



Town of Garner, North Carolina
**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

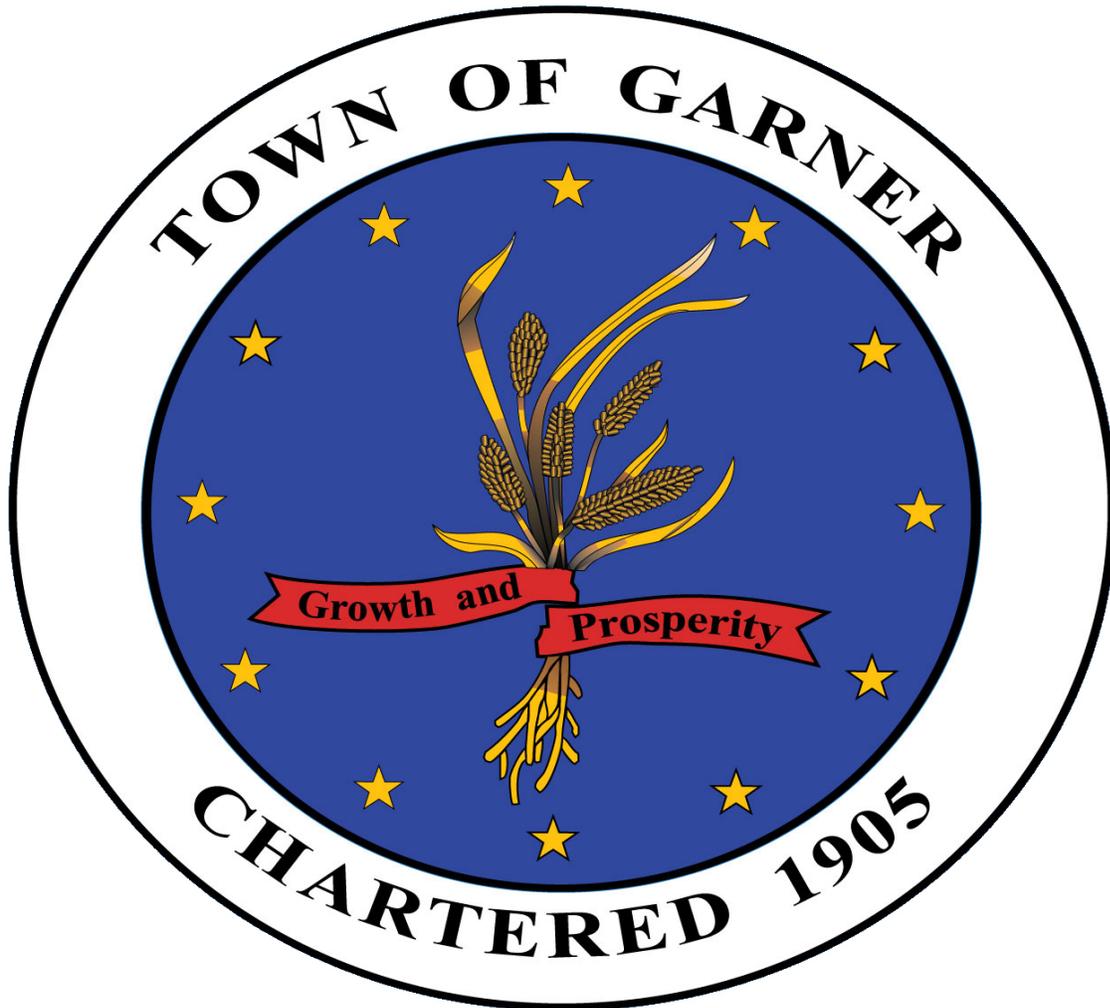
For the Fiscal Year Ended June 30, 2017

garnernc.gov



TOWN OF GARNER

NORTH CAROLINA



COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

PREPARED BY:
THE FINANCE DEPARTMENT

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Town of Garner, North Carolina

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Town of Garner

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October 18, 2017

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, 2017. This report includes financial statements and supplemental schedules audited by Martin Starnes & Associates, CPAs, P.A., 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 of 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 Garner Revitalization 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 located 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, 2017 was 3.7% compared with 3.6% at June 30, 2016.

While Garner is currently in the midst of a substantial growth period, the Town's major revenue sources (property taxes and sales tax) won't begin to reflect this substantial growth until much of the current construction is completed. Despite this lag between new development and the new major revenues that are associated with it, the Town is still projecting strong revenue growth for 2017-18, especially in the development permits and fee revenues the Town levies.

Town staff fully expects the increased level of development activity that has occurred over the last two fiscal years to continue. The pace and value of building permits continues to grow with major new retail, office, single-family residential, and multi-family residential projects approved and expected to break ground during FY 2017-18. As a result, staff has projected increases in the Town's building permits and other development-related fees that total \$336,813 (16.9%).

The FY 2017-18 ad valorem related property tax revenues are projected to increase \$483,438 (2.8%) from the FY 2016-17 budget. This amount is the net result of a \$566,538 (3.3%) increase in the projected future year regular property tax revenues offset by a combined decrease of \$83,100 (-39%) in the Prior Year Property Tax, Rental Vehicle Tax, Payment in Lieu of Taxes, and Tax Penalty and Interest categories. With Wake County and the North Carolina Department of Motor Vehicles collecting an extremely high percentage of property tax revenues over the last several years (99.5% over the last three years) there are fewer property taxes left outstanding on which to collect penalty and interest revenues

Year-to-date sales tax collections have been extremely strong – growing 8.43% compared to the same period last fiscal year. National, state, and local forecasts indicate that the economic conditions present for this level of growth should remain unchanged for the foreseeable future. Capital outlay expenditures also have continued to increase as we fill the backlog of needed equipment and vehicle replacements, and the Town Council’s commitment to fund street resurfacing on an annual basis. Fund balance of \$549,505 was appropriated in the budget.

MAJOR INITIATIVES

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

- The Town continues to work on several projects related to the approved 2013 bond referendums, including a new recreation center, new sidewalks, and neighborhood improvement projects.
- To facilitate development-related changes, the Town funded Phase II of a two-year planning process to include a new comprehensive plan, revisions of the current transportation plan, and creation of a transit overlay district.
- The Town continues to promote its designation as an All-America City awarded in June 2013. Promotional items have been displayed throughout Town, and entrance and roadway signs placed throughout Garner.
- The Town was successful in obtaining an upgrade in our bond rating from Moody’s Investors Service from Aa2 to Aa1.
- The Town updated its Strategic Plan with goals and initiatives in four key focus areas: Fiscal Responsibility, Efficient and Timely Service Delivery, Orderly Growth, and Quality of Life.

OTHER INFORMATION

Independent Audit. State statutes require an annual audit by independent certified public accountants. The Town’s Council selected the accounting firm of Martin Starnes & Associates, CPAs, P.A. 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, 2017, 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, 2016. The Certificate of Achievement is a prestigious national award, recognizing conformance with the highest standard for preparation of state and local government financial reports.

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

A Certificate of Achievement for a CAFR is valid for a period of one year only. The Town of Garner has received a Certificate of Achievement for the CAFR for the last 25 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, 2016. 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. This is the first year the Town has submitted a PAFR to the GFOA awards program. 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, 2016. 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 20 years. We believe our current budget continues to conform to program requirements, and we are submitting it to GFOA to determine its eligibility for another award.

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

CONCLUSION

The Town's management team stands ready to review this document with the Council and public in the coming weeks. We hope a thorough understanding of the Town's financial

activities for FY 2016-17 will allow us to make FY 2017-18 an even more productive year for the Town of Garner.

Respectfully submitted,

Rodney Dickerson
Town Manager

A handwritten signature in cursive script that reads "Rodney Dickerson".

Pamela J. Wortham, CPA
Finance Director

A handwritten signature in cursive script that reads "Pamela J. Wortham".

Town of Garner, North Carolina
List of Principal Officials
June 30, 2017

Ronnie S. Williams

Mayor

Kathy Behringer

Mayor Pro Tem

Ken Marshburn

Council Member

Jackie Johns, Sr

Council Member

Arthur "Buck" Kennedy

Council Member

J. Graham "Gra" Singleton, Jr.

Council Member

William E. Anderson
McDaniel & Anderson, LLP

Attorney

Rodney Dickerson

Town Manager

John Hodges

Assistant Town Manager

Development Services

Matt Roylance

Assistant Town Manager

Operations

Stella Gibson

Town Clerk

Pamela J. Wortham

Finance Director

Brandon Zuidema

Police Chief

Michael Gammon

Budget & Special Projects

Reginald Buie

Neighborhood Improvement

Joseph Stallings

Economic Development

B.D. Sechler

Human Resources

Rick Mercier

Communications

Mari Howe

Downtown Development

Anthony Chalk

Engineering

Jeff Triezenberg

Planning

Tony Beasley

Inspections

Sonya Shaw

Parks, Recreation & Cultural
Resources

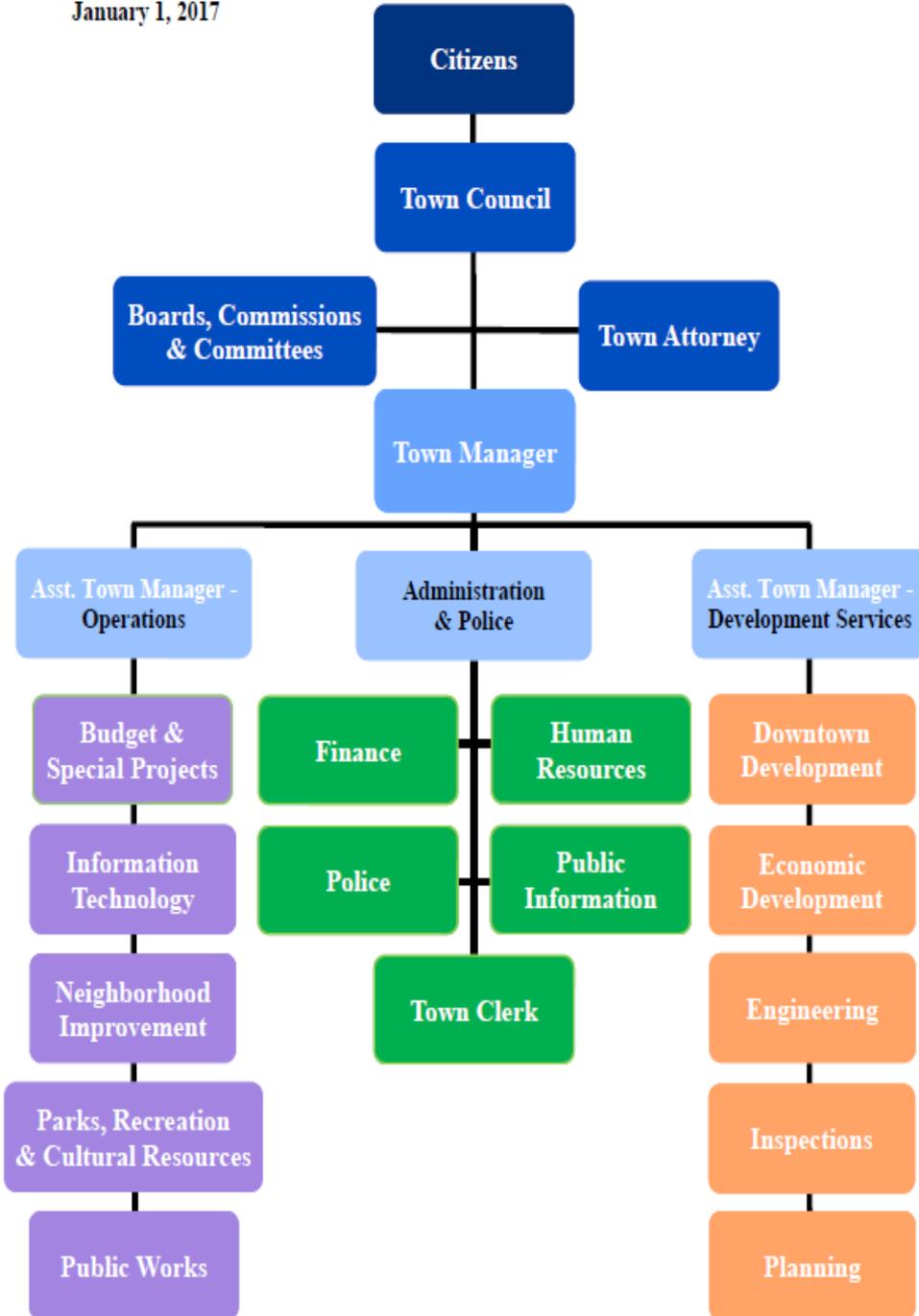
Forrest Jones

Public Works

Bret Kelly

Information Technology

Town of Garner, North Carolina
 Organizational Chart
 January 1, 2017





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, 2016

Executive Director/CEO

MARTIN ♦ STARNES & ASSOCIATES, CPAs, P.A.

"A Professional Association of Certified Public Accountants and Management Consultants"

Independent Auditor's Report

To the 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 aggregate remaining fund information of the Town of Garner, North Carolina as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Town of Garner'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 aggregate remaining fund information of the Town of Garner, North Carolina as of June 30, 2017, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note L to the financial statements, for fiscal year ending June 30, 2017 the Town adopted new accounting guidance, Governmental Accounting Standards Board (GASB) No. 73, Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement 68 and Amendments to Certain Provisions of GASB Statements 67 and 68. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Other Post-Employment Benefits' Schedules of Funding Progress and Employer Contributions, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Asset (Liability) and Contributions, and the Law Enforcement Officers' Special Separation Allowance Schedules of Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll 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, economical, 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.

Supplementary and Other Information

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Town of Garner, North Carolina. The introductory information, individual fund financial statements, budgetary schedules, other schedules, supplemental ad valorem tax schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The individual fund financial statements, budgetary schedules, other schedules, and supplemental ad valorem tax schedules 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 individual fund financial statements, budgetary schedules, other schedules, and supplemental ad valorem tax schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2017 on our consideration of the Town of Garner's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of the 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 of Garner'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 of Garner's internal control over financial reporting and compliance.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, NC
October 18, 2017

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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, 2017. 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 of the Town exceeded its liabilities at the close of the fiscal year by \$83,870,888 (net position). Of this amount \$18,423,099 (unrestricted net position) may be used to meet the government’s ongoing obligations to the citizens and creditors.
- At the end of the fiscal year, the Town’s governmental funds reported combined ending fund balances of \$39,757,693 or a decrease of \$6,942,845.
- As of the close of the fiscal year, the Town’s unassigned fund balance for the General Fund was \$18,065,140, or 56.73%, 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 AA+ with Standard and Poor’s Corporation and was upgraded to Aa1 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 (Exhibits 1 and 2) in the basic financial statements are the Government-wide Financial Statements. They provide both short and long-term information about the Town’s financial status.

The next statements (Exhibits 3 through 8) 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

Town of Garner, North Carolina

Management Discussion and Analysis

North Carolina General Statutes and Required Supplementary Information for pensions can also be found in this part of the statements.

Government-wide Financial Statements

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

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

The governmental activities include most of the Town's basic services such as public safety, 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 24-25 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 agency funds.

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

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

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

Town of Garner, North Carolina

Management Discussion and Analysis

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 26-30 of this report.

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

The agency fund financial statements can be found on page 31 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 32-63 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Town of Garner's progress in funding its obligation to provide pension benefits to its employees and healthcare benefits for retirees. Required supplementary information can be found on pages 65-69 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 72-85 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 92-119.

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.

