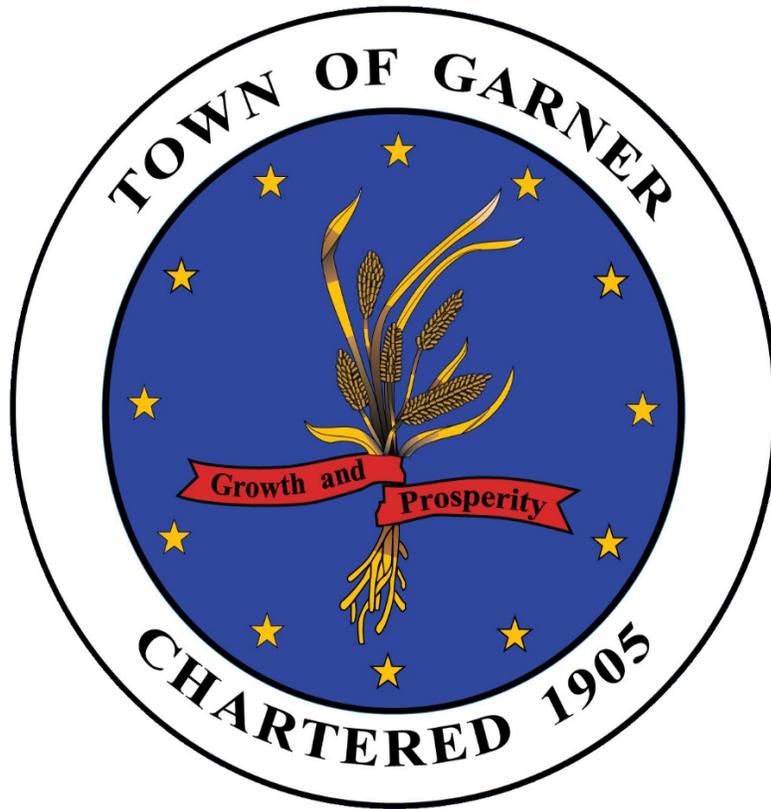




TOWN OF GARNER, NORTH CAROLINA  
**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT**  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

# TOWN OF GARNER

NORTH CAROLINA



## COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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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Phone (919) 772-4688 · Fax (919) 662-8874 · [www.GarnerNC.gov](http://www.GarnerNC.gov)



November 28, 2018

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, 2018. This report includes financial statements and supplemental schedules audited by Mauldin & Jenkins, PLLC, the independent certified public accountants selected by the Town Council. The financial section of this document includes the auditor's report conveying their unmodified opinion regarding the accuracy of the basic financial statements. The Comprehensive Annual Financial Report consists of management's representations concerning the finances of the Town. Consequently, management assumes full responsibility for the completeness and reliability of all 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, 2018 was 3.1% compared with 3.7% at June 30, 2017.

Garner is at a critical stage of development as the significant growth experienced in recent years is beginning to positively impact revenue streams. The Town's primary revenue source, property taxes, is anticipated to increase by 4.8 percent in FY 2019 as the projected Town-wide value of assessed property has increased by \$160.2 million. Increased assessments are primarily based on the construction of new residential and commercial properties which is a good indicator of economic growth.

Growth is anticipated to continue as many of the Town's development related revenue categories continue to grow. The FY 2019 Adopted Budget included an increase of \$290,000, or 34.1 percent, in building permit fees. Staff anticipates actual revenue to be significantly higher than the budgeted level based on more than anticipated development activity and Amazon selecting the Town to house a new 2.6 million square foot state of the art distribution center.

Amazon will invest approximately \$200 million to develop the site of the new distribution center. In addition, the center will create an estimated 1,500 jobs, resulting in approximately \$45 million in new payroll within the Town. This announcement, and others such as Baker Roofing Co. selecting a 170,000 square foot site for its new headquarters, are anticipated to have a significant impact on the commercial sector of the Town's economy.

Additional indicators of future economic growth include increases in permitting activity. Year-to-date revenue associated with Site Plan/Permit Fees is 74.5 percent higher than the previous fiscal year. In addition, revenue associated with Subdivision Fees is 13.5 percent higher than the previous fiscal year. This indicates that the development community is confident in the market and plans to continue construction related activity in the future.

The current period of economic growth offers the town a unique opportunity to invest in the infrastructure required to facilitate growth. As part of the FY 2019 Adopted Budget, Town Council approved an increase to the annual motor vehicle fee which will allow for additional resources to

be dedicated to maintaining the Town's roadways. The Town is also performing an in-depth review of long term capital infrastructure requirements to ensure resources are available to meet long-term requirements. This work will help to ensure that the Town is positioned to meet future growth.

## MAJOR INITIATIVES

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

- The Town continues to work on several projects related to the approved 2013 bond referendums, including a new recreation center, new sidewalks, and neighborhood improvement projects.
- To facilitate development-related changes, the Town has completed a new comprehensive plan, and revised its transportation plan, and created 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 Standard and Poor's Financial Services from AA+ to AAA in July 2018.

## OTHER INFORMATION

**Independent Audit.** State statutes require an annual audit by independent certified public accountants. The Town's Council selected the accounting firm of Mauldin & Jenkins, PLLC. The auditor's report of the basic financial statements and individual fund statements and schedules are included in the financial section of this report. The goal of the independent audit is to provide reasonable assurance that the financial statements of the Town for the fiscal year ended June 30, 2018, 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, 2017. 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 26 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, 2017. 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, 2017. 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 21 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 2017-18 will allow us to make FY 2018-19 an even more productive year for the Town of Garner.

Respectfully submitted,



Rodney Dickerson  
Town Manager



Pamela J. Wortham, CPA  
Finance Director

**Town of Garner, North Carolina  
List of Principal Officials  
June 30, 2018**

**Ronnie S. Williams**

Mayor

**Kathy Behringer**

Council Member

**Ken Marshburn**

Mayor Pro Tem

**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

**Mike Franks**

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

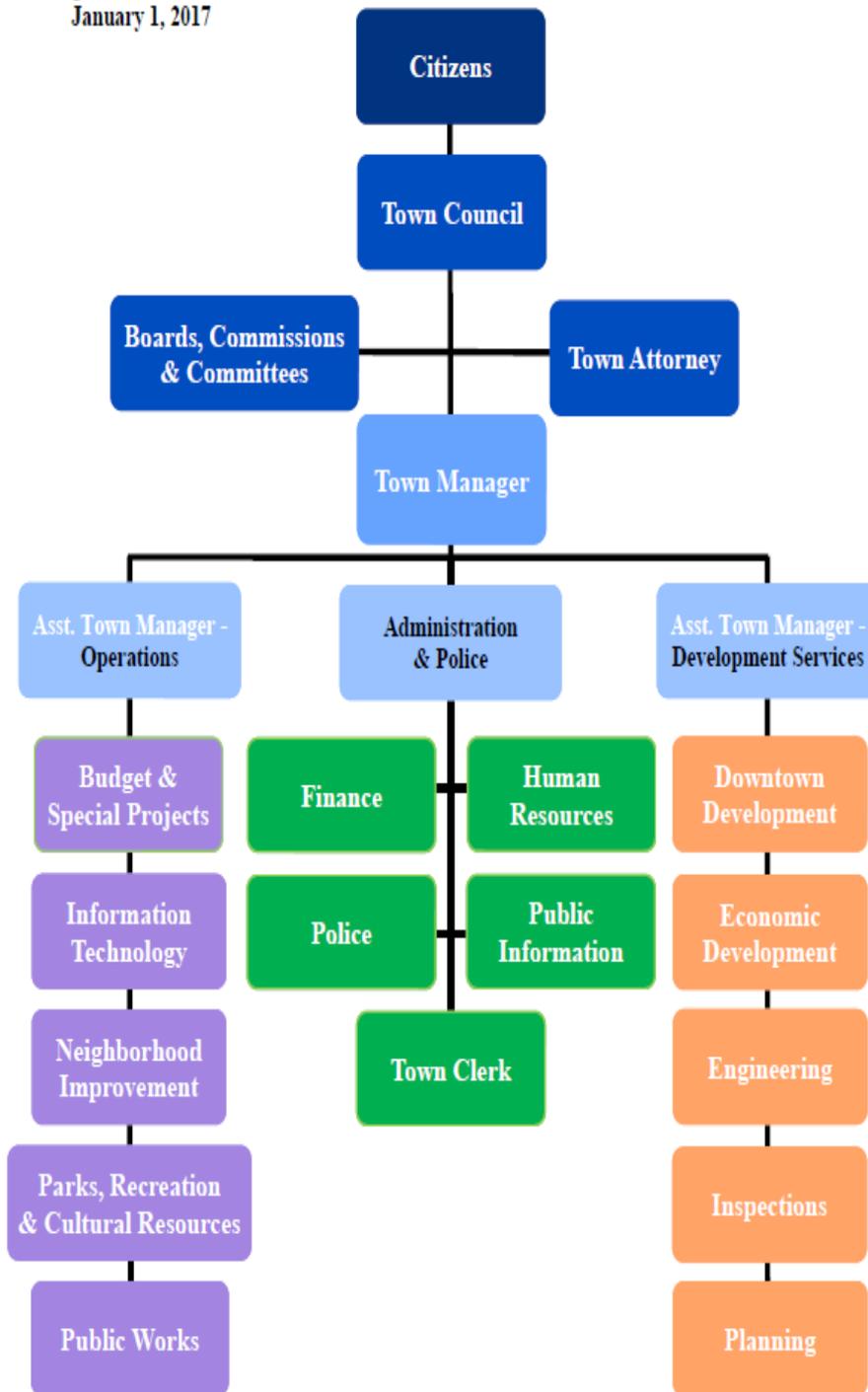
**Forrest Jones**

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, 2017**

*Christopher P. Morrill*

Executive Director/CEO

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## INDEPENDENT AUDITOR'S REPORT

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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 (the "Town"), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

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

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

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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

---

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Garner, North Carolina as of June 30, 2018, and the respective changes in financial position and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Emphasis of Matter***

As discussed in Notes 2(F) and 2(M), the Town implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, as of July 1, 2017. This standard significantly changed the accounting for the Town's total other postemployment benefits (OPEB) liability and related disclosures. Our opinions are 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 Law Enforcement Officers' Special Separation Allowance Schedules of Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll, the Schedule of Changes in the Total OPEB Liability and Related Ratios, and the Local Government Employees' Retirement System Schedules of the Proportionate Share of the Net Pension Liability (Asset) and Contributions on pages 13 through 21 and 65 through 70, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

---

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The introductory section, individual fund financial statements and schedules, the schedule of expenditures of federal and state awards, as required by the State Single Audit Act, and statistical section, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The individual fund financial statements and schedules and the schedule of expenditures of federal and state awards are the responsibility of management and was derived from and relates 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 and schedules and the schedule of expenditures of federal and state awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Town's basic financial statements for the year ended June 30, 2017 (not presented herein), were audited by other auditors whose report thereon dated October 18, 2017, expressed unmodified opinions on the respective financial statements of the governmental activities, each major fund, and the aggregate remaining fund information. The report of the other auditors dated October 18, 2017, stated that the individual fund financial statements and schedules for the year ended June 30, 2017 were subjected to the auditing procedures applied in the audit of the 2017 basic financial statements and certain additional auditing procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those basic financial statements or those basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America and, in their opinion, was fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended June 30, 2017.

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

---

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 26, 2018 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

Mauldin & Jenkins, LLC

Atlanta, Georgia  
November 26, 2018

## **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, 2018. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the financial statements, which follow this narrative.

#### **Financial Highlights**

- The assets and deferred outflows of resources of the Town exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$71,386,332 (net position). Of this amount \$6,371,951 (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 \$33,256,320 or a decrease of \$6,501,373.
- As of the close of the fiscal year, the Town’s unassigned fund balance for the General Fund was \$17,726,861, or 56.40%, 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 its Aa1 rating with Moody’s Investor’s Service.

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

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

#### **Basic Financial Statements**

The first two statements (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.

## Town of Garner, North Carolina

### Management Discussion and Analysis

The next section of the basic financial statements is the Notes. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, supplemental information is provided to show details about the Town's individual funds. Budgetary information required by the North Carolina General Statutes and Required Supplementary Information for pensions can also be found in this part of the statements.

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

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

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

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.

## Town of Garner, North Carolina

### Management Discussion and Analysis

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

The Town adopts an annual appropriated budget for its General Fund, as required by General Statutes. The budget is a legally adopted document that incorporates input from citizens, management, and Council about which services to provide and how to pay for them. It also authorizes the Town to obtain funds from identified sources to finance these current period activities. The Town has elected to include all funds as major in the governmental funds. The budgetary statement provided for the General Fund demonstrates how well the Town complied with the budget ordinance and whether or not the Town succeeded in providing the services as planned when the budget was adopted. This statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by Council; 2) the final budget as amended by Council; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the variance between the final budget and the actual resources and charges.

The basic governmental fund financial statements can be found on pages 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 32-64 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.

## Town of Garner, North Carolina

### Management Discussion and Analysis

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

### Government-wide Financial Analysis

As noted earlier, the Town's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$71,386,332 as of June 30, 2018. Approximately 85.23% of the Town's net position reflects the Town's net investment in capital assets. The net investment in capital assets category is defined as the Town's investment in Town owned capital assets (e.g. land, buildings, water and sewer capacity rights, vehicles, equipment and infrastructure) less any related debt still outstanding that was issued to acquire those items. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of net position 5.84% is restricted. This category represents resources that are subject to specific external legal restrictions that limit the Town's ability to access and use these funds beyond the purpose for which they are provided.

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

	<b>Governmental Activities</b>	
	<b>2018</b>	<b>2017 - restated</b>
<b>ASSETS</b>		
Current and other assets	\$ 35,707,406	\$ 41,260,169
Capital assets	96,052,177	92,525,534
Total assets	<u>131,759,583</u>	<u>133,785,703</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Pension and OPEB Deferrals	2,565,727	3,141,493
<b>LIABILITIES</b>		
Long-term debt outstanding	55,335,839	47,635,205
Other liabilities	6,032,675	5,166,910
Total liabilities	<u>61,368,514</u>	<u>52,802,115</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Pension and OPEB deferrals	1,544,807	192,612
Prepaid taxes	25,657	61,581
Total deferred inflows of resources	<u>1,570,464</u>	<u>254,193</u>

## Town of Garner, North Carolina

### Management Discussion and Analysis

#### NET POSITION

Net investment in capital assets	60,841,862	61,066,119
Restricted	4,172,519	4,381,670
Unrestricted	6,371,951	7,250,766
Total net position	\$ 71,386,332	\$ 72,698,555

The Town's net position decreased by \$1,312,223, while unrestricted net position decreased by \$878,815. The following are some of the items that influenced the change in unrestricted net position:

- Investment in capital assets decreased by \$ 224,257.
- A prior year restatement of \$11.2 million was made for the OPEB liability.

