



GARNER

A Great Place to Be

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

**TOWN OF GARNER
NORTH CAROLINA**

For the fiscal year ended JUNE 30, 2013

Garner at a Glance

Government

The Town of Garner has a Council-Manager form of government with a Mayor and five member Town Council. Elections for the office of Council are held at two-year intervals in November of odd-numbered years. Elections are non-partisan and all members of Council are elected for four year terms. The Mayor is elected for a four-year term at the same time elections for Town Council are held.

The Town Council sets Town policies, enacts ordinances and appoints the Town Manager. The Town Manager administers the daily operations and programs of the municipal government through the department heads, other staff members and employees.

Public Utilities

The City of Raleigh owns and operates a water distribution system, a sanitary sewer collection system and a wastewater treatment facility which provide service to the Town.

Parks and Recreation

The Town makes available to its citizens six community parks and several neighborhood parks consisting, in total, of 365 acres. Programs include an annual Independence Day celebration, Trick or Treat the Trails, and a Groundhog Day celebration. The system also includes White Deer Park, a 160-acre passive park with a 2,500 sq. ft. LEED® certified nature center.

All-America City

The Town was named by the National Civic League as one of 10 All-America Cities in June 2013. The program recognizes citizen engagement, cross-sector collaboration, innovation and inclusiveness. It showcases grassroots solutions to meeting pressing challenges and critical needs in communities across the country. This prestigious award has been dubbed the "Nobel Prize" for civic accomplishment.

Demographics

Population

1970 - 4,923
1980 - 10,073
1990 - 14,716
2000 - 17,787
2010 - 25,745
2011 - 26,342

Male - 48%
Female - 52%
White - 67%
Non-white - 33%

Land Area

14.87 square miles

Employment Data

Total Employment - 12,497
Total Unemployment - 1,078
Civilian Labor Force - 13,575
Unemployment Rate - 8.2%

Economics

Major Employers (based on the number of employees)

Wake County Public School System
Food Lion
Walmart
PERGO
Golden State Foods
F&D Huebner, LLC (McDonalds)
Target
Strategic Behavioral Health Center
Kroger
Lowes Foods

Climate

Normal Temperature

January	38.9	April	59
July	78.1	October	60.1



TOWN OF GARNER

NORTH CAROLINA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2013



**PREPARED BY
THE FINANCE DEPARTMENT**

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Town of Garner, North Carolina

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INTRODUCTORY SECTION



October 14, 2013

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, 2013. This report includes financial statements and supplemental schedules audited by Cherry Bekaert LLP, 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. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the Town. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the Town. All necessary disclosures to enable the reader to obtain an understanding of the Town's financial activities have been included.

The Town is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments of 1996, the U.S. Office of Management and Budget Circular A-133, Audits of States Local Governments and Non-Profit Organizations and the North Carolina Single Audit Implementation Act. Information related to this single audit, including the schedule of federal and State financial assistance, findings and questioned cost, the auditor's reports on the internal control structure and compliance with applicable laws and regulations are included in this report.

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 north central North Carolina on the Piedmont Plateau. It is adjacent to Raleigh, the State Capital, which forms one point of the Research Triangle Park. The Research Triangle Park is nationally recognized for industrial, governmental and scientific research. The Town's location, within easy commuting distance of Raleigh and the Park, 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.

Industrial and economic development within the Town increased during the fiscal year. Construction permits issued during the 2012-2013 fiscal year totaled 200 permits, representing a decrease of 24% from the previous year. The value of construction permits issued reflected a 21% decrease. Construction activity represented both new construction and expansion of existing facilities. The Town expects construction to reflect steady growth during the next fiscal year. The Town's unemployment rate at June 30, 2013 was 7.4% compared with 7.8% at June 30, 2012.

Garner continues to offer many excellent industrial and commercial sites. The intersection of Interstate 40 and US Highway 70 at the Town's eastern boundary provides easy access to major transportation thoroughfares, and, therefore, improves the attractiveness of this area for industrial growth. Garner continues to establish itself as the Gateway to the Triangle.

The steady, but slow growth in the national and state economies played a major role in the Town's 2013-2014 budget preparation. Revenues are projected to be 7% above the Fiscal Year 2012-2013 budget. Property tax values for real property increased \$27 million, while tax values for personal property were reduced to recognize depreciation on the value of equipment by businesses. Due to a change in billing and collection of property taxes for vehicles, the Town will see a one-time increase in this type of property tax revenue due to a four-month overlap between the old and new systems. Sales tax revenues were increased 4.5% over the projected 2012-2013 budgeted to reflect growth in retail sales. Expenditures increased 8%, due mainly to one-time capital outlay

expenditures associated with a backlog of needed equipment and vehicles that was delayed through the economic downturn. Employee merit pay increases were restored to their pre-recession eligibility amounts, however vacant staff positions remain frozen. Fund balance of \$51,000 was appropriated in the budget.