Town of Garner, North Carolina

Management Discussion and Analysis

Government-wide Financial Analysis

As noted earlier, the Town's net position exceeded liabilities by \$83,870,888 as of June 30, 2017. Approximately 72.81% of the Town's net position reflects the Town's investment in capital assets. The net investment in capital assets category is defined as the Town's investment in Town owned capital assets (e.g. land, buildings, water and sewer capacity rights, vehicles, equipment and infrastructure) less any related debt still outstanding that was issued to acquire those items. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of net position (5.22%) 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	
	2017	2016
ASSETS		
Current and other assets	41,260,169	48,294,653
Capital assets	92,525,534	82,485,789
Total assets	133,785,703	130,780,442
DEFERRED OUTFLOWS OF RESOURCES		
Pension Deferrals and charge on refunding	3,141,493	654,824
LIABILITIES		
Long-term debt outstanding	47,635,205	40,317,316
Other liabilities	5,166,910	4,522,606
Total liabilities	52,802,115	44,839,922
DEFERRED INFLOWS OF RESOURCES		
Pension deferrals	192,612	394,080
Prepaid & unavailable revenue	61,581	2,033
Total deferred inflows of resources	254,193	396,113
NET POSITION		
Net investment in capital assets	61,066,119	61,370,282
Restricted	4,381,670	3,614,616
Unrestricted	18,423,099	21,214,333
Total net position	83,870,888	86,199,231

The Town's net position increased by \$53,190, while unrestricted net position decreased by \$2,791,234. The following are some of the items that influenced the change in unrestricted net position:

Town of Garner, North Carolina

Management Discussion and Analysis

- Investment in equipment & vehicles \$ 771,484.
- A prior year restatement of \$2.4 million was made for pension obligations.

Town of Garner Changes in Net Position
Figure 2

	Governmental Activities	
	2017	2016
REVENUES		
Program revenues		
Charges for services	\$ 3,366,462	\$ 3,486,963
Operating grants & contributions	1,009,068	876,610
Capital grants & contributions	36,311	129,726
General revenues		
Property taxes	17,817,253	17,072,956
Other taxes	8,638,003	7,994,287
Other	390,853	463,253
Total Revenues	31,257,950	30,023,795
EXPENSES		
General government	7,021,774	6,855,255
Public safety	12,208,004	11,011,804
Transportation	5,435,823	5,612,182
Environmental protection	1,888,478	1,853,286
Cultural & recreational	3,338,442	3,044,810
Interest on long-term debt	1,312,239	1,136,933
Total expenses	31,204,760	29,514,270
Change in net position	53,190	509,525
Net position, July 1, as previously stated	86,199,231	85,689,706
Restatement	(2,381,533)	-
Net position, July 1, as restated	83,817,698	85,689,706
Net position, June 30	\$ 83,870,888	\$ 86,199,231

Governmental Activities. The Town's net position increased by \$53,190 during the current fiscal year. Key elements of this increase included:

Town of Garner, North Carolina

Management Discussion and Analysis

- Other taxes, specifically sales taxes, increased 7.8% due to the improved economy of the region & expansion in the sales tax base within the Town.
- Expenses increased 5% from the prior year partially attributable to an additional \$415,000 for contracted Fire protection and an additional \$100,000 for recreational salaries.

Total revenues were \$31.3 million. The property tax rate increased from \$.5175 to \$.5325 per \$100 of assessed value and increasing property tax revenues by \$744,297. The Town received 3.3% of its revenue through either capital or operating grants that fund specific projects and programs. Charges for services, which go directly against expenses, accounted for 10.8% of revenues.

The total cost of all programs and services was \$31.2 million. Cost of public safety programs (building inspections, police and contracted fire services) accounted for 39.1% of expenses, followed by general government expenses at 22.5%. The Town also spent an additional 10.7% cultural and recreational expenditures.

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, 2017, the Town's governmental funds reported a combined ending fund balance of \$39,757,693 a decrease of 14.8% from the previous fiscal year attributed to capital project expenditures during the year of \$10.3 million. Approximately \$18 million (45.4%) 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 (\$1.7 million), committed by the governing body for future capital projects (\$8.9 million), or restricted by external parties (\$11 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 \$18,065,140, or 56.73%, 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.

Town of Garner, North Carolina

Management Discussion and Analysis

There were several reasons the Town revised its budget throughout the year with the major one being for the issuance of debt for the purchase of property & refunding of prior debt. 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 \$3.3 million during the current fiscal year. Key factors in this increase are as follows:

- The Town recognized increases in both property & sales tax collections during the year.
- The Town continues to see growth in commercial and multi-family residential development, resulting in additional permitting and inspection fees more than \$1 million, some of which are restricted fees committed for specific purposes (i.e. payments in lieu of parkland).

Capital Projects Fund Budgetary Highlights. Fund balance of the Capital Projects Fund decreased \$10.2 million. This decrease was due to the capital project expenditures of previously issued bonds. The Police Department and Town Hall have been completed in the last two fiscal years and the Recreation Facility has begun construction with the bulk of the project to be in the coming fiscal year.

Capital Asset and Debt Administration

Capital Assets. The Town's investment in capital assets as of June 30, 2017, amounts to \$95,525,534 (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 \$10,039,745.

Major capital asset investments of \$14.2 million during the fiscal year include: construction in progress for a new Town Hall, roadway improvements, and sidewalk construction (\$10.3 million); land acquisition related to future park development (\$3.2 million); and equipment and vehicle purchases (\$784,000).

	June 30, 2017	June 30, 2016	
Land	\$ 13,544,499	\$ 10,356,033	
Buildings	10,736,055	6,009,390	
Intangible assets	17,485,081	17,485,081	
Improvements	3,860,186	4,172,356	
Equipment	1,603,665	1,458,777	
Infrastructure	32,513,642	27,081,005	
Construction in Progress	12,782,406	15,923,147	
Total	\$ 92,525,534	\$ 82,485,789	

Additional information on the Town's capital assets can be found on page 45 of the notes to the financial statements of this report.

Town of Garner, North Carolina

Management Discussion and Analysis

Long-term Debt. The Town issued long-term debt during the fiscal year ended June 30, 2017. The Town issued installment loan in the amount of \$6.2 million of which \$710,000 was for the purchase of vehicles & equipment, \$3.2 million for the purchase of land and the remaining \$2.3 million was for the refunding of previously issued debt. At the end of the fiscal year, the Town had total debt outstanding of \$36,922,324. Of this, \$28.3 million is backed by the full faith and credit of the Town; the remainder is secured by interest property, vehicles, or equipment.

The Town's total debt increased by \$1,786,650 during the fiscal year.

	June 30, 2017	June 30, 2016	
General obligation bonds	\$ 28,345,000	\$ 29,335,000	
Installment financing agreements	8,577,324	5,800,674	
Total	\$ 36,922,324	\$ 35,135,674	

As mentioned in the financial highlights section of this document, the Town of Garner was upgraded to Aa1 from Moody's Investors Service and maintained its AA+ 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 \$224.2 million. This is significantly more than the Town's outstanding general obligation debt. The Town had authorized, but unissued bonds in the amount of \$11,241,000 at June 30, 2017.

Additional information on the Town's long-term debt can be found in the notes to the financial statements on pages 59-61 of this report.

Economic Factors and Next Year's Budget

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

- The unemployment rate for the Town decreased from 4.2% to 3.9% during calendar year 2016. We anticipate additional decreases with the opening of several retail centers in Town.
- Labor Force for the Town increased 3.5%
- Construction value added in the town increased 9.1 million (14.3%)
- Home sales are up 4.2% along with an increase in the average price of 2.9%

Budget Highlights for the Fiscal Year Ending June 30, 2018

Town of Garner, North Carolina

Management Discussion and Analysis

Governmental Activities: Property taxes (benefiting from the economic growth) are expected to lead the increase in budgeted revenue by 3.3%. This is due to the combination of the increase in both the property and sales tax base while keeping the property tax rate at the same \$.5325 per \$100 of assessed value.

Sales tax distributions are anticipated to increase another 10.12%. Wake County and the Triangle region continue to see the benefits of being a retail center for the State, and additional changes in the sales tax laws will see the sales tax rate applied to more services.

The Town anticipates growth of approximately 16% in permits and development fees with recent approvals of retail shopping centers, multi-family residential developments, and single-family unit subdivisions.

The City will use these increases in revenues to finance programs currently in place and complete new initiatives set by the Council. Budgeted expenditures in the General Fund are expected to rise approximately 6% to \$33,195,328. The largest increments are in employee compensation, including compensation and benefits adjustments. Initiatives set by the Council included in the approved fiscal year 2018 budget are:

- Six new positions in planning(1), inspections(2), police(1/2), communications(1/2), and Parks and Recreation (1);
- Funding for operations of the Town's new Town Hall, which opened in Summer 2017;
- Additional funding for street resurfacing and patching;
- Continue funding of health care benefits to employees

The Town has chosen to appropriate fund balance in the fiscal year 2018 budget. These appropriations of fund balance (totaling \$1,802,157) will be used to make one-time investments in equipment and infrastructure.

Requests for Information

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

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BASIC FINANCIAL STATEMENTS

Government-Wide Financial Statements

Fund Financial Statements

Notes to the Financial Statements

Required Supplementary Information

TOWN OF GARNER, NORTH CAROLINA
STATEMENT OF NET POSITION
JUNE 30, 2017

Exhibit 1

	Primary Government
	Governmental
	Activities
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 31,071,676
Taxes receivable- net	33,807
Special assessments-net	14,269
Accounts receivable-net	2,451,881
Sales tax refund receivable	102,695
Inventories	21,637
Prepaid items	21,705
Restricted cash, cash equivalents and investments	7,542,499
Total current assets	41,260,169
Non-current assets:	
Capital assets:	
Capital assets not being depreciated	43,811,986
Capital assets being depreciated-net	48,713,548
Total capital assets	92,525,534
Total non-current assets	92,525,534
Total assets	133,785,703
DEFERRED OUTFLOWS OF RESOURCES	
Pension deferrals	3,116,436
Charge on refunding	25,057
Total deferred outflows of resources	3,141,493
LIABILITIES	
Accounts payable and accrued liabilities	1,134,305
Accrued interest payable	511,580
Payroll withholdings payable	213,203
Liabilities paid from restricted assets:	
Deposits	59,580
Current portion of compensated absences	663,830
Current portion of long-term obligations	2,584,412
Total current liabilities	5,166,910
Long-term liabilities:	
Non-current portion of compensated absences	588,898
Total Pension Liability (LEO)	3,313,668
Other postemployment benefits (OPEB)	4,741,504
Net pension liability (LGERS)	3,506,311
Non-current portion of long-term obligations	35,484,824
Total long-term liabilities	47,635,205
Total liabilities	52,802,115
DEFERRED INFLOWS OF RESOURCES	
Prepaid taxes	18,312
Assessments uncollected	14,269
Unavailable revenue	29,000
Pension deferrals	192,612
Total deferred inflows of resources	254,193
NET POSITION	
Net investment in capital assets	61,066,119
Restricted for:	
Stabilization by State statute	3,508,572
Streets	836,096
Law enforcement	37,002
Unrestricted	18,423,099
Total net position	\$ 83,870,888

**TOWN OF GARNER, NORTH CAROLINA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017**

Exhibit 2

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government
					Governmental Activities
Primary government:					
Governmental activities:					
General government	\$ 7,021,774	\$ 1,130,793		\$ 36,311	\$ (5,854,670)
Public safety	12,208,004	1,153,200	138,259		(10,916,545)
Transportation	5,435,823	59,122	736,809		(4,639,892)
Environmental protection	1,888,478	20,679			(1,867,799)
Cultural/recreational	3,338,442	1,002,668	134,000		(2,201,774)
Interest on long-term debt	1,312,239	-		-	(1,312,239)
Total governmental activities	31,204,760	3,366,462	1,009,068	36,311	(26,792,919)
Total primary government	\$ 31,204,760	\$ 3,366,462	\$ 1,009,068	\$ 36,311	\$ (26,792,919)

General revenues:	
Property taxes	17,817,253
Local option sales tax	6,064,218
Other taxes	2,573,785
Unrestricted investment earnings	244,541
Gain on sale of capital assets	98,259
Miscellaneous	48,053
Total General Revenues	26,846,109
Change in net position	53,190
Net position - beginning , previously reported	86,199,231
Restatement	(2,381,533)
Net position - beginning , restated	83,817,698
Net position - ending	\$ 83,870,888

Town of Garner, North Carolina
Balance Sheet--Governmental Funds
June 30, 2017

Exhibit 3

	General	Capital Projects	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 27,366,530	\$ 3,705,146	\$ 31,071,676
Restricted cash and cash equivalents	932,678	6,609,821	7,542,499
Taxes receivable (net)	33,807	-	33,807
Assessments receivable (net)	14,269	-	14,269
Accounts receivable (net)	2,434,717	17,164	2,451,881
Sales tax refunds receivable	102,695	-	102,695
Inventories	21,637	-	21,637
Prepaid items	21,705	-	21,705
	<u>\$ 30,928,038</u>	<u>\$ 10,332,131</u>	<u>\$ 41,260,169</u>
LIABILITIES			
Accounts payable and accrued liabilities	\$ 612,688	\$ 521,617	\$ 1,134,305
Payroll withholdings payable	213,203	-	213,203
Liabilities payable from restricted assets:			
Deposits	59,580	-	59,580
	<u>885,471</u>	<u>521,617</u>	<u>1,407,088</u>
DEFERRED INFLOWS OF RESOURCES			
Assessments uncollected	14,269	-	14,269
Property taxes receivable	33,807	-	33,807
Unavailable Revenue	29,000	-	29,000
Prepaid taxes	18,312	-	18,312
	<u>95,388</u>	<u>-</u>	<u>95,388</u>
FUND BALANCES			
Nonspendable			
Inventories	21,637	-	21,637
Prepays	21,705	-	21,705
Restricted			
Stabilization by State statute	3,491,408	17,164	3,508,572
Streets	836,096	-	836,096
Law enforcement	37,002	-	37,002
Capital projects	-	6,609,821	6,609,821
Committed			
Capital projects	4,455,367	3,183,529	7,638,896
Other	1,311,688	-	1,311,688
Assigned			
Subsequent year expenditure	1,707,136	-	1,707,136
Unassigned	18,065,140	-	18,065,140
	<u>29,947,179</u>	<u>9,810,514</u>	<u>39,757,693</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 30,928,038</u>	<u>\$ 10,332,131</u>	<u>\$ 41,260,169</u>

The Notes to the Financial Statements are an integral part of this statement.

**TOWN OF GARNER, NORTH CAROLINA
RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET POSITION
FOR THE YEAR ENDED JUNE 30, 2017**

Exhibit 4

Fund balances- Governmental Funds		\$ 39,757,693
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	43,811,986	
Assets being depreciated	48,713,548	92,525,534
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.		
Charge for refunding		25,057
Contributions to pension plans in the current fiscal year are deferred outflows of resources on the Statement of Net Position - LGERS		
		756,263
Contributions to pension plans in the current fiscal year are deferred outflows of resources on the Statement of Net Position - LEO		
		111,605
Liabilities for earned revenues considered deferred inflows of resources in fund statements		
		77,076
Unavailable revenue considered deferred inflows of resources on the Statement of Net Position		
		(43,269)
Pension related deferrals		
		2,055,956
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds.		
Compensated absences	(1,252,728)	
Total pension liability	(3,313,668)	
Other post-employment benefits	(4,741,504)	
Net pension liability	(3,506,311)	
Long-term obligations	(38,069,236)	
Accrued interest payable	(511,580)	
		(51,395,027)
Net position of governmental activities		\$ 83,870,888

Town of Garner, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2017

Exhibit 5

	General	Capital Projects	Total Governmental Funds
REVENUES			
Ad valorem taxes	\$ 17,834,515	\$ -	\$ 17,834,515
Other taxes and licenses	6,236,202	-	6,236,202
Intergovernmental revenues	3,262,406	36,311	3,298,717
Permits and fees	2,690,728	-	2,690,728
Sales and services	546,432	-	546,432
Investment earnings	151,936	92,605	244,541
Other revenues	370,697	(44,879)	325,818
	<u>31,092,916</u>	<u>84,037</u>	<u>31,176,953</u>
EXPENDITURES			
Current			
General government	6,212,951	-	6,212,951
Public safety	11,605,337	-	11,605,337
Transportation	2,656,663	-	2,656,663
Environmental protection	1,888,478	-	1,888,478
Cultural and recreational	6,045,834	-	6,045,834
Capital projects	-	10,313,209	10,313,209
Debt service			
Principal retirement	2,150,627	-	2,150,627
Interest and fees	1,285,042	-	1,285,042
	<u>31,844,932</u>	<u>10,313,209</u>	<u>42,158,141</u>
Revenues over (under) expenditures	<u>(752,016)</u>	<u>(10,229,172)</u>	<u>(10,981,188)</u>
OTHER FINANCING SOURCES (USES)			
Sale of capital assets	101,066	-	101,066
Issuance of debt	6,229,000	-	6,229,000
Payment to escrow agent	(2,291,723)	-	(2,291,723)
Total other financing sources (uses)	<u>4,038,343</u>	<u>-</u>	<u>4,038,343</u>
Net change in fund balances	<u>3,286,327</u>	<u>(10,229,172)</u>	<u>(6,942,845)</u>
FUND BALANCES			
Beginning of year--July 1	<u>26,660,852</u>	<u>20,039,686</u>	<u>46,700,538</u>
End of year--June 30	<u>\$ 29,947,179</u>	<u>\$ 9,810,514</u>	<u>\$ 39,757,693</u>

The Notes to the Financial Statements are an integral part of this statement.