### Town of Garner Changes in Net Position

Figure 2

	Governmental Activities	
	2018	2017
<b>REVENUES</b>		
Program revenues		
Charges for services	2,889,978	3,366,462
Operating grants & contributions	1,095,356	1,009,068
Capital grants & contributions	152,143	36,311
General revenues		
Property taxes	18,368,348	17,817,253
Other taxes	8,592,737	8,638,003
Other	732,137	390,853
Total Revenues	31,830,699	31,257,950
<b>EXPENSES</b>		
General government	7,748,861	7,021,774
Public safety	12,726,953	12,208,004
Transportation	6,078,817	5,435,823
Environmental protection	1,895,800	1,888,478
Cultural & recreational	3,539,484	3,338,442
Interest on long-term debt	1,153,007	1,312,239
Total expenses	33,142,922	31,204,760
<b>Change in net position</b>	(1,312,223)	53,190
Net position, July 1, as previously stated	83,870,888	86,199,231
Restatement	(11,172,333)	(2,381,533)
<b>Net position, July 1, as restated</b>	72,698,555	83,817,698
<b>Net position, June 30</b>	71,386,332	83,870,888

## Town of Garner, North Carolina

### Management Discussion and Analysis

**Governmental Activities.** The Town's net position decreased by \$1,312,223 during the current fiscal year. Key elements of this decrease included:

- Other taxes decreased, while sales taxes increased \$143,868 due to the improved economy of the region & expansion in the sales tax base within the Town.
- Expenses increased 6.2% from the prior year partially attributable to an additional \$427 thousand for mobile radios for the Police Department and an additional \$500 thousand for increases in salaries Townwide.

Total revenues were \$31.8 million. Charges for services, which go directly against expenses, accounted for 9.1% of revenues.

The total cost of all programs and services was \$33.1 million. Cost of public safety programs (building inspections, police and contracted fire services) accounted for 38.4% of expenses, followed by general government expenses at 23.4%. The Town also spent an additional 10.7% for cultural and recreational expenses.

### Financial Analysis of the Town's Funds

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

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

At June 30, 2018, the Town's governmental funds reported a combined ending fund balance of \$33,256,320 a decrease of 16.4% from the previous fiscal year attributed to capital project expenditures during the year of \$7.5 million. Approximately \$17.7 million (53.3%) constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been assigned for other purposes (\$2.1 million), committed by the governing body for future capital projects (\$8 million), or restricted by external parties (\$5 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 \$17,726,861, or 56.40%, 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

## Town of Garner, North Carolina

### Management Discussion and Analysis

adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as federal and State grants; and 3) increases in appropriations that become necessary to maintain services.

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

The fund balance of the Town's General Fund increased \$0.6 million during the current fiscal year. Key factors in this increase are as follows:

- The Town recognized increases in property tax collections during the year of approximately half a million dollars.
- Investment earnings for this fiscal year increased by 87%.

**Capital Projects Fund Highlights.** Fund balance of the Capital Projects Fund decreased \$7.1 million. This decrease was due to the capital project expenditures of previously issued bonds. Town Hall was completed in this fiscal year and construction of the Recreation Facility is continuing, with completion anticipated during the upcoming fiscal year.

### Capital Asset and Debt Administration

**Capital Assets.** The Town's investment in capital assets as of June 30, 2018, amounts to \$96,052,177 (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 3,526,643.

Major capital asset investments of \$12.9 million during the fiscal year include: construction in progress for a Recreation Center, roadway improvements, and sidewalk construction (\$7.5 million); and equipment and vehicle purchases (\$1,088,172).

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Land	\$ 13,544,499	\$ 13,544,499
Buildings	18,310,998	10,736,055
Intangible assets	17,485,081	17,485,081
Improvements	4,417,791	3,860,186
Equipment	1,954,314	1,603,665
Infrastructure	32,267,535	32,513,642
Construction in Progress	8,071,959	12,782,406
Total	<u>\$ 96,052,177</u>	<u>\$ 92,525,534</u>

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, 2018. The Town issued an installment loan in the amount of \$660,000 for the purchase of vehicles & equipment. At the end of the fiscal year, the Town had total debt outstanding of \$35,062,118. Of this, \$27.3 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 decreased by \$1,860,206 during the fiscal year.

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
General obligation bonds	\$ 27,345,000	\$ 28,345,000
Installment financing agreements	7,717,118	8,577,324
Total	<u>\$ 35,062,118</u>	<u>\$ 36,922,324</u>

As mentioned in the financial highlights section of this document, the Town of Garner maintained its Aa1 from Moody's Investors Service and 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 \$270.1 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, 2018.

Additional information on the Town's long-term debt can be found in the notes to the financial statements on pages 61-63 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 dropped to 3.1%.
- Home sales are up 17.5%
- Construction values in the Town increased by 4%
- The average home sale price is up 1.5%

### **Budget Highlights for the Fiscal Year Ending June 30, 2019**

**Governmental Activities:** The FY 2018 – 2019 budget increased by \$2,030,604, or 6.1 percent, over the FY 2017 – 2018 budget. Growth occurred in several revenue categories and was not the result of an increase to property taxes as the rate remains at 53.25 cents per \$100 of assessed valuation.

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

### **Management Discussion and Analysis**

Sales tax distributions are anticipated to increase 7.5% and building permit fees are anticipated to increase 34.1% based on current market conditions.

An additional increase of 73.0% in motor vehicle fees is primarily based on Town Council's approval of a rate increase from \$15 to \$30. This increase will allow for additional resources to be dedicated to maintaining the Town's roadways as the entire amount associated with the increase has been designated for this purpose.

These additional resources allowed the Town to make strategic investments to meet current demand and to address future requirements. Funding was included to provide merit-based salary adjustments and to cover a 15 percent increase in the Town's group insurance rates for existing positions. In addition, several adjustments were required to fund additional staffing requirements as the FY 2018 – 2019 budget includes funding for six new full-time positions. Two of these positions were included in Parks, Recreation and Cultural Resources to provide administrative oversight and to grow programs and leagues at the new Recreation Center. Two additional positions were approved in Public Works to improve span of control issues which will allow managers to spend a greater percentage of their time out in the field managing, and overseeing, work related tasks. Finally, the Police Department will receive a School Resource Officer based on the opening of South Garner High School and a Training Officer to address challenges with recruiting and hiring qualified applicants and training requirements.

The Town has chosen to appropriate fund balance in the fiscal year 2019 budget. These appropriations of fund balance (totaling \$2,045,498) 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 7<sup>th</sup> Avenue, Garner, North Carolina. 27529, or visit our Website at [www.garnernc.gov](http://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, 2018**

Exhibit 1

	<b>Primary Government Governmental Activities</b>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 30,556,024
Restricted cash and cash equivalents	2,366,272
Taxes receivable - net	65,870
Special assessments - net	7,455
Accounts receivable - net	2,461,033
Sales tax refund receivable	205,000
Inventories	28,396
Prepaid items	17,356
Total current assets	35,707,406
Non-current assets:	
Capital assets:	
Capital assets not being depreciated	39,101,539
Capital assets being depreciated	56,950,638
Total capital assets	96,052,177
Total non-current assets	96,052,177
Total assets	131,759,583
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pension deferrals	2,183,969
OPEB deferral	381,758
Total deferred outflows of resources	2,565,727
<b>LIABILITIES</b>	
Accounts payable and accrued liabilities	704,024
Accrued interest payable	475,936
Payroll withholdings payable	170,087
Liabilities paid from restricted assets:	
Deposits	156,640
Accounts payable-restricted	1,291,564
Current portion of compensated absences	621,729
Current portion of long-term obligations	2,612,695
Long-term liabilities:	
Non-current portion of compensated absences	616,872
Total Pension Liability (LEO)	3,486,839
Total OPEB liability	15,245,101
Net pension liability (LGERS)	2,454,898
Total long-term liabilities	21,803,710
Non-current portion of long-term obligations	33,532,129
Total liabilities	61,368,514
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Prepaid taxes	25,657
DI-Pension deferral	144,036
OPEB deferrals	1,400,771
Total deferred inflows of resources	1,570,464
<b>NET POSITION</b>	
Net investment in capital assets	60,841,862
Restricted for:	
Stabilization by State statute	3,358,985
Streets	773,055
Law enforcement	40,479
Unrestricted	6,371,951
Total net position	\$ 71,386,332

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

**TOWN OF GARNER, NORTH CAROLINA  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2018**

Exhibit 2

Functions/Programs	Program Revenues			Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions		
<b>Primary government:</b>					
Governmental activities:					
General government	\$ 7,748,861	\$ 380,906	\$ 54,941	\$ 129,308	\$ (7,183,706)
Public safety	12,726,953	1,316,971	287,950	-	(11,122,032)
Transportation	6,078,817	49,897	741,526	-	(5,287,394)
Environmental protection	1,895,800	35,070	-	-	(1,860,730)
Cultural/recreational	3,539,484	1,107,134	10,939	22,835	(2,398,576)
Interest on long-term debt	1,153,007	-	-	-	(1,153,007)
Total governmental activities	<u>33,142,922</u>	<u>2,889,978</u>	<u>1,095,356</u>	<u>152,143</u>	<u>(29,005,445)</u>
Total primary government	<u>\$ 33,142,922</u>	<u>\$ 2,889,978</u>	<u>\$ 1,095,356</u>	<u>\$ 152,143</u>	<u>\$ (29,005,445)</u>
General revenues:					
Property taxes					18,368,348
Local option sales tax					6,208,086
Other taxes					2,384,651
Unrestricted investment earnings					456,212
Gain on sale of capital assets					53,213
Miscellaneous					222,712
Total General Revenues					<u>27,698,222</u>
Change in net position					(1,312,223)
Net position - beginning, previously reported					83,870,888
Restatement					<u>(11,172,333)</u>
Net position - beginning, restated					<u>72,698,555</u>
Net position - ending					<u>\$ 71,386,332</u>

**Town of Garner, North Carolina**  
**Balance Sheet--Governmental Funds**  
**June 30, 2018**

Exhibit 3

	General	Capital Projects	Total Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 27,998,426	\$ 1,727,623	\$ 29,726,049
Restricted cash and cash equivalents	970,174	2,226,073	3,196,247
Taxes receivable (net)	65,870	-	65,870
Assessments receivable (net)	7,455	-	7,455
Accounts receivable (net)	2,461,033	-	2,461,033
Sales tax refunds receivable	205,000	-	205,000
Inventories	28,396	-	28,396
Prepaid items	17,356	-	17,356
	<u>31,753,710</u>	<u>3,953,696</u>	<u>35,707,406</u>
Total assets	<u>\$ 31,753,710</u>	<u>\$ 3,953,696</u>	<u>\$ 35,707,406</u>
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	\$ 704,024	\$ -	\$ 704,024
Payroll withholdings payable	170,087	-	170,087
Liabilities payable from restricted assets:			
Deposits	156,640	-	156,640
Accounts payable-restricted	-	1,291,564	1,291,564
	<u>1,030,751</u>	<u>1,291,564</u>	<u>2,322,315</u>
Total liabilities	<u>1,030,751</u>	<u>1,291,564</u>	<u>2,322,315</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenues-assessments	7,455	-	7,455
Property taxes receivable	65,870	-	65,870
Unavailable revenue-other	29,789	-	29,789
Prepaid taxes	25,657	-	25,657
	<u>128,771</u>	<u>-</u>	<u>128,771</u>
Total deferred inflows of resources	<u>128,771</u>	<u>-</u>	<u>128,771</u>
<b>FUND BALANCES</b>			
Nonspendable			
Inventories	28,396	-	28,396
Prepays	17,356	-	17,356
Restricted			
Stabilization by State statute	3,358,985	-	3,358,985
Streets	773,055	-	773,055
Law enforcement	40,479	-	40,479
Capital projects	-	934,509	934,509
Committed			
Capital projects	4,646,104	1,727,623	6,373,727
Other	1,857,454	-	1,857,454
Assigned			
Subsequent year expenditure	2,145,498	-	2,145,498
Unassigned	17,726,861	-	17,726,861
	<u>30,594,188</u>	<u>2,662,132</u>	<u>33,256,320</u>
Total fund balances	<u>30,594,188</u>	<u>2,662,132</u>	<u>33,256,320</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 31,753,710</u>	<u>\$ 3,953,696</u>	<u>\$ 35,707,406</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**  
**JUNE 30, 2018**

Exhibit 4

Fund balances- Governmental Funds		\$ 33,256,320
<b>Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1) are different because:</b>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Assets not being depreciated	39,101,539	
Assets being depreciated	56,950,638	96,052,177
Deferred inflows and outflows of resources related to the Town's LGERS pension plan do not provide or use current financial resources and are therefore not reported in the funds		1,772,208
Deferred inflows and outflows of resources related to the Town's LEOSA pension plan do not provide or use current financial resources and are therefore not reported in the funds		267,725
Deferred inflows and outflows of resources related to the Town's total OPEB liability do not provide or use current financial resources and are therefore not reported in the funds		(1,019,013)
Liabilities for earned revenues considered deferred inflows of resources in fund statements		65,870
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds.		
Compensated absences	(1,238,601)	
Total pension liability	(3,486,839)	
Total OPEB liability	(15,245,101)	
Net pension liability	(2,454,898)	
Bonds payable	(27,345,000)	
Premium on bonds	(1,082,706)	
Promissory notes	(7,717,118)	
Accrued interest payable	(475,936)	
		(59,046,199)
Net position of governmental activities		\$ 71,349,088

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

**Town of Garner, North Carolina**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Governmental Funds**  
**For the Year Ended June 30, 2018**

Exhibit 5

	General	Capital Projects	Total Governmental Funds
<b>REVENUES</b>			
Ad valorem taxes	\$ 18,336,285	\$ -	\$ 18,336,285
Other taxes and licenses	6,376,074	-	6,376,074
Intergovernmental revenues	3,316,833	152,143	3,468,976
Permits and fees	2,217,839	-	2,217,839
Sales and services	672,139	-	672,139
Investment earnings	360,123	96,089	456,212
Other revenues	197,818	(17,164)	180,654
<b>Total revenues</b>	<b>31,477,111</b>	<b>231,068</b>	<b>31,708,179</b>
<b>EXPENDITURES</b>			
Current			
General government	6,960,076	-	6,960,076
Public safety	12,989,182	-	12,989,182
Transportation	2,899,718	-	2,899,718
Environmental protection	1,895,800	-	1,895,800
Cultural and recreational	2,936,533	-	2,936,533
Capital projects	-	7,493,450	7,493,450
Debt service			
Principal retirement	2,520,206	-	2,520,206
Interest and fees	1,227,800	-	1,227,800
<b>Total expenditures</b>	<b>31,429,315</b>	<b>7,493,450</b>	<b>38,922,765</b>
Revenues over (under) expenditures	47,796	(7,262,382)	(7,214,586)
<b>OTHER FINANCING SOURCES (USES)</b>			
Sale of capital assets	53,213	-	53,213
Issuance of debt	660,000	-	660,000
Transfers in	(114,000)	114,000	-
<b>Total other financing sources (uses)</b>	<b>599,213</b>	<b>114,000</b>	<b>713,213</b>
Net change in fund balances	647,009	(7,148,382)	(6,501,373)
<b>FUND BALANCES</b>			
Beginning of year--July 1	29,947,179	9,810,514	39,757,693
End of year--June 30	<u>\$ 30,594,188</u>	<u>\$ 2,662,132</u>	<u>\$ 33,256,320</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, 2018**

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 \$ (6,501,373)

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

Capital outlay	8,180,931	
Depreciation expense	(4,654,288)	
Net adjustment to increase fund balance-governmental fund to arrive at net position of governmental activities		3,526,643

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	(660,000)	
Interest expense	35,644	
Amortization expense	39,149	
Principal repayments	2,520,206	
Net adjustment to increase the net changes in fund balance-governmental funds to arrive at change in net position of governmental activities		1,934,999

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		69,307
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Contributions to the pension plan in the current year are not included on the Statement of Activities-LGERS		782,069
Benefit payments paid in the current year for LEOSSA are not included on the Statement of Activities		288,489
OPEB payments paid in the current year are not included on the Statement of Activities		376,547

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	(826,223)	
Pension expense-LEOSSA	(249,984)	
Other Post employment benefits	(726,824)	
Compensated absences	14,127	

Change in net position of governmental activities		\$ (1,312,223)
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The Notes to the Financial Statements are an integral part of this statement.