MAJOR INITIATIVES

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

- Through a grant and partnership with two other Wake County municipalities, the Town implemented its Data-Driven Approaches to Crime and Traffic Safety (DDACTS), an operational model that uses the integration of location-based crime and traffic data to establish effective and efficient methods for deploying law enforcement and other resources.
- The Town initiated a new program named “Trick-or-Treat the Trails” at White Deer Park. The program, which had over 4,500 participants, encourages citizens to celebrate Halloween in a safe environment while promoting use of the Town’s greenway system.
- Puerto Rico-based UltraPure Systems, Inc., which builds and installs equipment for the biotech and pharmaceutical industries, announced that it will open an office and fabrication facility in Garner’s Greenfield North Business Park in late 2013. The location will become the firm’s headquarters for its North American operations.
- In March 2013, Garner voters approved four ballot questions on street and sidewalk improvements bonds, parks and recreational bonds, redevelopment bonds, and public safety and service facilities bonds in a special election. The four bonds total \$35,716,000. Much of the design and engineering work for the bond projects will begin immediately, with the first bond sale scheduled for late 2013.
- The Town implemented a new citizen service request software called *garner info*. The system includes a mobile phone app and enables citizens to submit request for service via the Town’s Website.

- The National Civic League named Garner one of 10 All-America Cities for 2013 in June, 2013. The program recognizes citizen engagement, cross-sector collaboration, innovation and inclusiveness. It showcases grassroots solutions to meeting pressing challenges and critical needs in communities across the country.
- The Town received grants totaling over \$315,000 for parks and recreation improvements, public safety personnel, sidewalk construction and street lighting.

OTHER INFORMATION

Independent Audit. State statutes require an annual audit by independent certified public accountants. The Town's Town Council selected the accounting firm of Cherry Bekaert LLP. Besides meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Federal Single Audit Act Amendments of 1996 and related OMB Circular A-133 and the State Single Audit Implementation Act. 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 auditor's reports related specifically to the single audit are included in 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 for the fiscal year ended June 30, 2012. 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 is valid for a period of one year only. The Town of Garner has received a Certificate of Achievement for the last twenty-three 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 Government Finance Officers Association of the United States and Canada (GFOA) presented a Distinguished Budget Presentation Award to the Town of Garner for its annual budget for the fiscal year beginning July 1, 2013. 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.

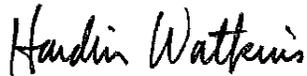
continues to conform to program requirements, and we are submitting it to GFOA to determine its eligibility for another award.

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 Fiscal Year 2012-2013 will allow us to make Fiscal Year 2013-2014 an even more productive year for the Town of Garner.