**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, 2017**

Exhibit 6

Amounts reported for governmental activities in the Statement of Activities (Exhibit 2) are different because:

Net change in fund balances- total governmental funds \$ (6,942,845)

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 depreciation exceeded capital outlays in the current period.

Capital outlay	14,273,161	
Depreciation and amortization expense	<u>(4,230,607)</u>	
Net adjustment to reduce fund balance-governmental fund to arrive at net position of governmental activities		10,042,554

The sale of capital assets is reported as revenue in the governmental funds statement without subtracting the net book value of the capital assets sold. (2,809)

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	(6,229,000)	
Amortization of premium	64,206	
Interest expense	(116,460)	
Deferred charge on refunding	25,057	
Payment to escrow agent for refunding of debt	2,291,723	
Principal repayments	<u>2,150,627</u>	
Net adjustment to increase the net changes in fund balance-governmental funds to arrive at change in net position of governmental activities		(1,813,847)

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

Taxes and assessments receivable		(17,262)
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Contributions to the pension plan in the current year are not included on the Statement of Activities-LGERS		756,263
Benefit payments paid for LEOSSA are not included on the State of Activities		111,605

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.

Pension expense- LGERS		(938,371)
Pension expense-LEOSSA		(254,982)
Other Post employment benefits		(410,636)
Compensated Absences		<u>(476,480)</u>

Change in net position of governmental activities		<u>\$ 53,190</u>
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Town of Garner, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance--
Budget and Actual--General Fund
For the Year Ended June 30, 2017

Exhibit 7

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES				
Ad valorem taxes	\$ 17,549,362	\$ 17,549,362	\$ 17,834,515	\$ 285,153
Other taxes and licenses	5,881,500	5,881,500	6,236,202	354,702
Intergovernmental revenues	3,361,098	3,361,098	3,262,406	(98,692)
Permits and fees	1,658,560	1,658,560	2,690,728	1,032,168
Sales and services	448,417	480,370	546,432	66,062
Investment earnings	100,000	100,000	151,936	51,936
Other revenues	268,800	302,764	370,697	67,933
Total revenues	29,267,737	29,333,654	31,092,916	1,759,262
EXPENDITURES				
Current				
General government	6,691,835	6,925,496	6,212,951	712,545
Public safety	12,006,825	12,230,834	11,605,337	625,497
Transportation	3,248,191	3,254,892	2,656,663	598,229
Environmental protection	1,930,692	1,930,592	1,888,478	42,114
Cultural and recreational	2,868,693	6,220,030	6,045,834	174,196
Debt service				
Principal retirement	2,351,026	2,351,026	2,150,627	200,399
Interest and fees	1,248,396	1,285,673	1,285,042	631
Total expenditures	30,345,658	34,198,543	31,844,932	2,353,611
Revenues over (under) expenditures	(1,077,921)	(4,864,889)	(752,016)	4,112,873
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	30,000	30,000	101,066	71,066
Issuance of Debt	700,000	6,229,000	6,229,000	-
Payment to escrow agent	-	(2,291,723)	(2,291,723)	-
Transfers out	(318,631)	(318,631)	-	318,631
Fund balance appropriated	666,552	1,216,243	-	(1,216,243)
Total other financing sources (uses)	1,077,921	4,864,889	4,038,343	(826,546)
Net change in fund balance	\$ -	\$ -	3,286,327	\$ 3,286,327
FUND BALANCES				
Beginning of year--July 1			26,660,852	
End of year--June 30			<u>\$ 29,947,179</u>	

The Notes to the Financial Statements are an integral part of this statement.

Town of Garner, North Carolina
Statement of Fiduciary Net Position
Fiduciary Fund
June 30, 2017

Exhibit 8

	<u>Water & Sewer Fees</u> <u>Agency Fund</u>
Assets	
Cash and cash equivalents	\$ <u>98,403</u>
Liabilities	
Liabilities:	
Due to other governments	<u>98,403</u>
Total liabilities	<u>\$ 98,403</u>

The Notes to the Financial Statements are an integral part of this statement.

Town of Garner, North Carolina

Notes to the Financial Statements June 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Town of Garner (“the Town”) conform to accounting principles generally accepted in the United States of America as applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles in the United States of America. All applicable GASB Statements have been implemented. The following is a summary of the more significant accounting policies:

A. Reporting Entity

The Town is a municipal corporation, which is governed by an elected mayor and a five-member council. The financial statements of the Town include all funds of the Town. The criteria used in the evaluation of component units focuses on the financial accountability of potential component units including the ability of the Town to impose its will on an organization, appointment of the organization’s governing board, and financial benefits or burdens on the Town as well as other unique relationships between the Town and organization. There are no component units included in the Town’s reporting entity.

B. Basis of Presentation

Government-wide Statements. The statement of net position and the statement of activities display information about the primary government. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the Town. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties. The Town does not have any business-type activities.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the Town’s governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities.

Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements. The fund financial statements provide information about the 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 all funds as major funds.

Town of Garner, North Carolina

Notes to the Financial Statements June 30, 2017

The Town reports the following major governmental funds:

General Fund - The General Fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund. The primary revenue sources are ad valorem taxes and state-shared revenues. The primary expenditures are for general government, public safety, transportation, environmental protection and cultural/recreation, and interest on long term debt.

Capital Projects Fund - 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.

The Town also reports the following fund types:

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

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

All funds of the Town are accounted for during the year on the modified accrual basis of accounting in accordance with North Carolina General Statutes.

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

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, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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

Town of Garner, North Carolina

Notes to the Financial Statements June 30, 2017

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

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

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, and then use unrestricted, as they are needed. Unrestricted assets are used in the order of committed, assigned and then unassigned.

D. Budgetary Data

In compliance with the North Carolina Local Government Budget and Fiscal Control Act, the Town adopts balanced budget ordinances for all funds, except the trust and agency fund, which is not budgeted. The amounts shown in the financial statements reflect amounts adopted by the budget ordinances as amended and approved at the close of the day on June 30, 2017. 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.

Town of Garner, North Carolina

Notes to the Financial Statements

June 30, 2017

E. Encumbrances

As required by North Carolina statutes, the Town maintains encumbrance accounts, which are considered to be budgetary accounts. Current year's appropriations are charged for encumbrances when commitments for the expenditure of money are issued. Encumbrances outstanding at year-end represent the estimated amounts of the expenditures ultimately to result if unperformed contracts in process at year-end are completed. They do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year.

	<u>General Fund</u>
Encumbrances	<u>\$953,996</u>

F. Deposits and Investments

All deposits of the Town are made in council designated official depositories and are secured as required by State law ("G.S.") 159-31. The Town may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. The Town may also establish time deposits in the form of NOW accounts, SuperNOW and money market accounts, and certificates of deposit.

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 as determined by quoted market prices. The securities of the NCCMT Government Portfolio, a SEC-registered (2a7) is measured at amortized cost, which is the NCCMT's share price. The NCCMT Term Portfolio's securities are valued at fair value. Money market investments that have a remaining maturity at the time of purchase of one year or less are reported at amortized cost. Non-participating interest earnings and investment contracts are reported at amortized cost.

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

G. Restricted Assets

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, or widening of local streets per G.S. 136-41.1 through 136-41.4. Security deposits are held by the town until the event or improvements have met all requirements and then will be refunded to the customer.

Town of Garner, North Carolina

Notes to the Financial Statements June 30, 2017

Governmental Activities		
General Fund	Streets	\$ 836,096
	Law enforcement	37,002
	Deposits	59,580
Capital Projects Fund	Unexpended bond proceeds	<u>6,609,821</u>
Total governmental activities		<u>\$ 7,542,499</u>

H. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “due to/from” other funds.

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], ad valorem taxes on property other than motor vehicles are levied on July 1, the beginning of the fiscal year and are due on September 1 (lien date); however, no penalties or interest are assessed until the following January 6. Property tax on certain registered motor vehicles are assessed and collected throughout the year. The taxes are based on the assessed values as of January 1.

Property taxes receivable are recorded net of an allowance for estimated uncollectible delinquent taxes, with the net receivable included in property taxes uncollected. At June 30, property taxes receivable are materially past due and, consequently, cannot be considered a resource which can be used to finance government operations for the current period, although the amount due is measurable.

In addition, property taxes collected in advance of the fiscal year to which they apply are recorded as prepaid taxes.

Other accounts receivable which are reported in governmental funds and which represent amounts considered measurable and available are recorded as revenue but, in accordance with state law, are reflected as restricted fund balance at year-end.

Any other accounts receivable, which represent amounts not subject to accrual as earned revenue, are recorded as assets and are offset by unearned revenues.

I. Allowances for Doubtful Accounts

All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. Allowances are based on collection experience and management's evaluation of the current status of existing receivables.

J. Inventories and Prepaid Items

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 expenditure when consumed. The General Fund inventory reported on the fund balance sheet is offset by a fund balance reserve, which indicates that it does not constitute a resource available for appropriation even though it is a component of net current

Town of Garner, North Carolina

Notes to the Financial Statements June 30, 2017

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 expensed 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 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.

Depreciation is computed using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Vehicles and Motorized Equipment	5
Machinery and Equipment	3
Improvements	20
Infrastructure	25

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 Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town currently has two items that meet this criterion, pension deferrals and a deferred charge related to refunding. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has several items that meet the criterion for this category-prepaid taxes and deferrals of pension expense that result from the implementation of GASB Statement 68, uncollected assessments, property taxes receivable, and unavailable revenue.

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-

Town of Garner, North Carolina

Notes to the Financial Statements

June 30, 2017

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 Debt

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 deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discount. Bond issuance costs, except for prepaid insurance costs, are expensed in the reporting period in which they are incurred. Prepaid insurance costs are expensed over the life of the debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of 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 are reported as debt service expenditures.

O. Net Position/Fund Balances

Net Position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

Nonspendable Fund Balance - This classification includes amounts that cannot be spent because they are either not in spendable form or are 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.

Town of Garner, North Carolina

Notes to the Financial Statements June 30, 2017

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

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

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

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

Restricted for law enforcement – portion of fund balance 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 has not been spent for the designated project.

Restricted net position on Exhibit 1 varies from restricted fund balance on Exhibit 3 by the amount of unspent debt proceeds of \$6,609,821 as of June 30, 2017.

Restricted fund balance at June 30, 2017 is as follows:

Purpose	General Fund	Capital Projects Fund	Total
Stabilization by State statute	\$ 3,491,408	\$ 17,164	\$ 3,508,572
Streets	836,096	-	836,096
Law enforcement	37,002	-	37,002
Capital projects	-	6,609,821	6,609,821
	<u>\$ 4,364,506</u>	<u>\$ 6,626,985</u>	<u>\$ 10,991,491</u>

Committed Fund Balance - 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 budgeted 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 budgeted by Council for the maintenance of the Town’s veteran’s memorial at Lake Benson Park.

Town of Garner, North Carolina

Notes to the Financial Statements June 30, 2017

Committed for regional storm water retention facilities - portion of fund balance that has been budgeted 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 budgeted by Council for improvements to Lake Benson Park.

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

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

Committed for purchase of additional water and sewer capacity - portion of fund balance that has been budgeted 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 budgeted by Council to offset future employee and retiree insurance expenses.

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

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

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

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

Committed for technology in development services – portion of fund balance that has been budgeted by Council to invest in a software to automate development services processes, including permitting, inspections, plan submission and plan review.

Committed for acreage fees – portion of fund balance that has been budgeted for financing of new water mains or sewer outfalls or replacement or enlargement of existing outfalls.

Town of Garner, North Carolina

Notes to the Financial Statements June 30, 2017

Committed fund balance at June 30, 2017 is as follows:

Purpose	General Fund	Capital Projects Fund	Total
Capital Projects			
Park improvements	\$ 1,126,490	\$ -	\$ 1,126,490
Storm water facilities	302,173	-	302,173
Lake Benson Park	51,147	-	51,147
Park equipment	38,424	-	38,424
Community Center	56,754	3,017,703	3,074,457
Water and sewer capacity	2,799,601	-	2,799,601
Greenways	80,778	-	80,778
Roadway improvements	-	165,826	165,826
Other			
Veteran's Memorial	58,816	-	58,816
Storm water retention ponds	3	-	3
Insurance	25,900	-	25,900
Public safety	82,571	-	82,571
Revenue Savings Plan	479,356	-	479,356
Development Services	200,000	-	200,000
Acreage Fees	465,042	-	465,042
Total	\$ 5,767,055	\$ 3,183,529	\$ 8,950,584

Assigned Fund Balance - portion of fund balance that reflect a government's intended use of resources through authority delegated by the Town of Garner's governing body to some other body or official. Unlike commitments, assignments generally only exist temporarily, meaning additional action does not normally have to be taken for a removal of an assignment.

Assigned for subsequent year's expenditures – portion of total fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed.

Assigned fund balance at June 30, 2017 is as follows:

Purpose	General Fund
Subsequent year expenditure	\$ 1,707,136

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

Town of Garner, North Carolina

Notes to the Financial Statements

June 30, 2017

The Town has adopted a minimum fund balance policy for the general fund which establishes a target of unassigned fund balance equal to at least 30% of the General Fund operating budget. Unassigned fund balances in excess of the targeted 30% of General Fund operating budget may be appropriated for pay-as-you-go capital and other one-time uses.

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

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

Total General Fund Balance	\$ 29,947,179
Less:	
Inventories	21,637
Prepays	21,705
Stabilization by State Statute	<u>3,491,408</u>
Available Fund Balance	<u>\$ 26,412,429</u>

P. Use of 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Q. Defined Benefit Cost-Sharing Plans

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, plan member contributions are recognized in the period in which the contributions are due. The Town's employer contributions are recognized when due and the Town has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERS. Investments are reported at fair value.

NOTE 3. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Town of Garner, North Carolina

Notes to the Financial Statements June 30, 2017

All of the Town's deposits are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits over the federal depository insurance coverage are collateralized with securities held by the Town's agent in the Town's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, these deposits are considered to be held by the Town's agent in the Town's name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town or the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the Town under the Pooling Method, the potential exists for under collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town has no formal policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Town complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2017, the Town's deposits had a carrying amount of \$394,479 and a bank balance of \$648,325. Of the bank balance, \$500,000 was covered by federal depository insurance, \$148,325 in interest bearing deposits were covered by collateral held under the Pooling Method. At June 30, 2017, the Town had \$2,631 cash on hand.

At June 30, 2017, the Town's investment balances were as follows:

	Investment Type	Valuation Measurement Method	Book Value at 6/30/17	Maturity	Rating
	Federal Home Loan Banks	Fair Value-Level 2	\$ 1,245,847	8/7/2018	AAA
	Fannie Mae	Fair Value-Level 2	2,186,707	10/19/2018	AAA
	Freddie Mac	Fair Value-Level 2	2,204,179	10/12/2018	AAA
	US Treasury	Fair Value-Level 2	4,287,768	9/30/2018	AAA
	USBank Investment - Cash	Amortized Cost	335	N/A	N/A
	NC Capital Management Trust - Government	Amortized Cost	7,359,475	N/A	AAAm
	NC Capital Management Trust - Term Portfolio	Fair Value-Level 1	21,031,157	0.09 years	Unrated
			\$ 38,315,468		

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.