**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, 2018**

Exhibit 7

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Ad valorem taxes	\$ 18,061,500	\$ 18,061,500	\$ 18,336,285	\$ 274,785
Other taxes and licenses	6,388,500	6,388,500	6,376,074	(12,426)
Intergovernmental revenues	3,384,388	3,447,038	3,316,833	(130,205)
Permits and fees	1,984,373	2,031,373	2,217,839	186,466
Sales and services	543,898	543,898	672,139	128,241
Investment earnings	160,000	220,000	360,123	140,123
Other revenues	163,582	167,932	197,818	29,886
<b>Total revenues</b>	<b>30,686,241</b>	<b>30,860,241</b>	<b>31,477,111</b>	<b>616,870</b>
<b>EXPENDITURES</b>				
Current				
General government	7,058,039	7,468,693	6,960,076	508,617
Public safety	12,964,850	13,315,412	12,989,182	326,230
Transportation	3,210,162	3,593,752	2,899,718	694,034
Environmental protection	1,922,038	1,925,038	1,895,800	29,238
Cultural and recreational	3,156,391	3,133,273	2,936,533	196,740
Debt service				
Principal retirement	2,683,250	2,683,250	2,520,206	163,044
Interest and fees	1,241,219	1,241,219	1,227,800	13,419
<b>Total expenditures</b>	<b>32,235,949</b>	<b>33,360,637</b>	<b>31,429,315</b>	<b>1,931,322</b>
Revenues over (under) expenditures	(1,549,708)	(2,500,396)	47,796	2,548,192
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale of capital assets	45,000	45,000	53,213	8,213
Issuance of debt	672,000	672,000	660,000	(12,000)
Transfers in	(969,449)	(1,201,074)	(114,000)	1,087,074
Fund balance appropriated	1,802,157	2,984,470	-	(2,984,470)
<b>Total other financing sources (uses)</b>	<b>1,549,708</b>	<b>2,500,396</b>	<b>599,213</b>	<b>(1,901,183)</b>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	647,009	<u>\$ 647,009</u>
<b>FUND BALANCES</b>				
Beginning of year--July 1			29,947,179	
End of year--June 30			<u>\$ 30,594,188</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, 2018**

Exhibit 8

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	<u>Water &amp; Sewer Fees Agency Fund</u>
<b>Assets</b>	
Cash and cash equivalents	\$ <u>56,037</u>
<b>Liabilities</b>	
Due to other governments	\$ <u>56,037</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, 2018

### 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. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. 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 the General Fund and Capital Projects Fund as major funds.

# Town of Garner, North Carolina

## Notes to the Financial Statements June 30, 2018

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 type:

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. The agency fund has no measurement focus but utilizes the accrual basis of accounting for reporting its assets and liabilities.

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

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

### **Notes to the Financial Statements June 30, 2018**

under capital leases are reported as other financing sources.

The Town considers all revenues available if they are collected within 90 days after year-end, except for property taxes, which are considered available if collected within 60 days after year-end. 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 levied. 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. 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, 2018. 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, 2018

### 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>\$ 692,952</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 earning 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,

# Town of Garner, North Carolina

## Notes to the Financial Statements

June 30, 2018

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.

### Governmental Activities

General Fund	Streets	\$	773,055
	Law enforcement		40,479
	Deposits		156,640
Capital Projects Fund	Unexpended bond proceeds		<u>934,509</u>
Total governmental activities		\$	<u><u>1,904,683</u></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.

# Town of Garner, North Carolina

## Notes to the Financial Statements June 30, 2018

### 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 non-spendable fund balance, which indicates that it does not constitute a resource available for appropriation even though it is a component of net current assets.

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

### K. Capital Assets

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

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, pension and OPEB deferrals, that meet this criterion. 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,

## Town of Garner, North Carolina

### Notes to the Financial Statements June 30, 2018

*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 under the modified accrual basis of accounting which meet the criterion for this category-prepaid taxes, pension deferrals, property taxes receivable, and unavailable revenue. Additionally, the Town reports two items, pension and OPEB deferrals, which are reported only in the governmental activities.

#### M. Compensated Absences

The vacation policy of the Town provides for the accumulation of up to two hundred eighty-eight (288) hours earned vacation leave with such leave being fully vested when earned. For the Town's government-wide funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The Town has assumed a first-in, first-out method of using accumulated compensated time. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

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

#### N. Long-Term 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.

# Town of Garner, North Carolina

## Notes to the Financial Statements June 30, 2018

### 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.

*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 \$934,509 as of June 30, 2018.

Restricted fund balance at June 30, 2018 is as follows:

Purpose	General Fund	Capital Projects Fund	Total
Stabilization by State statute	\$ 3,358,985	\$ -	\$ 3,358,985
Streets	773,055	-	773,055
Law enforcement	40,479	-	40,479
Capital projects	-	934,509	934,509
	\$ 4,172,519	\$ 934,509	\$ 5,107,028

## Town of Garner, North Carolina

### Notes to the Financial Statements June 30, 2018

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## Town of Garner, North Carolina

### Notes to the Financial Statements June 30, 2018

*Committed for technology in development services* – portion of fund balance that has been committed 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 committed for financing of new water mains or sewer outfalls or replacement or enlargement of existing outfalls.

*Committed for dental claims* – portion of fund balance that has been committed to paying dental claims as they occur.

Committed fund balance at June 30, 2018 is as follows:

Purpose	General Fund	Capital Projects Fund	Total
<b>Capital Projects</b>			
Park improvements	\$ 1,750,389	\$ -	\$ 1,750,389
Storm water facilities	267,441	-	267,441
Lake Benson Park	45,305	-	45,305
Park equipment	38,843	-	38,843
Community Center	57,134	1,570,283	1,165,828
Water and sewer capacity	2,405,673	-	2,405,673
Greenways	81,319	-	81,319
Roadway improvements	-	157,340	157,340
<b>Other</b>			
Veteran's Memorial	65,024	-	65,024
Insurance	26,182	-	26,182
Public safety	1,276	-	1,276
Revenue Savings Plan	1,033,414	-	1,033,384
Development Services	200,000	-	200,000
Acreage Fees	484,861	-	484,861
Dental claims	46,697	-	46,697
<b>Total</b>	<b>\$ 6,503,558</b>	<b>\$ 1,727,623</b>	<b>\$ 7,769,562</b>

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, 2018 is as follows:

Purpose	General Fund
Subsequent year expenditures	\$ 2,145,498

# Town of Garner, North Carolina

## Notes to the Financial Statements

June 30, 2018

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

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 Director 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	\$	30,594,188
Less:		
Inventories		(28,396)
Prepays		(17,356)
Stabilization by State Statute		(3,358,985)
		<hr/>
Available Fund Balance	\$	<u>27,189,451</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 Plan

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.

# Town of Garner, North Carolina

## Notes to the Financial Statements June 30, 2018

### NOTE 2. DETAILED NOTES ON ALL FUNDS

#### A. Deposits and Investments

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, 2018, the Town's deposits had a carrying amount of \$403,840 and a bank balance of \$814,926. Of the bank balance, \$250,000 was covered by federal depository insurance, \$564,926 in interest bearing deposits were covered by collateral held under the Pooling Method. At June 30, 2018, the Town had \$2,361 cash on hand.

At June 30, 2018, the Town's investment balances were as follows:

Investment Type	Valuation Measurement Method	Book Value at 6/30/18	Maturity	Rating
Federal Home Loan Banks	Fair Value-Level 2	\$ 666,166	2/26/19	AA+
Fannie Mae	Fair Value-Level 2	992,434	3/18/19	AA+
Commercial Paper	Fair Value-Level 2	946,079	11/05/18	A-1
US Treasury	Fair Value-Level 1	7,312,705	12/31/19	AA+
NC Capital Management Trust - Government Portfolio	Amortized Cost	5,297,654	N/A	AAAm
NC Capital Management Trust - Term Portfolio	Fair Value-Level 1	17,357,094	0.09 years	Unrated
		\$ 32,572,132		

# Town of Garner, North Carolina

## Notes to the Financial Statements

June 30, 2018

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

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

*Interest rate risk.* 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 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, 2018. 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, 2018</u>
General Fund	
Taxes Receivable	\$ 227,620
Special Assessments	<u>4,513</u>
Total	<u>\$ 232,133</u>

## Town of Garner, North Carolina

### Notes to the Financial Statements June 30, 2018

#### C. Capital Assets

Capital asset activity for the year ended June 30, 2018, was as follows:

	<b>Balance June 30, 2017</b>	<b>Increases</b>	<b>Retirements</b>	<b>Balance June 30, 2018</b>
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 13,544,499	\$ -	\$ -	\$ 13,544,499
Construction In progress	12,782,406	7,493,448	(12,203,895)	8,071,959
Intangible Assets	17,485,081	-	-	17,485,081
<b>Total capital assets not being depreciated</b>	<b>43,811,986</b>	<b>7,493,448</b>	<b>(12,203,895)</b>	<b>39,101,539</b>
<b>Capital assets being depreciated:</b>				
Buildings	13,944,438	8,149,820	-	22,094,258
Improvements	9,390,561	913,088	-	10,303,649
Equipment	6,826,419	1,088,172	(257,485)	7,657,106
Infrastructure	91,364,611	2,740,298	-	94,104,909
<b>Total capital assets being depreciated</b>	<b>121,526,029</b>	<b>12,891,378</b>	<b>(257,485)</b>	<b>134,159,922</b>
<b>Less accumulated depreciation for:</b>				
Buildings	3,208,383	574,877	-	3,783,260
Improvements	5,530,375	355,483	-	5,885,858
Equipment	5,222,754	737,523	(257,485)	5,702,792
Infrastructure	58,850,969	2,986,405	-	61,837,374
<b>Total accumulated depreciation</b>	<b>72,812,481</b>	<b>\$ 4,654,288</b>	<b>\$ (257,485)</b>	<b>77,209,284</b>
<b>Total capital assets being depreciated, net</b>	<b>48,713,548</b>			<b>56,950,638</b>
<b>Governmental activity capital assets, net</b>	<b>\$ 92,525,534</b>			<b>\$ 96,052,177</b>

## Town of Garner, North Carolina

### Notes to the Financial Statements June 30, 2018

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

General government	\$	382,003
Public safety		516,911
Transportation		3,165,147
Cultural/recreational		<u>590,227</u>
 Total	 \$	 <u>4,654,288</u>

#### Net Investment in Capital Assets

	<u>Governmental Activities</u>
Capital assets	\$ 96,052,177
Less: Long-term debt related to Town assets	35,062,118
Premium on debt related to Town assets	1,082,706
Add: unexpended debt proceeds	<u>934,509</u>
 Net investment in capital assets	 <u>\$ 60,841,862</u>

#### Commitments – Construction Projects

The government has active construction projects as of June 30, 2018. At year-end, the government's commitments with contractors are as follows:

<u>Purpose</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
White Oak Sewer Outfall	\$ 48,780	\$ 84,220
Roadway improvements	5,697,991	341,271
Park improvements	1,951,250	21,804
Recreation center	<u>6,929,212</u>	<u>3,814,430</u>
 Total	 <u>\$ 14,627,233</u>	 <u>\$ 4,261,725</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

Interfund transfers for the year ended June 30, 2018 were as follows:

<u>Transfer out</u>	<u>Transfer in</u>	<u>Amount</u>
General Fund	Capital Projects Fund	<u>\$ 114,000</u>

# Town of Garner, North Carolina

## Notes to the Financial Statements

June 30, 2018

### 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](http://www.osc.nc.gov).

##### Benefits Provided

LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service. 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

## Town of Garner, North Carolina

### Notes to the Financial Statements June 30, 2018

beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

#### Contributions

Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. 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, 2018, was 8.25% of compensation for law enforcement officers and 7.56% 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 \$782,069 for the year ended June 30, 2018.