Respectfully submitted,



F. Hardin Watkins
Town Manager



Emily Lucas, CPA
Finance Director

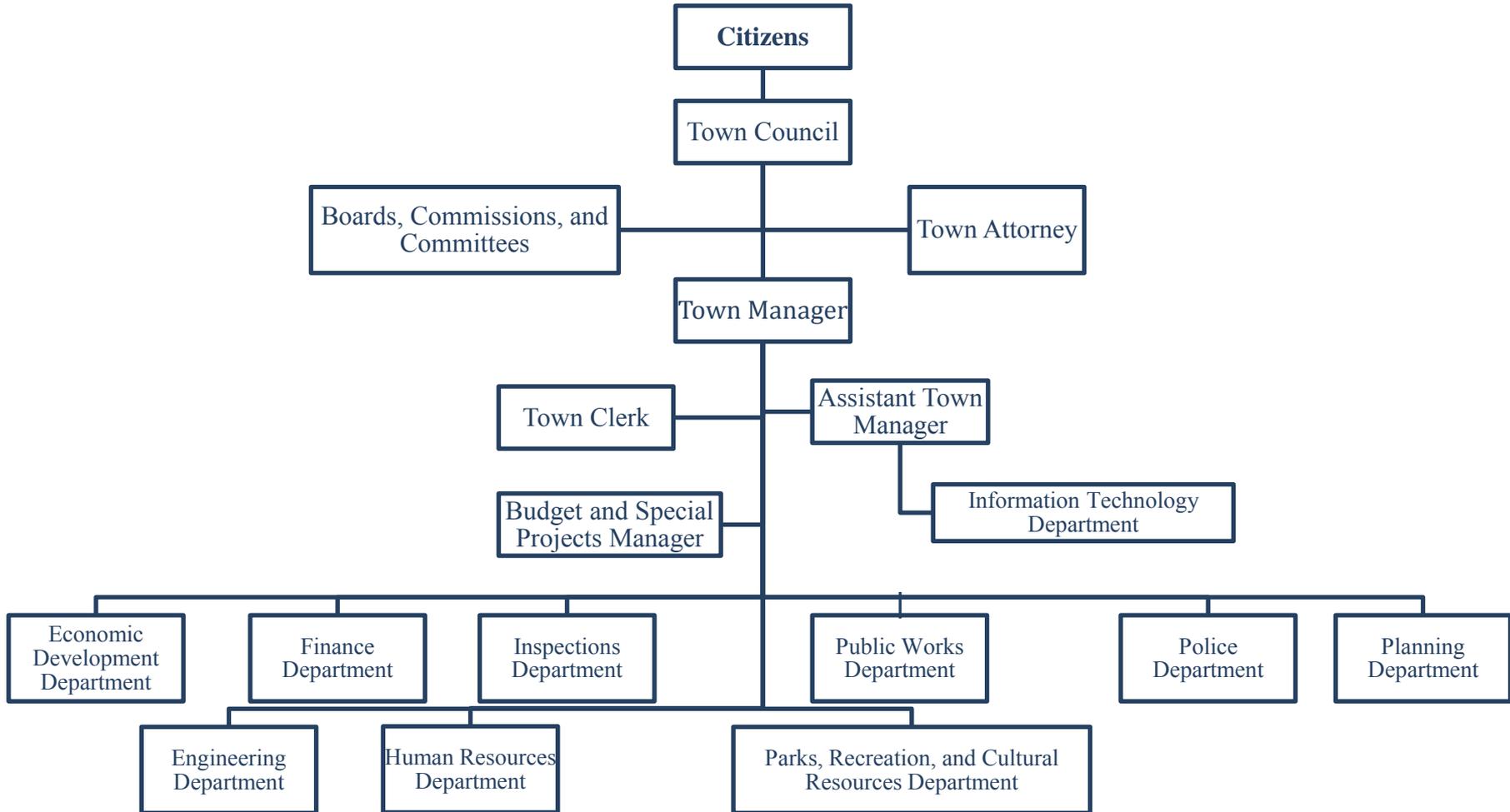
Town of Garner, North Carolina

List of Principal Officials

June 30, 2013

<u><i>Title</i></u>	<u><i>Name</i></u>
<i>Mayor</i>	Ronnie S. Williams
Mayor Pro Tem	Jackie Johns, Sr.
Council Member	J. Graham Singleton, Jr.
Council Member	Kathy Behringer
Council Member	Arthur L. Kennedy
Council Member	Ken Marshburn
<i>Attorney</i>	William E. Anderson
<i>Town Manager</i>	F. Hardin Watkins
Assistant Town Manager	Rodney Dickerson
Building Codes Administrator	Bruce S. Teal
Economic Development Director	Tony Beasley
Finance Director	Emily Lucas
Human Resources Director	Mary Beth Manville
IT Director	Bret Kelly
Parks, Recreation & Cultural Resources Director	Sonya Shaw
Planning Director	Michael B. Bass
Police Chief	Brandon Zuidema
Public Works Director	Paul E. Cox
Town Clerk	Judy Bass
Town Engineer	Frank H. Powell, Jr.

Town of Garner Organizational Chart





Government Finance Officers Association

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

Presented to

**Town of Garner
North Carolina**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2012

Executive Director/CEO

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FINANCIAL SECTION

Report of Independent Auditor

Honorable Mayor and Town Council
Town of Garner, North Carolina
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, 2013, 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 of 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 Town's preparation and fair presentation of the financial statements in order design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town'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 financial statement 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 as of June 30, 2013, and the respective changes in financial position thereof and the respective budgetary comparison of the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Change in Accounting Principle

As discussed in Note 13 to the financial statements, the Town adopted the provisions of Governmental Accounting Standards Board Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, and Governmental Accounting Standards Board Statement No. 65, Items Previously Reported as Assets and Liabilities, effective July 1, 2012. Our opinion is not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the required supplementary financial information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a required 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.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Town. The Introductory Section, Individual Fund Statements and Schedules, Statistical Section, and the Schedule of Expenditures of Federal and State Awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of State and Local Governments and Non-Profit Organizations* and the State Single Audit Implementation Act, are presented for purpose of additional analysis and are not a required part of the basic financial statements.

The Individual Fund Statements and Schedules and the Schedule of Expenditures of Federal and State Awards are the responsibility of management and were 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 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 Introductory and Statistical Sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2013 on our consideration of Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town's internal control over financial reporting and compliance.

