of the previous fiscal year. This indicates that the development community is confident in the market and plans to continue construction related activity in the future.

Amazon has invested approximately \$250 million to develop a new distribution center in town. The new center opened in the summer of 2020. The center will create an estimated 3,000 jobs, resulting in approximately \$87 million in new payroll within the Town. This project, 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 2021 Adopted Budget, Town Council approved an increase to the property tax rate of 3.5 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 operating and capital requirements to ensure resources are available. This work will help to ensure that the Town is positioned to meet future growth.

MAJOR INITIATIVES

The Town continues to focus on enhancements to improve the quality of life for its citizens and pursue initiatives to improve economic development within the Town.

- Infrastructure upgrades as part of the 2013 bond referendums continue town-wide, including a new recreation center, new sidewalks, and street improvements.
- The Town is in the process of a comprehensive review and update of its Unified Development Ordinance to ensure development regulations meet growth needs and goals.
- The Eastern Wake Innovation Park project was approved by Town Council in February 2020 and will bring 300,000 square feet of Class A professional office space to the town.
- Town staff provide an industry recognized high level of service to citizens through nationally accredited departments like Public Works and Parks, Recreation, and Cultural Resources.
- The Town maintained its AAA bond rating from Standard and Poor's Financial Services.

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, 2020, 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, 2019. 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 31 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, 2019. 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 six 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, 2019. 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 23 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 as well as assistance from other Town departments. Special thanks go to Mrs. Gini Schacker who serves as the Town's Accounting Manager for her tireless work to compile this report. 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 is prepared to review this document with Town Council and the public in the coming weeks. We hope this report provides a thorough understanding of the Town's financial activities for FY 2019-20 and will allow us to make informed decisions going forward 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, 2020

Ken Marshburn

Mayor

Phil Matthews

Council Member

Kathy Behringer

Mayor Pro Tem

J. Graham "Gra" Singleton, Jr.

Council Member

Demian Dellinger

Council Member

Elmo Vance

Council Member

Fred P. Baggett

Interim Town Attorney

Rodney Dickerson

Town Manager

John Hodges

Assistant Town Manager
Development Services

Matt Roylance

Assistant Town Manager
Operations

Stella Gibson

Town Clerk

David C. Beck

Finance Director

Joe Binns

Police Chief

Mike Franks

Budget & Special Projects

Sonya Shaw

Parks, Recreation & Cultural
Resources

Joseph Stallings

Economic Development

B.D. Sechler

Human Resources

Rick Mercier

Communications

Mari Howe

Downtown Development

Chris Johnson

Engineering

Jeff Triezenberg

Planning

Tony Beasley

Inspections

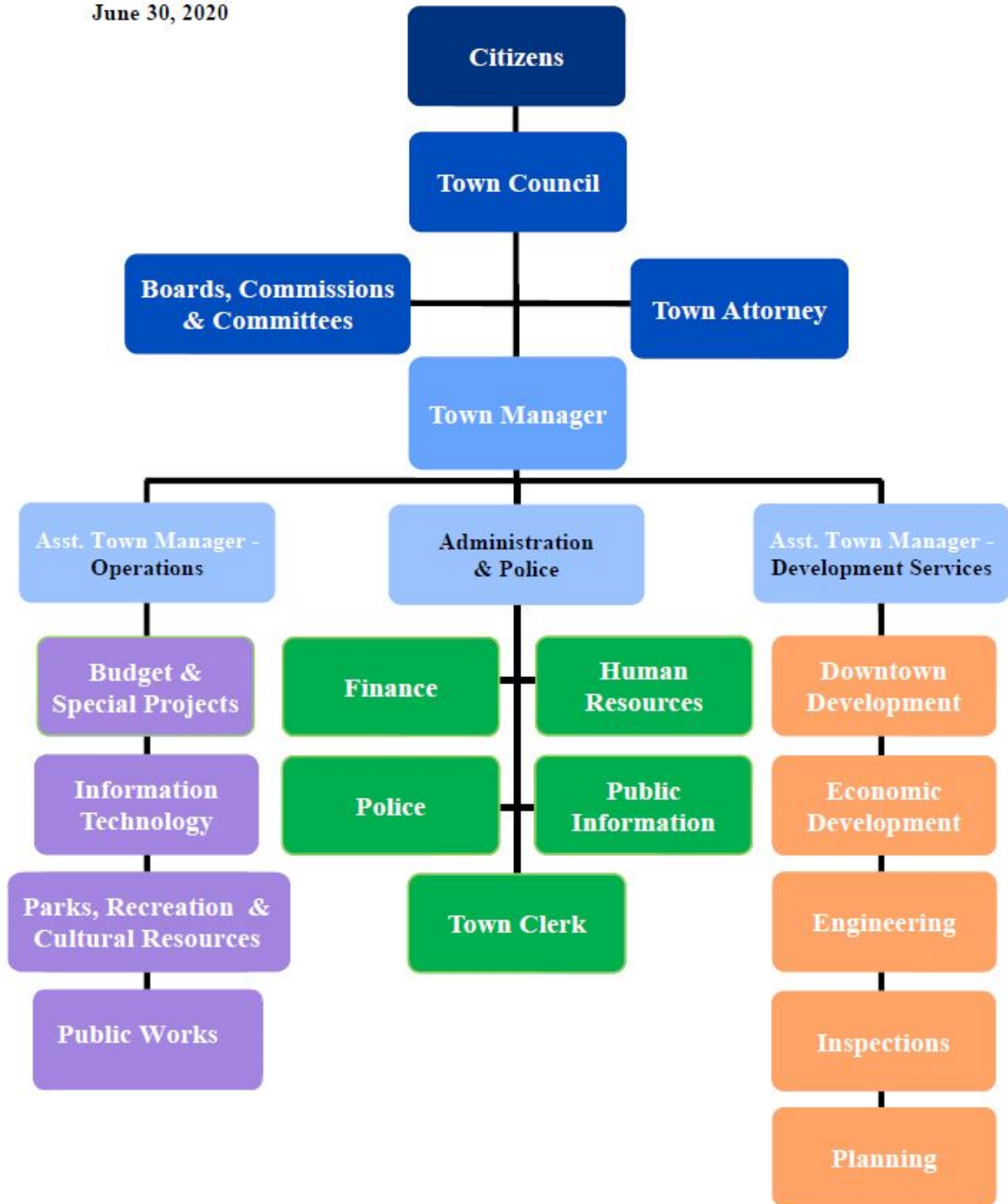
Forrest Jones

Public Works

Bret Kelly

Information Technology

Town of Garner, North Carolina
Organizational Chart
June 30, 2020





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, 2019

Executive Director/CEO

FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

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, 2020, 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.

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, 2020, 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 4-11, 48, 49, 50, 51, and 52, 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.

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, 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, and the introductory and statistical sections 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.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2020 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

Columbia, South Carolina
December 18, 2020

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, 2020. 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 \$70,238,981 (net position).
- At the end of the fiscal year, the Town's governmental funds reported combined ending fund balances of \$37,893,470 or a increase of \$5,663,299.
- As of the close of the fiscal year, the Town's unassigned fund balance for the General Fund was \$13,281,799, or 34.0%, of total General Fund expenditures for the fiscal year. This amount is considered available for spending at the government's discretion.
- The Town maintained its bond rating of AAA with Standard and Poor's Corporation and 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 12 and 13) 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 14 through 19) 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 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.

Town of Garner, North Carolina

Management Discussion and Analysis

The governmental activities include most of the Town's basic services such as public safety, public works, 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 12 and 13 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 Town are classified as governmental funds or fiduciary 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.

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 14-17 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 used to account for utility-based fees collected for and remitted to the City of Raleigh.

The fiduciary fund financial statements can be found on page 19 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 20-47 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

Town of Garner, North Carolina

Management Discussion and Analysis

obligation to provide pension benefits to its employees and healthcare benefits for retirees. Required supplementary information can be found on pages 48-53 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 54-63 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 64-90.

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 \$70,238,981 as of June 30, 2020. Approximately 93.3% 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 6.0% 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**

	Governmental Activities	
	2020	2019
ASSETS		
Current and other assets	\$ 39,921,392	\$ 34,545,253
Capital assets	99,043,840	98,593,337
Total assets	138,965,232	133,138,590
DEFERRED OUTFLOWS OF RESOURCES		
Pension and OPEB deferrals	4,274,644	3,683,445
LIABILITIES		
Long-term debt outstanding	65,213,782	57,944,227
Other liabilities	5,906,943	5,837,512
Total liabilities	71,120,725	63,781,739
DEFERRED INFLOWS OF RESOURCES		
Pension and OPEB deferrals	1,870,179	2,183,169
Prepaid taxes	9,991	19,150
Total deferred inflows of resources	1,880,170	2,202,319

Town of Garner, North Carolina

Management Discussion and Analysis

NET POSITION

Net investment in capital assets	65,504,868	63,713,621
Restricted	4,196,004	3,853,148
Unrestricted	538,109	3,271,208
Total net position	<u>\$ 70,238,981</u>	<u>\$ 70,837,977</u>

The Town's net position decreased by \$598,996, while unrestricted net position decreased by \$2,733,099. The following are some of the items that influenced the change in unrestricted net position:

- Net OPEB liability increased by \$1,425,860.
- Net pension liability increased by \$686,915.
- The Town sold \$7.19 million of general obligation bonds in August of 2019, increasing its long-term debt outstanding.

Town of Garner Changes in Net Position Figure 2

	<u>Governmental Activities</u>	
	<u>2020</u>	<u>2019</u>
REVENUES		
Program revenues		
Charges for services	\$ 2,844,386	\$ 3,157,242
Operating grants & contributions	992,323	881,239
Capital grants & contributions	439,688	331,504
General revenues		
Property taxes	21,495,503	19,526,681
Other taxes	9,531,391	9,507,343
Other	1,202,929	1,284,304
Total Revenues	<u>36,506,220</u>	<u>34,688,313</u>
EXPENSES		
General government	9,592,933	8,235,521
Public safety	13,441,817	13,479,474
Transportation	6,375,777	6,203,524
Environmental protection	2,170,760	2,041,794
Cultural & recreational	4,213,447	4,129,671
Interest on long-term debt	1,310,482	1,146,684
Total expenses	<u>37,105,216</u>	<u>35,236,668</u>
Change in net position	(598,996)	(548,355)
Net position, beginning of year	<u>70,837,977</u>	<u>71,386,332</u>
Net position, end of year	<u>\$ 70,238,981</u>	<u>\$ 70,837,977</u>

Town of Garner, North Carolina

Management Discussion and Analysis

Governmental Activities. The Town's net position decreased by \$598,996 during the current fiscal year. Key elements of this decrease included:

- While property tax revenues increased \$1,968,822 these gains were offset by increasing operating costs and certain one-time expenses.
- Expenses increased 5.3% from the prior year partially attributable to increases in the Town's personnel costs, including continued increases from the State in the pension contributions and increasing health care costs.

Total revenues were \$36.5 million. Charges for services, which go directly against expenses, accounted for 7.8% of revenues.

The total cost of all programs and services was \$37.1 million. Cost of public safety programs (building inspections, police and contracted fire services) accounted for 36.2% of expenses, followed by general government expenses at 25.9%. The Town also spent an additional 11.4% 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, 2020, the Town's governmental funds reported a combined ending fund balance of \$37,893,470 an increase of 17.6% from the previous fiscal year attributed to a general obligation bond sale of \$7.19 million. Approximately \$13.3 million (35.1%) 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 (\$2.7 million), committed by the governing body for future capital projects (\$9.0 million), or restricted by external parties (\$12.9 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 \$13,281,799, or 34.0%, 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.