Town of Garner, North Carolina

Notes to the Financial Statements June 30, 2017

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. As a means of managing its exposure to fair value losses from increasing interest rates, the Town has an informal investment policy that limits investment maturities to a maximum of two years.

Credit Risk. The Town has no formal policy regarding credit risk, but has internal management procedures that limits the City's investments to the provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. The investments in US Agencies (Federal Home Loan Bank) are rated Aaa by Moody's Investors Service. The Town's investment in the NC Capital Management Trust Government Portfolio carried a credit rating of AAAM by Standard & Poor's as of June 30, 2017. The Town's investment in the NC Capital Management Trust Term Portfolio is unrated. The Term Portfolio is authorized to invest in obligations of the U.S. government and agencies, and in high grade money market instruments as permitted under North Carolina General Statutes 159-30 as amended.

B. Receivables

Allowances for Doubtful Accounts

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

	<u>June 30, 2017</u>
General Fund	
Taxes Receivable	\$ 294,007
Special Assessments	<u>14,597</u>
Total	<u>\$ 308,604</u>

Town of Garner, North Carolina

Notes to the Financial Statements June 30, 2017

C. Capital Assets

Capital asset activity for the year ended June 30, 2017, was as follows:

	Balance June 30, 2016	Increases	Retirements	Balance June 30, 2017
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 10,356,032	\$ 3,188,467	\$ -	\$ 13,544,499
Construction In progress	15,923,146	10,313,209	(13,453,949)	\$ 12,782,406
Intangible Assets	17,485,081	-	-	17,485,081
 Total capital assets not being depreciated	 43,764,259	 13,501,676	 (13,453,949)	 43,811,986
 Capital assets being depreciated:				
Buildings	9,629,851	5,100,785	(786,198)	13,944,438
Improvements	9,390,561	-	-	9,390,561
Equipment	6,480,374	784,025	(437,980)	6,826,419
Infrastructure	83,023,987	8,340,624	-	91,364,611
 Total capital assets being depreciated	 108,524,773	 14,225,434	 (1,224,178)	 121,526,029
 Less accumulated depreciation for:				
Buildings	3,620,460	371,312	(783,389)	3,208,383
Improvements	5,218,203	312,172	-	5,530,375
Equipment	5,021,597	639,137	(437,980)	5,222,754
Infrastructure	55,942,983	2,907,986	-	58,850,969
 Total accumulated depreciation	 69,803,243	 \$ 4,230,607	 \$ (1,221,369)	 72,812,481
 Total capital assets being depreciated, net	 38,721,530			 48,713,548
 Governmental activity capital assets, net	 \$ 82,485,789			 \$ 92,525,534

Town of Garner, North Carolina

Notes to the Financial Statements June 30, 2017

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

General government	\$ 154,959
Public safety	465,773
Transportation	3,066,282
Cultural/recreational	<u>543,593</u>
 Total	 <u>\$ 4,230,607</u>

Net Investment in Capital Assets

	<u>Governmental Activities</u>
Capital assets	\$ 92,525,534
Less: Long-term debt related to Town assets	36,922,324
Premium on debt related to Town assets	1,146,912
Add: unexpended debt proceeds	<u>6,609,821</u>
 Net investment in capital assets	 <u>\$ 61,066,119</u>

Commitments – Construction Projects

The government has active construction projects as of June 30, 2017. At year-end, the government's commitments with contractors are as follows:

<u>Purpose</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Police and town hall facility	\$ 12,290,357	\$ 1,696,865
Roadway improvements	3,802,641	850,247
Park improvements	1,167,606	64,586
Recreation center	<u>2,653,265</u>	<u>7,093,538</u>
 Total	 <u>\$ 19,913,869</u>	 <u>\$ 9,705,236</u>

These projects are being funded primarily through transfers from fund balance committed to capital projects and restricted assets within the Capital Projects Fund.

D. Interfund Receivables, Payables, and Transfers

Payables at June 30, 2017 were as follows:

	<u>Vendors</u>	<u>Other</u>	<u>Total</u>
General	\$ 364,373	\$ 248,315	\$ 612,688
Capital Projects	521,617	-	521,617
Total	<u>\$ 885,990</u>	<u>\$ 248,315</u>	<u>\$ 1,134,305</u>

Town of Garner, North Carolina

Notes to the Financial Statements June 30, 2017

E. Pension Plan Obligations

1. North Carolina 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 multiple-employer, cost-sharing 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 North Carolina 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 the LGERS. The 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. 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 or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

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

Town of Garner, North Carolina

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Contributions

Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town 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's contractually required contribution rate for the year ended June 30, 2017, was 8.00% of compensation for law enforcement officers and 7.32% for general employees, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town were \$756,263 for the year ended June 30, 2017.

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, 2017, the Town reported a liability of \$3,506,311 for its proportionate share of the net pension asset. The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2015. The total pension liability was then rolled forward to the measurement date of June 30, 2016 utilizing update procedures incorporating the actuarial assumptions. The 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, 2016, the Town's proportion was 0.16521%, which was a decrease of 0.00541% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the Town recognized pension expense of \$938,371. At June 30, 2017, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Town of Garner, North Carolina

Notes to the Financial Statements June 30, 2017

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 65,877	\$ 122,865
Changes of assumptions	240,151	-
Net difference between projected and actual earnings on pension plan investments	1,938,548	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	3,992	14,191
Town contributions subsequent to the measurement date	756,263	-
Total	\$ 3,004,831	\$ 137,056

\$756,263 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	Amount
2018	\$ 316,205
2019	316,543
2020	921,387
2021	557,377
2022	-
Thereafter	-
Total	\$ 2,111,512

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

Inflation	3.0 percent
Salary increases	3.5 to 7.75 percent, including inflation and productivity factor
Investment rate of return	7.25 percent, net of pension plan investment expense, including inflation

The plan currently uses mortality tables that vary by age, gender, employee group (i.e. general, law enforcement officer) and health status (i.e. disabled and healthy). The current mortality rates are based

Town of Garner, North Carolina

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on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

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

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2016 are summarized in the following table:

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

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

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

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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 7.25 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 (6.25 percent) or one percentage point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Discount Rate (7.25%)	1% Increase (8.25%)
Town's proportionate share of the net pension liability (asset)	\$ 8,322,108	\$ 3,506,311	\$ (516,204)

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.

2. Law Enforcement Officers Special Separation Allowance

Plan Description

The Town of Garner administers a public employee retirement system (the "Separation Allowance"), a single-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 North Carolina G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Separate financial statements are not issued for this plan.

The Separation Allowance covers all full-time law enforcement officers of the Town. At December 31, 2015, the Separation Allowance's membership consisted of:

Retirees receiving benefits	12
Terminated plan members entitled to but not yet receiving benefits	0
Active plan members	<u>65</u>
Total	<u>77</u>

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Summary of Significant Accounting Policies

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

The Separation Allowance has no assets accumulated in a trust that meets the criteria which are outlined in GASB Statement 73.

Actuarial Assumptions

The entry age actuarial cost method was used in the December 31, 2015 valuation. The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0%
Salary increases	3.5 – 7.35%
Discount rate	3.86%

The discount rate used to measure the TPL is the weekly average of the Bond Buyer General Obligation 20-year Municipal Bond Index determined at the end of each month.

DEATHS AFTER RETIREMENT (HEALTHY): RP-2014 Healthy Annuitant base rates projected to the valuation date using MP-2015, projected forward generationally from the valuation date using MP-2015. Rates are adjusted by 104% for males and 100% for females.

DEATHS BEFORE RETIREMENT: RP-2014 Employee base rates projected to the valuation date using MP-2015, projected forward generationally from the valuation date using MP-2015.

DEATHS AFTER RETIREMENT (BENEFICIARY): RP-2014 Healthy Annuitant base rates projected to the valuation date using MP-2015, projected forward generationally from the valuation date using MP-2015. Rates are adjusted by 123% for males and females.

DEATHS AFTER RETIREMENT (DISABLED): RP-2014 Disabled Retiree base rates projected to the valuation date using MP-2015, projected forward generationally from the valuation date using MP-2015. Rates are adjusted by 103% for males and 99% for females.

Contributions. The Town is required by Article 12D of North Carolina G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. 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 \$260,570 as benefits came due for the reporting period.

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

At June 30, 2017, the Town reported a total pension liability of \$3,313,668. The total pension liability was measured as of December 31, 2016 based on a December 31, 2015 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2016 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2017, the Town recognized pension expense of \$215,999.

	Deferred Outflows of	Deferred Inflows of
Changes of assumptions	\$ -	\$ 55,556
Town benefit payments and plan administrative expense made subsequent to the measurement date	111,605	-
Total	\$ 111,605	\$ 55,556

\$111,605 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2018. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2018	\$ 12,210
2019	12,210
2020	12,210
2021	12,210
2022	6,716
Thereafter	-

\$111,605 paid as benefits came due subsequent to the measurement date are reported as deferred outflows of resources.

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 3.86 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 (2.86 percent) or 1-percentage-point higher (4.86 percent) than the current rate:

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June 30, 2017

	1% Decrease (2.86%)	Discount Rate (3.86%)	1% Increase (4.86%)
Total pension liability	\$ 3,553,686	\$ 3,313,668	\$ 3,091,262

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

	2017
Beginning balance	\$ 3,414,080
Service Cost	110,693
Interest on the total pension liability	117,231
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	-
Changes of assumptions or other inputs	(67,766)
Benefit payments	(260,570)
Other changes	-
Ending balance of the total pension liability	\$ 3,313,668

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

3. 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 North Carolina 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.

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Funding Policy

Article 12E of North Carolina 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, 2017 were \$294,279, which consisted of \$206,703 from the Town and \$87,576 from the law enforcement officers. No amounts were forfeited.

4. Supplemental Retirement Income Plan for Non-Law Enforcement Personnel

Plan Description

The Town contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Town. The Plan provides retirement benefits to non-law enforcement officers employed by the Town. Authority to establish and amend benefit provisions is assigned to the Town Council.

Funding Policy

The adopted plan requires the Town to contribute each month an amount equal to five percent of each non-law enforcement employee's salary working forty hours per week. Participation begins ninety days after employment and all amounts contributed are vested immediately. Also, the employee may make voluntary contributions to the plan. Contributions for the year ended June 30, 2017 were \$436,730, which consisted of \$290,413 from the Town and \$146,317 from the employees. No amounts were forfeited.

F. Other Post-Employment Benefits

1. Healthcare Benefits

Plan Description

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

Town of Garner, North Carolina

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group rate if enrolled in dependent health coverage at the time of retirement.

A separate report was not issued for the plan.

Membership of the HCB Plan consisted of the following at June 30, 2016, the date of the latest actuarial valuation:

	General Employees:	Law Enforcement Officers:
Retirees and dependents receiving benefits	43	
Terminated plan members entitled to but not yet receiving benefits	0	
Active plan members	<u>96</u>	<u>63</u>
Total	<u>139</u>	<u>63</u>

Funding Policy

Benefits are provided in the Town's group health program to retirees under age 65. Post 65 retirees are provided with a Medicare supplemental plan coverage as well as Medicare Part D coverage. Retiree's electing to provide dependent coverage pay a pro-rated amount of the group rate. Dependent coverage terminates upon the dependent attaining age 65, or upon the retiree's death. The Town has chosen to fund the healthcare benefits on a pay as you go basis.

The current ARC rate is 9.39% of annual covered payroll. For the current year, the Town contributed \$364,992 or 4.12% of annual covered payroll. The Town obtains healthcare coverage through private insurers. There were no contributions made by employees. The Town's obligation to contribute to the HCB Plan is established and may be amended by the Town Council.

Summary of Significant Accounting Policies

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

Annual OPEB Cost and Net OPEB Obligation

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

Town of Garner, North Carolina

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obligation for the healthcare benefits:

Annual required contribution	\$ 833,848
Interest on net pension obligations	170,601
Adjustment to annual required contribution	<u>(162,977)</u>
Annual pension cost	841,472
Contributions made	<u>(364,992)</u>
Increase in net pension obligation	476,480
Net pension obligation beginning of year	<u>4,265,024</u>
Net pension obligation end of year	<u>\$4,741,504</u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2017 were as follows:

Fiscal Year Ended	Trend Information		
	Annual OPEB Cost (AOC)	Percentage of AOC Contributed	Net Pension Obligation
6/30/15	\$664,166	24.8%	\$3,773,275
6/30/16	692,025	28.9%	4,265,024
6/30/17	841,472	43.4%	4,741,504

Funded Status and Funding Progress

As of June 30, 2016, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and, thus, the unfunded actuarial accrued liability (UAAL) was \$12,339,331. The covered payroll (annual payroll of active employees covered by the plan) was \$8,878,383, and the ratio of the UAAL to the covered payroll was 139.0%. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

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

In the June 30, 2016 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.0% investment rate of return (net of administrative expenses), which

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is the expected long-term investment returns on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual medical cost trend increase of 7.75% to 5.0% (Pre-Medicare) and 5.75% to 5.00% (Post-Medicare) annually. The investment rate included a 3.00% inflation assumption. The actuarial value of assets, if any, was determined using techniques that spread the effects of short-term volatility in the market value of investments over a 5 year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2016 was 30 years.

G. 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 post-employment 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 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.

H. 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 self-funded risk-financing pool 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 insurance for all other risks of loss, including general liability, property coverage, and employee health and accident insurance. The Town obtains general liability, cyber liability,

Town of Garner, North Carolina

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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 commercial insurance coverage in any of the last 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 .2% annual chance and future 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, Town Manager, and tax collector are each individually bonded for \$50,000 each. The remaining employees that have access to funds are bonded under a blanket bond for \$50,000.

I. Long-Term Obligations

1. Bonds and Notes Payable

The Town has issued general obligation bonds for acquisition and construction of major capital improvements. The Town has no revenue bond issues; all bonds are collateralized by the full faith, credit, and taxing power of the Town. Principal and interest requirements are appropriated when due.

Bonds payable at June 30, 2017 are comprised of the following individual issues:

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	\$14,105,000
\$6,050,000 2011 Taxable public improvements bonds due in annual installments of \$115,000 to \$450,000 through February 1, 2031; interest varying from 1.05 to 5.25 percent	5,185,000
\$9,805,000 2014 Public improvement 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	<u>9,055,000</u>
Total General Obligation Bonds	<u>28,345,000</u>

Promissory notes and installment purchase contracts:

The Town has entered into agreements to finance certain land and equipment purchases. Promissory

Town of Garner, North Carolina

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notes and installment purchase agreements are comprised of the following:

\$3,620,759 installment refunding due in semi-annual installments of \$229,758 to \$258,546 through June 23, 2021; interest at 1.94%	1,898,955
\$534,200 installment purchase contract for vehicles and equipment due in annual installments of \$135,524 through February 1, 2018; interest at 1.034%	134,268
\$632,000 installment purchase contract for vehicles due in annual installments of \$160,772 through September 1, 2018; interest at 1.36%	315,101
\$710,000 installment purchase contract for vehicles and equipment dues in annual installments through September 1, 2020; interest at 1.42%	710,000
\$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>5,519,000</u>
Total promissory notes and installment purchase contracts	<u>8,577,324</u>
Total long-term debt	<u>\$36,922,324</u>

At June 30, 2017, the Town of Garner had authorized but unissued bonds in the amount of \$11,241,000 and had a legal debt margin of approximately \$224,239,822.

2. Advance Refunding

The Town issued \$6,229,000 in installment debt Series 2016 with a short term interest rate of 1.42% and a long term interest rate of 1.84%. The proceeds were used to advance refund \$2,266,666 of an installment purchase contract for Water and Sewer Capacity and improvements to the public works facility which had interest at 3.79%. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the government activities column of the statement of net position. The reacquisition price exceeded the net carrying amount of the old debt by \$1,604,103. This amount is being netted against the new debt and amortized over the life of the refunded debt, which is shorter than the life of the new debt issued. This advance refunding was undertaken to reduce total debt service payments over the next 10 years by \$248,843 and resulted in an economic gain of \$186,529.