 L L P

Raleigh, North Carolina
October 14, 2013

Town of Garner, North Carolina

Management Discussion and Analysis

As management of the Town of Garner, North Carolina (the “Town”) we offer readers of the Town’s financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2013. Please read it in conjunction with the transmittal letter at the front of this report and the Town’s financial statements, which follow this section.

Financial Highlights

- The assets of the Town exceeded its liabilities at the close of the fiscal year by \$82.4 million (net position). Of this amount \$16.9 million (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 \$24.6 million, or a decrease of \$1 million.
- As of the close of the fiscal year, the Town’s unassigned fund balance for the General Fund was \$14.1 million, or 57.3% of total General Fund expenditures and transfers out for the fiscal year. This amount is considered available for spending at the government’s discretion.
- The Town’s total debt decreased by \$949,987 during the fiscal year.
- The Town bond rating remained at AA with Standard and Poor’s Corporation and Aa2 with Moody’s Investor’s Service.

Overview of the Financial Statements

This comprehensive annual financial report consists of three sections: introductory, financial, and statistical. The financial section has four components, management’s discussion and analysis (this section), the basic financial statements, required supplementary information and a section that presents individual fund statements. The basic financial statements include two kinds of statements that present different views of the Town.

Government-wide Financial Statements

The first two statements are government-wide financial statements that provide both short and long-term information about the Town’s financial status, using the full-accrual basis of accounting, in a manner similar to a private-sector business.

The two government-wide statements report the Town’s net position and how they have changed. Net position reported on the Statement of Net Position is the difference between the Town’s total assets and total liabilities. The Statement of Activities presents information showing how the Town’s net position has changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flow.

Town of Garner, North Carolina

Management Discussion and Analysis

The governmental activities on the two government-wide statements include the Town's basic services such as public safety, transportation, environmental protection, cultural and recreational and general government services. Property, sales and other taxes finance most of these activities. The Town does not have business type activities.

The government-wide financial statements can be found on pages 27-28 of this report.

Fund Financial Statements

Traditional users of governmental fund financial statements will find the fund financial statements presentation more familiar. 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 uses fund accounting to ensure and demonstrate compliance with finance related legal requirements, such as the general statutes, or the Town's budget ordinance. All funds of the Town can be divided into two categories: governmental funds and fiduciary funds.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financial decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

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 has elected to include all funds as major in the governmental funds.

The Town adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 29-33 of this report.

Town of Garner, North Carolina

Management Discussion and Analysis

Agency Funds. Agency funds are used to account for assets the Town holds on behalf of others. The Town maintains one 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 34 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 35-56 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 law enforcement officers and healthcare benefits for retirees. Required supplementary information can be found on pages 57-58 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 59-70 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 75-97.

Government-wide Financial Analysis

As noted earlier, the Town's net position exceeded liabilities by \$82,394,911 as of June 30, 2013.

Approximately 77% of the Town's net position reflects the Town's investment in capital assets. The invested in capital assets, net of related debt 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 (4%) 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, North Carolina

Management Discussion and Analysis

**Town of Garner Net Position
Figure 1**

	Governmental Activities	
	2013	2012
ASSETS		
Current and other assets	\$ 25,948,266	\$ 28,525,702
Capital assets	74,892,250	75,743,120
Total assets	100,840,516	104,268,822
LIABILITIES		
Long-term debt outstanding	15,922,891	13,482,924
Other liabilities	2,425,817	6,758,258
Total liabilities	18,348,708	20,241,182
DEFERRED INFLOWS OF RESOURCES		
Prepaid taxes	96,897	-
NET POSITION		
Invested in capital assets, net of related debt	63,035,753	64,781,668
Restricted	2,445,243	2,449,915
Unrestricted	16,913,915	16,796,057
Total net position	\$ 82,394,911	\$ 84,027,640

The Town's unrestricted net position increased by \$117,858 for the fiscal year ended June 30, 2013. This is as a result of restatement due to implementation of GASB Statements 63 and 65.