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 though 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 increased \$0.8 million during the current fiscal year. The key factor for this increase is strong revenues that overall exceeded General Fund expenditures.

Per the Town's Revenue Savings Plan policy, a portion of revenue growth each year is set aside for future capital needs. The Town set aside \$2.5 million in FY20 as additional committed fund balance.

Town of Garner, North Carolina

Management Discussion and Analysis

Capital Projects Fund Highlights. Fund balance of the Capital Projects Fund increased \$4.9 million. This increase was due to newly issued bonds. Construction of the Recreation Facility is nearing completion and the Town has begun several street and sidewalk improvement projects.

Capital Asset and Debt Administration

Capital Assets. The Town's investment in capital assets as of June 30, 2020, amounts to \$99,043,840 (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 \$450,503.

Major capital asset investments of \$1.0 million during the fiscal year include: construction in progress for a Recreation Center and starting several street and sidewalk improvement projects.

	June 30, 2020	June 30, 2019
Land	\$ 15,969,886	\$ 15,946,621
Buildings	17,655,618	17,991,828
Intangible assets	17,485,081	17,485,081
Improvements	3,767,613	4,105,793
Equipment	2,016,202	2,041,102
Infrastructure	26,664,309	29,348,618
Construction in Progress	15,485,131	11,674,294
Total	<u>\$ 99,043,840</u>	<u>\$ 98,593,337</u>

Additional information on the Town's capital assets can be found on page 32 of the notes to the financial statements of this report.

Long-term Debt. The Town issued long-term debt during the fiscal year ended June 30, 2020. The Town issued general obligation bonds in the amount of \$7,190,000 for the cost of streets and sidewalks, as well as parks and recreational facilities improvements. At the end of the fiscal year, the Town had total debt outstanding of \$41,323,222. Of this, \$36.5 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 \$4,759,605 during the fiscal year.

	June 30, 2020	June 30, 2019
General obligation bonds	\$ 36,525,000	\$ 30,390,000
Installment financing agreements	4,798,222	6,173,617
Total	<u>\$ 41,323,222</u>	<u>\$ 36,563,617</u>

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 \$297.4 million. This is significantly more than the Town's outstanding general obligation debt.

Additional information on the Town's long-term debt can be found in the notes to the financial statements on pages 33-35 of this report.

Town of Garner, North Carolina

Management Discussion and Analysis

Economic Factors and Next Year's Budget

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

- The Town has not experienced any significant declines in major revenues due to the COVID-19 pandemic to date.
- Home sales are up 31.7%
- The average home sale price is up 11.6%
- Construction values in the Town increased by 55%

Budget Highlights for the Fiscal Year Ending June 30, 2021

Governmental Activities: The FY 2020-2021 budget increased by \$3,250,909, or 8.7 percent, over the FY 2019-2020 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. All property taxes in the Town were reappraised as part of Wake County's revaluation cycles. As a result, the Town's property tax rate was increased by 3.5 cents to 49.71 center per \$100 of assessed value above the revenue neutral rate of 46.21. This will allow the Town to continue to fund critical services and to meet core requirements.

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.

The Town took a very conservative approach to budget development for fiscal year 2021 as a result of uncertainty about the potential impacts to our local economy due to the ongoing COVID-19 pandemic. Some of the measures taken include a delay in filling several vacant positions, only critical capital outlay items are funded, and departments were tasked with identifying reductions within their proposed budgets. Staff is committed to a quarterly budget review with Town Council where additional spending could be proposed if revenues exceed our budget projections.

Additional revenue growth occurred in multiple categories. Property tax revenues are anticipated to increase by 12.2 percent based on the tax rate increase, growth in the tax base, and higher property values as a result of revaluation. Several categories related to development are anticipated to increase as additional residential and commercial investments occur. The one revenue stream that is likely to be most impacted by the pandemic is sales tax. As part of our conservative strategy, sales tax revenues were projected at a decrease of 19%. Actual sales tax revenue in the months following budget development indicate a significantly lower reduction than what we budgeted.

The resources available allowed the Town to continue operations without service reductions and address some critical needs in the upcoming year. The Town funded costs associated with increased retirement contribution rates, higher solid waste costs, and funding 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 over the last several years. The Town allocated \$310,000 in funding to address critical facility maintenance needs with a large percentage of funding to be used for a new roof on one of our recreation centers. 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 2021 budget. These appropriations of fund balance (totaling \$2,667,376) will be used to make one-time investments in equipment and infrastructure.

Town of Garner, North Carolina

Management Discussion and Analysis

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 a 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.

TOWN OF GARNER, NORTH CAROLINA

STATEMENT OF NET POSITION JUNE 30, 2020

	Primary Government
	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 26,596,225
Investments	10,121,148
Taxes receivable, net of allowances	55,732
Intergovernmental receivables	3,113,168
Other receivables	7,760
Inventories	11,388
Prepaid items	15,971
Capital assets:	
Non-depreciable	48,940,098
Depreciable, net of accumulated depreciation	50,103,742
Total assets	<u>138,965,232</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows - pension items	3,081,733
Deferred outflows - OPEB items	1,192,911
Total deferred outflows of resources	<u>4,274,644</u>
LIABILITIES	
Accounts payable	1,607,295
Accrued interest payable	523,804
Payroll withholdings	216,499
Customer deposits	130,115
Installment notes, due within one year	1,371,351
Installment notes, due in more than one year	3,426,871
Bonds payable, due within one year	1,358,000
Bonds payable, due in more than one year	36,811,319
Compensated absences, due within one year	699,879
Compensated absences, due in more than one year	699,879
Total Pension Liability (LEOSSA), due in more than one year	3,530,245
Net pension liability (LGRS), due in more than one year	4,467,242
Net OPEB liability, due in more than one year	16,278,226
Total liabilities	<u>71,120,725</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows - pension items	169,081
Deferred inflows - OPEB items	1,701,098
Prepaid taxes	9,991
Total deferred inflows of resources	<u>1,880,170</u>
NET POSITION	
Net investment in capital assets	65,504,868
Restricted for:	
Stabilization by State statute	4,181,675
Public safety - law enforcement	14,329
Unrestricted	538,109
Total net position	<u>\$ 70,238,981</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, 2020

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities:					
General government	\$ 9,592,933	\$ 799,013	\$ -	\$ -	\$ (8,793,920)
Public safety	13,441,817	1,600,270	208,619	-	(11,632,928)
Transportation	6,375,777	65,746	765,755	66,799	(5,477,477)
Environmental protection	2,170,760	57,830	-	-	(2,112,930)
Culture and recreation	4,213,447	321,527	17,949	372,889	(3,501,082)
Interest on long-term debt	1,310,482	-	-	-	(1,310,482)
Total governmental activities	<u>37,105,216</u>	<u>2,844,386</u>	<u>992,323</u>	<u>439,688</u>	<u>(32,828,819)</u>
Total primary government	<u>\$ 37,105,216</u>	<u>\$ 2,844,386</u>	<u>\$ 992,323</u>	<u>\$ 439,688</u>	<u>\$ (32,828,819)</u>
General revenues:					
Property taxes, levied for general purposes					21,495,503
Local option sales tax					7,137,293
Other taxes					2,394,098
Miscellaneous					531,803
Unrestricted investment earnings					671,126
Total general revenues and transfers					<u>32,229,823</u>
Change in net position					(598,996)
Net position, beginning of year					<u>70,837,977</u>
Net position, end of year					<u>\$ 70,238,981</u>

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

TOWN OF GARNER, NORTH CAROLINA

BALANCE SHEET GOVERNMENTAL FUNDS JUNE 30, 2020

	General Fund	Capital Project Fund	Total Governmental Funds
ASSETS			
Cash	\$ 17,213,747	\$ 9,382,478	\$ 26,596,225
Investments	10,121,148	-	10,121,148
Taxes receivable, net	55,732	-	55,732
Intergovernmental receivable	3,005,014	108,154	3,113,168
Other receivables	7,760	-	7,760
Inventory	11,388	-	11,388
Prepaid items	15,971	-	15,971
Total assets	<u>\$ 30,430,760</u>	<u>\$ 9,490,632</u>	<u>\$ 39,921,392</u>
LIABILITIES			
Accounts payable	\$ 827,895	\$ 779,400	\$ 1,607,295
Payroll withholdings	216,499	-	216,499
Deposits payable	130,115	-	130,115
Total liabilities	<u>1,174,509</u>	<u>779,400</u>	<u>1,953,909</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	55,733	-	55,733
Unavailable revenue - other	8,289	-	8,289
Advance collection of property tax	9,991	-	9,991
Total deferred inflows of resources	<u>74,013</u>	<u>-</u>	<u>74,013</u>
FUND BALANCES			
Nonspendable:			
Prepaid items	15,971	-	15,971
Inventories	11,388	-	11,388
Restricted:			
Stabilization by State Statute	4,181,675	-	4,181,675
Public safety - law enforcement	14,329	-	14,329
Capital projects	-	8,711,232	8,711,232
Committed:			
Capital projects	3,340,414	-	3,340,414
Other	5,669,286	-	5,669,286
Assigned for:			
Subsequent year expenditure	2,667,376	-	2,667,376
Unassigned	13,281,799	-	13,281,799
Total fund balances	<u>29,182,238</u>	<u>8,711,232</u>	<u>37,893,470</u>
Total liabilities, deferred inflows of resources, and und balances	<u>\$ 30,430,760</u>	<u>\$ 9,490,632</u>	<u>\$ 39,921,392</u>

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

TOWN OF GARNER, NORTH CAROLINA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2020

Fund balances- Governmental Funds		\$ 37,893,470
Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1) are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Assets not being depreciated	48,940,098	
Assets being depreciated, net of accumulated depreciation	<u>50,103,742</u>	99,043,840
Some receivables are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds		64,022
Net pension liability for the LGERS is not recorded on the fund financial statements		(4,467,242)
Total OPEB liability is not recorded on the fund financial statements		(16,278,226)
Total pension liability for the Special Separation Allowance LEO is not recorded on the fund financial statements		(3,530,245)
Deferred inflows and outflows of resources related to pensions and OPEB which are not current financial resources and, therefore, not reported in the funds.		2,404,465
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds.		
Bonds payable	(36,525,000)	
Premium on bonds	(1,644,319)	
Installment notes	(4,798,222)	
Compensated absences	(1,399,758)	
Accrued interest payable	<u>(523,804)</u>	(44,891,103)
Net position of governmental activities		<u>\$ 70,238,981</u>

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, 2020

	General Fund	Capital Projects Fund	Total Governmental Funds
REVENUES			
Ad valorem taxes	\$ 21,511,829	\$ -	\$ 21,511,829
Other taxes	7,316,038	-	7,316,038
Intergovernmental revenues	3,355,484	449,710	3,805,194
Permits and fees	2,197,084	-	2,197,084
Sales and services	550,101	-	550,101
Investment earnings	534,029	137,097	671,126
Miscellaneous	354,615	20,000	374,615
Total revenues	<u>35,819,180</u>	<u>606,807</u>	<u>36,425,987</u>
EXPENDITURES			
Current:			
General government	7,970,199	-	7,970,199
Public safety	13,279,336	-	13,279,336
Transportation	3,622,653	-	3,622,653
Environmental protection	2,170,760	-	2,170,760
Culture and recreation	3,466,375	-	3,466,375
Capital projects	-	4,179,246	4,179,246
Debt service:			
Principal retirement	7,170,395	-	7,170,395
Interest and fiscal charges	1,399,186	149,068	1,548,254
Total expenditures	<u>39,078,904</u>	<u>4,328,314</u>	<u>43,407,218</u>
Deficiency of revenues over expenditures	<u>(3,259,724)</u>	<u>(3,721,507)</u>	<u>(6,981,231)</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from issuance of long-term debt	4,740,000	7,190,000	11,930,000
Proceeds from premium on bonds	-	618,389	618,389
Transfers in	-	823,881	823,881
Transfers out	(823,881)	-	(823,881)
Proceeds from sale of capital assets	96,141	-	96,141
Total other financing sources (uses)	<u>4,012,260</u>	<u>8,632,270</u>	<u>12,644,530</u>
Net change in fund balances	752,536	4,910,763	5,663,299
Fund balances, beginning of year	<u>28,429,702</u>	<u>3,800,469</u>	<u>32,230,171</u>
Fund balances, end of year	<u>\$ 29,182,238</u>	<u>\$ 8,711,232</u>	<u>\$ 37,893,470</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, 2020**

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

Net change in fund balances- total governmental funds	\$ 5,663,299
---	--------------

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlay	\$ 4,794,598	
Depreciation expense	(4,344,095)	
Net adjustment to increase fund balance-governmental fund to arrive at net position of governmental activities		450,503

The issuance of long-term debt and the refunding of long-term debt provides current financial resources to governmental funds, while the repayment of principal on long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Proceeds from issuance of debt	(12,548,389)	
Interest expense	(15,867)	
Amortization of bond premium	104,571	
Principal repayments	7,170,395	

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds

Taxes receivable	(15,908)
------------------	----------

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 the governmental funds.