Town of Garner, North Carolina

Notes to the Financial Statements June 30, 2017

3. Changes in Long-Term Obligations

A summary of changes in long-term obligations for the year ended June 30, 2017, net of bond premium:

Type of Debt	June 30, 2016	Additions	Retirements	June 30, 2017	One Year
General obligation bonds	\$ 29,335,000	\$ -	\$ 990,000	\$ 28,345,000	\$ 1,000,000
Premium on bonds	1,211,118	-	64,206	1,146,912	64,206
Promissory notes	5,800,674	6,229,000	3,452,350	8,577,324	1,520,206
Compensated absences	842,092	830,221	419,585	1,252,728	663,830
Net pension liability (LGERS)	717,174	2,789,137	-	3,506,311	
Total Pension Liability (LEO)	771,977	2,541,691	-	3,313,668	
Other post-employment benefits	4,265,024	1,004,449	527,969	4,741,504	
Total	\$ 42,943,059	\$ 13,394,498	\$ 5,454,110	\$ 50,883,447	\$ 3,248,242

Compensated absences, other post-employment benefits, total pension liability, and net pension obligations for governmental activities have typically been liquidated in the General Fund.

4. Debt Service Requirements

The following table summarizes the annual requirements to amortize all long-term obligations outstanding (excluding bond premium, vacation pay, police separation allowance and healthcare benefits).

Governmental Activities

Fiscal Years	General Obligation Bonds		Installment Purchase Agreements and Promissory Notes		Total Debt Due	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 1,000,000	\$ 1,062,973	\$ 1,520,206	\$ 164,805	\$ 2,520,206	\$ 1,227,778
2019	1,005,000	1,032,409	1,381,489	120,703	2,386,489	1,153,112
2020	1,015,000	995,109	1,212,113	96,385	2,227,113	1,091,494
2021	1,025,000	954,097	1,200,516	74,447	2,225,516	1,028,544
2022	1,485,000	912,136	555,000	54,933	2,040,000	967,069
2023-2027	7,425,000	3,639,675	2,708,000	123,703	10,133,000	3,763,378
2028-2032	8,550,000	2,054,313	0	0	8,550,000	2,054,313
2033-2037	6,840,000	477,882	0	0	6,840,000	477,882
Total	\$ 28,345,000	\$ 11,128,594	\$ 8,577,324	\$ 634,976	\$ 36,922,324	\$ 11,763,570

Town of Garner, North Carolina

Notes to the Financial Statements June 30, 2017

J. Deferred Outflows and Inflows of Resources

Deferred inflows and outflows of resources are comprised of the following elements:

Source	Statement of Net Position	Fund Balance Sheet
Deferred Inflows:		
Prepaid taxes	\$ 18,312	\$ 18,312
Assessments uncollected	14,269	14,269
Unavailable Revenues	29,000	29,000
Property taxes uncollected	-	33,807
Differences between expected and actual experience	122,865	-
Changes of assumptions - LEO	55,556	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	14,191	-
Deferred Outflows:		
Charge on refunding	25,057	-
Differences between expected and actual experience	65,877	-
Changes of assumptions	240,151	-
Net difference between projected and actual earnings on pension plan investments	1,938,548	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	3,992	-
Town contributions subsequent to the measurement date - LGERS	756,263	-
Town benefit payments and plan administrative expense made subsequent to the measurement date	111,605	-

K. Summary Disclosure of Significant Contingencies

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

The Town and Wake County have entered into a cost sharing partnership to develop an additional fire station to improve response time within the Town limits. The County contracted for the design and

Town of Garner, North Carolina

Notes to the Financial Statements June 30, 2017

construction of the project. The Town agrees to share in the cost for the project based upon 15.5% of the design and construction costs attributed to the Fire Department portion of the shared facility. The Town will reimburse the County for its share of project costs over a period not to exceed ten years at an annual interest equal to the County's investment rate or borrowing rate, not to exceed 5.0%. The Town's share of the project cost is estimated to be \$380,000.

L. Change in Accounting Principles/Restatement

The Town implemented Governmental Accounting Standards Board (GASB) No. Statement 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, in the fiscal year ending June 30, 2017. The implementation of the statement required the Town to record beginning total pension liability and the effects on net position of benefit payments and administrative expenses paid by the Town to the Law Enforcement Officers' Special Separation Allowance during the measurement period (fiscal year ending December 31, 2016). As a result, net position for the governmental activities decreased \$2,381,533.

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Town of Garner, North Carolina
 Schedule of Changes in Total Pension Liability
 Law Enforcement Officers' Special Separation Allowance
 June 30, 2017

Exhibit A-1

		2017
Beginning balance	\$	3,414,080
Service Cost		110,693
Interest on the total pension liability		117,231
Changes of benefit terms		-
Changes of assumptions or other inputs		(67,766)
Benefit payments		(260,570)
Other changes		-
Ending balance of the total pension liability	\$	<u>3,313,668</u>

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

Town of Garner, North Carolina
Schedule of Total Pension Liability as a Percentage of Covered Payroll
Law Enforcement Officers' Special Separation Allowance
June 30, 2017

Exhibit A-2

	<u>2017</u>
Total pension liability	\$ 3,313,668
Covered payroll	4,363,230
Total pension liability as a percentage of covered payroll	75.95%

Notes to the schedules:

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.

Town of Garner, North Carolina
Other Post-Employment Benefits
Required Supplementary Information

Exhibit A-3

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
12/31/07	\$ -	\$ 7,264,975	\$ 7,264,975	0.00%	\$ 8,096,690	89.7%
12/31/09	-	6,852,899	6,852,899	0.00%	9,012,872	76.0%
12/31/10	-	8,096,518	8,096,518	0.00%	8,983,205	90.1%
12/31/11	-	7,538,579	7,538,579	0.00%	9,085,701	83.0%
12/31/13	-	8,350,095	8,350,095	0.00%	9,054,517	92.2%
06/30/16		12,339,331	12,339,331	0.00%	8,878,383	139.0%

Schedule of Employer Contributions

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2009	\$ 632,216	12.1%
2010	655,924	12.9%
2011	582,869	18.3%
2012	704,685	15.5%
2013	704,685	15.9%
2014	658,313	29.3%
2015	658,313	25.1%
2016	685,280	29.2%
2017	833,848	43.8%

Notes to the Required Schedules

Valuation date	6/30/16	Actuarial assumptions:	
Actuarial cost method	Projected unit credit	Investment rate of return	4.00%
Amortization method	Level percent of pay closed	Medical cost trend rate	
		Pre-Medicare trend rate	7.75% - 5.0%
		Post-Medicare trend rate	5.75% - 5.0%
		Year of ultimate trend rate	2022
Remaining amortization period	30 years	Includes inflation at	3.00%
Amortization factor	26.17		
Asset valuation method	Market value of assets		

Town of Garner, North Carolina
Town of Garner's Proportionate Share of Net Pension Liability (Asset)
Required Supplementary Information
Last Four Fiscal Years

Exhibit A-4

Local Government Employees' Retirement System

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Town of Garner's proportion of the net pension liability (asset) (%)	0.16521%	0.15980%	0.16120%	0.16520%
Town of Garner's proportion of the net pension liability (asset) (\$)	\$ 3,506,311	\$ 717,174	\$ (950,671)	\$ 1,991,294
Town of Garner's covered-employee payroll	\$ 9,447,504	\$ 9,229,581	\$ 9,063,665	\$ 8,685,568
Town of Garner's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	37.11%	7.77%	(10.49%)	22.93%
Plan fiduciary net position as a percentage of the total pension liability**	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.

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

Town of Garner, North Carolina
Town of Garner's Contributions
Required Supplementary Information
Last Four Fiscal Years

Exhibit A-5

Local Government Employees' Retirement System

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 756,263	\$ 651,988	\$ 669,335	\$ 648,964
Contributions in relation to the contractually required contribution	<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>
Town of Garner's covered-employee payroll	\$ 9,946,981	\$ 9,447,504	\$ 9,229,581	\$ 9,063,665
Contributions as a percentage of covered-employee payroll	7.60%	6.90%	7.25%	7.16%

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GENERAL FUND

The General Fund is the Town's main operating account. The General Fund accounts for revenues and expenditures traditionally associated with operating governmental service functions.

TOWN OF GARNER, NORTH CAROLINA

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016

Page 1 of 7

Schedule 1

	2017		Variance Positive (Negative)	2016
	Budget	Actual		Actual
REVENUES				
Ad valorem taxes:				
Current year	\$ 17,357,462	\$ 17,733,325	\$ 375,863	\$ 16,866,750
Prior years	126,000	59,899	(66,101)	139,373
Penalties and interest	65,900	41,291	(24,609)	54,973
Total	<u>17,549,362</u>	<u>17,834,515</u>	<u>285,153</u>	<u>17,061,096</u>
Other taxes and licenses:				
ABC mixed beverage	114,000	125,693	11,693	119,071
Local option sales tax	5,652,700	6,064,218	411,518	5,626,669
Business Registration	23,000	23,518	518	78
Heavy equipment rental tax	73,600	-	(73,600)	60,543
Rental vehicles	18,200	22,773	4,573	20,436
Total	<u>5,881,500</u>	<u>6,236,202</u>	<u>354,702</u>	<u>5,826,797</u>
Intergovernmental revenues:				
Beer and wine tax	125,000	129,258	4,258	120,043
Utility franchise tax	1,992,300	1,864,390	(127,910)	1,808,361
Video programming fees	236,500	245,296	8,796	239,086
Powell Bill allocation	720,354	736,809	16,455	720,354
Solid waste disposal tax	17,500	19,480	1,980	17,606
PEG channel funds	63,166	55,172	(7,994)	63,166
Federal asset forfeiture	-	16,375	16,375	4,214
Controlled substance tax	11,680	10,878	(802)	460
Build America bond - interest reimbursement	75,500	77,327	1,827	78,484
Federal grants	3,000	1,430	(1,570)	50,819
State grants	47,800	37,693	(10,107)	11,397
Wake County grant-school resource officer	68,298	68,298	-	71,654
Total	<u>3,361,098</u>	<u>3,262,406</u>	<u>(98,692)</u>	<u>3,185,644</u>
Sales and services:				
Recreation fees	229,175	218,885	(10,290)	198,745
Facility rentals	191,000	243,609	52,609	211,943
Sanitation fees	10,045	20,679	10,634	13,551
Third-party bill collection	4,750	4,137	(613)	5,617
Street repairs	20,000	37,791	17,791	37,794
Right of way mowing	21,700	21,331	(369)	22,386
Fuel sales	3,700	-	(3,700)	20,072
Total	<u>480,370</u>	<u>546,432</u>	<u>66,062</u>	<u>510,108</u>

TOWN OF GARNER, NORTH CAROLINA

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016

Page 2 of 7

Schedule 1 (continued)

	2017			2016
	Budget	Actual	Variance Positive (Negative)	Actual
REVENUES (continued)				
Permits and fees:				
Police outside employment	\$ 195,000	\$ 188,197	\$ (6,803)	\$ 200,344
Animal licenses	750	835	85	725
Planning and zoning fees	29,695	49,491	19,796	39,192
Inspection fees	649,250	963,008	313,758	784,513
Fee in lieu of park land	800	539,074	538,274	246,419
Special event permit	1,165	825	(340)	705
Retention pond fees	-	3,360	3,360	800
Rental property registration fees	6,100	75	(6,025)	5,400
False alarms charges	14,500	10,300	(4,200)	14,570
Taxi cab inspection fees	-	30	30	112
Water and sewer capacity replacement fees	761,300	935,533	174,233	1,688,855
Total	1,658,560	2,690,728	1,032,168	2,981,635
Investment revenues:				
Investment earnings	100,000	151,936	51,936	76,234
Other revenues:				
Land use charges	4,800	4,095	(705)	3,830
Insurance Proceeds	33,964	35,842	-	-
Miscellaneous	20,000	36,362	16,362	62,242
Assessments	3,700	7,527	3,827	8,512
Interest on assessments	2,500	1,174	(1,326)	2,949
Code enforcement	10,500	18,406	7,906	5,208
Other grants	-	-	-	28,050
Officers' fees	7,400	9,767	2,367	7,485
Parking violations	2,800	1,160	(1,640)	2,830
Landfill reimbursement	92,100	121,264	29,164	107,603
Contributions	125,000	135,100	10,100	5,825
Total	302,764	370,697	66,055	234,534
Total revenues	29,333,654	31,092,916	1,757,384	29,876,048

TOWN OF GARNER, NORTH CAROLINA

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016

Sschedule 1 (continued)

	2017			2016
	Budget	Actual	Variance Positive (Negative)	Actual
EXPENDITURES				
General government				
Governing body				
Salaries and employee benefits	\$ 115,165	\$ 110,727	\$ 4,438	\$ 100,833
Operating expenses	79,863	78,526	1,337	160,403
Professional services	30,658	27,431	3,227	84,000
Contracted services	3,960	2,423	1,537	8,813
Total	229,646	219,107	10,539	354,049
Administration				
Salaries and employee benefits	906,571	877,777	28,794	1,279,297
Operating expenses	265,776	204,309	61,467	509,690
Retirees Insurance	325,729	295,562	30,167	-
Insurance	473,019	465,343	7,676	-
Professional services	80,721	69,370	11,351	46,916
Professional Svc - Legal	92,617	90,156	2,461	89,959
Total	2,144,433	2,002,517	141,916	1,925,862
Finance				
Salaries and employee benefits	474,522	435,574	38,948	484,189
Operating expenses	105,797	100,802	4,995	23,126
Professional services	99,138	103,540	(4,402)	99,045
Contracted services	47,050	52,457	(5,407)	108,203
Total	726,507	692,373	34,134	714,563
Economic Development				
Salaries and employee benefits	272,414	261,545	10,869	248,406
Operating expenses	280,355	101,189	179,166	152,090
Contracted services	35,150	8,730	26,420	34,214
Total	587,919	371,464	216,455	434,710
Planning				
Salaries and employee benefits	584,346	553,726	30,620	566,814
Operating expenses	108,138	55,320	52,818	28,169
Professional services	144,400	122,358	22,042	18,928
Contracted services	56,500	29,908	26,592	58,779
Total	893,384	761,312	132,072	672,690

TOWN OF GARNER, NORTH CAROLINA

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016

Schedule 1 (continued)

	2017			2016
	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>	<u>Actual</u>
EXPENDITURES (continued)				
General government (continued)				
Engineering				
Salaries and employee benefits	\$ 583,708	\$ 559,479	\$ 24,229	\$ 513,225
Operating expenses	32,060	28,745	3,315	421,885
Contracted services	-	-	-	9,333
Capital outlay	-	-	-	44,175
Total	<u>615,768</u>	<u>588,224</u>	<u>27,544</u>	<u>988,618</u>
Information technology				
Salaries and employee benefits	303,016	293,028	9,988	243,877
Operating expenses	177,784	153,049	24,735	125,645
Contracted services	125,965	107,339	18,626	90,779
Capital outlay	-	-	-	65,112
Total	<u>606,765</u>	<u>553,416</u>	<u>53,349</u>	<u>525,413</u>
Building maintenance				
Salaries and employee benefits	272,081	258,809	13,272	249,873
Operating expenses	314,709	291,661	23,048	300,870
Contracted services	182,635	150,891	31,744	285,290
Total	<u>769,425</u>	<u>701,361</u>	<u>68,064</u>	<u>836,033</u>
Vehicle maintenance				
Salaries and employee benefits	292,454	271,031	21,423	277,366
Operating expenses	50,048	45,140	4,908	40,799
Contracted services	9,147	7,006	2,141	10,337
Total	<u>351,649</u>	<u>323,177</u>	<u>28,472</u>	<u>328,502</u>
Total General government	<u>6,925,496</u>	<u>6,212,951</u>	<u>712,545</u>	<u>6,780,440</u>