Town of Garner, North Carolina

Management Discussion and Analysis

Town of Garner Changes in Net Position
Figure 2

	Governmental Activities	
	2013	2012
REVENUES		
Program revenues		
Charges for services	\$ 1,606,445	\$ 1,235,459
Operating grants and contributions	1,016,612	1,043,468
Capital grants and contributions	263,678	2,559,425
General Revenues		
Property taxes	14,804,481	14,770,016
Other taxes	6,679,105	6,253,135
Other	524,031	690,167
Total revenues	<u>24,894,352</u>	<u>26,551,670</u>
EXPENSES		
General government	6,552,537	6,132,147
Public Safety	9,803,267	9,743,696
Transportation	4,836,477	5,326,310
Environmental protection	1,729,033	1,744,989
Cultural and recreational	3,037,853	2,933,020
Interest on long-term debt	567,914	582,873
Total expenses	<u>26,527,081</u>	<u>26,463,035</u>
Increase (decrease) in net assets	(1,632,729)	88,635
Net position, beginning of year, as previously state	84,215,824	84,127,189
Adjustment for bond issuance costs	(188,184)	-
Net position, beginning of year, as restated	<u>84,027,640</u>	<u>84,127,189</u>
Net position, end of year	<u>\$ 82,394,911</u>	<u>\$ 84,215,824</u>

Governmental Activities. The Town's net assets decreased by \$1,820,913 during the current fiscal year. Key elements of this decrease included:

- Capital grants and contributions decreased due to a large one-time grant that was received in Fiscal Year 2012.
- General government expenses increased due to increase liability for other post-employment benefit expenses and new personnel.
- Public safety expenditures increased due to increase liability for the special separation allowance offered to qualifying retired sworn police officers.

Town of Garner, North Carolina

Management Discussion and Analysis

Total revenues were \$24.9 million. The property tax rate of \$0.49 was unchanged in Fiscal Year 2013. Property tax values increased \$7.55 million. Property tax revenues account for 59% of all revenues.

Other taxes remained approximately the same as in prior year. Other taxes constitute 27% of total revenues. Charges for services, which go directly against expenses, accounted for 6% of revenues.

The total cost of all programs and services was \$26.5 million. Cost of public safety programs (building inspections, police and contracted fire services) accounted for 37% of expenses, followed by general government expenses at 25%; transportation at 18%; cultural and recreational at 11%; and environmental protection at 9%.

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.

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.

As of the end of the fiscal year, the Town's governmental funds reported a combined ending fund balance of \$24.6 million, a decrease of \$1,000,000 from the previous fiscal year. Approximately \$14.1 million (57.3%) 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 to liquidate contracts and purchase orders of the prior period (\$232,940), assigned for other purposes (\$51,000), committed by the governing body for future capital projects (\$6.87 million), or restricted by external parties (\$3.27 million).

General Fund Budgetary Highlights. 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 \$14.1 million, or 57.3% of total General Fund expenditures and transfers out for the fiscal year. This amount is considered available for spending at the government's discretion. Of the Town's total fund balance, \$51,000 has been designated for subsequent year expenditures.

The fund balance of the Town's general fund increased \$346,082 during the current fiscal year. Key factors in this increase are as follows:

- Property tax collections were \$527,248 over budget, attributable to improved collections of delinquent property tax payments.
- Intergovernmental revenues were \$547,807 over budget, a combination of utility franchise taxes and state and federal grants.
- Permits and fees exceeded budget expectations by \$269,896, as a result of increased development.

Town of Garner, North Carolina

Management Discussion and Analysis

Expenditures were 95.2% of budgeted amounts representing a savings of \$1.2 million. Key elements of expenditures included:

- General government expenditures were \$512,089 under budget due to less than expected contracted services costs and completion of capital projects under budget.
- Transportation expenditures were \$277,634 under budget due to delays in completion of capital projects.

Capital Projects Fund Budgetary Highlights. Fund balance of the Capital Projects Fund decreased \$1.3 million. This decrease was due to project expenditures (\$1.76 million) offset by a \$.4 million transfer from General Fund.

Capital Asset and Debt Administration

Capital Assets. The Town's investment in capital assets as of June 30, 2013, amounts to \$74.9 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, intangible assets, improvements, equipment and infrastructure. The total decrease in the Town's investment in capital assets for the current year was \$.8 million.

Major capital asset investments of \$2.7 million during the fiscal year were for capital projects including construction in progress (\$1.8 million), land acquisition (\$.3 million), infrastructure improvements (\$.3 million), and equipment and vehicle purchases (\$.27 million).

Town of Garner's Capital Assets (net of accumulated depreciation)

	<u>June 30, 2013</u>	<u>June 30, 2012</u>
Land	\$8,186,621	\$7,840,473
Buildings	6,058,697	6,300,741
Intangible Assets	17,485,081	17,485,081
Improvements	4,351,362	4,655,524
Equipment	320,343	193,343
Infrastructure	34,681,884	37,254,977
Construction in Progress	<u>3,808,262</u>	<u>2,012,981</u>
Total	<u>\$74,892,250</u>	<u>\$75,743,120</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.