Compensated absences (i.e., vacation)	(194,839)
Net pension liability - LGERS and related deferred outflows and inflows of resources	(907,581)
Total pension liability - LEO Special Separation Allowance and related deferred outflows and inflows of resources	(28,185)
Total OPEB liability - and related deferred outflows and inflows of resources	(276,995)

Change in net position of governmental activities	<u>\$ (598,996)</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, 2020

	Budget		Actual	Variance with
	Original	Final	Amounts	Actual and Final Budget Positive (Negative)
REVENUES				
Ad valorem taxes	\$ 21,316,638	\$ 21,316,638	\$ 21,511,829	\$ 195,191
Other taxes	7,158,010	7,158,010	7,316,038	158,028
Intergovernmental revenues	3,323,780	3,405,840	3,355,484	(50,356)
Permits and fees	1,579,580	1,589,580	2,197,084	607,504
Sales and services	695,210	695,210	550,101	(145,109)
Investment earnings	580,000	580,000	534,029	(45,971)
Miscellaneous	201,000	290,431	354,615	64,184
Total revenues	<u>34,854,218</u>	<u>35,035,709</u>	<u>35,819,180</u>	<u>783,471</u>
Expenditures				
Current:				
General government	7,862,120	9,074,800	7,970,199	1,104,601
Public safety	13,305,286	13,480,895	13,279,336	201,559
Transportation	4,695,150	5,159,605	3,622,653	1,536,952
Environmental protection	2,136,083	2,191,083	2,170,760	20,323
Culture and recreation	3,564,164	3,626,025	3,466,375	159,650
Debt service:				
Principal retirement	2,511,113	7,171,113	7,170,395	718
Interest and fiscal charges	1,247,242	1,412,105	1,399,186	12,919
Total expenditures	<u>35,321,158</u>	<u>42,115,626</u>	<u>39,078,904</u>	<u>3,036,722</u>
Deficiency of revenues over expenditures	(466,940)	(7,079,917)	(3,259,724)	3,820,193
Other financing sources (uses)				
Proceeds from issuance of long-term debt	-	4,740,000	4,740,000	-
Transfers in	459,271	684,271	-	(684,271)
Transfers out	(2,123,467)	(2,861,267)	(823,881)	2,037,386
Proceeds from sale of capital assets	45,000	95,000	96,141	1,141
Fund balance appropriated	2,086,136	4,421,913	-	(4,421,913)
Total other financing sources (uses)	<u>466,940</u>	<u>7,079,917</u>	<u>4,012,260</u>	<u>(3,067,657)</u>
Net change in fund balances	-	-	752,536	752,536
Fund balances, beginning of year	<u>28,429,702</u>	<u>28,429,702</u>	<u>28,429,702</u>	<u>-</u>
Fund balances, end of year	<u>\$ 28,429,702</u>	<u>\$ 28,429,702</u>	<u>\$ 29,182,238</u>	<u>\$ 752,536</u>

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

TOWN OF GARNER, NORTH CAROLINA

**STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUND
FOR THE YEAR ENDED JUNE 30, 2020**

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

TOWN OF GARNER, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

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 standardsetting 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

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

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:

Fiduciary funds are used to account for assets held by the Town as a fiduciary for other governments. Fiduciary funds are custodial in nature (assets equal liabilities) and do not involve measurements of results of operations. The town maintains one fiduciary 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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Budgets

Annual appropriated budgets are adopted for all funds, with the exception of the fiduciary 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, 2020. 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-Government Portfolio, a SEC-registered (2a-7) money market mutual fund, is measured at fair value. The NCCMT-Term Portfolio is a bond fund, has no rating, and is measured at fair value.

NOTES TO FINANCIAL STATEMENTS

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.

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, 2019.

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

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

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

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 yearend 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

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 outfitting of future community/recreation center.

NOTES TO FINANCIAL STATEMENTS

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 \$1,168,902 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

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

NOTE 2. DEPOSITS AND INVESTMENTS

Total deposits as of June 30, 2020 are summarized as follows:

Statement of Net Position:

Cash and cash equivalents	\$ 26,596,225
Investments	10,121,148
	<u>\$ 36,717,373</u>
Cash and investments deposited with financial institutions	\$ 10,888,995
Cash deposited with NCCMT	25,828,378
	<u>\$ 36,717,373</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 AA+ by Standard & Poor's as of June 30, 2020. The Town's investment in the NC Capital Management Trust Term Portfolio is unrated.

At June 30, 2020, the Town's investment balances were as follows:

Investment Type	Valuation Measurement Method	Book Value 6/30/20	Duration	Rating
Commercial Paper	Fair Value-Level 2	\$ 460,368	12 months	A-1
US Treasury	Fair Value-Level 1	9,660,780	12 months	AA+
NC Capital Management Trust - Government Portfolio	Fair Value-Level 1	1,617,125	N/A	AA+
NC Capital Management Trust - Term Portfolio	Fair Value-Level 1	24,211,253	0.15 years	Unrated
		<u>\$ 35,949,526</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, 2020, the Town's deposits are insured or collateralized as required by state law.

NOTES TO FINANCIAL STATEMENTS

NOTE 3. RECEIVABLES

Taxes receivables at June 30, 2020, for the Town's General Fund amounted to a balance of \$265,328, with an offsetting allowance for doubtful accounts of \$209,596.

NOTE 4. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2020 was as follows:

	Balance June 30, 2019	Increases	Decreases	Balance June 30, 2020
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 15,946,621	\$ 23,265	\$ -	\$ 15,969,886
Construction In progress	11,674,294	3,810,837	-	15,485,131
Intangible Assets	17,485,081	-	-	17,485,081
Total capital assets not being depreciated	45,105,996	3,834,102	-	48,940,098
Capital assets being depreciated:				
Buildings	22,318,669	212,690	-	22,531,359
Improvements	10,333,972	-	-	10,333,972
Equipment	8,079,589	592,339	(900,946)	7,770,982
Infrastructure	94,104,909	155,468	-	94,260,377
Total capital assets being depreciated	134,837,139	960,497	(900,946)	134,896,690
Less accumulated depreciation for:				
Buildings	(4,326,841)	(548,900)	-	(4,875,741)
Improvements	(6,228,180)	(338,179)	-	(6,566,359)
Equipment	(6,038,487)	(617,239)	900,946	(5,754,780)
Infrastructure	(64,756,291)	(2,839,777)	-	(67,596,068)
Total accumulated depreciation	(81,349,799)	\$ (4,344,095)	\$ 900,946	(84,792,948)
Total capital assets being depreciated, net	53,487,340			50,103,742
Governmental activity capital assets, net	\$ 98,593,336			\$ 99,043,840

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

Governmental activities:	
General government	\$ 378,517
Public safety	430,115
Transportation	3,009,477
Culture and recreation	525,986
	<u>\$ 4,344,095</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 5. LONG-TERM DEBT

Long-term liability activity for the year ended June 30, 2020 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Direct placement - General obligation bonds	\$ 30,390,000	\$ 11,930,000	\$ 5,795,000	\$ 36,525,000	\$ 1,358,000
Premium on bonds	1,130,501	618,389	104,571	1,644,319	-
Total bonds	<u>31,520,501</u>	<u>12,548,389</u>	<u>5,899,571</u>	<u>38,169,319</u>	<u>1,358,000</u>
Direct borrowing - Promissory notes	6,173,617	-	1,375,395	4,798,222	1,371,351
Compensated absences	1,204,919	648,278	453,439	1,399,758	699,879
Net pension liability (LGERS)	3,780,327	2,209,562	1,522,647	4,467,242	-
Total pension liability (LEO)	3,526,070	253,427	249,252	3,530,245	-
Total OPEB liability	14,852,366	1,425,860	-	16,278,226	-
Total	<u>\$ 61,057,800</u>	<u>\$ 17,085,516</u>	<u>\$ 9,500,304</u>	<u>\$ 68,643,012</u>	<u>\$ 3,429,230</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, 2020 are as follows:

	Balance as of June 30, 2020
General obligation bonds	
\$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.	\$ 12,360,000
\$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.	8,305,000
\$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.	3,930,000
\$7,190,000 2019 Public improvements bonds due in annual installments of \$185,000 to \$450,000 through August 1, 2038; interest varying from 3.0 to 5.0 percent.	7,190,000
\$4,740,000 2020 Refunding of Public improvements 2010 bonds due in annual installments of \$203,000 to \$428,000 through August 1, 2031; interest of 1.81 percent.	<u>4,740,000</u>
Total General Obligation Bonds	<u>\$ 36,525,000</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 5. LONG-TERM DEBT (CONTINUED)

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

Year Ending June 30,	Principal	Interest	Total
2021	\$ 1,358,000	\$ 1,190,592	\$ 2,548,592
2022	1,822,000	1,136,795	2,958,795
2023	1,823,000	1,071,377	2,894,377
2024	1,819,000	1,003,756	2,822,756
2025	1,820,000	936,082	2,756,082
2026-2030	10,625,000	3,612,169	14,237,169
2031-2035	11,678,000	1,741,496	13,419,496
2036-2040	5,580,000	269,663	5,849,663
Total	<u>\$ 36,525,000</u>	<u>\$ 10,961,930</u>	<u>\$ 47,486,930</u>

Direct Borrowing - Promissory notes and installment purchase contracts:

<i>Governmental activities</i>	Balance as of 6/30/2020
\$3,620,759 installment refunding due in semi-annual installments of \$229,758 to \$258,546 through June 23, 2021; interest at 1.94%	\$ 459,516
\$710,000 installment purchase contract for vehicles and equipment due in annual installments through September 1, 2020; interest at 1.42%.	181,000
\$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%	334,706
\$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%	<u>3,823,000</u>
Total promissory notes and installment purchase contracts	<u>\$ 4,798,222</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 5. LONG-TERM DEBT (CONTINUED)

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

	Principal	Interest	Total
Year Ending June 30,			
2021	\$ 1,371,351	\$ 79,157	\$ 1,450,508
2022	723,000	57,302	780,302
2023	551,000	44,758	595,758
2024	546,000	34,666	580,666
2025	542,000	24,656	566,656
2026-2027	1,064,871	19,624	1,084,495
Total	<u>\$ 4,798,222</u>	<u>\$ 260,163</u>	<u>\$ 5,058,385</u>

NOTE 6. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund transfers for the year ended June 30, 2020 is as follows:

Transfers In	Transfers Out	Amount
Capital Projects Fund	General Fund	\$ 823,881

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

NOTES TO FINANCIAL STATEMENTS

NOTE 7. 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.