#### 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, 2018, the Town reported a liability of \$2,454,898 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016. The total pension liability was then rolled forward to the measurement date of June 30, 2017 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, 2017, the Town's proportion was 0.16069%, which was a decrease of 0.00452% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the Town recognized pension expense of \$826,223. At June 30, 2018, 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, 2018

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 141,425	\$ 69,490
Changes of assumptions	350,593	-
Net difference between projected and actual earnings on pension plan investments	596,053	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	2,758	31,200
Town contributions subsequent to the measurement date	782,069	-
Total	\$ 1,872,898	\$ 100,690

\$782,069 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 ending June 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30:	Amount
2019	\$ 118,740
2020	707,216
2021	353,160
2022	(188,977)
2023	-
Thereafter	-
Total	\$ 990,139

*Actuarial Assumptions.* The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

# Town of Garner, North Carolina

## Notes to the Financial Statements

June 30, 2018

The actuarial assumptions used in the December 31, 2016 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, 2017 are summarized in the following table:

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

The information above is based on 30 year expectations developed with the consulting actuary for the 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 7.20%. This represents a decrease from the discount rate used in the prior year of 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

# Town of Garner, North Carolina

## Notes to the Financial Statements

June 30, 2018

*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 7.20 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 (6.20 percent) or one percentage point higher (8.20 percent) than the current rate:

	<b>1% Decrease (6.20%)</b>	<b>Discount Rate (7.20%)</b>	<b>1% Increase (8.20%)</b>
Town's proportionate share of the net pension liability (asset)	\$ 7,369,660	\$ 2,454,898	\$(1,647,376)

*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, 2017, the Separation Allowance's membership consisted of:

Retirees receiving benefits	13
Active plan members	63
Total	76

#### 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 paragraph 4.

# Town of Garner, North Carolina

## Notes to the Financial Statements

June 30, 2018

### Actuarial Assumptions

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

Inflation	2.5%
Salary increases	3.5 – 7.35%
Discount rate	3.16%

The discount rate used to measure the TPL is the S&P Municipal Bond 20 Year High Grade Rate Index. This represents a decrease from the discount rate used in the prior year of 3.86%.

The actuarial assumptions used in the December 31, 2016 valuation were based on the results of an experience study completed by the Actuary for the Local Governments Employees' Retirement System for the five year period ending December 31, 2014.

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

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

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

DEATHS AFTER RETIREMENT (DISABLED): RP-2014 Disabled Retiree base rates projected to 2015 using MP-2015, projected forward generationally from 2015 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 \$288,489 as benefits came due for the reporting period.

## Town of Garner, North Carolina

### Notes to the Financial Statements

June 30, 2018

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

At June 30, 2018, the Town reported a total pension liability of \$3,486,839. The total pension liability was measured as of December 31, 2017 based on a December 31, 2016 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2017 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2018, the Town recognized pension expense of \$249,984.

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 34,773	\$ -
Changes of assumptions	137,845	43,346
Town benefit payments made subsequent to the measurement date	138,453	-
Total	\$ 311,071	\$ 43,346

An amount of \$138,453 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2019. Other amounts reported as deferred inflows and outflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year ending June 30:</b>	
2019	\$ 27,564
2020	27,564
2021	27,564
2022	33,058
2023	13,522
Thereafter	-
Total	\$ 129,272

*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 3.16 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 (2.16 percent) or 1-percentage-point higher (4.16 percent) than the current rate:

	<b>1% Decrease (2.16%)</b>	<b>Discount Rate (3.16%)</b>	<b>1% Increase (4.16%)</b>
Total pension liability	\$ 3,733,403	\$ 3,486,839	\$ 3,258,428

# Town of Garner, North Carolina

## Notes to the Financial Statements June 30, 2018

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

	<b>2018</b>
Beginning balance	\$ 3,313,668
Service Cost	99,562
Interest on the total pension liability	122,858
Differences between expected and actual experience in the measurement of the total pension liability	42,785
Changes of assumptions or other inputs	169,607
Benefit payments	(261,641)
Ending balance of the total pension liability	\$ 3,486,839

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

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.

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

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

	LGERS	LEOSSA	Total
Pension Expense	\$ 826,223	\$ 249,984	\$ 1,076,207
Pension Liability	2,454,898	3,486,839	5,941,737
Proportionate share of the net pension liability	0.16069%	n/a	
 Deferred Outflows of Resources			
Differences between expected and actual experience	\$ 141,425	\$ 34,773	\$ 176,198
Changes of assumptions	350,593	137,845	488,438
Net difference between projected and actual earnings on plan investment	596,053	-	596,053
Changes in proportion and differences between contributions and proportionate share of contributions	2,758	-	2,758
Benefit payments and administrative costs paid subsequent to the measurement date	782,069	138,453	920,522
Total deferred outflows of resources - pensions	\$ 1,872,898	\$ 311,071	\$ 2,183,969

# Town of Garner, North Carolina

## Notes to the Financial Statements June 30, 2018

### Deferred Inflows of Resources

Differences between expected and actual experience	\$ 69,490	\$ -	\$ 69,490
Changes of assumptions	-	43,346	43,346
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	31,200	-	31,200
Total deferred inflows of resources - pensions	<u>\$ 100,690</u>	<u>\$ 43,346</u>	<u>\$ 144,036</u>

### 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.

#### 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, 2018 were \$336,084, which consisted of \$207,781 from the Town and \$128,303 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

# Town of Garner, North Carolina

## Notes to the Financial Statements

June 30, 2018

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, 2018 were \$421,099, which consisted of \$290,496 from the Town and \$130,603 from the employees. No amounts were forfeited.

### F. Other Post-Employment Benefits

#### 1. Healthcare Benefits

##### Plan Description and Benefits

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

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

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

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

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

	General Employees:	Law Enforcement Officers:
Retirees and dependents receiving benefits	43	
Active plan members	96	63
Total	<u>139</u>	<u>63</u>

# Town of Garner, North Carolina

## Notes to the Financial Statements

June 30, 2018

### 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 Council has chosen to fund the healthcare benefits on a pay as you go basis. For the fiscal year ended June 30, 2018, the Town contributed \$376,547 for the pay as you go benefits for the HCB Plan.

### **Total OPEB Liability**

Effective July 1, 2017, the Town implemented the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, which significantly changed the Town's accounting for OPEB amounts. The information disclosed below is presented in accordance with this new standard.

The Town's total OPEB liability of \$15,245,101 was measured as of June 30, 2017 and was determined by an actuarial valuation as of June 30, 2016 with the actuary using standard techniques to roll forward the liability to the measurement date..

*Actuarial assumptions and other inputs.* The total OPEB liability (TOL) in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	3.0 %
Real wage growth	0.50%
Wage inflation	3.50%
Salary increases	
General employees	3.50% - 7.75%
Law Enforcement Officers	3.50% - 7.35%
Discount Rate/ Municipal Bond Index Rate	
Prior Measurement Date	3.01%
Measurement Date	3.56%
Healthcare cost trend rates	
Pre-Medicare	7.75% for 2017 decreasing to an ultimate rate of 5.00% by 2022
Medicare	5.75% for 2017 decreasing to an ultimate rate of 5.00% by 2019

The discount rate used to measure the TOL was based on the June average of the Bond Buyer General Obligation 20-year Municipal Bond Index published weekly by The Bond Buyer.

Mortality rates were based on the RP-2014 mortality tables, with adjustments for LGERS experience and generational mortality improvements using Scale MP-2015.

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, and salary increases used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period January 1, 2010 - December 31, 2014, adopted by the LGERS.

## Town of Garner, North Carolina

### Notes to the Financial Statements June 30, 2018

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2016 valuation were based on a review of recent plan experience done concurrently with the June 30, 2016 valuation.

#### Changes in the Total OPEB Liability

	<b>Total OPEB Liability</b>	
<b>Balance at July 1, 2017</b>	\$	16,287,042
<b>Changes for the year</b>		
Service Cost at the end of the year		444,708
Interest on TOL and Cash Flows		484,665
Differences between expected and actual experience		5,967
Changes in assumptions or other inputs		(1,604,076)
Benefit payments		(373,205)
<b>Net Changes</b>		(1,041,941)
<b>Balance at June 30, 2018</b>	\$	15,245,101

Changes in assumptions and other inputs reflect a change in the discount rate from 3.01% on the Prior Measurement Date to 3.56% on the Measurement Date.

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

*Sensitivity of the total OPEB liability to changes in the discount rate.* The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.56 percent) or 1-percentage-point higher (4.56 percent) than the current discount rate:

	<b>1% Decrease (2.56%)</b>	<b>Discount Rate (3.56%)</b>	<b>1% Increase (4.56%)</b>
Total OPEB Liability	\$ 18,345,733	\$ 15,245,101	\$ 12,845,148

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

	<b>1% Decrease</b>	<b>Current</b>	<b>1% Increase</b>
Total OPEB Liability	\$ 12,582,411	\$ 15,245,101	\$ 18,740,845

## Town of Garner, North Carolina

### Notes to the Financial Statements

June 30, 2018

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

For the year ended June 30, 2018, the Town recognized OPEB expense of \$726,824. At June 30, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 5,211	\$ -
Changes of assumptions or other inputs	-	(1,400,771)
Town benefit payments made subsequent to the measurement date	376,547	-
Total	\$ 381,758	\$ (1,400,771)

An amount of \$376,547 reported as deferred outflows of resources related to OPEB resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ending June 30, 2019. Other amounts reported as deferred inflows of resources related to pensions will be recognized in OPEB expense as follows:

<b>Period Ending June 30:</b>	
2019	\$ (202,549)
2020	(202,549)
2021	(202,549)
2022	(202,549)
2023	(202,549)
Thereafter	(382,815)
	\$ (1,395,560)

#### 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

## Town of Garner, North Carolina

### Notes to the Financial Statements

June 30, 2018

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, 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.

# Town of Garner, North Carolina

## Notes to the Financial Statements June 30, 2018

### 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.

#### 2. Changes in Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2018, net of bond premium:

<b>Type of Debt</b>	<b>June 30, 2017</b>	<b>Additions</b>	<b>Retirements</b>	<b>June 30, 2018</b>	<b>One Year</b>
General obligation bonds	\$ 28,345,000	\$ -	\$ 1,000,000	\$ 27,345,000	\$ 1,005,000
Premium on bonds	1,146,912	-	64,206	1,082,706	64,206
Promissory notes	8,577,324	660,000	1,520,206	7,717,118	1,543,489
Compensated absences	1,252,728	10,218	24,345	1,238,601	621,729
Net pension liability (LGERS)	3,506,311	1,054,736	2,106,149	2,454,898	-
Total pension liability (LEO)	3,313,668	434,812	261,641	3,486,839	-
Total OPEB liability	16,287,042	935,340	1,977,281	15,245,101	-
<b>Total</b>	<b>\$ 62,428,985</b>	<b>\$ 3,095,106</b>	<b>\$ 6,953,828</b>	<b>\$ 58,570,263</b>	<b>\$ 3,234,424</b>

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

As discussed in notes 2.F.1 and 2.M the beginning balance of the total OPEB liability was restated for the implementation of GASB Statement No. 75.

#### 3. 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).

## Town of Garner, North Carolina

### Notes to the Financial Statements June 30, 2018

#### Governmental Activities

Fiscal Years	General Obligation Bonds		Promissory Notes		Total Debt Due	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 1,005,000	\$ 1,032,410	\$ 1,543,489	\$ 129,001	\$ 2,548,489	\$ 1,161,411
2020	1,015,000	995,109	1,376,113	103,406	2,391,113	1,098,515
2021	1,025,000	954,097	1,366,516	79,157	2,391,516	1,033,254
2022	1,485,000	912,136	723,000	57,302	2,208,000	969,438
2023	1,485,000	852,863	551,000	44,758	2,036,000	897,621
2024-2028	7,650,000	3,328,050	2,157,000	78,945	9,807,000	3,406,995
2029-2033	8,550,000	1,729,762	-	-	8,550,000	1,729,762
2034-2037	5,130,000	261,195	-	-	5,130,000	261,195
Total	<u>\$ 27,345,000</u>	<u>\$ 10,065,622</u>	<u>\$ 7,717,118</u>	<u>\$ 492,569</u>	<u>\$ 35,062,118</u>	<u>\$ 10,558,191</u>

Bonds payable at June 30, 2018 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	\$ 13,530,000
\$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	5,010,000
\$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	8,805,000
Total General Obligation Bonds	<u>27,345,000</u>

#### Promissory notes and installment purchase contracts:

The Town has entered into agreements to finance certain land and equipment purchases. Promissory 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%	1,409,504
\$632,000 installment purchase contract for vehicles due in annual installments of \$160,772 through September 1, 2018; interest at 1.36%	158,614

# Town of Garner, North Carolina

## Notes to the Financial Statements

June 30, 2018

\$710,000 installment purchases contract for vehicles and equipment due in annual installments through September 1, 2020; interest at 1.42%	534,000
\$660,000 installment purchase contract for vehicles and equipment due in annual installments of \$162,000 to \$168,000 through March 1, 2022; interest at 1.41%	660,000
\$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%	4,955,000
Total promissory notes and installment purchase contracts	<u>7,717,118</u>
Total long-term debt	<u>\$ 35,062,118</u>

At June 30, 2018, the Town of Garner had authorized but unissued bonds in the amount of \$11,241,000 and had a legal debt margin of approximately \$235,008,679.

### J. 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.

### K. Litigation Contingencies

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

### L. Subsequents Events

The Town issued \$ 4.05 million of fixed-rate general obligation bonds on August 30, 2018. The proceeds of these bonds will be used for street and sidewalk improvements, parks and recreational improvements and downtown redevelopment improvements. All of the bonds were approved by the voters of the Town at a bond referendum held in 2013. These bonds were issued at an interest rate of 3.0657% with a maturity date of August 1, 2038.

### M. Change in Accounting Principles/Restatement

The Town implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, in the fiscal year ending June 30, 2018. The implementation of the statement required the Town to record beginning total OPEB liability and the effects on net position of benefit payments and administrative expenses paid

# Town of Garner, North Carolina

## Notes to the Financial Statements

June 30, 2018

by the Town related to OPEB during the measurement period (fiscal year ending June 30, 2017). As a result, net position for the governmental activities decreased \$(11,172,333).

Net position, as previously reported	\$	83,870,888
Restatement for implementation of GASB Statement No. 75:		
Remove OPEB obligation		4,741,504
Total OPEB liability		(16,287,042)
Deferred outflows of resources - contributions		373,205
Net position, as restated	\$	<u>72,698,555</u>

**Town of Garner, North Carolina**  
Schedule of Changes in Total Pension Liability  
Law Enforcement Officers' Special Separation Allowance  
June 30, 2018

Exhibit A-1

	<b>2018</b>	<b>2017</b>
Beginning balance	\$ 3,313,668	\$ 3,414,080
Service Cost	99,562	110,693
Interest on the total pension liability	122,858	117,231
Difference between expected and actual experience	42,785	-
Changes of assumptions or other inputs	169,607	(67,766)
Benefit payments	(261,641)	(260,570)
Ending balance of the total pension liability	<u>\$ 3,486,839</u>	<u>\$ 3,313,668</u>

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

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

**Town of Garner, North Carolina**  
 Schedule of Total Pension Liability as a Percentage of Covered Payroll  
 Law Enforcement Officers' Special Separation Allowance  
 June 30, 2018

Exhibit A-2

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	<b>2018</b>	<b>2017</b>
Total pension liability	\$ 3,486,839	\$ 3,313,668
Covered payroll	4,117,105	4,363,230
Total pension liability as a percentage of covered payroll	84.69%	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.