TOWN OF GARNER, NORTH CAROLINA

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016

Schedule 1 (continued)

EXPENDITURES (continued)	2017		Variance Positive (Negative)	2016
	Budget	Actual		Actual
Public safety				
Police				
Salaries and employee benefits	\$ 6,476,529	\$ 6,203,454	\$ 273,075	\$ 6,229,054
Separation Allowance	264,310	294,918	(30,608)	-
Operating expenses	864,811	535,344	329,467	493,454
Professional services	2,600	2,344	256	1,689
Contracted services	391,911	396,113	(4,202)	390,129
Capital outlay	342,409	353,284	(10,875)	324,623
Total	<u>8,342,570</u>	<u>7,785,457</u>	<u>557,113</u>	<u>7,438,949</u>
Inspections				
Salaries and employee benefits	862,513	822,803	39,710	742,389
Operating expenses	60,718	46,775	13,943	44,277
Contract services	-	-	-	6,848
Capital outlay	37,981	37,981	-	21,931
Total	<u>961,212</u>	<u>907,559</u>	<u>53,653</u>	<u>815,445</u>
Fire				
Contracted services	<u>2,927,052</u>	<u>2,912,321</u>	<u>14,731</u>	<u>2,497,027</u>
Total Public safety	<u>12,230,834</u>	<u>11,605,337</u>	<u>625,497</u>	<u>10,751,421</u>
Transportation				
Administration				
Salaries and employee benefits	417,663	397,684	19,979	429,066
Operating expenses	19,813	19,009	804	16,870
Total	<u>437,476</u>	<u>416,693</u>	<u>20,783</u>	<u>445,936</u>
Street repair and construction				
Salaries and employee benefits	883,128	843,238	39,890	801,489
Operating expenses	974,267	846,397	127,870	779,917
Contracted services	637,071	268,118	368,953	518,688
Capital outlay	322,950	282,217	40,733	162,170
Total	<u>2,817,416</u>	<u>2,239,970</u>	<u>577,446</u>	<u>2,262,264</u>
Total Transportation	<u>3,254,892</u>	<u>2,656,663</u>	<u>598,229</u>	<u>2,708,200</u>

TOWN OF GARNER, NORTH CAROLINA

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016

Schedule 1 (continued)

	2017		Variance Positive (Negative)	2016
	Budget	Actual		Actual
EXPENDITURES (continued)				
Environmental protection				
Sanitation				
Operating expenses	\$ 332,262	\$ 304,831	\$ 27,431	\$ 57,406
Contracted services	1,598,330	1,583,647	14,683	1,795,880
Total Environmental protection	1,930,592	1,888,478	42,114	1,853,286
Cultural and recreational				
Administration				
Salaries and employee benefits	293,540	269,262	24,278	296,223
Operating expenses	51,091	44,987	6,104	25,870
Capital outlay	3,193,167	3,190,032	3,135	19,520
Total	3,537,798	3,504,281	33,517	341,613
Recreational programs				
Salaries and employee benefits	1,087,087	1,005,780	81,307	908,534
Operating expenses	269,878	243,994	25,884	358,177
Contracted services	266,859	262,018	4,841	148,962
Capital outlay	52,021	52,021	-	-
Total	1,675,845	1,563,813	112,032	1,415,673
Parks maintenance and development				
Salaries and employee benefits	745,297	715,960	29,337	711,197
Operating expenses	161,754	179,019	(17,265)	159,097
Contracted services	38,092	38,344	(252)	51,386
Capital outlay	61,244	44,417	16,827	116,811
Total	1,006,387	977,740	28,647	1,038,491
Total Cultural and recreational	6,220,030	6,045,834	174,196	2,795,777

TOWN OF GARNER, NORTH CAROLINA

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016

Schedule 1 (continued)

	2017			2016
	Budget	Actual	Variance Positive (Negative)	Actual
Debt Service				
Principal retirement	\$ 2,351,026	\$ 2,150,627	\$ 200,399	\$ 1,628,852
Interest and fees	1,285,673	1,285,042	631	1,163,793
Total Debt service	3,636,699	3,435,669	201,030	2,792,645
Total Expenditures	34,198,543	31,844,932	2,353,611	27,681,769
Revenues over (under) expenditures	(4,864,889)	(752,016)	4,112,873	2,194,279
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	30,000	101,066	(71,066)	59,168
Refunding bonds Issued	6,229,000	6,229,000	-	630,000
Payment to escrow agent	(2,291,723)	(2,291,723)	-	-
Transfers--in (out)				
From (To) Capital Projects Fund	(318,631)		318,631	44,456
Fund balance appropriated	1,216,243	-	(1,216,243)	-
Total other financing sources (uses)--net	4,864,889	4,038,343	(826,546)	733,624
Net change in fund balance	\$ -	3,286,327	\$ 3,286,327	2,927,903
FUND BALANCE				
Beginning of year--July 1		26,660,852		23,732,949
End of year--June 30		\$ 29,947,179		\$ 26,660,852

CAPITAL PROJECTS FUND

The Capital Projects Fund is used to account for financial resources to be used for improvements to park facilities; construction of a new town hall, police station, and recreation center; downtown redevelopment; and street and sidewalk improvements.

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Town of Garner, North Carolina
 Capital Projects Fund
 Schedule of Revenues, Expenditures, and
 Changes in Fund Balances - Budget and Actual
 From Inception and For the Fiscal Year Ended June 30, 2017

Schedule 2

	Project Authorization	Actual Prior Year	2016-2017 Year	Total to Date	Variance Positive (Negative)
REVENUES					
Intergovernmental	\$ 3,526,808	\$ 2,667,126	\$ 36,311	\$ 2,703,437	\$ (823,371)
Investment earnings	35,000	64,853	92,605	157,458	122,458
Contributions	385,674	240,492	(44,879)	195,613	(190,061)
Total revenues	<u>3,947,482</u>	<u>2,972,471</u>	<u>84,037</u>	<u>3,056,508</u>	<u>(890,974)</u>
EXPENDITURES					
Capital projects					
Parks and Recreation Improvements	2,660,612	978,950	188,656	1,167,606	1,493,006
Town Hall/Police Station	14,170,522	6,153,655	6,136,702	12,290,357	1,880,165
Timber Drive	2,107,070	1,800,347	62,624	1,862,971	244,099
Vandora/Buffalo Roundabout	346,227	333,824	-	333,824	12,403
US 70 Highway Improvements	6,651,383	6,169,091	97,199	6,266,290	385,093
Recreation Center	10,299,140	658,479	1,994,786	2,653,265	7,645,875
Redevelopment	1,826,587	1,057,235	194,298	1,251,533	575,054
Street & Sidewalk Improvements	13,661,320	2,163,697	1,638,944	3,802,641	9,858,679
Debt Issuance Costs	598,601	455,032	-	455,032	143,569
Total expenditures	<u>52,321,462</u>	<u>19,770,310</u>	<u>10,313,209</u>	<u>30,083,519</u>	<u>22,237,943</u>
Revenues under expenditures	<u>(48,373,980)</u>	<u>(16,797,839)</u>	<u>(10,229,172)</u>	<u>(27,027,011)</u>	<u>(21,346,969)</u>
OTHER FINANCING SOURCES (USES)					
Premium on bonds	1,314,426	1,341,611	-	1,341,611	27,185
Proceeds from issuance of debt	38,566,000	27,325,000	-	27,325,000	(11,241,000)
Transfers - in (out)	8,493,554	8,170,914	-	8,170,914	(322,640)
Total other financing sources	<u>48,373,980</u>	<u>36,837,525</u>	<u>-</u>	<u>36,837,525</u>	<u>(11,536,455)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 20,039,686</u>	<u>(10,229,172)</u>	<u>\$ 9,810,514</u>	<u>\$ (9,810,514)</u>
Fund Balance, beginning			20,039,686		
Fund Balance, Ending			<u>\$ 9,810,514</u>		

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AGENCY FUND

The Agency Fund is used to account for resources that are held on behalf of another organization. The

Town of Garner collects water and sewer development fees on behalf of the City of Raleigh, and then remits these funds to the City monthly.

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Town of Garner, North Carolina
 Water and Sewer Fees Agency Fund
 Statement of Changes in Assets and Liabilities
 For the Fiscal Year Ended June 30, 2017

Schedule 3

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
Assets:				
Cash and cash equivalents	<u>\$ 92,777</u>	<u>\$ 1,091,089</u>	<u>\$ 1,085,463</u>	<u>\$ 98,403</u>
Liabilities:				
Intergovernmental payable	<u>\$ 92,777</u>	<u>\$ 1,091,089</u>	<u>\$ 1,085,463</u>	<u>\$ 98,403</u>

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SUPPLEMENTAL FINANCIAL DATA

Schedule of Ad Valorem Taxes Receivable

Analysis of Current Tax Levy

Detailed Analysis of Current Tax Levy

TOWN OF GARNER, NORTH CAROLINA
SCHEDULE OF AD VALOREM TAXES RECEIVABLE
 JUNE 30, 2017

Schedule 4

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2016</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Uncollected Balance June 30, 2017</u>
2016-2017	-	\$ 17,764,759	\$ 17,730,952	\$ 33,807
2015-2016	51,069	15,616	56,833	9,852
2014-2015	21,981	15,088	17,298	19,771
2013-2014	34,759	-	2,736	32,023
2012-2013	48,215	-	3,267	44,948
2011-2012	46,171	-	2,253	43,918
2010-2011	37,404	-	1,424	35,980
2009-2010	36,334	-	540	35,794
2008-2009	36,192	-	638	35,554
2007-2008	37,119	-	953	36,166
2006-2007	22,172	-	22,172	-
	<u>\$ 371,416</u>	<u>\$ 17,795,463</u>	<u>\$ 17,839,065</u>	327,814
Less: allowance for uncollectible accounts:				
General Fund				<u>(294,007)</u>
Ad valorem taxes receivable - net				<u>\$ 33,807</u>
<u>Reconciliation to revenues:</u>				
Ad valorem taxes - General Fund				\$ 17,834,515
Reconciling items:				
Interest collected				(41,291)
Taxes written off per State statute				45,841
Total collections and credits				<u>\$ 17,839,065</u>

Town of Garner, North Carolina
ANALYSIS OF CURRENT TAX LEVY
FOR THE YEAR ENDED JUNE 30, 2017

Schedule 5

	<u>City - Wide</u>		<u>Total Levy</u>		
	<u>Total Property Valuation</u>	<u>Rate per \$100</u>	<u>Total Levy</u>	<u>Property excluding Registered Motor Vehicles</u>	<u>Registered Motor Vehicles</u>
Original Levy:					
Property taxed at current year's rate	3,130,543,286	0.5325	16,670,143	\$ 15,313,684	\$ 1,356,459
Vehicle Fee			364,335	4,710	359,625
Penalties			<u>16,818</u>	<u>16,818</u>	
Total original levy			<u>17,051,296</u>	<u>15,335,212</u>	<u>1,716,084</u>
Discoveries:					
Current year levy	153,673,991	0.5325	<u>818,314</u>	<u>818,314</u>	
Abatements:					
Current year levy	(19,690,447)	0.5325	<u>(104,852)</u>	<u>(101,009)</u>	<u>(3,843)</u>
Total property valuation	<u>\$ 3,264,526,830</u>				
Net levy			17,764,759	16,052,518	1,712,241
Uncollected taxes at June 30, 2017			<u>(33,807)</u>	<u>(33,807)</u>	-
Current year's taxes collected			<u>\$ 17,730,952</u>	<u>\$ 16,018,711</u>	<u>\$ 1,712,241</u>
Current levy collection percentage			<u>99.81%</u>	<u>99.79%</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, 2017

Schedule 6

Secondary Market Disclosure

Assessed Valuation:

Assessment Ratio (1)	100%
Real Property	\$ 2,710,296,531
Personal Property	436,166,161
Public Service Companies (2)	118,064,138
Total Assessed Valuation	\$ 3,264,526,830
Tax Rate per \$100	0.5325
Levy (includes discoveries, releases and abatements) (3)	\$ 17,764,759

- (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.

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>	92-101
Revenue Capacity <i>These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.</i>	102-105
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>	106-111
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>	112-114
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>	115-119

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

Table 1
Page 1 of 2

	2008	2009	2010	2011
Governmental Activities				
Net investment in capital assets	\$ 58,707,607	\$ 60,976,743	\$ 73,287,732	\$ 65,859,876
Restricted	455,948	110,289	148,090	
Stabilization by state statute	-	-	-	1,345,242
Streets	-	-	-	271,766
Law enforcement	-	-	-	-
Capital projects	-	-	-	-
Unrestricted	<u>17,527,181</u>	<u>16,120,920</u>	<u>15,250,782</u>	<u>16,650,305</u>
 Total governmental activities net position	 <u>\$ 76,690,736</u>	 <u>\$ 77,207,952</u>	 <u>\$ 88,686,604</u>	 <u>\$ 84,127,189</u>

Note:

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

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

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

Table 1
Page 2 of 2

<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
\$ 64,781,668	\$ 63,035,753	\$ 65,505,673	\$ 63,979,719	\$ 61,370,282	\$ 61,066,119
1,360,720	1,940,597	3,761,936	3,974,251	2,943,559	3,508,572
405,797	484,250	615,932	662,812	570,628	836,096
-	20,396	34,294	95,480	100,429	37,002
683,398	-	-	-	-	-
<u>16,984,241</u>	<u>16,913,915</u>	<u>15,732,218</u>	<u>16,977,444</u>	<u>21,214,333</u>	<u>18,423,099</u>
<u><u>\$ 84,215,824</u></u>	<u><u>\$ 82,394,911</u></u>	<u><u>\$ 85,650,053</u></u>	<u><u>\$ 85,689,706</u></u>	<u><u>\$ 86,199,231</u></u>	<u><u>\$ 83,870,888</u></u>

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	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Expenses					
Government activities:					
General government	\$ 5,821,229	\$ 6,413,626	\$ 6,822,627	\$ 6,681,939	\$ 6,132,147
Public safety	8,576,041	9,071,950	9,476,699	9,538,923	9,743,696
Transportation	5,471,692	5,683,744	5,336,617	5,229,693	5,326,310
Environmental protection	1,427,511	1,540,954	1,920,656	1,663,545	1,744,989
Cultural/recreational	2,629,818	2,708,309	2,809,490	2,964,727	2,933,020
Interest on long-term debt	325,110	284,649	256,299	384,113	582,873
 Total governmental activities	 <u>24,251,401</u>	 <u>25,703,232</u>	 <u>26,622,388</u>	 <u>26,462,940</u>	 <u>26,463,035</u>
Program Revenues					
Governmental Activities:					
Charges for services					
General government	328,113	243,088	244,097	128,207	181,811
Public safety	772,080	335,631	594,963	463,281	576,322
Transportation	67,740	81,334	85,991	35,978	88,269
Environmental protection	14,451	8,135	116,506	167,229	104,429
Cultural & recreational	622,385	255,992	273,510	261,683	267,830
Interest on long-term debt	47,862	35,377	27,999	22,402	16,799
Operating grants and contributions	933,098	849,089	866,550	946,980	1,043,468
Capital grants and contributions	5,669,476	2,905,371	132,427	55,132	2,559,425
 Total program revenues	 <u>8,455,205</u>	 <u>4,714,017</u>	 <u>2,342,043</u>	 <u>2,080,892</u>	 <u>4,838,353</u>
 Total Governmental net (expense)/revenue	 <u>(15,796,196)</u>	 <u>(20,989,215)</u>	 <u>(24,280,345)</u>	 <u>(24,382,048)</u>	 <u>(21,624,682)</u>
Revenues					
Governmental Activities:					
General Revenues:					
Property taxes	\$ 13,181,474	\$ 14,659,430	\$ 14,921,267	\$ 14,786,084	\$ 14,770,016
Sales taxes	4,646,190	4,270,224	4,045,884	4,344,010	4,324,449
Other taxes	1,442,679	1,805,252	1,782,096	1,942,599	1,928,686
Grants and contributions not restricted to specific programs	625	3,925	2,357	13,750	9,500
Unrestricted investment earnings	727,199	312,863	40,177	28,323	17,852
Other	665,626	454,737	520,135	574,615	662,815
 Total general revenues	 <u>20,663,793</u>	 <u>21,506,431</u>	 <u>21,311,916</u>	 <u>21,689,381</u>	 <u>21,713,318</u>
 Changes in net position	 4,867,597	 517,216	 (2,968,429)	 (2,692,667)	 88,636
 Net position, beginning of year	 71,823,139	 76,690,736	 77,207,952	 88,686,604	 84,127,189
 Prior period adjustment	 -	 -	 14,447,081	 (1,866,748)	 -
 Net position, end of year	 <u>\$ 76,690,736</u>	 <u>\$ 77,207,952</u>	 <u>\$ 88,686,604</u>	 <u>\$ 84,127,189</u>	 <u>\$ 84,215,825</u>