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.

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, 2020, was 9.70% of compensation for law enforcement officers and 8.95% 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 \$1,032,242 for the year ended June 30, 2020.

NOTES TO FINANCIAL STATEMENTS

NOTE 7. PENSION PLANS (CONTINUED)

A. Local Governmental Employees' Retirement System (Continued)

Refunds of Contributions. Town employees who have terminated service as a contributing member of LGERS, may file an application for a refund of their contributions. By state law, refunds to members with at least five years of service include 4% interest. State law requires a 60 day waiting period after service termination before the refund may be paid. The acceptance of a refund payment cancels the individual's right to employer contributions, or any other benefit provided by LGERS.

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

At June 30, 2020, the Town reported a liability of \$4,467,242 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018. The total pension liability was then rolled forward to the measurement date of June 30, 2019 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, 2019 (measurement date), the Town's proportion was 0.16358%, which was a increase of 0.00423% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the Town recognized pension expense of \$1,939,823. At June 30, 2020, 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	\$ 764,905	\$ -
Changes in plan assumptions	728,086	-
Net difference between projected and actual earnings on pension plan investments	108,962	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	9,898	23,833
Town contributions subsequent to the measurement date	1,032,242	-
Total	<u>\$ 2,644,093</u>	<u>\$ 23,833</u>

Town contributions made subsequent to the measurement date of \$1,032,242 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, 2021. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30:

2021	\$ 791,121
2022	239,240
2023	431,515
2024	126,142
	<u>\$ 1,588,018</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 7. PENSION PLANS (CONTINUED)

A. Local Governmental Employees' Retirement System (Continued)

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

Inflation	3.0 percent
Salary increases	3.50 to 8.10 percent, including inflation and productivity factor
Investment rate of return	7.00 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, 2018 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 following table:

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

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

NOTES TO FINANCIAL STATEMENTS

NOTE 7. PENSION PLANS (CONTINUED)

A. Local Governmental Employees' Retirement System (Continued)

Discount rate. The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the 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 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)	\$ 10,217,400	\$ 4,467,242	\$(312,304)

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, 2018, the date of the most recent actuarial valuation the Separation Allowance's membership consisted of:

Retirees receiving benefits	13
Active plan members	66
Total	79

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.

NOTES TO FINANCIAL STATEMENTS

NOTE 7. PENSION PLANS (CONTINUED)

B. Law Enforcement Officers Special Separation Allowance (Continued)

Actuarial Assumptions. The entry age normal actuarial cost method was used in the December 31, 2018 valuation. The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary increases	3.50 to 7.35 percent, including inflation and productivity factor
Discount rate	3.26 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 \$257,816 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, 2020, the Town reported a total pension liability of \$3,530,245. The total pension liability was measured as of December 31, 2019 based on a December 31, 2018 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2019 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2020 the Town recognized pension expense of \$230,982.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 158,928	\$ 55,019
Changes of assumptions	145,522	90,229
Town benefit payments made subsequent to the measurement date	133,190	-
Total	<u>\$ 437,640</u>	<u>\$ 145,248</u>

The Town reported \$133,190 as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2021. Other amounts reported as deferred inflows and outflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30:

2021	\$ 52,451
2022	57,945
2023	38,409
2024	8,995
2025	1,402
Total	<u>\$ 159,202</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 7. PENSION PLANS (CONTINUED)

B. Law Enforcement Officers Special Separation Allowance (Continued)

Changes in the Total Pension Liability. The changes in total pension liability of the Town for the fiscal year ended June 30, 2020 were as follows:

Schedule of Changes in Total Pension Liability	
Law Enforcement Officers' Special Separation Allowance	
	2020
Beginning balance	\$ 3,526,070
Service cost	109,737
Interest on the total pension liability	123,813
Differences between expected and actual experience in the measurement of the total pension liability	(67,580)
Changes of assumptions or other inputs	87,457
Benefit payments	(249,252)
Ending balance of the total pension liability	<u>\$ 3,530,245</u>

The required schedule of changes in the Town's total pension liability and related ratios immediately following the notes to the Financial statements present 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 3.26 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 (2.26 percent) or 1-percentage-point higher (4.26 percent) than the current rate:

	1% Decrease (2.26%)	Discount Rate (3.26%)	1% Increase (4.26%)
Total pension liability	\$ 3,773,111	\$ 3,530,245	\$ 3,305,635

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, 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 7. PENSION PLANS (CONTINUED)

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.

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, 2020 were \$344,066 which consisted of \$214,223 from the Town and \$129,843 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 five percent 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, 2020 were \$516,754, which consisted of \$343,569 from the Town and \$173,185 from the employees.

NOTES TO FINANCIAL STATEMENTS

NOTE 8. 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	48
Total	<u>213</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, 2020, the Town contributed \$340,231 for the pay as you go benefits for the HCB Plan.

NOTES TO FINANCIAL STATEMENTS

NOTE 8. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Total OPEB Liability

The Town's total OPEB liability of \$16,278,226 was measured as of June 30, 2019 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 increases, including wage inflation		
General employees	3.50% - 7.75%	
Law Enforcement Officers	3.50% - 7.35%	
Municipal Bond Index Rate		
Prior measurement date	3.89%	
Measurement date	3.50%	
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, 2020 were as follows:

	Total OPEB Liability
Balance at June 30, 2019	\$ 14,852,366
Service cost	320,685
Interest	569,704
Experience differences	(19,595)
Assumption changes	973,101
Benefit payments	(418,035)
Balance at June 30, 2020	\$ 16,278,226

Changes in assumptions and other inputs reflect a change in the discount rate from 3.89% to 3.50%. 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 8. OTHER POSTEMPLOYMENT BENEFITS (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 (2.50 percent) or 1-percentage-point higher (4.50 percent) than the current discount rate:

	1% Decrease (2.50%)	Discount Rate (3.50%)	1% Increase (4.50%)
Total OPEB Liability	\$ 19,240,237	\$ 16,278,226	\$ 13,950,540

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. 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:

	1% Decrease	Current	1% Increase
Total OPEB Liability	\$ 13,691,483	\$ 16,278,226	\$ 19,613,314

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, 2020 the Town recognized OPEB expense of \$765,448. At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 3,699	\$ 219,387
Changes in plan assumptions	848,981	1,481,711
Town contributions subsequent to the measurement date	340,231	-
Total	<u>\$ 1,192,911</u>	<u>\$ 1,701,098</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 8. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Town contributions made subsequent to the measurement date of \$340,231 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, 2021. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Period Ending June 30:		
2021	\$	(199,052)
2022		(199,052)
2023		(199,052)
2024		(199,052)
2025		(176,769)
Thereafter		124,559
	\$	<u>(848,418)</u>

NOTE 9. 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

NOTE 10. 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 one selffunded risk-financing pools administered by the North Carolina League of Municipalities. Through this pool, the Town obtains workers' compensation coverage up to statutory limits. 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 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. This pool is 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, including general liability, property coverage, and employee health and accident insurance. The Town obtains general liability, cyber liability, and auto liability coverage of \$1 million per occurrence, and property coverage up to the total insured values of the property policy. The Town also carries \$1 million in excess or umbrella liability. 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 carries flood insurance for various properties at a coverage level of \$500,000 per structure. Most of the current property making up the Town's jurisdiction has been mapped and designated as "Zone X" area (areas determined to be outside the 0.2% annual chance and futures conditions 1% annual chance); a majority of the streams running through the Town have FEMA flood hazard zones along the lower reaches near Lake Benson and Swift Creek.

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, Assistant Finance Officer, 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 11. 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

TOWN OF GARNER, NORTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY JUNE 30, 2020

LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE

	2020	2019	2018	2017
Beginning balance	\$ 3,526,070	\$ 3,486,839	\$ 3,313,668	\$ 3,414,080
Service cost	109,737	117,732	99,562	110,693
Interest on the total pension liability	123,813	105,519	122,858	117,231
Difference between expected and actual experience	(67,580)	226,443	42,785	-
Changes of assumptions or other inputs	87,457	(115,183)	169,607	(67,766)
Benefit payments	(249,252)	(295,280)	(261,641)	(260,570)
Ending balance of the total pension liability	<u>\$ 3,530,245</u>	<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 fiscal 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 FOUR FISCAL YEARS

LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE

	2020	2019	2018	2017
Total pension liability	\$ 3,530,245	\$ 3,526,070	\$ 3,486,839	\$ 3,313,668
Covered payroll	4,318,057	4,183,629	4,117,105	4,363,230
Total pension liability as a percentage of covered payroll	81.76%	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

	2020	2019	2018
Total OPEB Liability			
Service Cost	\$ 320,685	\$ 388,709	\$ 444,708
Interest	569,704	535,824	484,665
Differences between expected and actual experience	(19,595)	(271,569)	5,967
Changes of assumptions	973,101	(654,520)	(1,604,076)
Benefit payments	(418,035)	(391,179)	(373,205)
Net change in total OPEB liability	1,425,860	(392,735)	(1,041,941)
Total OPEB liability - beginning	14,852,366	15,245,101	16,287,042
Total OPEB liability - ending	\$ 16,278,226	\$ 14,852,366	\$ 15,245,101
 Covered-employee payroll	 \$ 9,675,324	 \$ 9,675,324	 \$ 8,878,383
 Total OPEB liability as a percentage of covered-employee payroll	 168.2%	 153.5%	 171.7%

Notes to the Schedule:

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

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 SEVEN FISCAL YEARS*

LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM

	2020	2019	2018	2017	2016	2015	2014
Town's proportion of the net pension liability (asset) (%)	0.16358%	0.15935%	0.16069%	0.16521%	0.15980%	0.16120%	0.16520%
Town's proportion of the net pension liability (asset) (\$)	\$ 4,467,242	\$ 3,780,327	\$ 2,454,898	\$ 3,506,311	\$ 717,174	\$ (950,671)	\$ 1,991,294
Town's covered payroll	\$ 10,490,544	\$ 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	42.58%	37.79%	24.68%	37.11%	7.77%	(10.49)%	22.93%
Plan fiduciary net position as a percentage of the total pension liability	90.86%	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 SEVEN FISCAL YEARS*

LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 1,032,242	\$ 787,467	\$ 782,069	\$ 756,263	\$ 651,988	\$ 669,335	\$ 648,964
Contributions in relation to the contractually required contribution	<u>1,032,242</u>	<u>787,467</u>	<u>782,069</u>	<u>756,263</u>	<u>651,988</u>	<u>669,335</u>	<u>648,964</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered payroll	\$ 11,192,219	\$ 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	9.22%	7.51%	7.82%	7.60%	6.90%	7.25%	7.16%

* 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
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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, 2020 reported in that schedule:

Valuation date	December 31, 2018
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	2.5% - 3%
Salary increases	3.50 – 8.10%, including inflation
Investment rate of return	7.00%, net of pension plan investment expense, including inflation