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

**Town of Garner, North Carolina**  
Schedule of Changes in the Total OPEB Liability and Related Ratios  
June 30, 2018

Exhibit A-3

	<b>2018</b>
<b>Total OPEB Liability</b>	
Service Cost	\$ 444,708
Interest	484,665
Differences between expected and actual experience	5,967
Changes of assumptions	(1,604,076)
Benefit payments	(373,205)
<b>Net change in total OPEB liability</b>	<b>(1,041,941)</b>
<b>Total OPEB liability - beginning</b>	<b>16,287,042</b>
<b>Total OPEB liability - ending</b>	<b>\$ 15,245,101</b>
<b>Covered-employee payroll</b>	\$ 8,878,383
<b>Total OPEB liability as a percentage of covered-employee payroll</b>	171.71%

**Notes to Schedule**

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

<u>Fiscal year</u>	<u>Rate</u>
2018	3.56%

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

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

Exhibit A-4

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**Local Government Employees' Retirement System**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Town of Garner's proportion of the net pension liability (asset)	0.16069%	0.16521%	0.15980%	0.16120%	0.16520%
Town of Garner's proportion of the net pension liability (asset)	\$ 2,454,898	\$ 3,506,311	\$ 717,174	\$ (950,671)	\$ 1,991,294
Town of Garner's covered payroll	\$ 9,946,981	\$ 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 payroll	24.68%	37.11%	7.77%	(10.49)%	22.93%
Plan fiduciary net position as a percentage of the total pension liability**	94.18%	91.47%	98.09%	102.64%	94.35%

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

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

**Town of Garner, North Carolina**  
Schedule of Town of Garner's Contributions  
Required Supplementary Information  
Last Five Fiscal Years

Exhibit A-5

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**Local Government Employees' Retirement System**

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

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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

Valuation date	December 31, 2016
Actuarial cost method	Frozen Entry age
Amortization method	Level dollar, closed
Remaining amortization period	12 years
Asset valuation method	Assets return in excess of or less than the expected return on market value of assets reflected over a five-year period (and not less than 80% of market value)
Inflation rate	3.00%
Salary increases	3.50 – 7.75%, including inflation
Investment rate of return	7.20%, net of pension plan investment expense, including inflation

# **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, 2018  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2017

	<u>2018</u>		Variance Positive (Negative)	<u>2017</u>
	Budget	Actual		Actual
<b>REVENUES</b>				
Ad valorem taxes:				
Current year	\$ 17,957,000	\$ 18,280,317	\$ 323,317	\$ 17,733,325
Prior year	60,500	25,408	(35,092)	59,899
Penalties and interest	44,000	30,560	(13,440)	41,291
<b>Total</b>	<b>18,061,500</b>	<b>18,336,285</b>	<b>274,785</b>	<b>17,834,515</b>
Other taxes and licenses:				
ABC mixed beverage	121,000	128,675	7,675	125,693
Local option sales tax	6,225,000	6,208,086	(16,914)	6,064,218
Solid waste disposal tax	20,000	19,049	(951)	19,480
Rental vehicles	22,500	20,264	(2,236)	22,773
<b>Total</b>	<b>6,388,500</b>	<b>6,376,074</b>	<b>(12,426)</b>	<b>6,232,164</b>
Intergovernmental revenues:				
Beer and wine tax	132,400	125,603	(6,797)	129,258
Utility franchise tax	1,889,000	1,851,089	(37,911)	1,864,390
Video programming fees	249,000	246,785	(2,215)	245,296
Powell Bill allocation	736,809	741,526	4,717	736,809
PEG channel funds	90,377	53,784	(36,593)	55,172
Federal asset forfeiture	-	3,477	3,477	16,375
Controlled substance tax	10,939	10,939	-	10,878
Build America bond - interest reimbursement	75,500	75,910	410	77,327
Federal grants	170,215	89,800	(80,415)	1,430
State grants	24,500	38,799	14,299	37,693
Wake County grant - school resource officer	68,298	79,121	10,823	68,298
<b>Total</b>	<b>3,447,038</b>	<b>3,316,833</b>	<b>(130,205)</b>	<b>3,242,926</b>
Sales and services:				
Recreation fees	262,873	242,146	(20,727)	218,885
Facility rentals	197,500	222,062	24,562	243,609
Sanitation fees	26,275	35,070	8,795	20,679
Dental Insurance Fees	-	118,575	118,575	-
Third-party bill collection	4,950	4,389	(561)	4,137
Street repairs	20,000	49,897	29,897	37,791
Right of way mowing	22,300	-	(22,300)	21,331
Fuel sales	10,000	-	(10,000)	-
<b>Total</b>	<b>543,898</b>	<b>672,139</b>	<b>128,241</b>	<b>546,432</b>

**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, 2018  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2017

	<b>2018</b>		Variance Positive (Negative)	<b>2017</b>
	Budget	Actual		Actual
<b>REVENUES (continued)</b>				
Permits and fees:				
Police outside employment	\$ 223,913	\$ 241,753	\$ 17,840	\$ 188,197
Animal licenses	500	930	430	835
Planning and zoning fees	71,200	97,757	26,557	49,491
Inspection fees	978,480	1,134,974	156,494	963,008
Business Registration	17,000	34,320	17,320	23,518
Fee in lieu of park land	800	644,437	643,637	539,074
Special event permit	700	750	50	825
Retention pond fees	-	3,200	3,200	3,360
Rental property registration fees	-	-	-	75
False alarms charges	10,300	20,850	10,550	10,300
Taxi cab inspection fees	-	50	50	30
Water and sewer capacity replacement fees	728,480	38,818	(689,662)	935,533
<b>Total</b>	<b>2,031,373</b>	<b>2,217,839</b>	<b>186,466</b>	<b>2,714,246</b>
Investment revenues:				
Investment earnings	220,000	360,123	140,123	151,936
Other revenues:				
Land use charges	5,250	13,433	8,183	4,095
Insurance Proceeds	-	24,786	24,786	35,842
Miscellaneous	31,882	49,567	17,685	36,362
Rent	-	7,689	7,689	-
Assessments	4,000	3,042	(958)	7,527
Interest on assessments	2,400	677	(1,723)	1,174
Code enforcement	20,000	17,371	(2,629)	18,406
Officers' fees	7,400	7,509	109	9,767
Parking violations	2,000	590	(1,410)	1,160
Landfill reimbursement	95,000	73,154	(21,846)	121,264
Contributions	-	-	-	135,100
<b>Total</b>	<b>167,932</b>	<b>197,818</b>	<b>29,886</b>	<b>370,697</b>
<b>Total revenues</b>	<b>30,860,241</b>	<b>31,477,111</b>	<b>616,870</b>	<b>31,092,916</b>

**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, 2018  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2017

	<b>2018</b>		Variance Positive (Negative)	<b>2017</b>
	Budget	Actual		Actual
<b>EXPENDITURES</b>				
General government				
Governing body				
Salaries and employee benefits	\$ 123,173	\$ 124,867	\$ (1,694)	\$ 110,727
Operating expenses	82,805	72,108	10,697	78,526
Professional services	38,250	37,207	1,043	27,431
Contracted services	44,300	37,586	6,714	2,423
Total	<u>288,528</u>	<u>271,768</u>	<u>16,760</u>	<u>219,107</u>
Administration				
Salaries and employee benefits	1,152,506	1,123,319	29,187	877,777
Operating expenses	399,349	287,379	111,970	204,309
Retirees Insurance	351,694	376,547	(24,853)	295,562
Insurance	558,020	611,114	(53,094)	465,343
Ad-Professional services	-	-	-	69,370
Professional services-legal	142,617	124,812	17,805	90,156
Total	<u>2,604,186</u>	<u>2,523,171</u>	<u>81,015</u>	<u>2,002,517</u>
Finance				
Salaries and employee benefits	549,223	525,183	24,040	435,574
Operating expenses	108,007	100,705	7,302	100,802
Professional services	48,644	39,072	9,572	103,540
Contracted services	144,553	114,361	30,192	52,457
Total	<u>850,427</u>	<u>779,321</u>	<u>71,106</u>	<u>692,373</u>
Economic Development				
Salaries and employee benefits	183,739	182,178	1,561	261,545
Operating expenses	245,297	150,121	95,176	101,189
Contracted services	65,070	33,585	31,485	8,730
Total	<u>494,106</u>	<u>365,884</u>	<u>128,222</u>	<u>371,464</u>
Planning				
Salaries and employee benefits	602,517	566,388	36,129	553,726
Operating expenses	123,335	74,552	48,783	55,320
Professional services	29,842	19,379	10,463	122,358
Contracted services	-	-	-	29,908
Total	<u>755,694</u>	<u>660,319</u>	<u>95,375</u>	<u>761,312</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, 2018  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2017

	<b>2018</b>		Variance Positive (Negative)	<b>2017</b>
	Budget	Actual		Actual
EXPENDITURES (continued)				
General government (continued)				
Engineering				
Salaries and employee benefits	\$ 593,231	\$ 572,708	\$ 20,523	\$ 559,479
Operating expenses	31,677	35,770	(4,093)	28,745
Total	<u>624,908</u>	<u>608,478</u>	<u>16,430</u>	<u>588,224</u>
Information technology				
Salaries and employee benefits	310,801	277,187	33,614	293,028
Operating expenses	186,913	171,100	15,813	153,049
Contracted services	96,136	94,573	1,563	107,339
Total	<u>593,850</u>	<u>542,860</u>	<u>50,990</u>	<u>553,416</u>
Building maintenance				
Salaries and employee benefits	326,416	322,773	3,643	258,809
Operating expenses	390,264	373,748	16,516	291,661
Contracted services	194,795	183,028	11,767	150,891
Total	<u>911,475</u>	<u>879,549</u>	<u>31,926</u>	<u>701,361</u>
Vehicle maintenance				
Salaries and employee benefits	246,100	239,219	6,881	271,031
Operating expenses	67,680	63,724	3,956	45,140
Contracted services	9,147	9,525	(378)	7,006
Veh-Capital Outlay	22,592	16,258	6,334	-
Total	<u>345,519</u>	<u>328,726</u>	<u>16,793</u>	<u>323,177</u>
Total General government	<u>7,468,693</u>	<u>6,960,076</u>	<u>508,617</u>	<u>6,212,951</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, 2018  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2017

	<b>2018</b>		Variance Positive (Negative)	<b>2017</b>
	Budget	Actual		Actual
<b>EXPENDITURES (continued)</b>				
<b>Public safety</b>				
<b>Police</b>				
Salaries and employee benefits	\$ 6,685,570	\$ 6,615,010	\$ 70,560	\$ 6,203,454
Separation Allowance	337,546	309,142	28,404	294,918
Operating expenses	1,150,777	1,104,742	46,035	535,344
Professional services	13,400	13,688	(288)	2,344
Contracted services	435,485	418,145	17,340	396,113
Capital outlay	371,918	286,708	85,210	353,284
<b>Total</b>	<b>8,994,696</b>	<b>8,747,435</b>	<b>247,261</b>	<b>7,785,457</b>
<b>Inspections</b>				
Salaries and employee benefits	904,056	843,134	60,922	822,803
Operating expenses	60,791	46,881	13,910	46,775
Capital outlay	70,000	69,123	877	37,981
<b>Total</b>	<b>1,034,847</b>	<b>959,138</b>	<b>75,709</b>	<b>907,559</b>
<b>Fire</b>				
Contracted services	3,285,869	3,282,609	3,260	2,912,321
<b>Total Public Safety</b>	<b>13,315,412</b>	<b>12,989,182</b>	<b>326,230</b>	<b>11,605,337</b>
<b>Transportation</b>				
Salaries and employee benefits	430,645	347,313	83,332	397,684
Operating expenses	19,655	20,155	(500)	19,009
<b>Total</b>	<b>450,300</b>	<b>367,468</b>	<b>82,832</b>	<b>416,693</b>
<b>Street repair and construction</b>				
Street-Salaries and employee benefits	905,960	890,394	15,566	843,238
Operating expenses	1,638,178	1,074,742	563,436	846,397
Contracted services	389,314	362,646	26,668	268,118
Capital outlay	210,000	204,468	5,532	282,217
<b>Total</b>	<b>3,143,452</b>	<b>2,532,250</b>	<b>611,202</b>	<b>2,239,970</b>
<b>Total Transportation</b>	<b>3,593,752</b>	<b>2,899,718</b>	<b>694,034</b>	<b>2,656,663</b>

**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, 2018  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2017

	<u>2018</u>		Variance Positive (Negative)	<u>2017</u>
	Budget	Actual		Actual
<b>EXPENDITURES (continued)</b>				
Environmental protection				
Sanitation				
Operating expenses	\$ 340,404	\$ 308,880	\$ 31,524	\$ 304,831
Contracted services	1,584,634	1,586,920	(2,286)	1,583,647
Total Environmental protection	<u>1,925,038</u>	<u>1,895,800</u>	<u>29,238</u>	<u>1,888,478</u>
Cultural and recreational				
Administration				
Salaries and employee benefits	272,372	269,582	2,790	269,262
Operating expenses	42,047	44,115	(2,068)	44,987
Capital outlay	-	-	-	3,190,032
Total	<u>314,419</u>	<u>313,697</u>	<u>722</u>	<u>3,504,281</u>
Recreational programs				
Salaries and employee benefits	1,088,784	1,040,750	48,034	1,005,780
Operating expenses	416,939	339,732	77,207	243,994
Contracted services	169,512	153,953	15,559	262,018
Capital outlay	55,120	55,120	-	52,021
Total	<u>1,730,355</u>	<u>1,589,555</u>	<u>140,800</u>	<u>1,563,813</u>
Parks maintenance and development				
Salaries and employee benefits	838,896	786,487	52,409	715,960
Operating expenses	173,603	198,798	(25,195)	179,019
Contracted services	19,000	16,847	2,153	38,344
Capital outlay	57,000	31,149	25,851	44,417
Total	<u>1,088,499</u>	<u>1,033,281</u>	<u>55,218</u>	<u>977,740</u>
Total Cultural and recreational	<u>3,133,273</u>	<u>2,936,533</u>	<u>196,740</u>	<u>6,045,834</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, 2018  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2017