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	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Expenses					
Government activities:					
General government	\$ 6,552,537	\$ 6,766,914	\$ 5,483,946	\$ 6,855,255	\$ 7,021,774
Public safety	9,803,267	10,216,257	10,746,853	11,011,804	12,208,004
Transportation	4,836,477	4,834,011	4,671,100	5,612,182	5,435,823
Environmental protection	1,729,033	1,736,723	1,768,301	1,853,286	1,888,478
Cultural/recreational	3,037,853	2,951,491	3,597,114	3,044,810	3,338,442
Interest on long-term debt	567,914	637,528	756,985	1,136,933	1,312,239
Total governmental activities	<u>26,527,081</u>	<u>27,142,924</u>	<u>27,024,299</u>	<u>29,514,270</u>	<u>31,204,760</u>
Program Revenues					
Governmental Activities:					
Charges for services					
General government	347,772	2,225,404	775,755	1,760,641	1,130,793
Public safety	586,925	805,086	686,758	1,000,264	1,153,200
Transportation	46,688	31,812	28,254	37,794	59,122
Environmental protection	109,500	31,980	28,600	31,157	20,679
Cultural & recreational	504,361	811,357	419,433	657,107	1,002,668
Interest on long-term debt	11,199	-	-	-	-
Operating grants and contributions	1,016,612	965,124	1,054,284	876,610	1,009,068
Capital grants and contributions	263,678	1,578,562	1,245,652	129,726	36,311
Total program revenues	<u>2,886,735</u>	<u>6,449,325</u>	<u>4,238,736</u>	<u>4,493,299</u>	<u>4,411,841</u>
Total Governmental net (expense)/revenue	<u>(23,640,346)</u>	<u>(20,693,599)</u>	<u>(22,785,563)</u>	<u>(25,020,971)</u>	<u>(26,792,919)</u>
Revenues					
Governmental Activities:					
General Revenues:					
Property taxes	\$ 14,804,481	\$ 15,426,294	\$ 15,439,837	\$ 17,072,956	\$ 17,817,253
Sales taxes	4,470,661	4,858,268	5,284,843	5,826,797	6,064,218
Other taxes	2,208,444	1,841,516	2,570,214	2,167,490	2,573,785
Grants and contributions not restricted to specific programs	799	500	-		
Unrestricted investment earnings	11,189	6,992	13,044	148,479	244,541
Other	512,043	1,815,171	859,609	314,774	146,312
Total general revenues	<u>22,007,617</u>	<u>23,948,741</u>	<u>24,167,547</u>	<u>25,530,496</u>	<u>26,846,109</u>
Changes in net position	(1,632,729)	3,255,142	1,381,984	509,525	53,190
Net position, beginning of year	84,215,824	82,394,911	85,650,053	85,689,706	86,199,231
Prior period adjustment	(188,184)	-	(1,342,331)	-	(2,381,533)
Net position, end of year	<u>\$ 82,394,911</u>	<u>\$ 85,650,053</u>	<u>\$ 85,689,706</u>	<u>\$ 86,199,231</u>	<u>\$ 83,870,888</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

	2008	2009	2010	2011	2012
General fund					
Reserved	\$ 2,855,285	\$ 2,844,496	\$ 4,390,881		
Unreserved	14,622,672	15,529,798	15,151,047		
Nonspendable				\$ 113,877	\$ 49,410
Restricted				1,617,008	1,766,517
Committed				-	-
Assigned				5,404,399	8,220,431
Unassigned				13,495,884	13,382,466
Total general fund	<u>\$ 17,477,957</u>	<u>\$ 18,374,294</u>	<u>\$ 19,541,928</u>	<u>\$ 20,631,168</u>	<u>\$ 23,418,824</u>
All other governmental funds					
Reserved					
Unreserved:					
Capital projects	\$ 463,134	\$ (1,367,045)	\$ (2,522,694)		
Restricted				\$ 6,857,936	\$ 2,156,493
Committed					
Total all other governmental funds	<u>\$ 463,134</u>	<u>\$ (1,367,045)</u>	<u>\$ (2,522,694)</u>	<u>\$ 6,857,936</u>	<u>\$ 2,156,493</u>

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

Town of Garner, North Carolina

Fund Balances of Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

(Unaudited)

Table 3
Page 2 of 2

	2013	2014	2015	2016	2017
General fund					
Reserved					
Unreserved					
Nondisposable	\$ 66,393	\$ 127,934	\$ 84,259	\$ 27,685	\$ 43,342
Restricted	2,445,243	2,858,365	3,473,514	3,440,208	4,364,506
Committed	6,868,750	2,717,555	2,791,034	4,200,667	5,767,055
Assigned	283,940	913,645	978,865	1,052,211	1,707,136
Unassigned	14,100,580	14,602,375	16,405,277	17,940,081	18,065,140
Total general fund	<u>\$ 23,764,906</u>	<u>\$ 21,219,874</u>	<u>\$ 23,732,949</u>	<u>\$ 26,660,852</u>	<u>\$ 29,947,179</u>
All other governmental funds					
Reserved					
Unreserved:					
Capital projects					
Restricted	\$ 823,760	\$ 11,663,140	\$ 20,944,933	\$ 15,405,693	\$ 6,626,985
Committed		2,256,119	3,019,673	4,633,993	3,183,529
Total all other governmental funds	<u>\$ 823,760</u>	<u>\$ 13,919,259</u>	<u>\$ 23,964,606</u>	<u>\$ 20,039,686</u>	<u>\$ 9,810,514</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

	2008	2009	2010	2011	2012
REVENUES					
Ad valorem taxes	\$ 13,144,760	\$ 14,594,341	\$ 14,980,052	\$ 14,876,541	\$ 14,793,235
Other taxes and licenses	4,811,881	4,433,984	4,217,586	4,586,384	4,573,911
Intergovernmental revenues	3,072,339	3,195,971	2,756,568	2,844,452	2,918,028
Permits and fees	1,547,405	795,324	1,127,074	866,912	1,079,702
Sales and services	394,778	398,701	467,471	453,915	501,335
Investment earnings	727,199	312,863	40,177	28,324	17,851
Other revenues	301,449	241,231	239,584	289,588	2,730,840
Total revenues	23,999,811	23,972,415	23,828,512	24,001,944	26,614,902
EXPENDITURES					
Current					
General government	5,675,801	5,741,858	6,031,883	6,712,757	5,989,612
Public safety	8,498,765	8,965,706	9,415,377	9,309,560	9,554,279
Transportation	2,445,807	2,617,478	2,032,223	1,870,034	2,289,221
Environmental protection	1,425,232	1,546,994	1,916,298	1,661,240	1,742,909
Cultural and recreational	2,489,933	2,437,701	2,396,481	2,567,941	2,471,480
Capital projects	386,544	2,583,235	1,112,593	331,081	5,244,596
Debt service					
Principal retirement	1,028,215	789,413	682,611	951,123	729,617
Interest and fees	329,796	286,872	258,065	302,892	542,177
Total expenditures	22,280,093	24,969,257	23,845,531	23,706,628	28,563,891
Revenues over (under) expenditures	1,719,718	(996,842)	(17,019)	295,316	(1,948,989)
OTHER FINANCING SOURCES (USES)					
Sale of capital assets	\$ 40,851	\$ 251	\$ 29,004	\$ 345,000	\$ 35,202
Premium on bonds	-	-	-	55,828	-
Issuance of debt	163,381	62,749	-	9,829,554	-
Payment to escrow agent	-	-	-	-	-
Transfers in	2,465,867	1,283,927	727,925	203,800	541,284
Transfers out	(2,465,867)	(1,283,927)	(727,925)	(203,800)	(541,284)
Total other financing sources (uses)	204,232	63,000	29,004	10,174,554	35,202
Net change in fund balance	\$ 1,923,950	\$ (933,842)	\$ 11,985	\$ 10,469,870	\$ (1,913,787)
Debt service as a percentage of non-capital expenditures	6.20%	4.81%	4.14%	5.36%	5.45%

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				
	2013	2014	2015	2016	2017
REVENUES					
Ad valorem taxes	\$ 14,805,148	\$ 15,467,523	\$ 15,469,793	\$ 17,061,096	\$ 17,834,515
Other taxes and licenses	4,731,561	5,117,135	5,547,552	5,826,797	6,236,202
Intergovernmental revenues	3,356,940	4,408,193	4,696,851	3,247,530	3,298,717
Permits and fees	1,188,185	3,851,543	1,816,364	2,981,635	2,690,728
Sales and services	551,939	514,268	490,653	510,108	546,432
Investment earnings	11,189	8,092	15,360	127,477	244,541
Other revenues	298,156	335,835	441,378	285,490	325,818
Total revenues	24,943,118	29,702,589	28,477,951	30,040,133	31,176,953
EXPENDITURES					
Current					
General government	6,391,794	6,330,924	5,688,444	6,780,440	6,212,951
Public safety	9,797,725	10,646,438	10,341,777	10,406,031	11,214,072
Transportation	2,205,869	2,128,167	2,350,138	2,708,200	2,374,446
Environmental protection	1,726,953	1,736,723	1,768,301	1,853,286	1,888,478
Cultural and recreational	2,540,428	2,540,999	2,620,696	2,795,777	2,759,364
Capital projects	1,763,592	4,996,717	7,184,635	4,389,939	14,273,161
Debt service					
Principal retirement	952,021	4,698,123	1,495,425	1,625,841	2,150,627
Interest and fees	552,432	497,080	775,391	1,166,804	1,285,042
Total expenditures	25,930,814	33,575,171	32,224,807	31,726,318	42,158,141
Revenues over (under) expenditures	(987,696)	(3,872,582)	(3,746,856)	(1,686,185)	(10,981,188)
OTHER FINANCING SOURCES (USES)					
Sale of capital assets	\$ 1,045	\$ 31,500	\$ 39,262	\$ 59,168	\$ 101,066
Premium on bonds	-	253,495	1,061,816	-	-
Issuance of debt	-	14,138,054	15,204,200	630,000	6,229,000
Payment to escrow agent	-	-	-	-	(2,291,723)
Transfers in	431,354	6,477,132	250,360	118,456	-
Transfers out	(431,354)	(6,477,132)	(250,360)	(118,456)	-
Total other financing sources (uses)	1,045	14,423,049	16,305,278	689,168	4,038,343
Net change in fund balance	\$ (986,651)	\$ 10,550,467	\$ 12,558,422	\$ (997,017)	\$ (6,942,845)
Debt service as a percentage of non-capital expenditures	6.23%	18.18%	9.07%	10.22%	12.32%

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

Table 5

<u>Fiscal Year</u>	<u>Ad Valorem Taxes</u>	<u>Other Taxes and Licenses</u>	<u>Intergovernmental Revenues</u>	<u>Permits and Fees</u>	<u>Sales and Services</u>	<u>Investment Earnings</u>	<u>Other Revenues</u>	<u>Total</u>
2008	13,144,760	4,811,881	3,072,339	1,547,405	394,778	727,199	301,449	\$ 23,999,811
2009	14,594,341	4,433,984	3,195,971	795,324	398,701	312,863	241,231	23,972,415
2010	14,980,052	4,217,586	2,756,568	1,127,074	467,471	40,177	239,584	23,828,512
2011	14,876,541	4,586,384	2,844,452	866,912	453,915	28,324	289,588	23,946,116
2012	14,793,235	4,573,911	2,918,028	1,079,702	501,335	17,851	2,730,840	26,614,902
2013	14,805,148	4,731,561	3,356,940	1,188,185	551,939	11,189	298,156	24,943,118
2014	15,467,523	5,117,135	4,408,193	3,851,543	514,268	8,092	335,835	29,702,589
2015	15,469,793	5,547,552	4,696,851	1,816,364	490,653	15,360	441,378	28,477,951
2016	17,061,096	5,826,797	3,247,530	2,981,635	510,108	127,477	285,490	30,040,133
2017	17,834,515	6,236,202	3,298,717	2,690,728	546,432	244,541	325,818	31,176,953

(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

<u>Fiscal Year</u>	<u>General Government</u>	<u>Public Safety</u>	<u>Streets and Transportation</u>	<u>Environmental Protection</u>	<u>Cultural and Recreational</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Total</u>
2008	5,675,801	8,498,765	2,445,807	1,425,232	2,489,933	386,544	1,358,011	\$22,280,093
2009	5,741,858	8,965,706	2,617,478	1,546,994	2,437,701	2,583,235	1,076,285	24,969,257
2010	6,031,883	9,415,377	2,032,223	1,916,298	2,396,481	1,112,593	940,676	23,845,531
2011	6,712,757	9,309,560	1,870,034	1,661,240	2,567,941	331,081	1,254,015	23,706,628
2012	5,989,612	9,554,279	2,289,221	1,742,909	2,471,480	5,244,596	1,271,794	28,563,891
2013	6,391,794	9,797,725	2,205,869	1,726,953	2,540,428	1,763,592	1,504,453	25,930,814
2014	6,330,924	10,646,438	2,128,167	1,736,723	2,540,999	4,996,717	5,195,203	33,575,171
2015	5,688,444	10,341,777	2,350,138	1,768,301	2,620,696	7,184,635	2,270,816	32,224,807
2016	6,780,440	10,751,421	2,708,200	1,853,286	2,795,777	4,044,549	2,792,645	31,726,318
2017	6,212,951	11,605,337	2,656,663	1,888,478	6,045,834	10,313,209	5,727,392	44,449,864

(1) Includes General and Capital Project Funds.