Long-term Debt. The Town did not issue long-term debt during the fiscal year ended June 30, 2013. At the end of the fiscal year the Town had total debt outstanding of \$12,985,820. Debt issued for water and sewer operations represented \$125,000 of this amount. Payments of debt service cost related to the water and sewer debt is being reimbursed by the City of Raleigh following the transfer of water and sewer operations to the City of Raleigh on March 1, 2001.

Town of Garner, North Carolina

Management Discussion and Analysis

The Town's total debt decreased by \$949,987 million (6.8%) during the fiscal year.

Town of Garner's Long-Term Debt

	<u>June 30, 2013</u>	<u>June 30, 2012</u>
General obligation bonds	\$5,940,000	\$6,160,000
Installment financing agreements	<u>7,045,820</u>	<u>7,775,807</u>
Total	<u>\$12,985,820</u>	<u>\$13,935,807</u>

State statutes limit the amount of general obligation debt a governmental entity may issue to eight percent of the total assessed value of taxable property. The current debt limitation for the Town is \$228 million. This is significantly more than the Town's outstanding general obligation debt.

The Town held a bond referendum in March 2013, which was passed by the voters. As a result, the Town had authorized, but unissued bonds in the amount of \$35,716,000 at June 30, 2013.

Additional information on the Town's long-term debt can be found in the notes to the financial statements on pages 52-55 of this report.

Economic Factors and Next Year's Budget

Significant factors considered in preparing the Town of Garner's budget for Fiscal Year 2013-2014 were:

- Projected property tax values were increased to reflect a one-time overlap in values and revenues as a result of the State of North Carolina's "Tax and Tag Together System," which will now bill property taxes for vehicles at the same time annual registration fees are due.
- Permits and fees are projected to increase with continued multi-family residential and commercial development.
- Increased capital expenditures due to the projected purchase of a number of police patrol vehicles.
- The continued increase in personnel costs due to merit raises, longevity pay, and group insurance.

Town of Garner, North Carolina

Management Discussion and Analysis

Request for Information

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

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, 2013

Exhibit 1

	2013 Governmental Activities
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 22,156,014
Taxes receivable - net	64,803
Special assessments - net	22,260
Accounts receivable-net	1,798,196
Sales tax refund receivable	78,215
Accrued interest receivable	3,416
Inventories	48,475
Prepaid items	17,918
Current portion of long-term receivables	100,000
Restricted cash and cash equivalents	1,633,969
Total current assets:	25,923,266
Non-current assets:	
Non-current portion of long-term receivables	25,000
Capital assets:	
Capital assets not being depreciated	29,479,964
Capital assets being depreciated - net	45,412,286
Total capital assets:	74,892,250
Total assets	100,840,516
LIABILITIES	
Current liabilities:	
Accounts payable and accrued liabilities	696,973
Accrued interest payable	147,359
Payroll withholdings payable	81,401
Deposits	96,777
Unearned revenue	3,320
Current portion of compensated absences	450,000
Current portion of long-term obligations	949,987
Total current liabilities:	2,425,817
Long-term liabilities:	
Non-current portion of compensated absences	428,316
Police separation allowance	606,501
Other postemployment benefits	2,803,854
Non-current portion of long-term obligations	12,084,220
Total long-term liabilities:	15,922,891
Total liabilities	18,348,708
DEFERRED INFLOWS OF RESOURCES	
Prepaid taxes	96,897
Total deferred inflows of resources	96,897
NET POSITION	
Net investment in capital assets	63,035,753
Restricted	
Stabilization by State statute	1,940,597
Streets	484,250
Law enforcement	20,396
Unrestricted	16,913,915
Total net position	\$ 82,394,911

The accompanying notes are an integral part of this statement.

Town of Garner, North Carolina

Statement of Activities

For the Year Ended June 30, 2013

Exhibit 2

<u>FUNCTIONS/PROGRAMS</u>	<u>Expenses</u>	<u>Program Revenues</u>			Net (Expense) Revenues and Changes in Net Position
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Government activities:					
General government	\$ 6,552,537	\$ 347,772	\$ -	\$ 79,346	\$ (6,125,419)
Public safety	9,803,267	586,925	231,726	26,714	(8,957,902)
Transportation	4,836,477	46,688	698,174	70,865	(4,020,750)
Environmental protection	1,729,033	109,500	-	-	(1,619,533)
Cultural/recreational	3,037,853	504,361	-	86,753	(2,446,739)
Interest on long-term debt	567,914	11,199	86,712	-	(470,003)
Total governmental activities	\$ 26,527,081	\$ 1,606,445	\$ 1,016,612	\$ 263,678	(23,640,346)
General Revenues:					
Property taxes					14,804,481
Local option sales tax					4,470,661
Other taxes					2,208,444
Grants and contributions not restricted to specific programs					799
Unrestricted investment earnings					11,189
Other					512,043
Total general revenues					22,007,617
Change in net position					(1,632,729)
Net position, beginning, as previously reported					84,215,824
Adjustment for bond issuance costs					(188,184)
Net position, beginning, as adjusted					84,027,640
Net position, ending					\$ 82,394,911

The accompanying notes are an integral part of this statement.