	<u>2018</u>			<u>2017</u>
	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)	<u>Actual</u>
Debt Service				
Principal retirement	\$ 2,683,250	\$ 2,520,206	\$ 163,044	\$ 2,150,627
Interest and fees	1,241,219	1,227,800	13,419	1,285,042
Total Debt service	<u>3,924,469</u>	<u>3,748,006</u>	<u>176,463</u>	<u>3,435,669</u>
Total Expenditures	<u>33,360,637</u>	<u>31,429,315</u>	<u>1,931,322</u>	<u>31,844,932</u>
Revenues over (under) expenditures	<u>(2,500,396)</u>	<u>47,796</u>	<u>2,548,192</u>	<u>(752,016)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	45,000	53,213	8,213	101,066
Proceeds from debt issuance	672,000	660,000	(12,000)	-
Refunding bonds issued	-	-	-	6,229,000
Payment to escrow agent	-	-	-	(2,291,723)
Transfers--in (out)				
From (To) Capital Projects Fund	(1,201,074)	(114,000)	1,087,074	-
Fund balance appropriated	<u>2,984,470</u>	<u>-</u>	<u>(2,984,470)</u>	<u>-</u>
Total other financing sources (uses)--net	<u>2,500,396</u>	<u>599,213</u>	<u>(1,901,183)</u>	<u>4,038,343</u>
Net change in fund balance	<u>\$ -</u>	<u>647,009</u>	<u>\$ 647,009</u>	<u>3,286,327</u>
FUND BALANCE				
Beginning of year--July 1		<u>29,947,179</u>		<u>26,660,852</u>
End of year--June 30		<u>\$ 30,594,188</u>		<u>\$ 29,947,179</u>

## **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, 2018**

Schedule 2

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Year	2017-2018 Year	Total to Date	
<b>REVENUES</b>					
Intergovernmental revenues	\$ 3,309,308	\$ 2,703,437	\$ 152,143	\$ 2,855,580	\$ (453,728)
Investment earnings	35,000	157,458	96,089	253,547	218,547
Contributions	603,174	195,613	(17,164)	178,449	(424,725)
Total revenues	<u>3,947,482</u>	<u>3,056,508</u>	<u>231,068</u>	<u>3,287,576</u>	<u>(659,906)</u>
<b>EXPENDITURES</b>					
Parks and Recreation Improvements	2,660,612	1,167,606	122,687	1,290,293	1,370,319
Town Hall/Police Station	14,170,522	12,290,357	1,953,374	14,243,731	(73,209)
Sewer Outfall Project	114,000	-	48,780	48,780	65,220
Timber Drive	2,107,070	1,862,971	(5,000)	1,857,971	249,099
Vandora/Buffalo Roundabout	346,227	333,824	-	333,824	12,403
US 70 Highway Improvements	6,569,927	6,266,290	29,190	6,295,480	274,447
Recreation Center	10,299,140	2,653,265	4,281,705	6,934,970	3,364,170
Redevelopment	1,826,587	1,251,533	223,033	1,474,566	352,021
Street & Sidewalk Improvements	13,661,320	3,802,641	839,681	4,642,322	9,018,998
Debt Issuance Costs	598,601	455,032	-	455,032	143,569
Total expenditures	<u>52,354,006</u>	<u>30,083,519</u>	<u>7,493,450</u>	<u>37,576,969</u>	<u>14,777,037</u>
Revenues under expenditures	<u>(48,406,524)</u>	<u>(27,027,011)</u>	<u>(7,262,382)</u>	<u>(34,289,393)</u>	<u>14,117,131</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
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	8,526,098	8,170,914	114,000	8,284,914	(241,184)
Total other financing sources	<u>48,406,524</u>	<u>36,837,525</u>	<u>114,000</u>	<u>36,951,525</u>	<u>(11,454,999)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 9,810,514</u>	<u>(7,148,382)</u>	<u>\$ 2,662,132</u>	<u>\$ 2,662,132</u>
Fund Balance, beginning			9,810,514		
Fund Balance, ending			<u>\$ 2,662,132</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, 2018

Schedule 3

	Beginning Balance	Additions	Deductions	Ending Balance
<b>Assets:</b>				
Cash and cash equivalents	\$ 98,403	\$ 1,671,262	\$ 1,713,628	\$ 56,037
<b>Liabilities:</b>				
Intergovernmental payable	\$ 98,403	\$ 1,671,262	\$ 1,713,628	\$ 56,037

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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, 2018**

Schedule 4

<b>Fiscal Year</b>	<b>Uncollected Balance June 30, 2017</b>	<b>Additions</b>	<b>Collections And Credits</b>	<b>Uncollected Balance June 30, 2018</b>
2017-2018	\$ -	\$ 18,314,301	\$ 18,280,317	\$ 33,984
2016-2017	33,807	-	20,734	13,073
2015-2016	9,852	-	3,026	6,826
2014-2015	19,771	-	675	19,096
2013-2014	32,023	-	1,691	30,332
2012-2013	44,948	-	1,037	43,911
2011-2012	43,918	-	516	43,402
2010-2011	35,980	-	486	35,494
2009-2010	35,794	-	308	35,486
2008-2009	35,554	-	35,554	-
2007-2008	36,167	-	36,167	-
	<u>\$ 327,814</u>	<u>\$ 18,314,301</u>	<u>\$ 18,380,511</u>	261,604
Less: allowance for uncollectible accounts:				
	General Fund			<u>(227,620)</u>
Ad valorem taxes receivable - net				<u>\$ 33,984</u>
Reconciliation to revenues:				
Ad valorem taxes - General Fund				\$ 18,336,285
Reconciling items:				
	Interest collected			(30,560)
	Taxes written off per State statute			74,786
Total collections and credits				<u>\$ 18,380,511</u>

**Town of Garner, North Carolina**  
**ANALYSIS OF CURRENT TAX LEVY**  
**FOR THE YEAR ENDED JUNE 30, 2018**

Schedule 5

	City - Wide			Total Levy	
	Total Property Valuation	Rate per \$ 100	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy:					
Property taxed at current year's rate	3,355,362,066	0.5325	17,867,303	\$ 16,463,929	\$ 1,403,374
Vehicle Fee			364,470	5,085	359,385
Penalties			15,977	15,977	-
Total original levy			<u>18,247,750</u>	<u>16,484,991</u>	<u>1,762,759</u>
Discoveries:					
Current year levy	27,352,195	0.5325	102,917	102,917	-
Adjustments:					
Current year levy	<u>(6,829,296)</u>	0.5325	<u>(36,366)</u>	<u>(24,619)</u>	<u>(11,747)</u>
Total property valuation	<u>\$ 3,375,884,965</u>				
Net levy			18,314,301	16,563,289	1,751,012
Uncollected taxes at June 30, 2018			<u>33,984</u>	<u>33,984</u>	<u>-</u>
Current year's taxes collected			<u>\$ 18,280,317</u>	<u>\$ 16,529,305</u>	<u>\$ 1,751,012</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, 2018

Schedule 6

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Secondary Market Disclosure

Assessed Valuation:

Assessment Ratio (1)		100%	
Real Property	\$	2,777,319,789	
Personal Property		465,841,514	
Public Service Companies (2)		132,723,662	
Total Assessed Valuation	\$	3,375,884,965	
Tax Rate per \$100		0.5325	
Levy (includes discoveries, releases and abatements) (3)	\$	18,314,301	

- (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.

<b>Contents</b>	<b>Page</b>
Financial Trends <i>These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.</i>	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

	2009	2010	2011	2012
<b>Governmental Activities</b>				
Net investment in capital assets	\$ 60,976,743	\$ 73,287,732	\$ 65,859,876	\$ 64,781,668
Restricted	110,289	148,090		
Stabilization by state statute	-	-	1,345,242	1,360,720
Streets	-	-	271,766	405,797
Law enforcement	-	-	-	-
Capital projects	-	-	-	683,398
Unrestricted	16,120,920	15,250,782	16,650,305	16,984,241
 Total governmental activities net position	 <u>\$ 77,207,952</u>	 <u>\$ 88,686,604</u>	 <u>\$ 84,127,189</u>	 <u>\$ 84,215,824</u>

Note:

The decrease in net position in 2018 relates to the implementation of GASB Statement No. 75

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

Table 1  
Page 2 of 2

2013	2014	2015	2016	2017	2018
\$ 63,035,753	\$ 65,505,673	\$ 63,979,719	\$ 61,370,282	\$ 61,066,119	\$ 60,841,862
1,940,597	3,761,936	3,974,251	2,943,559	3,508,572	3,358,985
484,250	615,932	662,812	570,628	836,096	773,055
20,396	34,294	95,480	100,429	37,002	40,479
-	-	-	-	-	-
16,913,915	15,732,218	16,977,444	21,214,333	18,423,099	6,371,951
<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>	<u>\$ 71,386,332</u>

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

Table 2  
Page 1 of 2

<b>FUNCTIONS/PROGRAMS</b>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
<b>Expenses</b>					
Government activities:					
General government	\$ 6,413,626	\$ 6,822,627	\$ 6,681,939	\$ 6,132,147	\$ 6,552,537
Public safety	9,071,950	9,476,699	9,538,923	9,743,696	9,803,267
Transportation	5,683,744	5,336,617	5,229,693	5,326,310	4,836,477
Environmental protection	1,540,954	1,920,656	1,663,545	1,744,989	1,729,033
Cultural/recreational	2,708,309	2,809,490	2,964,727	2,933,020	3,037,853
Interest on long-term debt	284,649	256,299	384,113	582,873	567,914
Total governmental activities	<u>25,703,232</u>	<u>26,622,388</u>	<u>26,462,940</u>	<u>26,463,035</u>	<u>26,527,081</u>
<b>Program Revenues</b>					
Governmental Activities:					
Charges for services					
General government	243,088	244,097	128,207	181,811	347,772
Public safety	335,631	594,963	463,281	576,322	586,925
Transportation	81,334	85,991	35,978	88,269	46,688
Environmental protection	8,135	116,506	167,229	104,429	109,500
Cultural & recreational	255,992	273,510	261,683	267,830	504,361
Interest on long-term debt	35,377	27,999	22,402	16,799	11,199
Operating grants and contributions	849,089	866,550	946,980	1,043,468	1,016,612
Capital grants and contributions	2,905,371	132,427	55,132	2,559,425	263,678
Total program revenues	<u>4,714,017</u>	<u>2,342,043</u>	<u>2,080,892</u>	<u>4,838,353</u>	<u>2,886,735</u>
Total Governmental net (expense)/revenue	<u>(20,989,215)</u>	<u>(24,280,345)</u>	<u>(24,382,048)</u>	<u>(21,624,682)</u>	<u>(23,640,346)</u>
<b>Revenues</b>					
Governmental Activities:					
General Revenues:					
Property taxes	\$ 14,659,430	\$ 14,921,267	\$ 14,786,084	\$ 14,770,016	\$ 14,804,481
Sales taxes	4,270,224	4,045,884	4,344,010	4,324,449	4,470,661
Other taxes	1,805,252	1,782,096	1,942,599	1,928,686	2,208,444
Grants and contributions					
not restricted to specific programs	3,925	2,357	13,750	9,500	799
Unrestricted investment earnings	312,863	40,177	28,323	17,852	11,189
Other	454,737	520,135	574,615	662,815	512,043
Total general revenues	<u>21,506,431</u>	<u>21,311,916</u>	<u>21,689,381</u>	<u>21,713,318</u>	<u>22,007,617</u>
Changes in net position	517,216	(2,968,429)	(2,692,667)	88,636	(1,632,729)
Net position, beginning of year	76,690,736	77,207,952	88,686,604	84,127,189	84,215,824
Prior period adjustment	-	14,447,081	(1,866,748)	-	(188,184)
Net position, end of year	<u>\$ 77,207,952</u>	<u>\$ 88,686,604</u>	<u>\$ 84,127,189</u>	<u>\$ 84,215,825</u>	<u>\$ 82,394,911</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

<b>FUNCTIONS/PROGRAMS</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
<b>Expenses</b>					
Government activities:					
General government	\$ 6,766,914	\$ 5,483,946	\$ 6,855,255	\$ 7,021,774	\$ 7,748,861
Public safety	10,216,257	10,746,853	11,011,804	12,208,004	12,726,953
Transportation	4,834,011	4,671,100	5,612,182	5,435,823	6,078,817
Environmental protection	1,736,723	1,768,301	1,853,286	1,888,478	1,895,800
Cultural/recreational	2,951,491	3,597,114	3,044,810	3,338,441	3,539,484
Interest on long-term debt	637,528	756,985	1,136,933	1,312,239	1,153,007
Total governmental activities	<u>27,142,924</u>	<u>27,024,299</u>	<u>29,514,270</u>	<u>31,204,759</u>	<u>33,142,922</u>
<b>Program Revenues</b>					
Governmental Activities:					
Charges for services					
General government	2,225,404	775,755	1,760,641	1,130,793	380,906
Public safety	805,086	686,758	1,000,264	1,153,200	1,316,971
Transportation	31,812	28,254	37,794	59,122	49,897
Environmental protection	31,980	28,600	31,157	20,679	35,070
Cultural & recreational	811,357	419,433	657,107	1,002,668	1,107,134
Interest on long-term debt	-	-	-	-	-
Operating grants and contributions	965,124	1,054,284	876,610	1,009,068	1,095,356
Capital grants and contributions	1,578,562	1,245,652	129,726	36,311	152,143
Total program revenues	<u>6,449,325</u>	<u>4,238,736</u>	<u>4,493,299</u>	<u>4,411,841</u>	<u>4,137,477</u>
Total Governmental net (expense)/revenue	<u>(20,693,599)</u>	<u>(22,785,563)</u>	<u>(25,020,971)</u>	<u>(26,792,918)</u>	<u>(29,005,445)</u>
<b>Revenues</b>					
Governmental Activities:					
General Revenues:					
Property taxes	\$ 15,426,294	\$ 15,439,837	\$ 17,072,956	\$ 17,817,253	\$ 18,368,348
Sales taxes	4,858,268	5,284,843	5,826,797	6,064,218	6,208,086
Other taxes	1,841,516	2,570,214	2,167,490	2,573,786	2,384,651
Grants and contributions not restricted to specific programs	500	-			
Unrestricted investment earnings	6,992	13,044	148,479	244,541	456,212
Other	1,815,171	859,609	314,774	146,312	275,925
Total general revenues	<u>23,948,741</u>	<u>24,167,547</u>	<u>25,530,496</u>	<u>26,846,110</u>	<u>27,693,222</u>
Changes in net position	3,255,142	1,381,984	509,525	53,192	(1,312,223)
Net position, beginning of year	82,394,911	85,650,053	85,689,706	86,199,231	83,870,888
Prior period adjustment	-	(1,342,331)	-	(2,381,533)	(11,172,333)
Net position, end of year	<u>\$ 85,650,053</u>	<u>\$ 85,689,706</u>	<u>\$ 86,199,231</u>	<u>\$ 83,870,890</u>	<u>\$ 71,386,332</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