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

Table 7

Fiscal Year Ending	Real Property	Public Service Co. ⁽¹⁾	Personal Property		Total Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
			Motor Vehicle	Other				
2008	1,770,103,434	61,216,927	219,890,761	222,612,062	2,273,823,184	0.575	2,982,726,510	76.23%
2009 ⁽²⁾	2,405,039,709	76,650,226	241,741,480	217,860,146	2,941,291,561	0.490	3,000,028,860	98.04%
2010	2,469,678,054	77,711,846	262,907,169	192,675,880	3,002,972,949	0.490	2,756,005,144	108.96%
2011	2,463,484,759	75,237,723	254,503,481	188,077,390	2,981,303,353	0.490	2,808,859,420	106.14%
2012	2,516,107,912	73,569,802	216,342,522	198,944,121	3,004,964,357	0.490	2,879,158,961	104.37%
2013	2,525,516,066	84,276,805	209,030,147	193,694,549	3,012,517,567	0.490	3,005,648,283	100.23%
2014	2,545,063,692	84,992,903	277,051,961	196,003,306	3,103,111,862	0.490	3,057,641,837	101.49%
2015	2,584,113,562	85,722,393	211,479,241	187,742,315	3,069,057,511	0.500	3,045,027,800	100.79%
2016	2,665,301,113	114,535,800	242,511,731	172,973,961	3,195,322,605	0.5175	3,209,121,829	99.57%
2017 ⁽²⁾	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%

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

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

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

Table 8

<u>Fiscal Year</u>	<u>Town of Garner</u>	<u>Wake County</u>	<u>Total</u>
2008	0.575	0.678	\$ 1.253
2009 ⁽¹⁾	0.490	0.534	1.024
2010	0.490	0.534	1.024
2011	0.490	0.534	1.024
2012	0.490	0.534	1.024
2013	0.490	0.534	1.024
2014	0.490	0.534	1.024
2015	0.500	0.578	1.078
2016	0.5175	0.6145	1.132
2017 ⁽¹⁾	0.5325	0.6005	1.133

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

Town of Garner, North Carolina

Principal Property Taxpayers

Ten Year Comparison

(Unaudited)

Table 9

Taxpayer	2017			2007		
	January 1, 2016 Assessed Valuation	Rank	Percentage of Total Assessed Valuation	January 1, 2006 Assessed Valuation	Rank	Percentage of Total Assessed Valuation
Inland American Garner White Oak	\$ 84,253,047	1	2.64%			
Duke Energy ⁽¹⁾	83,803,289	2	2.62%	\$ 53,175,462	2	2.51%
Adeline at White Oak, LLC	39,688,014	3	1.24%			
Abberly Place Garner Phase I, LP	34,194,592	4	1.07%	16,943,975	9	0.80%
Ashton Village, LP	31,795,876	5	1.00%			
IRT Lenoxplace Apartments LLC	27,445,418	6	0.86%			
Duke Realty Land LLC	26,556,441	7	1.24%			
White Oak Associates	25,656,406	8	0.80%			
Kip Dell Homes Inc	22,907,514	9	0.72%			
Bre Thorne Garner Towne Square LLC	22,328,870	10	0.70%			
Garner Retail LLC				58,864,801	1	2.78%
Pergo Inc				37,585,274	3	1.78%
Raleigh/Durham MSA LP				23,373,026	4	1.10%
Regency Center LP				25,702,415	5	1.21%
Goodmark Foods Inc				21,409,140	6	1.01%
Dim Vastgoed N V				19,570,920	7	0.92%
Parker Raleigh Deveopment LLC				18,522,622	8	0.87%
JP Realty IV LLC				13,102,908	10	0.62%
Totals	\$ 398,629,467		12.89%	\$ 288,250,543		13.62%

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

Town of Garner, North Carolina

Property Tax Levies and Collections

Last Ten Fiscal Years

(Unaudited)

Table 10

Fiscal Year	Total Tax Levy	Current Tax Collections	Percent of Current Taxes Collected	Collections in Subsequent Years	Total Collections to Date	
					Amount Collections	Percentage of Adjusted Levy
2008	13,164,682	12,852,014	97.6%	276,502	13,128,516	99.7%
2009	14,620,367	14,269,780	97.6%	315,033	14,584,813	99.8%
2010	14,913,304	14,625,986	98.1%	251,524	14,877,510	99.8%
2011	14,793,869	14,579,297	98.5%	178,592	14,757,889	99.8%
2012	14,792,108	14,575,719	98.5%	172,471	14,748,190	99.7%
2013	14,837,586	14,616,472	98.5%	176,166	14,792,638	99.7%
2014	15,293,124	15,179,014	99.3%	82,087	15,261,101	99.8%
2015	15,388,156	15,343,922	99.7%	24,463	15,368,385	99.9%
2016	16,900,584	16,849,516	99.7%	41,216	16,890,732	99.9%
2017	17,764,759	17,730,952	99.8%	-	17,730,952	99.8%
Reconciliation to revenues collected:						
Total collected as stated above			\$ 17,730,952			
Prior year collections in current year			62,272			
Penalties and interest collected			<u>41,291</u>			
Ad valorem taxes collected per general fund financial statements			<u><u>\$ 17,834,515</u></u>			

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

Table 11

<u>Fiscal Year</u>	<u>Installment Purchase</u>	<u>General Obligation Bonds</u>	<u>Total</u>	<u>Per Capita ⁽¹⁾</u>	<u>Percentage of Personal Income ⁽²⁾</u>
2008	6,516,268	680,000	7,196,268	279	0.75%
2009	5,944,606	525,000	6,469,606	246	0.80%
2010	5,361,993	425,000	5,786,993	218	0.71%
2011	8,290,424	6,428,966	14,719,390	569	1.83%
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	858	2.55%
2015	6,374,526	31,039,675	37,414,201	1,383	4.10%
2016	5,803,685	29,335,000	35,138,685	1,299	3.85%
2017	8,577,324	28,345,000	36,922,324	1,273	4.51%

(1) Population data provided by the Town of Garner Planning Department.

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

Town of Garner, North Carolina
 Computation of Direct and Overlapping Debt
 General Obligation Bonds
 June 30, 2017
 (Unaudited)

Table 12

<u>Jurisdiction</u>	<u>Net General Obligation Bonded Debt Outstanding</u>	<u>Percentage Applicable to Town of Garner ⁽²⁾</u>	<u>Amount Applicable to Town of Garner</u>
Wake County	\$ 1,727,865,000 ⁽¹⁾	2.31%	\$ 39,888,419
Town of Garner	28,345,000	100.00%	<u>28,345,000</u>
Total direct and overlapping debt			<u><u>\$ 68,233,419</u></u>

(1) Information provided by Wake County Finance Department. Of the total general obligation debt outstanding, \$1,401,404,544, or 81.10%, 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</u> ⁽¹⁾	<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>
2008	25,753	2,273,823,184	7,196,268	0.32%	279.43
2009	26,341	2,941,291,561	6,469,606	0.22%	245.61
2010	26,523	3,002,972,949	5,786,995	0.19%	218.19
2011	25,891	2,981,303,353	14,719,390	0.49%	568.51
2012	25,999	3,004,964,357	13,986,982	0.47%	537.98
2013	26,124	3,012,517,567	13,034,207	0.43%	498.94
2014	26,253	3,103,111,862	22,712,167	0.73%	865.13
2015	27,060	3,069,057,511	37,414,201	1.22%	1,382.64
2016	28,766	3,195,322,605	35,138,685	1.10%	1,221.54
2017	28,999	3,264,526,830	36,922,324	1.13%	1,273.23

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

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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

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Debt Limit	\$ 181,906	\$ 235,303	\$ 240,238	\$ 238,504	\$ 240,397
Total net debt applicable to limit	<u>7,196</u>	<u>6,470</u>	<u>5,787</u>	<u>14,719</u>	<u>13,987</u>
Legal debt margin	<u>\$ 174,710</u>	<u>\$ 228,833</u>	<u>\$ 234,451</u>	<u>\$ 223,785</u>	<u>\$ 226,410</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

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Debt Limit	\$ 241,001	\$ 248,249	\$ 245,365	\$ 255,626	\$ 261,162
Total net debt applicable to limit	<u>13,034</u>	<u>22,426</u>	<u>36,135</u>	<u>35,139</u>	<u>36,922</u>
Legal debt margin	<u>\$ 227,967</u>	<u>\$ 225,823</u>	<u>\$ 209,230</u>	<u>\$ 220,487</u>	<u>\$ 224,240</u>

Legal Debt Margin Calculation for Fiscal Year 2017

Assessed Value	\$ 3,264,526,830
Debt Limit (8% of total assessed value)	261,162,146
Debt applicable to limit:	
Outstanding General Bonded Debt	\$ 28,345,000
Installment Purchase	<u>8,577,324</u>
Subtotal	36,922,324
Authorized and unissued debt	<u>11,241,000</u>
Total Gross Debt	48,163,324
Less: Statutory deductions	
Authorized and unissued debt	<u>(11,241,000)</u>
Total amount of debt applicable to debt limit	<u>36,922,324</u>
Legal debt margin	<u>\$ 224,239,822</u>

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

Table 15

<u>Fiscal Year</u>	<u>Population ⁽¹⁾</u>	<u>Per Capita Personal Income ⁽²⁾</u>	<u>Unemployment Rate ⁽³⁾</u>	<u>Personal Income (Thousands of Dollars) ⁽⁴⁾</u>
2008	25,753	37,389	4.9%	962,879
2009	26,341	30,863	8.2%	812,962
2010	26,523	31,021	9.3%	822,770
2011	25,891	31,178	8.6%	807,230
2012	25,999	32,228	7.5%	837,896
2013	26,124	33,917	6.9%	886,048
2014	26,253	33,727	5.0%	885,435
2015	27,060	27,926	4.9%	755,678
2016	28,766	Not Available	4.2%	803,319
2017	28,999	Not Available	4.1%	809,826

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

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

(3) From North Carolina Employment Security Commission.

(4) 2016 and 2017 personal income amounts are calculated using 2015 personal income.

Town of Garner, North Carolina
Principal Employers ⁽¹⁾
Fiscal Year 2015 and Ten Year Comparison
(Unaudited)

Table 16

Employer	2017			2007		
	Employees	Rank	Percentage of Total Town Employment ⁽²⁾	Employees	Rank	Percentage of Total Town Employment
Wake County Public Schools	800	1	5.3%	845	1	4.8%
Food Lion	360	2	2.4%			
Wal-Mart	350	3	2.3%	236	4	1.3%
Pergo, Inc.	284	4	1.9%	120	10	0.7%
Cabelas	277	5	1.8%			
Golden State Foods	265	6	1.7%			
F&D Huebner, LLC	258	7	1.7%			
Target	251	8	1.7%	288	3	1.6%
Strategic Behavioral Health	206	9	1.4%			
Kroger	200	10	1.3%			
Town of Garner	167	11	1.1%	158	7	0.9%
Con Agra Foods				718	2	4.1%
News & Observer				172	6	1.0%
K-Mart Corporation				155	8	0.9%
Lowe's Home Improvement				155	9	0.9%
Hamlin Company				200	5	1.1%
Totals	<u>3,418</u>		<u>22.5%</u>	<u>3,047</u>		<u>17.3%</u>

(1) Data from the Greater Raleigh Chamber of Commerce, updated as of April 2015.

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

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

Table 17

Fiscal Year	Property Value	Construction ⁽¹⁾	
		Number of Permits	Construction Value
2008	2,273,823,184	975	93,456,119
2009	2,941,291,561	804	37,758,767
2010	3,002,972,949	889	14,475,118
2011	2,981,303,353	875	18,816,144
2012	3,004,964,357	1,023	38,680,248
2013	3,012,517,567	833	34,770,509
2014	3,103,111,862	995	73,351,752
2015	3,081,432,283	1,297	46,549,862
2016	3,195,322,605	1,207	77,561,649
2017	3,264,526,830	1,324	90,196,870

(1) From Town of Garner Inspections Department.

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

Table 18

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
General Government	43	44	43	40	37	37	37	44	40	46
Public Safety	78	76	77	75	77	77	78	77	78	81.5
Streets and Transportation	16	16	13	11	17	17	17	13	14	14
Cultural & Recreation	21	23	25	22	26	25	25	25	25	25.5
Total	<u>158</u>	<u>159</u>	<u>158</u>	<u>148</u>	<u>157</u>	<u>156</u>	<u>157</u>	<u>159</u>	<u>157</u>	<u>167</u>

Town of Garner, North Carolina

Operating Indicators by Function

Last Ten Fiscal Years

(Unaudited)

Table 19
Page 1 of 2

Function	2008	2009	2010	2011	2012
Community Development Services					
Inspections:					
Permits issued (all trade types)	1,105	780	889	875	876
Building inspections conducted	11,697	8,100	4,053	4,584	3,519
Public Works					
Miles of streets maintained	96	98	98	98	99
Traffic control signs repaired/replaced	529	174	223	411	210
Town parks maintained	11	12	12	12	12
Town athletic fields/courts maintained	30	33	30	30	30
Town building/grounds maintained	40	42	42	42	44
Police					
Calls for service	29,491	30,595	29,681	27,518	27,272
Accidents investigated	1,236	1,240	1,127	1,073	1,125
Arrests	1,511	1,420	1,288	936	826
Fire/Rescue ⁽¹⁾					
Fire call answered	1,522	1,522	4,307	4,733	4,737
EMS calls answered	3,860	3,860	Not Available	Not Available	Not Available
Solid Waste					
Sanitation customers	8,455	8,547	8,543	8,595	8,700
% of solid waste stream reduction reported to the state	40%	40%	40%	40%	40%
Spring and fall cleanups - tons collected	363	390	390	400	360
Leisure Services					
Parks & Recreation program registrations	1,878	1,750	1,878	1,750	3,220
Picnic shelter reservations	289	410	289	410	475
Auditorium event attendance	16,663	20,000	27,353	30,000	30,000
Independence day attendance	15,000	15,000	15,000	20,000	20,000

Source:

Departmental performance indicators in the Town of Garner Budget Document

(1) Fire and Rescue services merged in 2010.

Town of Garner, North Carolina

Operating Indicators by Function

Last Ten Fiscal Years

(Unaudited)

Table 19

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Function	2013	2014	2015	2016	2017
Community Development Services					
Inspections:					
Permits issued (all trade types)	833	995	1,297	1,207	1,324
Building inspections conducted	3,856	5,971	6,303	5,244	7,619
Public Works					
Miles of streets maintained	99	99	100	101	102
Traffic control signs repaired/replaced	240	133	140	142	122
Town parks maintained	12	12	14	14	11
Town athletic fields/courts maintained	30	30	36	36	14
Town building/grounds maintained	44	55	56	56	53
Police					
Calls for service	31,959	31,913	35,963	33,132	36,611
Accidents investigated	1,147	1,249	1,260	1,371	1,342
Arrests	1,062	1,304	1,330	1,082	1,156
Fire/Rescue⁽¹⁾					
Fire call answered	4,743	4,725	4,875	1,922	2,078
	Not	Not	Not		
EMS calls answered	Available	Available	Available	3,198	1,835
Solid Waste					
Sanitation customers	8,802	8,852	8,952	8,957	9,023
% of solid waste stream reduction reported to the state	40%	40%	52%	50%	61%
Spring and fall cleanups - tons collected	320	401	423	486	711
Leisure Services					
Parks & Recreation program registrations	4,512	3,634	4,200	4,025	4,011
Picnic shelter reservations	652	708	600	700	582
Auditorium event attendance	37,642	35,844	31,395	31,869	33,458
Independence day attendance	17,000	17,000	10,000 *	8,500 *	15,000

Town of Garner, North Carolina

Capital Asset by Function

Last Ten Fiscal Years

(Unaudited)

Table 20
Page 1 of 2

Function	2008	2009	2010	2011	2012
Public Safety					
Police stations	3	3	2	2	3
Patrol and investigative units	2	2	2	2	3
K-9 Units	3	2	3	4	4
Fire stations	3	3	3	3	4
Fire apparatus	Not Available	Not Available	Not Available	14	14
Highways and Streets					
Streets (miles)	96.26	97.24	97.67	99.07	99.07
Sidewalks (feet)	109,004	124,044	131,644	274,967	277,207
Leisure Services					
Number of major parks	12	13	13	13	13
Total park acreage	268	350	350	350	350
Baseball fields	7	7	7	7	7
Tennis courts	6	6	6	6	6
Basketball courts	2	2	2	2	2

Town of Garner, North Carolina

Capital Asset by Function

Last Ten Fiscal Years

(Unaudited)

Table 20

Page 2 of 2

Function	2013	2014	2015	2016	2017
Public Safety					
Police stations	3	3	3	1	1
Patrol and investigative units	3	3	3	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)	99.07	99.78	100.00	101.43	102.30
Sidewalks (feet)	309,921	318,892	332,640	323,180	355,208
Leisure Services					
Number of major parks	13	13	14	14	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

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MARTIN ♦ STARNES & ASSOCIATES, CPAs, P.A.

"A Professional Association of Certified Public Accountants and Management Consultants"

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*

Independent Auditor's Report

To the Honorable Mayor and
Members of the 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 accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Garner, North Carolina as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Town of Garner's basic financial statements, and have issued our report thereon dated October 18, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Garner's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Garner'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 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 of Garner's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance 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 result 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.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, NC
October 18, 2017

TOWN OF GARNER, NORTH CAROLINA

**SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2017**

1. Summary of Auditor's Results

Financial Statements

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

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified? _____ Yes X None reported

Non-compliance material to financial statements noted?

_____ Yes X No

2. Findings Related to the Audit of the Basic Financial Statements:

None reported.

TOWN OF GARNER, NORTH CAROLINA

**SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2017**

2016-001: Corrected

2016-002: Corrected

2016-003: Corrected

2016-004: Corrected

2016-005: Corrected