Town of Garner, North Carolina

Balance Sheet--Governmental Funds

June 30, 2013

Exhibit 3

	<u>General</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 22,444,469	\$ -	\$ 22,444,469
Restricted cash and cash equivalents	504,646	840,869	1,345,515
Taxes receivable (net)	64,803	-	64,803
Assessments receivable (net)	23,356	-	23,356
Accounts receivable (net)	1,797,099	-	1,797,099
Sales tax refunds receivable	78,215	-	78,215
Inventories	48,475	-	48,475
Prepaid items	17,918	-	17,918
	<u>\$ 24,978,981</u>	<u>\$ 840,869</u>	<u>\$ 25,819,850</u>
LIABILITIES			
Accounts payable and accrued liabilities	\$ 679,865	\$ 17,109	\$ 696,974
Payroll withholdings payable	81,401	-	81,401
Deposits	96,777	-	96,777
Unearned revenues	3,320	-	3,320
	<u>861,363</u>	<u>17,109</u>	<u>878,472</u>
DEFERRED INFLOWS OF RESOURCES			
Assessments uncollected	22,260	-	22,260
Property taxes uncollected	233,555	-	233,555
Prepaid taxes	96,897	-	96,897
	<u>352,712</u>	<u>-</u>	<u>352,712</u>
FUND BALANCES			
Nonspendable			
Inventories	48,475	-	48,475
Prepays	17,918	-	17,918
Restricted			
Stabilization by State statute	1,940,597	-	1,940,597
Streets	484,250	-	484,250
Law enforcement	20,396	-	20,396
Capital projects	-	823,760	823,760
Committed			
Future capital projects	6,868,750	-	6,868,750
Assigned			
Contract liquidation	232,940	-	232,940
Subsequent year expenditure	51,000	-	51,000
Unassigned	14,100,580	-	14,100,580
	<u>23,764,906</u>	<u>823,760</u>	<u>24,588,666</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 24,978,981</u>	<u>\$ 840,869</u>	<u>\$ 25,819,850</u>

The accompanying notes 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, 2013

Exhibit 4

Fund balances - Governmental Funds		\$ 24,588,666
Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1) are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Assets not being depreciated	29,479,964	
Assets being depreciated	<u>45,412,287</u>	74,892,251
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		
Accrued interest receivable	3,416	
Other long-term receivables	<u>125,000</u>	128,416
Liabilities for earned revenues considered deferred inflows of resources in fund statements.		
		255,815
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds.		
Compensated absences	(878,316)	
Police separation allowance	(606,501)	
Other post-employment benefits	(2,803,854)	
Long-term obligations	<u>(13,181,566)</u>	<u>(17,470,237)</u>
Net position of governmental activities		<u><u>\$ 82,394,911</u></u>

The accompanying notes 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, 2013

Exhibit 5

	General	Capital Projects	Total Governmental Funds
REVENUES			
Ad valorem taxes	\$ 14,805,148	\$ -	\$ 14,805,148
Other taxes and licenses	4,731,561	-	4,731,561
Intergovernmental revenues	3,356,940	-	3,356,940
Permits and fees	1,188,185	-	1,188,185
Sales and services	551,939	-	551,939
Investment earnings	10,006	1,183	11,189
Other revenues	298,156	-	298,156
Total revenues	24,941,935	1,183	24,943,118
EXPENDITURES			
Current			
General government	6,391,794	-	6,391,794
Public safety	9,797,725	-	9,797,725
Transportation	2,205,869	-	2,205,869
Environmental protection	1,726,953	-	1,726,953
Cultural and recreational	2,540,428	-	2,540,428
Capital projects	-	1,763,592	1,763,592
Debt service			
Principal retirement	952,021	-	952,021
Interest and fees	552,432	-	552,432
Total expenditures	24,167,222	1,763,592	25,930,814
Revenues over (under) expenditures	774,713	(1,762,409)	(987,696)
OTHER FINANCING SOURCES (USES)			
Sale of capital assets	1,045	-	1,045
Transfers in	1,678	429,676	431,354
Transfers out	(431,354)	-	(431,354)
Total other financing sources (uses)	(428,631)	429,676	1,045
Net change in fund balances	346,082	(1,332,733)	(986,651)
FUND BALANCES			
Beginning of year--July 1	23,418,824	2,156,493	25,575,317
End of year--June 30	<u>\$ 23,764,906</u>	<u>\$ 823,760</u>	<u>\$ 24,588,666</u>