	2009	2010	2011	2012	2013
<b>General fund</b>					
Reserved	\$ 2,844,496	\$ 4,390,881			
Unreserved	15,529,798	15,151,047			
Nonspendable			\$ 113,877	\$ 49,410	\$ 66,393
Restricted			1,617,008	1,766,517	2,445,243
Committed			-	-	6,868,750
Assigned			5,404,399	8,220,431	283,940
Unassigned			13,495,884	13,382,466	14,100,580
<b>Total general fund</b>	<u>\$ 18,374,294</u>	<u>\$ 19,541,928</u>	<u>\$ 20,631,168</u>	<u>\$ 23,418,824</u>	<u>\$ 23,764,906</u>
<b>All other governmental funds</b>					
Reserved					
Unreserved:					
Capital projects	\$ (1,367,045)	\$ (2,522,694)			
Restricted			\$ 6,857,936	\$ 2,156,493	\$ 823,760
Committed					
<b>Total all other governmental funds</b>	<u>\$ (1,367,045)</u>	<u>\$ (2,522,694)</u>	<u>\$ 6,857,936</u>	<u>\$ 2,156,493</u>	<u>\$ 823,760</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

	2014	2015	2016	2017	2018
<b>General fund</b>					
Reserved					
Unreserved					
Nonspendable	\$ 127,934	\$ 84,259	\$ 27,685	\$ 43,342	\$ 45,752
Restricted	2,858,365	3,473,514	3,440,208	4,364,506	4,172,519
Committed	2,717,555	2,791,034	4,200,667	5,767,055	6,503,558
Assigned	913,645	978,865	1,052,211	1,707,136	2,145,498
Unassigned	14,602,375	16,405,277	17,940,081	18,065,140	17,726,861
<b>Total general fund</b>	<u>\$ 21,219,874</u>	<u>\$ 23,732,949</u>	<u>\$ 26,660,852</u>	<u>\$ 29,947,179</u>	<u>\$ 30,594,188</u>
<b>All other governmental funds</b>					
Reserved					
Unreserved:					
Capital projects					
Restricted	\$ 11,663,140	\$ 20,944,933	\$ 15,405,693	\$ 6,626,985	\$ 934,509
Committed	2,256,119	3,019,673	4,633,993	3,183,529	1,727,623
<b>Total all other governmental funds</b>	<u>\$ 13,919,259</u>	<u>\$ 23,964,606</u>	<u>\$ 20,039,686</u>	<u>\$ 9,810,514</u>	<u>\$ 2,662,132</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

	2009	2010	2011	2012	2013
<b>REVENUES</b>					
Ad valorem taxes	\$ 14,594,341	\$ 14,980,052	\$ 14,876,541	\$ 14,793,235	\$ 14,805,148
Other taxes and licenses	4,433,984	4,217,586	4,586,384	4,573,911	4,731,561
Intergovernmental revenues	3,195,971	2,756,568	2,844,452	2,918,028	3,356,940
Permits and fees	795,324	1,127,074	866,912	1,079,702	1,188,185
Sales and services	398,701	467,471	453,915	501,335	551,939
Investment earnings	312,863	40,177	28,324	17,851	11,189
Other revenues	241,231	239,584	289,588	2,730,840	298,156
<b>Total revenues</b>	<b>23,972,415</b>	<b>23,828,512</b>	<b>23,946,116</b>	<b>26,614,902</b>	<b>24,943,118</b>
<b>EXPENDITURES</b>					
Current					
General government	5,741,858	6,031,883	6,712,757	5,989,612	6,391,794
Public safety	8,965,706	9,415,377	9,309,560	9,554,279	9,797,725
Transportation	2,617,478	2,032,223	1,870,034	2,289,221	2,205,869
Environmental protection	1,546,994	1,916,298	1,661,240	1,742,909	1,726,953
Cultural and recreational	2,437,701	2,396,481	2,567,941	2,471,480	2,540,428
Capital projects	2,583,235	1,112,593	331,081	5,244,596	1,763,592
Debt service					
Principal retirement	789,413	682,611	951,123	729,617	952,021
Interest and fees	286,872	258,065	302,892	542,177	552,432
<b>Total expenditures</b>	<b>24,969,257</b>	<b>23,845,531</b>	<b>23,706,628</b>	<b>28,563,891</b>	<b>25,930,814</b>
Revenues over (under) expenditures	(996,842)	(17,019)	239,488	(1,948,989)	(987,696)
<b>OTHER FINANCING SOURCES (USES)</b>					
Sale of capital assets	\$ 251	\$ 29,004	\$ 345,000	\$ 35,202	\$ 1,045
Premium on bonds	-	-	55,828	-	-
Issuance of debt	62,749	-	9,829,554	-	-
Payment to escrow agent	-	-	-	-	-
Transfers in	1,283,927	727,925	203,800	541,284	431,354
Transfers out	(1,283,927)	(727,925)	(203,800)	(541,284)	(431,354)
<b>Total other financing sources (uses)</b>	<b>63,000</b>	<b>29,004</b>	<b>10,230,382</b>	<b>35,202</b>	<b>1,045</b>
<b>Net change in fund balance</b>	<b>\$ (933,842)</b>	<b>\$ 11,985</b>	<b>\$ 10,469,870</b>	<b>\$ (1,913,787)</b>	<b>\$ (986,651)</b>
Debt service as a percentage of non-capital expenditures	4.81%	4.14%	5.36%	5.45%	6.23%

**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				
	2014	2015	2016	2017	2018
<b>REVENUES</b>					
Ad valorem taxes	\$ 15,467,523	\$ 15,469,793	\$ 17,061,096	\$ 17,834,515	\$ 18,336,285
Other taxes and licenses	5,117,135	5,547,552	5,826,797	6,236,202	6,376,074
Intergovernmental revenues	4,408,193	4,696,851	3,247,530	3,298,718	3,468,976
Permits and fees	3,851,543	1,816,364	2,981,635	2,690,728	2,217,839
Sales and services	514,268	490,653	510,108	546,432	672,139
Investment earnings	8,092	15,360	127,477	244,541	456,212
Other revenues	335,835	441,378	285,490	325,818	180,654
<b>Total revenues</b>	<b>29,702,589</b>	<b>28,477,951</b>	<b>30,040,133</b>	<b>31,176,954</b>	<b>31,708,179</b>
<b>EXPENDITURES</b>					
Current					
General government	6,330,924	5,688,444	6,780,440	6,212,951	6,960,076
Public safety	10,646,438	10,341,777	10,406,031	11,605,337	12,989,182
Transportation	2,128,167	2,350,138	2,708,200	2,656,663	2,899,718
Environmental protection	1,736,723	1,768,301	1,853,286	1,888,478	1,895,800
Cultural and recreational	2,540,999	2,620,696	2,795,777	6,045,833	2,936,533
Capital projects	4,996,717	7,184,635	4,389,939	10,313,209	7,493,450
Debt service					
Principal retirement	4,698,123	1,495,425	1,625,841	2,150,627	2,520,206
Interest and fees	497,080	775,391	1,166,804	1,285,042	1,227,800
<b>Total expenditures</b>	<b>33,575,171</b>	<b>32,224,807</b>	<b>31,726,318</b>	<b>42,158,140</b>	<b>38,922,765</b>
<b>Revenues over (under) expenditures</b>	<b>(3,872,582)</b>	<b>(3,746,856)</b>	<b>(1,686,185)</b>	<b>(10,981,186)</b>	<b>(7,214,586)</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Sale of capital assets	\$ 31,500	\$ 39,262	\$ 59,168	\$ 101,066	\$ 53,213
Premium on bonds	253,495	1,061,816			
Issuance of debt	14,138,054	15,204,200	630,000	6,229,000	660,000
Payment to escrow agent	-	-	-	(2,291,723)	-
Transfers in	6,477,132	250,360	118,456	-	114,000
Transfers out	(6,477,132)	(250,360)	(118,456)	-	(114,000)
<b>Total other financing sources (uses)</b>	<b>14,423,049</b>	<b>16,305,278</b>	<b>689,168</b>	<b>4,038,343</b>	<b>713,213</b>
<b>Net change in fund balance</b>	<b>\$ 10,550,467</b>	<b>\$ 12,558,422</b>	<b>\$ (997,017)</b>	<b>\$ (6,942,843)</b>	<b>\$ (6,501,373)</b>
<b>Debt service as a percentage of non-capital expenditures</b>	<b>18.18%</b>	<b>9.07%</b>	<b>10.22%</b>	<b>12.32%</b>	<b>12.19%</b>

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

Table 5

Fiscal Year	Ad Valorem Taxes	Other Taxes and Licenses	Intergovernmental Revenues	Permits and Fees	Sales and Services	Investment Earnings	Other Revenues	Total
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	3,298,718	2,690,728	546,432	244,541	325,818	31,176,954
2018	18,336,285	6,376,074	3,468,976	2,217,839	672,139	456,212	180,654	31,708,179

(1) Includes General and Capital Project Funds.

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

Table 6

Fiscal Year	General Government	Public Safety	Streets and Transportation	Environmental Protection	Cultural and Recreational	Capital Projects	Debt Service	Total
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	6,045,833	10,313,209	3,435,669	42,158,140
2018	6,960,076	12,989,182	2,899,718	1,895,800	2,936,533	7,493,450	3,748,006	38,922,765

(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				
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%
2018	2,777,319,789	132,723,662	262,102,485	203,739,029	3,375,884,965	0.5325	3,793,129,175	89.00%

(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 Ending June</u>	<u>Town of Garner</u>	<u>Wake County</u>	<u>Total</u>
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	0.615	1.132
2017 (1)	0.5325	0.6005	1.133
2018	0.5325	0.615	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	Fiscal Year 2018			Fiscal Year 2008		
	1/1/2017 Assessed Valuation	Rank	Percentage of Total Assessed Valuation	1/1/2007 Assessed Valuation	Rank	Percentage of Total Assessed Valuation
Duke Energy(1)	\$ 96,177,152	1	2.85%	\$ 45,725,350	3	2.01%
Inland American Garner White Oak	84,253,047	2	2.50%			
Adeline at White Oak, LLC	39,373,734	3	1.17%			
Abberly Place Garner Phase I, LP	33,965,530	4	1.01%	19,023,220	8	0.84%
Ashton Village, LP	31,795,876	5	0.94%			
IRT Lenoxplace Apartments LLC	27,559,096	6	0.82%			
Time Warner Cable	24,315,083	7	0.72%			
White Oak Associates	23,714,291	8	0.70%			
Duke Realty LTD Partnership	22,885,540	9	0.68%			
Bre Thorne Garner Towne Square LLC	22,328,870	10	0.66%			
Garner Retail LLC				59,094,733	1	2.60%
Goodmark Foods				45,847,261	2	2.02%
Pergo Inc				39,552,727	4	1.74%
Regency Center LP				25,702,415	5	1.13%
Alltel Communications Inc.				23,021,466	6	1.01%
North South Station LLC				19,593,762	7	0.86%
Raleigh Portfolio as LLC				16,399,872	9	0.72%
Greenfield North				14,109,119	10	0.62%
Totals	<u>\$ 406,368,219</u>		<u>12.04%</u>	<u>\$ 308,069,925</u>		<u>13.55%</u>

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

**TOWN OF GARNER, NORTH CAROLINA**  
Property Tax Levies and Collections  
Last Ten Fiscal Years  
(Unaudited)

Table 10

Fiscal Year	Total Tax Levy	Current Tax Collections	Percent of Current Taxes Collected	Collections in Subsequent Years	Total Collections to Date	
					Amount Collections	Percentage of Adjusted Levy
2009	\$ 14,620,367	\$ 14,269,780	97.6%	\$ 350,587	\$ 14,620,367	100.0%
2010	14,913,304	14,625,986	98.1%	251,832	14,877,818	99.8%
2011	14,793,869	14,579,297	98.5%	179,078	14,758,375	99.8%
2012	14,792,108	14,575,719	98.5%	172,987	14,748,706	99.7%
2013	14,837,586	14,616,472	98.5%	177,203	14,793,675	99.7%
2014	15,293,124	15,179,014	99.3%	83,778	15,262,792	99.8%
2015	15,388,156	15,343,922	99.7%	25,138	15,369,060	99.9%
2016	16,900,584	16,849,516	99.7%	44,242	16,893,758	100.0%
2017	17,764,759	17,730,952	99.8%	20,734	17,751,686	99.9%
2017	18,314,301	18,280,317	99.8%	-	18,280,317	99.8%

Reconciliation to revenues collected:

Total collected as stated above	\$ 18,280,317
Prior year collections in current year	25,408
Penalties and interest collected	<u>30,560</u>

Ad valorem taxes collected per general fund financial statements

\$ 18,336,285

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

Table 11

Fiscal Year	Installment Purchase	General Obligation Bonds	Total	Per Capita (1)	Percentage of Personal Income (2)
2009	\$ 5,944,606	\$ 525,000	\$ 6,469,606	\$ 246	0.80%
2010	5,361,993	425,000	5,786,993	218	0.70%
2011	8,290,424	6,428,966	14,719,390	569	1.82%
2012	7,775,807	6,211,175	13,986,982	538	1.67%
2013	7,045,820	5,988,387	13,034,207	499	1.47%
2014	6,900,751	15,525,000	22,425,751	854	2.53%
2015	6,374,526	31,039,675	37,414,201	1,383	4.95%
2016	5,803,685	29,335,000	35,138,685	1,272	4.39%
2017	8,577,324	28,345,000	36,922,324	1,299	4.48%
2018	7,717,118	27,345,000	35,062,118	1,231	4.19%

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

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

**Town of Garner, North Carolina**  
 Computation of Direct and Overlapping Debt  
 General Obligation Bonds  
 June 30, 2018  
 (Unaudited)

Table 12

Jurisdiction	Net General Obligation Bonded Debt Outstanding	Percentage Applicable to Town of Garner (2)	Amount Applicable to Town of Garner
Wake County	\$ 1,762,270,000 (1)	2.34%	\$ 33,621,894
Town of Garner	27,345,000	100.00%	<u>27,345,000</u>
Total direct and overlapping debt			<u><u>\$ 60,966,894</u></u>

(1) Information provided by Wake County Finance Department. Of the total general obligation debt outstanding, \$1,436,833,078 or 81.53%, 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

Fiscal Year	Population Estimate <sup>(1)</sup>	Total Assessed Value	Net Bonded Debt	Percent of Net Bonded Debt to Assessed Value	Net Bonded Debt Per Capita
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
2018	31,317	3,375,884,965	35,062,118	1.04%	1,119.59

(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>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Debt Limit	\$ 235,303	\$ 240,238	\$ 238,504	\$ 240,397	\$ 241,001
Total net debt applicable to limit	<u>6,470</u>	<u>5,787</u>	<u>14,719</u>	<u>13,987</u>	<u>13,034</u>
Legal debt margin	<u>\$ 228,833</u>	<u>\$ 234,451</u>	<u>\$ 223,785</u>	<u>\$ 226,410</u>	<u>\$ 227,967</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

	2014	2015	2016	2017	2018
Debt Limit	\$ 248,249	\$ 245,365	\$ 255,626	\$ 261,162	\$ 270,071
Total net debt applicable to limit	<u>22,426</u>	<u>36,135</u>	<u>35,139</u>	<u>36,922</u>	<u>35,062</u>
Legal debt margin	<u>\$ 225,823</u>	<u>\$ 209,230</u>	<u>\$ 220,487</u>	<u>\$ 224,240</u>	<u>\$ 235,009</u>

Legal Debt Margin Calculation for Fiscal Year 2017

Assessed Value	\$ 3,375,884,965
Debt Limit (8% of total assessed value)	270,070,797
Debt applicable to limit:	
Outstanding General Bonded Debt	\$ 27,345,000
Installment Purchase	<u>7,717,118</u>
Subtotal	35,062,118
Authorized and unissued debt	<u>11,241,000</u>
Total Gross Debt	46,303,118
Less: Statutory deductions	
Authorized and unissued debt	<u>11,241,000</u>
 Total amount of debt applicable to debt limit	 <u>35,062,118</u>
Legal debt margin	<u>\$ 235,008,679</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>
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	28,973	4.1%	840,188
2018	31,317	29,399	3.1%	920,688

(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 personal income amounts are calculated using 2015 personal income.