SUPPLEMENTARY INFORMATION

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, 2020

	Budget			Variance With
	Original	Final	Actual	Final Budget
Revenues				
Ad valorem taxes:				
Current year	\$ 21,212,138	\$ 21,212,138	\$ 21,420,897	\$ 208,759
Prior year	60,500	60,500	55,967	(4,533)
Penalties and interest	44,000	44,000	34,965	(9,035)
Total ad valorem taxes	21,316,638	21,316,638	21,511,829	195,191
Other taxes and licenses:				
ABC mixed beverage	145,000	145,000	155,447	10,447
Local option sales tax	6,993,010	6,993,010	7,137,293	144,283
Solid waste disposal tax	20,000	20,000	23,298	3,298
Total other taxes and licenses	7,158,010	7,158,010	7,316,038	158,028
Intergovernmental revenues:				
Beer and wine tax	135,000	135,000	132,417	(2,583)
Utility franchise tax	1,925,000	1,925,000	1,798,893	(126,107)
Video programming fees	249,000	249,000	223,810	(25,190)
Powell Bill allocation	762,144	762,144	765,755	3,611
PEG channel funds	79,500	79,500	88,768	9,268
Federal asset forfeiture	-	-	3,335	3,335
Controlled substance tax	-	-	5,528	5,528
Build America bond - interest reimbursement	67,000	67,000	72,884	5,884
Federal grants	-	21,524	99,148	77,624
State grants	-	60,536	58,356	(2,180)
Wake County grant - school resource officer	106,136	106,136	106,590	454
Total intergovernmental revenues	3,323,780	3,405,840	3,355,484	(50,356)
Sales and services:				
Recreation fees	339,160	339,160	154,595	(184,565)
Facility rentals	251,825	251,825	166,932	(84,893)
Sanitation fees	38,775	38,775	57,830	19,055
Dental insurance fees	-	-	100,870	100,870
Third-party bill collection	4,950	4,950	4,128	(822)
Street repairs	37,500	37,500	34,673	(2,827)
Right of way mowing	23,000	23,000	31,073	8,073
Total sales and service	695,210	695,210	550,101	(145,109)

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, 2020

	Budget			Variance With
	Original	Final	Actual	Final Budget
Permits and fees:				
Police outside employment	225,000	225,000	209,987	(15,013)
Animal licenses	800	800	480	(320)
Planning and zoning fees	139,100	149,100	201,727	52,627
Inspection fees	1,163,980	1,163,980	1,409,175	245,195
Business registration	30,000	30,000	20,755	(9,245)
Fee in lieu of park land	-	-	346,655	346,655
Special event permit	700	700	100	(600)
Retention pond fees	-	-	4,600	4,600
False alarms charges	20,000	20,000	3,600	(16,400)
Taxi cab inspection fees	-	-	5	5
Total permits and fees	1,579,580	1,589,580	2,197,084	607,504
Investment earnings	580,000	580,000	534,029	(45,971)
Land use charges	13,500	13,500	20,259	6,759
Insurance proceeds	-	-	24,126	24,126
Miscellaneous	34,500	116,506	102,466	(14,040)
Assessments	4,000	4,000	3,189	(811)
Interest on assessments	700	700	64	(636)
Code enforcement	25,000	25,000	33,069	8,069
Officers' fees	7,500	7,500	3,926	(3,574)
Parking violations	800	800	1,800	1,000
Landfill reimbursement	115,000	115,000	158,341	43,341
Contributions	-	7,425	7,375	(50)
Total revenues	34,854,218	35,035,709	35,819,180	783,471
Expenditures				
Current:				
General government:				
Governing body:				
Salaries and employee benefits	132,112	132,112	133,018	(906)
Operating expenditures	77,688	79,338	61,679	17,659
Professional services	38,250	38,250	32,487	5,763
Contracted services	167,345	167,345	131,018	36,327
Total	415,395	417,045	358,202	58,843
Administration:				
Salaries and employee benefits	1,318,184	1,215,946	1,213,669	2,277
Operating expenditures	552,255	700,333	531,013	169,320
Insurance	594,376	739,376	686,077	53,299
Professional services-legal	128,617	176,617	136,676	39,941
Total	2,593,432	2,832,272	2,567,435	264,837
Finance:				
Salaries and employee benefits	532,887	542,887	559,614	(16,727)
Operating expenditures	108,403	153,403	120,975	32,428
Professional services	46,200	74,300	58,413	15,887
Contracted services	143,932	171,318	130,873	40,445
Total	831,422	941,908	869,875	72,033
Economic development:				
Salaries and employee benefits	199,695	199,695	203,943	(4,248)
Operating expenditures	90,299	90,299	73,112	17,187
Contracted services	11,000	11,000	5,426	5,574
Total	300,994	300,994	282,481	18,513

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, 2020

	Budget		Variance With Final Budget
	Original	Final	
Planning:			
Salaries and employee benefits	690,476	799,714	52,752
Operating expenditures	70,055	433,582	241,674
Professional services	14,700	14,700	13,460
Total	775,231	1,247,996	307,886
Engineering:			
Salaries and employee benefits	708,211	683,211	28,939
Operating expenditures	29,727	168,767	77,039
Total	737,938	851,978	105,978
Information Technology:			
Salaries and employee benefits	418,327	425,827	(8,305)
Operating expenditures	130,639	301,640	26,375
Contracted services	164,180	164,180	8,347
Total	713,146	891,647	26,417
Building maintenance:			
Salaries and employee benefits	419,905	419,905	17,694
Operating expenditures	437,906	437,906	69,569
Contracted services	246,250	342,648	135,474
Total	1,104,061	1,200,459	222,737
Vehicle maintenance:			
Salaries and employee benefits	330,652	330,652	12,964
Operating expenditures	41,912	41,912	9,084
Contracted services	10,021	10,021	4,118
Capital Outlay	7,916	7,916	1,191
Total	390,501	390,501	27,357
Total general government	7,862,120	9,074,800	1,104,601
Public Safety:			
Police:			
Salaries and employee benefits	6,953,202	6,940,629	(49,858)
Retirees insurance	348,874	348,874	8,643
Separation allowance	268,882	268,882	(8,032)
Operating expenditures	333,980	359,437	(46,194)
Professional services	13,600	13,600	410
Contracted services	556,975	556,977	42,421
Capital outlay	83,320	104,844	104,844
Total	8,558,833	8,593,243	52,234
Inspections:			
Salaries and employee benefits	1,153,342	1,123,342	17,815
Operating expenditures	60,212	90,212	20,040
Total	1,213,554	1,213,554	37,855

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, 2020

	Original	Budget Final	Actual	Variance With Final Budget
Fire Department:				
Contracted services	3,532,899	3,674,098	3,562,628	111,470
Total	3,532,899	3,674,098	3,562,628	111,470
Total public safety	13,305,286	13,480,895	13,279,336	201,559
Transportation:				
Transportation:				
Salaries and employee benefits	388,092	388,092	377,248	10,844
Operating expenditures	23,637	23,637	19,260	4,377
Capital outlay	145,799	207,201	155,024	52,177
Total	557,528	618,930	551,532	67,398
Street repair and construction:				
Salaries and employee benefits	1,064,800	1,054,400	943,123	111,277
Operating expenditures	1,568,558	2,074,116	1,444,635	629,481
Contracted services	961,146	976,389	262,484	713,905
Capital outlay	543,118	435,770	420,879	14,891
Total	4,137,622	4,540,675	3,071,121	1,469,554
Total Transportation	4,695,150	5,159,605	3,622,653	1,536,952
Environmental Protection:				
Sanitation:				
Operating expenditures	436,258	491,258	480,432	10,826
Contracted services	1,699,825	1,699,825	1,690,328	9,497
Total	2,136,083	2,191,083	2,170,760	20,323
Cultural and Recreation:				
Administration:				
Salaries and employee benefits	287,653	287,653	292,055	(4,402)
Operating expenditures	66,284	66,284	47,735	18,549
Capital outlay	-	20,848	20,848	-
Total	353,937	374,785	360,638	14,147
Recreational programs:				
Salaries and employee benefits	1,425,663	1,425,663	1,235,626	190,037
Operating expenditures	405,562	421,137	316,339	104,798
Contracted services	216,268	220,842	309,324	(88,482)
Total	2,047,493	2,067,642	1,861,289	206,353

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, 2020

	Budget		Actual	Variance With Final Budget
	Original	Final		
Parks maintenance and development:				
Salaries and employee benefits	924,688	924,688	1,012,277	(87,589)
Operating expenditures	154,546	168,780	143,083	25,697
Contracted services	83,500	90,130	89,088	1,042
Total	1,162,734	1,183,598	1,244,448	(60,850)
Total cultural and recreation	3,564,164	3,626,025	3,466,375	159,650
Debt Service:				
Principal retirement	2,511,113	7,171,113	7,170,395	718
Interest and fees	1,247,242	1,412,105	1,399,186	12,919
Total debt service	3,758,355	8,583,218	8,569,581	13,637
Total Expenditures	35,321,158	42,115,626	39,078,904	3,036,722
Deficiency of revenues over expenditures	(466,940)	(7,079,917)	(3,259,724)	3,820,193
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	45,000	95,000	96,141	1,141
Proceeds from debt issuance	-	4,740,000	4,740,000	-
From (To) Capital Projects Fund	(1,664,196)	(2,176,996)	(823,881)	1,353,115
Fund balance appropriated	2,086,136	4,421,913	-	(4,421,913)
Total other financing sources (uses)	466,940	7,079,917	4,012,260	(3,067,657)
Net change in fund balances	\$ -	\$ -	752,536	\$ 752,536
Fund balance, beginning of year			28,429,702	
Fund balance, end of year			<u>\$ 29,182,238</u>	

**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, 2020**

	Project Budget	Prior Years	Actual Current Year	Total
REVENUES				
Intergovernmental revenues	\$ 10,437,338	\$ 3,186,147	\$ 449,710	\$ 3,635,857
Investment earnings	218,595	374,035	137,097	511,132
Miscellaneous	385,674	178,449	20,000	198,449
Total revenues	11,041,607	3,738,631	606,807	4,345,438
EXPENDITURES				
Parks and Recreation Improvements	2,489,612	1,381,242	2,405	1,383,647
Town Hall/Police Station	15,223,315	14,481,342	223,568	14,704,910
Sewer Outfall Project	741,413	127,594	544,685	672,279
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	10,011,326	1,622,661	11,633,987
Redevelopment	2,166,087	1,849,846	134,503	1,984,349
Street & Sidewalk Improvements	15,447,760	5,222,507	1,651,424	6,873,931
Interest and fiscal charges	711,306	567,736	149,068	716,804
Total expenditures	61,416,181	42,128,868	4,328,314	46,457,182
Deficiency of revenues over expenditures	(50,374,574)	(38,390,237)	(3,721,507)	(42,111,744)
OTHER FINANCING SOURCES (USES)				
Proceeds from issuance of long-term debt	38,566,000	31,375,000	7,190,000	38,565,000
Proceeds from premium on bonds	1,427,131	1,499,328	618,389	2,117,717
Transfers in	13,393,069	11,844,006	823,881	12,667,887
Transfers out	(3,011,626)	(2,527,628)	-	(2,527,628)
Total other financing sources (uses)	50,374,574	42,190,706	8,632,270	50,822,976
Net change in fund balance	\$ -	\$ 3,800,469	4,910,763	\$ 8,711,232
FUND BALANCE, beginning of year			3,800,469	
FUND BALANCE, end of year			\$ 8,711,232	

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

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2020

	Beginning Balance	Additions	Deductions	Ending Balance
Assets:				
Accounts receivable	\$ 21,731	\$ 254	\$ 254	\$ 21,731
Liabilities:				
Intergovernmental payable	\$ 21,731	\$ 254	\$ 254	\$ 21,731

TOWN OF GARNER, NORTH CAROLINA

SCHEDULE OF AD VALOREM TAXES RECEIVABLE JUNE 30, 2020

Fiscal Year	Uncollected Balance June 30, 2019	Additions	Collections And Credits	Uncollected Balance June 30, 2020
2019-2020	\$ -	\$ 21,577,752	\$ 21,470,720	\$ 107,032
2018-2019	49,786	-	30,579	19,207
2017-2018	12,184	-	3,492	8,692
2016-2017	7,638	-	1,270	6,368
2015-2016	4,369	-	704	3,665
2014-2015	18,009	-	675	17,334
2013-2014	29,147	-	752	28,395
2012-2013	43,323	-	868	42,455
2011-2012	43,174	-	10,994	32,180
2010-2011	35,217	-	35,217	-
	<u>\$ 242,847</u>	<u>\$ 21,577,752</u>	<u>\$ 21,555,271</u>	<u>265,328</u>

Less: allowance for uncollectible accounts:
General Fund

(209,596)

Ad valorem taxes receivable - net

\$ 55,732

Reconciliation to revenues:

Ad valorem taxes - General Fund

\$ 21,511,829

Reconciling items:

Interest collected

(34,965)

Change in allowance for doubtful accounts

16,536

Payment in lieu of taxes

(418)

Releases and write-offs

62,289

Total collections and credits

\$ 21,555,271

TOWN OF GARNER, NORTH CAROLINA
ANALYSIS OF CURRENT TAX LEVY
TOWN-WIDE LEVY
JUNE 30, 2020

	City - Wide			Total Levy	
	Total Property Valuation	Rate per \$ 100	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy:					
Property taxed at current year's rate	\$ 3,715,611,864	0.5600	\$ 20,807,427	\$ 19,177,485	\$ 1,629,942
Vehicle Fee			755,849	15,779	740,070
Penalties			24,615	24,615	-
Total original levy			<u>21,587,891</u>	<u>19,217,879</u>	<u>2,370,012</u>
Discoveries:					
Current year levy	7,603,828	0.5600	21,290	21,290	-
Adjustments:					
Current year levy	<u>(5,612,263)</u>	0.5600	<u>(31,429)</u>	<u>(31,429)</u>	<u>-</u>
Total property valuation	<u>\$ 3,717,603,429</u>				
Net levy			21,577,752	19,207,740	2,370,012
Uncollected taxes at June 30, 2020			<u>107,032</u>	<u>107,032</u>	<u>-</u>
Current year's taxes collected			<u>\$ 21,470,720</u>	<u>\$ 19,100,708</u>	<u>\$ 2,370,012</u>
Current levy collection percentage			<u>99.50%</u>	<u>99.44%</u>	<u>100.00%</u>

TOWN OF GARNER, NORTH CAROLINA

DETAILED ANALYSIS OF CURRENT TAX LEVY TOWN-WIDE LEVY FOR THE YEAR ENDED JUNE 30, 2020

Secondary Market Disclosure

Assessed Valuation:

Assessment Ratio (1)		100%
Real Property	\$	3,041,603,671
Personal Property		527,250,939
Public Service Companies (2)		148,748,820
Total Assessed Valuation	\$	3,717,603,430
Tax Rate per \$100		0.5600
Levy (includes discoveries, releases and abatements) (3)	\$	21,577,752

(1) Percentage of appraised value has been established by statute.

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

(3) The levy includes interest and penalties.

STATISTICAL SECTION

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.

Contents	Page
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>	64-71
Revenue Capacity <i>These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.</i>	72-77
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>	78-82
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>	83-85
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>	86-90

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

Table 1

Page 1 of 2

	2011	2012	2013	2014
Governmental Activities				
Net investment in capital assets	\$ 65,859,876	\$ 64,781,668	\$ 63,035,753	\$ 65,505,673
Restricted				
Stabilization by state statute	1,345,242	1,360,720	1,940,597	3,761,936
Streets	271,766	405,797	484,250	615,932
Law enforcement	-	-	20,396	34,294
Capital projects	-	683,398	-	-
Unrestricted	16,650,305	16,984,241	16,913,915	15,732,218
Total governmental activities net position	<u>\$ 84,127,189</u>	<u>\$ 84,215,824</u>	<u>\$ 82,394,911</u>	<u>\$ 85,650,053</u>

Notes:

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 GASB Statement 54.

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

Table 1

Page 2 of 2

	2015		2016		2017		2018		2019		2020
\$	63,979,719	\$	61,370,282	\$	61,066,119	\$	60,841,862	\$	63,713,621	\$	65,504,868
	3,974,251		2,943,559		3,508,572		3,358,985		3,688,276		4,181,675
	662,812		570,628		836,096		773,055		117,777		-
	95,480		100,429		37,002		40,479		47,095		14,329
	-		-		-		-		-		-
	16,977,444		21,214,333		18,423,099		6,371,951		3,271,208		538,109
\$	85,689,706	\$	86,199,231	\$	83,870,888	\$	71,386,332	\$	70,837,977	\$	70,238,981

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

FUNCTIONS/PROGRAMS	2011	2012	2013	2014	2015
Expenses					
Government activities:					
General government	\$ 6,681,939	\$ 6,132,147	\$ 6,552,537	\$ 6,766,914	\$ 5,483,946
Public safety	9,538,923	9,743,696	9,803,267	10,216,257	10,746,853
Transportation	5,229,693	5,326,310	4,836,477	4,834,011	4,671,100
Environmental protection	1,663,545	1,744,989	1,729,033	1,736,723	1,768,301
Cultural/recreational	2,964,727	2,933,020	3,037,853	2,951,491	3,597,114
Interest on long-term debt	384,113	582,873	567,914	637,528	756,985
Total governmental activities	26,462,940	26,463,035	26,527,081	27,142,924	27,024,299
Program Revenues					
Governmental Activities:					
Charges for services					
General government	128,207	181,811	347,772	2,225,404	775,755
Public safety	463,281	576,322	586,925	805,086	686,758
Transportation	35,978	88,269	46,688	31,812	28,254
Environmental protection	167,229	104,429	109,500	31,980	28,600
Cultural & recreational	261,683	267,830	504,361	811,357	419,433
Interest on long-term debt	22,402	16,799	11,199	-	-
Operating grants and contributions	946,980	1,043,468	1,016,612	965,124	1,054,284
Capital grants and contributions	55,132	2,559,425	263,678	1,578,562	1,245,652
Total program revenues	2,080,892	4,838,353	2,886,735	6,449,325	4,238,736
Total Governmental net (expense)/revenue	(24,382,048)	(21,624,682)	(23,640,346)	(20,693,599)	(22,785,563)
Revenues					
Governmental Activities:					
General Revenues:					
Property taxes	\$ 14,786,084	\$ 14,770,016	\$ 14,804,481	\$ 15,426,294	\$ 15,439,837
Sales taxes	4,344,010	4,324,449	4,470,661	4,858,268	5,284,843
Other taxes	1,942,599	1,928,686	2,208,444	1,841,516	2,570,214
Grants and contributions					
not restricted to specific programs	13,750	9,500	799	500	-
Unrestricted investment earnings	28,323	17,852	11,189	6,992	13,044
Other	574,615	662,815	512,043	1,815,171	859,609
Total general revenues	21,689,381	21,713,318	22,007,617	23,948,741	24,167,547
Changes in net position	(2,692,667)	88,636	(1,632,729)	3,255,142	1,381,984
Net position, beginning of year	88,686,604	84,127,189	84,215,824	82,394,911	85,650,053
Prior period adjustment	(1,866,748)	-	(188,184)	-	(1,342,331)
Net position, end of year	\$ 84,127,189	\$ 84,215,825	\$ 82,394,911	\$ 85,650,053	\$ 85,689,706

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

FUNCTIONS/PROGRAMS	2016	2017	2018	2019	2020
Expenses					
Government activities:					
General government	\$ 6,855,255	\$ 7,021,774	\$ 7,748,861	\$ 8,235,521	\$ 9,592,933
Public safety	11,011,804	12,208,004	12,726,953	13,479,474	13,441,817
Transportation	5,612,182	5,435,823	6,078,817	6,203,524	6,375,777
Environmental protection	1,853,286	1,888,478	1,895,800	2,041,794	2,170,760
Culture and recreation	3,044,810	3,338,441	3,539,484	4,129,671	4,213,447
Interest on long-term debt	1,136,933	1,312,239	1,153,007	1,146,684	1,310,482
Total governmental activities	<u>29,514,270</u>	<u>31,204,759</u>	<u>33,142,922</u>	<u>35,236,668</u>	<u>37,105,216</u>
Program Revenues					
Governmental Activities:					
Charges for services					
General government	1,760,641	1,130,793	380,906	595,942	799,013
Public safety	1,000,264	1,153,200	1,316,971	1,925,344	1,600,270
Transportation	37,794	59,122	49,897	71,171	65,746
Environmental protection	31,157	20,679	35,070	46,659	57,830
Culture and recreation	657,107	1,002,668	1,107,134	518,124	321,527
Interest on long-term debt	-	-	-	-	-
Operating grants and contributions	876,610	1,009,068	1,095,356	881,239	992,323
Capital grants and contributions	129,726	36,311	152,143	331,504	439,688
Total program revenues	<u>4,493,299</u>	<u>4,411,841</u>	<u>4,137,477</u>	<u>4,369,983</u>	<u>4,276,397</u>
Total Governmental net (expense)/revenue	<u>(25,020,971)</u>	<u>(26,792,918)</u>	<u>(29,005,445)</u>	<u>(30,866,685)</u>	<u>(32,828,819)</u>
Revenues					
Governmental Activities:					
General Revenues:					
Property taxes	\$ 17,072,956	\$ 17,817,253	\$ 18,368,348	\$ 19,526,681	\$ 21,495,503
Sales taxes	5,826,797	6,064,218	6,208,086	6,881,083	7,137,293
Other taxes	2,167,490	2,573,786	2,384,651	2,626,260	2,394,098
Grants and contributions					
not restricted to specific programs					
Unrestricted investment earnings	148,479	244,541	456,212	832,311	671,126
Other	314,774	146,312	275,925	451,995	531,803
Total general revenues	<u>25,530,496</u>	<u>26,846,110</u>	<u>27,693,222</u>	<u>30,318,330</u>	<u>32,229,823</u>
Changes in net position	509,525	53,192	(1,312,223)	(548,355)	(598,996)
Net position, beginning of year	85,689,706	86,199,231	83,870,888	71,386,332	70,837,977
Prior period adjustment	-	(2,381,553)	(11,172,333)	-	-
Net position, end of year	<u>\$ 86,199,231</u>	<u>\$ 83,870,870</u>	<u>\$ 71,386,332</u>	<u>\$ 70,837,977</u>	<u>\$ 70,238,981</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