**Town of Garner, North Carolina**  
Principal Employers (1)  
Fiscal Year 2018 and Ten Year Comparison  
(Unaudited)

Table 16

Employer	2018			2008		
	Employees	Rank	Percentage of Total Town Employment (2)	Employees	Rank	Percentage of Total Town Employment
Wake County Public Schools	800	1	5.5%	1,040	1	6.8%
Food Lion	360	2	2.5%			
Wal-Mart	350	3	2.4%	212	5	1.4%
Pergo, Inc.	284	4	1.9%	280	4	1.8%
Cabelas	277	5	1.9%			
Golden State Foods	265	6	1.8%			
F&D Huebner, LLC	258	7	1.8%			
Target	251	8	1.7%	288	3	1.9%
Strategic Behavioral Health	206	9	1.4%			
Town of Garner	170	10	1.2%	158	9	1.0%
Lowes Food				200	6	1.3%
Con Agra Foods				600	2	3.9%
LL Vann Electric				200	7	1.3%
Laurel's of Forest Glen				160	8	1.0%
Home Depot				150	10	1.0%
Totals	<u>3,221</u>		<u>22.11%</u>	<u>3,288</u>		<u>21.56%</u>

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

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

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

Table 17

Fiscal Year	Property Value	Construction (1)	
		Number of Permits	Construction Value
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
2018	3,375,884,965	1,531	97,306,018

(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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Government	44	43	40	37	37	37	44	40	46	48
Public Safety	76	77	75	77	77	78	77	78	81.5	81.5
Streets and Transportation	16	13	11	17	17	17	13	14	14	14
Cultural & Recreation	23	25	22	26	25	25	25	25	25.5	29.0
<b>Total</b>	<b>159</b>	<b>158</b>	<b>148</b>	<b>157</b>	<b>156</b>	<b>157</b>	<b>159</b>	<b>157</b>	<b>167.0</b>	<b>172.5</b>

Source: Town of Garner Human Resources

## Town of Garner, North Carolina

### Operating Indicators by Function

Last Ten Fiscal Years

(Unaudited)

Table 19  
Page 1 of 2

Function	2009	2010	2011	2012	2013
<b>Community Development Services</b>					
Inspections:					
Permits issued (all trade types)	780	889	875	876	833
Building inspections conducted	8,100	4,053	4,584	3,519	3,856
<b>Public Works</b>					
Miles of streets maintained	98	98	98	99	99
Traffic control signs repaired/replaced	174	223	411	210	240
Town parks maintained	12	12	12	12	12
Town athletic fields/courts maintained	33	30	30	30	30
Town building/grounds maintained	42	42	42	44	44
<b>Police</b>					
Calls for service	30,595	29,681	27,518	27,272	31,959
Accidents investigated	1,240	1,127	1,073	1,125	1,147
Arrests	1,420	1,288	936	826	1,062
<b>Fire/Rescue (1)</b>					
Fire call answered	1,522	4,307	4,733	4,737	4,743
EMS calls answered	3,860	Not Available	Not Available	Not Available	Not Available
<b>Solid Waste</b>					
Sanitation customers	8,547	8,543	8,595	8,700	8,802
% of solid waste stream reduction reported to the state	40%	40%	40%	40%	40%
Spring and fall cleanups - tons collected	390	390	400	360	320
<b>Leisure Services</b>					
Parks & Recreation program registrations	1,750	1,878	1,750	3,220	4,512
Picnic shelter reservations	410	289	410	475	652
Auditorium event attendance	20,000	27,353	30,000	30,000	37,642
Independence day attendance	15,000	15,000	20,000	20,000	17,000

Source:

Departmental performance indicators in the Town of Garner Budget Document

(1) Fire and Rescue services merged in 2010.

## Town of Garner, North Carolina

### Operating Indicators by Function

Last Ten Fiscal Years

(Unaudited)

Table 19  
Page 2 of 2

Function	2014	2015	2016	2017	2018
<b>Community Development Services</b>					
Inspections:					
Permits issued (all trade types)	995	1,297	1,207	1,324	1,531
Building inspections conducted	5,971	6,303	5,244	7,619	11,608
<b>Public Works</b>					
Miles of streets maintained	99	100	101	102	105
Traffic control signs repaired/replaced	133	140	142	122	113
Town parks maintained	12	14	14	11	11
Town athletic fields/courts maintained	30	36	36	14	19
Town building/grounds maintained	55	56	56	53	55
<b>Police</b>					
Calls for service	31,913	35,963	33,132	36,611	35,968
Accidents investigated	1,249	1,260	1,371	1,342	1,469
Arrests	1,304	1,330	1,082	1,156	1,122
<b>Fire/Rescue (1)</b>					
Fire call answered	4,725	4,875	1,922	2,078	2,438
EMS calls answered	Not Available	Not Available	3,198	1,835	2,761
<b>Solid Waste</b>					
Sanitation customers	8,852	8,952	8,957	9,023	9,186
% of solid waste stream reduction reported to the state	40%	52%	50%	61%	61%
Spring and fall cleanups - tons collected	401	423	486	711	414
<b>Leisure Services</b>					
Parks & Recreation program registrations	3,634	4,200	4,025	4,011	4,312
Picnic shelter reservations	708	600	700	582	582
Auditorium event attendance	35,844	31,395	31,869	33,458	31,923
Independence day attendance	17,000	10,000 *	8,500 *	15,000 *	14,000

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

Table 20  
 Page 1 of 2

Function	2009	2010	2011	2012	2013
<b>Public Safety</b>					
Police stations	3	2	2	3	3
Patrol and investigative units	2	2	2	3	3
K-9 Units	2	3	4	4	4
Fire stations	3	3	3	4	4
Fire apparatus	Not Available	Not Available	14	14	15
<b>Highways and Streets</b>					
Streets (miles)	97.24	97.67	99.07	99.07	99.07
Sidewalks (feet)	124,044	131,644	274,967	277,207	309,921
<b>Leisure Services</b>					
Number of major parks	13	13	13	13	13
Total park acreage	350	350	350	350	350
Baseball fields	7	7	7	7	7
Tennis courts	6	6	6	6	6
Basketball courts	2	2	2	2	2

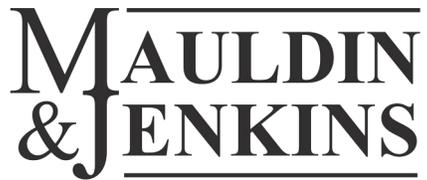
Source: Town of Garner Public Safety, Public Works and Parks & Recreation Departments

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

Table 20  
 Page 2 of 2

Function	2014	2015	2016	2017	2018
<b>Public Safety</b>					
Police stations	3	3	1	1	1
Patrol and investigative units	3	3	1	1	1
K-9 Units	4	4	4	4	4
Fire stations	4	4	4	4	4
Fire apparatus	15	15	15	15	15
<b>Highways and Streets</b>					
Streets (miles)	99.78	100.00	101.43	102.30	104.71
Sidewalks (feet)	318,892	332,640	323,180	355,208	361,385
<b>Leisure Services</b>					
Number of major parks	13	14	14	14	14
Total park acreage	350	350	350	350	375
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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## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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To the Honorable Mayor and  
Members of 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 financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Garner, North Carolina (the "Town"), as of and for the year ended June 30, 2018, 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 November 26, 2018. Our report includes a reference to the change in accounting principle resulting from the implementation of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, as of July 1, 2017*.

### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Town's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of 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, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs, as item 2018-001, that we consider to be a material weakness.

---

### **Compliance and Other Matters**

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

### **The Town of Garner, North Carolina's Response to Finding**

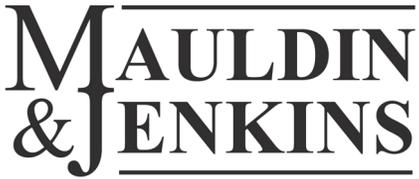
The Town's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

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



Atlanta, Georgia  
November 26, 2018



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

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

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

We have audited the Town of Garner, North Carolina's (the "Town") compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission that could have a direct and material effect on each of the Town's major state programs for the year ended June 30, 2018. The Town's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditor's Responsibility**

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

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

**Opinion on Each Major State Program**

In our opinion, the Town complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2018.

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## Report on Internal Control Over Compliance

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

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

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

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

Mauldin & Jenkins, LLC

Atlanta, Georgia  
November 26, 2018

**TOWN OF GARNER, NORTH CAROLINA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**For the Year Ended June 30, 2018**

Grantor/Pass-through Grantor/Program Title 1(a)	Federal CFDA Number 1(b)	State/ Pass-through Grantor's Number	Fed. (Direct & Pass-through) Expenditures 1(c) (d), 2	State Expenditures 1 (d)	Pass-through to subrecipients	Local Expenditures 1 (d)
<b>Federal Grants:</b>						
<b>U.S. Department of Justice</b>						
Bulletproof Vest Partnership Program	16.607	None, direct funding	\$ 6,480	\$ -	\$ -	\$ -
Body Worn Camera Policy and Implementation Program	16.835	None, direct funding	83,320			
<b>U.S. Department of Housing and Urban Development</b>						
Passed through NC Department of Commerce, Plannin and Community Development Community Development Block Grant	14.218	83-041-7742	22,835			
<b>U.S Department of Transportation:</b>						
National Highway Traffic Safety Administration Passed through NC Department of Transportation National Priority Safety Programs	20.616	M5HVE-2017-15-03	14,299			
<b>Total assistance - federal programs</b>			126,934	0	0	0
<b>State Grants:</b>						
<b>N.C Department of Public Safety</b>						
Governor's Crime Commission				24,500		
<b>N.C Department of Health and Human Services:</b>						
Senior Center Development Grant				10,939		
<b>N.C. Department of Transportation:</b>						
Powell Bill				814,220	-	-
<b>Total assistance - State programs</b>			-	849,659	-	-
Total assistance			\$ 126,934	\$ 849,659	\$ -	\$ -

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

**Note 1: Basis of Presentation**

The accompanying schedule of expenditures of federal and State awards (SEFSA) includes the federal and State grant activity of the Town of Garner under the programs of the federal government and the State of North Carolina for the year ended June 30, 2016. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of the Town of Garner, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Town of Garner.

**Note 2: Summary of Significant Account Policies**

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

**Note 3: Indirect Costs**

The Town has elected not to use the 10-percent de minimus indirect cost rate as allowed under the Uniform Guidance.

**TOWN OF GARNER, NORTH CAROLINA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

---

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

**Financial Statements**

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

Unmodified

Internal control over financial reporting:  
Material weaknesses identified?

yes  no

Significant deficiencies identified?

yes  none reported

Noncompliance material to financial statements noted?

yes  no

**Federal Awards**

There was not an audit of major federal award programs for the year ended June 30, 2018 due to the total amount expended being less than \$750,000.

**State Awards**

Internal control over major state programs:

Material weaknesses identified:

yes  no

Significant deficiencies identified:

yes  none reported

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

Unmodified

Any audit findings disclosed that are require to be reported  
In accordance with the State Single Audit Implementation Act?

yes  no

Identification of major state program:

Program Name \_\_\_\_\_  
Non-State System Street Aid Allocation (Powell Bill)

**TOWN OF GARNER, NORTH CAROLINA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

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

**2018-001    Retainage Payable – Accrued Expenditures**

**Criteria:** Generally accepted accounting principles requires that retainage withheld on construction contracts should be recorded as a liability as work is performed. Retainage payable amounts are due at the completion of the project; however, should be accrued as expenditures and liabilities during the life of the project.

**Condition:** The Town did not record a payable for retainage that will be due on construction contracts.

**Context/Cause:** During our testing, an audit adjustment was required to properly report the Town's retainage payable and related expenditures on the project. In the Capital Projects Fund, an adjustment was required to record retainage payable as of June 30, 2018.

**Effects:** An audit adjustment totaling approximately \$225,000 was needed to correct the Town's accrued project expenditures and accrued liabilities.

**Recommendation:** We recommend the Town ensure they are recording the retainage amounts as a payable as the projects progress.

**Auditee's Response:** We concur with the finding and have amended our procedures for recording year-end project accruals.

**TOWN OF GARNER, NORTH CAROLINA**

**SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2018**

---

None noted



## Town of Garner

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



### MANAGEMENT'S CORRECTIVE ACTION PLAN FOR THE YEAR ENDED JUNE 30, 2018

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**2018-001 Retainage Payable – Accrued Expenditures**

**Contact Person Responsible for the Corrective Action Plan:** Pam Wortham, Finance Director

**Corrective Action Plan:** We have met with the finance department as part of the year-end project invoice review, will also review the invoices for aggregated retainage amounts for inclusion in the year-end accrual, as well as inclusion in the reporting of construction in progress.

**Anticipated Completion Date:** September 30, 2018.