	2011	2012	2013	2014	2015
General fund					
Nonspendable	\$ 113,877	\$ 49,410	\$ 66,393	\$ 127,934	\$ 84,259
Restricted	1,617,008	1,766,517	2,445,243	2,858,365	3,473,514
Committed	-	-	6,868,750	2,717,555	2,791,034
Assigned	5,404,399	8,220,431	283,940	913,645	978,865
Unassigned	13,495,884	13,382,466	14,100,580	14,602,375	16,405,277
Total general fund	<u>\$ 20,631,168</u>	<u>\$ 23,418,824</u>	<u>\$ 23,764,906</u>	<u>\$ 21,219,874</u>	<u>\$ 23,732,949</u>
All other governmental funds					
Restricted	\$ 6,857,936	\$ 2,156,493	\$ 823,760	\$ 11,663,140	\$ 20,944,933
Committed	-	-	-	2,256,119	3,019,673
Total all other governmental funds	<u>\$ 6,857,936</u>	<u>\$ 2,156,493</u>	<u>\$ 823,760</u>	<u>\$ 13,919,259</u>	<u>\$ 23,964,606</u>

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

	2016	2017	2018	2019	2020
General fund					
Nonspendable	\$ 27,685	\$ 43,342	\$ 45,752	\$ 111,008	\$ 27,359
Restricted	3,440,208	4,364,506	4,172,519	3,853,148	4,196,004
Committed	4,200,667	5,767,055	6,503,558	6,017,106	9,009,700
Assigned	1,052,211	1,707,136	2,145,498	2,888,904	2,667,376
Unassigned	17,940,081	18,065,140	17,726,861	15,559,536	13,281,799
Total general fund	<u>\$ 26,660,852</u>	<u>\$ 29,947,179</u>	<u>\$ 30,594,188</u>	<u>\$ 28,429,702</u>	<u>\$ 29,182,238</u>
All other governmental funds					
Restricted	\$ 15,405,693	\$ 6,626,985	\$ 934,509	\$ 2,814,402	\$ 8,711,232
Committed	4,633,993	3,183,529	1,727,623	986,067	-
Total all other governmental funds	<u>\$ 20,039,686</u>	<u>\$ 9,810,514</u>	<u>\$ 2,662,132</u>	<u>\$ 3,800,469</u>	<u>\$ 8,711,232</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

	2011	2012	2013	2014	2015
REVENUES					
Ad valorem taxes	\$ 14,876,541	\$ 14,793,235	\$ 14,805,148	\$ 15,467,523	\$ 15,469,793
Other taxes and licenses	4,586,384	4,573,911	4,731,561	5,117,135	5,547,552
Intergovernmental revenues	2,844,452	2,918,028	3,356,940	4,408,193	4,696,851
Permits and fees	866,912	1,079,702	1,188,185	3,851,543	1,816,364
Sales and services	453,915	501,335	551,939	514,268	490,653
Investment earnings	28,324	17,851	11,189	8,092	15,360
Other revenues	289,588	2,730,840	298,156	335,835	441,378
Total revenues	23,946,116	26,614,902	24,943,118	29,702,589	28,477,951
EXPENDITURES					
Current					
General government	6,712,757	5,989,612	6,391,794	6,330,924	5,688,444
Public safety	9,309,560	9,554,279	9,797,725	10,646,438	10,341,777
Transportation	1,870,034	2,289,221	2,205,869	2,128,167	2,350,138
Environmental protection	1,661,240	1,742,909	1,726,953	1,736,723	1,768,301
Cultural and recreational	2,567,941	2,471,480	2,540,428	2,540,999	2,620,696
Capital projects	331,081	5,244,596	1,763,592	4,996,717	7,184,635
Debt service					
Principal retirement	951,123	729,617	952,021	4,698,123	1,495,425
Interest and fees	302,892	542,177	552,432	497,080	775,391
Total expenditures	23,706,628	28,563,891	25,930,814	33,575,171	32,224,807
Revenues over (under) expenditures	239,488	(1,948,989)	(987,696)	(3,872,582)	(3,746,856)
OTHER FINANCING SOURCES (USES)					
Sale of capital assets	\$ 345,000	\$ 35,202	\$ 1,045	\$ 31,500	\$ 39,262
Premium on bonds	55,828	-	-	253,495	1,061,816
Issuance of debt	9,829,554	-	-	14,138,054	15,204,200
Payment to escrow agent	-	-	-	-	-
Transfers in	203,800	541,284	431,354	6,477,132	250,360
Transfers out	(203,800)	(541,284)	(431,354)	(6,477,132)	(250,360)
Total other financing sources (uses)	10,230,382	35,202	1,045	14,423,049	16,305,278
Net change in fund balance	\$ 10,469,870	\$ (1,913,787)	\$ (986,651)	\$ 10,550,467	\$ 12,558,422
Debt service as a percentage of non-capital expenditures	5.36%	5.45%	6.23%	18.18%	9.07%

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				
	2016	2017	2018	2019	2020
REVENUES					
Ad valorem taxes	\$ 17,061,096	\$ 17,834,515	\$ 18,336,285	\$ 19,520,909	\$ 21,511,829
Other taxes and licenses	5,826,797	6,236,202	6,376,074	7,048,593	7,316,038
Intergovernmental revenues	3,247,530	3,298,717	3,468,976	3,774,353	3,805,194
Permits and fees	2,981,635	2,690,728	2,217,839	2,409,115	2,197,084
Sales and services	510,108	546,432	672,139	725,216	550,101
Investment earnings	127,477	244,541	456,212	832,311	671,126
Other revenues	285,490	325,818	180,654	401,000	374,615
Total revenues	30,040,133	31,176,953	31,708,179	34,711,497	36,425,987
EXPENDITURES					
Current					
General government	6,780,440	6,212,951	6,960,076	7,578,884	7,970,199
Public safety	10,406,031	11,214,072	12,989,182	12,906,345	13,279,336
Transportation	2,708,200	2,374,446	2,899,718	3,564,911	3,622,653
Environmental protection	1,853,286	1,888,478	1,895,800	2,041,794	2,170,760
Cultural and recreational	2,795,777	2,759,364	2,936,533	5,558,172	3,466,375
Capital projects	4,389,939	14,273,161	7,493,450	4,551,899	4,179,246
Debt service					
Principal retirement	1,625,841	2,150,627	2,520,206	2,548,501	7,170,395
Interest and fees	1,166,804	1,285,042	1,227,800	1,224,605	1,548,254
Total expenditures	31,726,318	42,158,141	38,922,765	39,975,111	43,407,218
Revenues over (under) expenditures	(1,686,185)	(10,981,188)	(7,214,586)	(5,263,614)	(6,981,231)
OTHER FINANCING SOURCES (USES)					
Sale of capital assets	\$ 59,168	\$ 101,066	\$ 53,213	\$ 29,748	\$ 96,141
Premium on bonds	-	-	-	157,717	618,389
Issuance of debt	630,000	6,229,000	660,000	4,050,000	11,930,000
Payment to escrow agent	-	(2,291,723)	-	-	-
Transfers in	118,456	-	-	1,031,464	823,881
Transfers out	(118,456)	-	-	(1,031,464)	(823,881)
Total other financing sources (uses)	689,168	4,038,343	713,213	4,237,465	12,644,530
Net change in fund balance	\$ (997,017)	\$ (6,942,845)	\$ (6,501,373)	\$ (1,026,149)	\$ 5,663,299
Debt service as a percentage of non-capital expenditures	10.22%	12.32%	12.19%	11.45%	10.93%

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

Table 5

Fiscal Year	Ad Valorem Taxes	Other Taxes	Intergovernmental Revenues	Permits and Fees	Sales and Services	Investment Earnings	Other Revenues	Total
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	19,520,909	7,048,593	3,774,353	2,409,115	725,216	832,311	401,000	34,711,497
2020	21,511,829	7,316,038	3,805,194	2,197,084	550,101	671,126	374,615	36,425,987

(1) Includes General and Capital Project Funds.

Town of Garner, North Carolina
General Governmental Expenditures by Source ⁽¹⁾
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
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
2020	7,970,199	13,279,336	3,622,653	2,170,760	3,466,375	4,179,246	8,718,649	43,407,218

(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	Personal Property					Total Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
	Real Property	Public Service Co. ⁽¹⁾	Motor Vehicle	Other					
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	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%	
2020 ⁽²⁾	3,041,603,671	148,748,820	292,189,233	235,061,706	3,717,603,430	0.5600	3,714,631,725	100.08%	

(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 2020.

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 Ending June</u>	<u>Town of Garner</u>	<u>Wake County</u>	<u>Total</u>
2011	0.4900	0.5340	1.024
2012	0.4900	0.5340	1.024
2013	0.4900	0.5340	1.024
2014	0.4900	0.5340	1.024
2015	0.5000	0.5780	1.078
2016	0.5175	0.6145	1.132
2017	0.5325	0.6005	1.133
2018	0.5325	0.6150	1.148
2019	0.5325	0.6544	1.187
2020 ⁽¹⁾	0.5600	0.7207	1.281

(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 2020.

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

Table 9

Taxpayer	Fiscal Year 2020			Fiscal Year 2010		
	1/1/19 Assessed Valuation	Rank	Percentage of Total Assessed Valuation	1/1/09 Assessed Valuation	Rank	Percentage of Total Assessed Valuation
Duke Energy Progress Inc ⁽¹⁾	\$ 117,333,828	1	3.21%	\$ 62,016,466	2	2.0%
Inland American Garner White Oak LLC	73,053,824	2	2.00%			
4851 JS Project LLC	51,466,089	3	1.41%			
BCORE MF Villages LLC	47,800,039	4	1.31%			
Adeline at White Oak LLC	39,632,192	5	1.08%			
Abberly Place Garner Phase I, LP	33,965,530	6	0.93%	25,639,142	9	0.8%
DPR Deer Harbor LLC	33,926,874	7	0.93%			
Ashton Village, LP	31,795,876	8	0.87%	23,856,275	10	0.8%
Time Warner Cable	30,574,599	9	0.84%	30,563,268	6	1.0%
Duke Realty LP	28,745,496	10	0.79%			
White Oak Associates LLC						
Garner Retail LLC				87,100,272	1	2.8%
ConAgra Foods, LLC				60,984,448	3	2.0%
Pergo Inc				41,104,485	4	1.3%
Regency Center LP				33,707,425	5	1.1%
North South Station LLC				27,084,658	7	0.9%
Greenfield North, LLC				26,585,613	8	0.9%
Totals	<u>\$ 488,294,347</u>		<u>13.37%</u>	<u>\$ 418,642,052</u>		<u>13.7%</u>

(1) Formerly Progress Energy Carolinas

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
2011	\$ 14,793,869	\$ 14,579,297	98.5%	\$ 179,355	\$ 14,758,652	99.8%
2012	14,792,108	14,575,719	98.5%	173,215	14,748,934	99.7%
2013	14,837,586	14,616,472	98.5%	177,791	14,794,263	99.7%
2014	15,293,124	15,179,014	99.3%	84,963	15,263,977	99.8%
2015	15,388,156	15,343,922	99.7%	26,225	15,370,147	99.9%
2016	16,900,584	16,849,516	99.7%	46,699	16,896,215	100.0%
2017	17,764,759	17,730,952	99.8%	26,169	17,757,121	100.0%
2018	18,314,301	18,280,317	99.8%	21,800	18,302,117	99.9%
2019	19,416,589	19,355,809	99.7%	10,994	19,366,803	99.7%
2020	21,577,752	21,470,720	99.5%	-	21,470,720	99.5%

Reconciliation to revenues collected:

Total collected as stated above	\$ 21,470,720
Prior year collections in current year	84,551
Releases and write-offs	(78,407)
Penalties and interest collected	34,965
	<u>21,511,829</u>

Ad valorem taxes collected per general fund
financial statements

\$ 21,511,829

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</u> ⁽¹⁾	<u>Percentage of Personal Income</u> ⁽²⁾
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%
2020	4,798,222	38,169,319	42,967,541	1,280	4.05%

(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
June 30, 2020
(Unaudited)

Table 12

Jurisdiction	Net General Obligation Bonded Debt Outstanding	Percentage Applicable to Town of Garner ⁽²⁾	Amount Applicable to Town of Garner
Wake County	\$ 1,580,690,000 ⁽¹⁾	2.43%	\$ 38,350,663
Town of Garner	38,169,319	100.00%	<u>38,169,319</u>
Total direct and overlapping debt			<u><u>\$ 76,519,982</u></u>

(1) Information provided by Wake County Finance Department. Of the total debt outstanding, \$1,268,294,615 or 80.20% 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 ⁽¹⁾</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>
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
2020	33,562	3,717,603,429	38,169,319	1.03%	1,137.28

(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

	2011	2012	2013	2014	2015
Debt Limit	\$ 238,504	\$ 240,397	\$ 241,001	\$ 248,249	\$ 245,365
Total net debt applicable to limit	14,719	13,987	13,034	22,426	36,135
Legal debt margin	<u>\$ 223,785</u>	<u>\$ 226,410</u>	<u>\$ 227,967</u>	<u>\$ 225,823</u>	<u>\$ 209,230</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

	2016	2017	2018	2019	2020
Debt Limit	\$ 255,626	\$ 261,162	\$ 270,071	\$ 282,458	\$ 297,408
Total net debt applicable to limit	35,139	36,922	35,062	37,694	38,169
Legal debt margin	<u>\$ 220,487</u>	<u>\$ 224,240</u>	<u>\$ 235,009</u>	<u>\$ 244,764</u>	<u>\$ 259,239</u>

Legal Debt Margin Calculation for Fiscal Year 2020

Assessed Value	\$ 3,717,603,429
Debt Limit (8% of total assessed value)	297,408,274
Debt applicable to limit:	
Outstanding General Bonded Debt	<u>\$ 38,169,319</u>
Subtotal	38,169,319
Authorized and unissued debt	<u>-</u>
Total Gross Debt	38,169,319
Less: Statutory deductions	
Authorized and unissued debt	<u>-</u>
Total amount of debt applicable to debt limit	<u>38,169,319</u>
Legal debt margin	<u>\$ 259,238,955</u>

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

Table 15

Fiscal Year	Population ⁽¹⁾	Per Capita Personal Income ⁽²⁾	Unemployment Rate ⁽³⁾	Personal Income (Thousands of Dollars)
2011	25,891	\$ 28,139	8.0%	\$ 728,547
2012	25,999	25,256	6.9%	656,631
2013	26,124	28,734	6.3%	750,647
2014	26,253	28,829	4.7%	756,848
2015	27,060	27,436	4.9%	742,418
2016	28,766	27,926	4.6%	803,319
2017	28,999	26,779	3.7%	776,564
2018	31,317	29,436	3.6%	921,847
2019	32,069	31,583	4.0%	1,012,835
2020	33,562	33,071	7.6%	1,059,989

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

(2) From US Census Bureau, American Community Survey for Town of Garner for previous year.

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

Town of Garner, North Carolina
Principal Employers
Fiscal Year 2020 and Ten Year Comparison
(Unaudited)

Table 16

Employer	2020			2010		
	Employees	Rank	Percentage of Total Town Employment	Employees	Rank	Percentage of Total Town Employment
Wake County Public Schools	1,280	1	7.8%	1,040	1	7.3%
Pepsi Bottling Ventures	400	2	2.5%			
Wal-Mart	350	3	2.1%	212	5	1.5%
Lowe's Home Improvement	335	4	2.1%			
Sigma Electric Mfg Corp	300	5	1.8%			
Target	290	6	1.8%	140	10	
Hamlin Company	250	7	1.5%	250	4	2.0%
Food Lion	220	8	1.3%			
Ameri Gas	198	9	1.2%			
Town of Garner	170	10	1.0%			
Con Agra Foods				600	2	4.2%
Pergo, Inc.				280	3	2.0%
Lowes Food				200	6	1.4%
LL Vann Electric				200	6	1.4%
Laurel's of Forest Glen				160	7	1.1%
Town of Garner				158	8	1.1%
Ultratech				150	9	1.0%
Home Depot				150	9	1.0%
Totals	<u>3,793</u>		<u>23.10%</u>	<u>3,540</u>		<u>24.00%</u>

Data from the NC Department of Commerce.

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

Table 17

Fiscal Year	Property Value	Construction ⁽¹⁾	
		Number of Permits	Construction Value
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
2020	3,717,603,430	1,622	165,994,656

(1) From Town of Garner Inspections Department.

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

Table 18

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
General Government	40.00	42.00	41.50	40.50	42.50	46.00	46.00	48.62	49.62	53.62
Public Safety	75.00	77.00	77.50	77.50	78.00	78.50	81.50	83.50	86.50	89.50
Streets and Transportation	11.00	12.00	12.00	12.00	13.00	14.00	14.00	14.00	16.00	16.00
Cultural & Recreation	22.00	25.50	25.00	25.00	25.00	25.50	25.50	26.00	28.00	29.00
Total	<u>148.00</u>	<u>156.50</u>	<u>156.00</u>	<u>155.00</u>	<u>158.50</u>	<u>164.00</u>	<u>167.00</u>	<u>172.12</u>	<u>180.12</u>	<u>188.12</u>

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

Table 19

Page 1 of 2

Function	2011	2012	2013	2014	2015
Community Development Services					
Inspections:					
Permits issued (all trade types)	875	876	833	995	1,297
Building inspections conducted	4,584	3,519	3,856	5,971	6,303
Public Works					
Miles of streets maintained	98	99	99	99	100
Traffic control signs repaired/replaced	411	210	240	133	140
Town parks maintained	12	12	12	12	14
Town athletic fields/courts maintained	30	30	30	30	36
Town building/grounds maintained	42	44	44	55	56
Police					
Calls for service	27,518	27,272	31,959	31,913	35,963
Accidents investigated	1,073	1,125	1,147	1,249	1,260
Arrests	936	826	1,062	1,304	1,330
Fire/Rescue (1)					
Fire call answered	4,733	4,737	4,743	4,725	4,875
EMS calls answered	Not Available	Not Available	Not Available	Not Available	Not Available
Solid Waste					
Sanitation customers	8,595	8,700	8,802	8,852	8,952
% of solid waste stream reduction reported to the state	40%	40%	40%	40%	52%
Spring and fall cleanups - tons collected	400	360	320	401	423
Leisure Services					
Parks & Recreation program registrations	1,750	3,220	4,512	3,634	4,200
Picnic shelter reservations	410	475	652	708	600
Auditorium event attendance	30,000	30,000	37,642	35,844	31,395
Independence day attendance	20,000	20,000	17,000	17,000	10,000

Source:

Departmental performance indicators in the Town of Garner Budget Document, and Departmental staff.

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

Table 19

Page 2 of 2

Function	2016	2017	2018	2019	2020
Community Development Services					
Inspections:					
Permits issued (all trade types)	1,207	1,324	1,531	1,547	1,622
Building inspections conducted	5,244	7,619	11,608	13,547	18,755
Public Works					
Miles of streets maintained	101	102	105	105	109
Traffic control signs repaired/replaced	142	122	113	134	123
Town parks maintained	14	11	11	11	11
Town athletic fields/courts maintained	36	14	19	19	20
Town building/grounds maintained	56	53	55	55	56
Police					
Calls for service	33,132	36,611	35,968	36,684	35,474
Accidents investigated	1,371	1,342	1,469	1,391	1,620
Arrests	1,082	1,156	1,122	1,170	1,140
Fire/Rescue (1)					
Fire call answered	1,922	2,078	2,438	2,472	2,678
EMS calls answered	3,198	1,835	2,761	2,860	2,890
Solid Waste					
Sanitation customers	8,957	9,023	9,186	9,434	9,642
% of solid waste stream reduction reported to the state	50%	61%	61%	62%	62%
Spring and fall cleanups - tons collected	486	711	414	1,350	1,200
Leisure Services *					
Parks & Recreation program registrations	4,025	4,011	4,312	4,339	* 1,878
Picnic shelter reservations	700	582	582	572	* 264
Auditorium event attendance	31,869	33,458	31,923	40,798	* 6,400
Independence day attendance	8,500	15,000	14,000	9,000	* 0

* These activities were significantly impacted by the COVID-19 pandemic and related closures and restrictions.

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

Table 20

Page 1 of 2

Function	2011	2012	2013	2014	2015
Public Safety					
Police stations	2	3	3	3	3
Patrol and investigative units	2	3	3	3	3
K-9 Units	4	4	4	4	4
Fire stations	3	4	4	4	4
Fire apparatus	14	14	15	15	15
Highways and Streets					
Streets (miles)	99.07	99.07	99.07	99.78	100.00
Sidewalks (feet)	274,967	277,207	309,921	318,892	332,640
Leisure Services					
Number of major parks	13	13	13	13	14
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

Source: Town of Garner Public Safety, Public Works and Parks & Recreation Departments

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

Table 20

Page 2 of 2

Function	2016	2017	2018	2019	2020
Public Safety					
Police stations	1	1	1	1	1
Patrol and investigative units	1	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)	101.43	102.30	104.71	106.85	109.08
Sidewalks (feet)	323,180	355,208	361,385	361,385	387,719
Leisure Services					
Number of major parks	14	14	14	14	14
Total park acreage	350	350	375	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





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

**To the Honorable Mayor and Members
of 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, 2020, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated December 18, 2020.

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) as a basis for designing 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.

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 financial statements. 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.

A handwritten signature in black ink that reads "Mauldin & Jenkins, LLC". The signature is written in a cursive, flowing style.

Columbia, South Carolina
December 18, 2020



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

**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, 2020. 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, 2020.

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

Columbia, South Carolina
December 18, 2020

TOWN OF GARNER, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS JUNE 30, 2020

Awarding Agency	CFDA Number	Pass-through Number	Federal	State
FEDERAL AWARDS				
<u>U.S. Department of Justice</u>				
Bulletproof Vest Partnership Program	16.607	n/a	\$ 3,857	\$ -
<u>U.S. Department 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	155,389	-
<u>U.S. Department of Transportation</u>				
Passed through N.C. Governor's Highway Safety Program				
National Highway Traffic Safety Administration	20.600	PT-20-06-29	38,513	-
Passed through N.C. Department of Transportation				
Highway Planning and Construction	20.205	CMAQ-0508(009)	18,563	-
Total U.S. Department of Transportation			57,076	-
<u>U.S. Department of Treasury</u>				
Passed through Wake County, North Carolina				
COVID-19 Coronavirus Relief Funds (CARES Act)	21.019	n/a	56,778	-
TOTAL FEDERAL AWARDS			273,100	-
STATE AWARDS				
<u>N.C. Department of Health and Human Services</u>				
Senior Center Development Grant		M5HVE-2017-15-03	-	10,574
<u>N.C. Department of Health and Human Services</u>				
Town of Garner Recreation Center		PARTF CONTRACT 2016-814	-	217,500
<u>N.C. Department of Transportation</u>				
Powell Bill		DOT-4	-	896,906
TOTAL STATE AWARDS			-	1,124,980
TOTAL FEDERAL AND STATE AWARDS			\$ 273,100	\$ 1,124,980

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, 2020. The information in this SEFSA is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations (CFR)* 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 Minimis indirect cost rate permitted by the Uniform Guidance.

TOWN OF GARNER, NORTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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, 2020 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, 2020

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, 2020**

None reported