The accompanying notes 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, 2013

Exhibit 6

Net change in fund balances - total governmental funds		\$ (986,651)
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.</p>		
Capital outlay	2,728,161	
Depreciation and amortization expense	<u>(3,579,028)</u>	
Net adjustment to reduce fund balance-governmental fund to arrive at net position of governmental activities		(850,867)
<p>The issuance 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.</p>		
Accrued interest	(15,482)	
Principal repayments	<u>952,778</u>	
Net adjustment to increase the net changes in fund balance-governmental funds to arrive at change in net position of governmental activities		937,296
<p>The establishment of long-term receivables consumes current financial resources of governmental funds, while the collection of principal on long-term receivables provides current financial resources to 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 receivables.</p>		
City of Raleigh debt service receivable		(101,401)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds</p>		
Taxes and assessments receivable		(9,165)
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.</p>		
Other post employment benefits	(596,759)	
Law enforcement separation allowance	(42,792)	
Accrued salaries	<u>17,610</u>	
		<u>(621,941)</u>
Change in net position of governmental activities		<u>\$ (1,632,729)</u>

The accompanying notes 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, 2013

Exhibit 7

	Budgeted Amounts		Actual	Variance
	Original	Final		Positive (Negative)
REVENUES				
Ad valorem taxes	\$ 14,277,900	\$ 14,277,900	\$ 14,805,148	\$ 527,248
Other taxes and licenses	4,698,000	4,698,000	4,731,561	33,561
Intergovernmental revenues	2,823,992	2,809,133	3,356,940	547,807
Permits and fees	870,034	918,289	1,188,185	269,896
Sales and services	477,400	477,400	551,939	74,539
Investment earnings	8,500	8,500	10,006	1,506
Other revenues	144,300	204,534	298,156	93,622
Total revenues	23,300,126	23,393,756	24,941,935	1,548,179
EXPENDITURES				
Current				
General government	6,068,465	6,903,883	6,391,794	512,089
Public safety	9,780,263	9,967,515	9,797,725	169,790
Transportation	2,064,863	2,483,503	2,205,869	277,634
Environmental protection	1,758,955	1,756,955	1,726,953	30,002
Cultural and recreational	2,572,654	2,737,265	2,540,428	196,837
Debt service				
Principal retirement	987,987	987,987	952,021	35,966
Interest and fees	552,430	552,430	552,432	(2)
Total expenditures	23,785,617	25,389,538	24,167,222	1,222,316
Revenues over (under) expenditures	(485,491)	(1,995,782)	774,713	2,770,495
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	7,500	7,500	1,045	(6,455)
Transfers out	-	(930,000)	(429,676)	500,324
Fund balance appropriated	477,991	2,918,282	-	(2,918,282)
Total other financing sources (uses)	485,491	1,995,782	(428,631)	(2,424,413)
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	346,082	<u>\$ 346,082</u>
FUND BALANCES				
Beginning of year--July 1			23,418,824	
End of year--June 30			<u>\$ 23,764,906</u>	

The accompanying notes are an integral part of this statement.

Town of Garner, North Carolina

Statement of Net Position

Fiduciary Fund

June 30, 2013

Exhibit 8

	<u>Agency Fund</u>
ASSETS	
Cash and cash equivalents	<u>\$ 5,216</u>
LIABILITIES	
Due to other governmental units	<u>\$ 5,216</u>

The accompanying notes are an integral part of this statement.

Town of Garner, North Carolina

Notes to the Financial Statements June 30, 2013

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 government wide financial statements, including the statement of net position and the statement of activities, report information on all of the nonfiduciary activities of the Town. Most of the interfund activity has been removed from these statements. These statements distinguish between the governmental and business-type activities of the Town. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties. The Town does not have any business-type activities.

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

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

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

Town of Garner, North Carolina

Notes to the Financial Statements June 30, 2013

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 public safety, streets, sanitation, parks and recreation, and general government services.

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. Budget to actual comparison is not presented for the Capital Projects Fund because the budget is adopted on a multi-year basis for the life of the project.

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 Utility Collection Fund.

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

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

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

Town of Garner, North Carolina

Notes to the Financial Statements June 30, 2013

Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay the liabilities of the current period. For this purpose, the Town considers all revenues to be available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as a revenue because the amount is not susceptible to accrual. At June 30, taxes receivable are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of January 1, 1993, 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, Wake County is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts in the County, including the Town of Garner. For motor vehicles registered under the staggered system, property taxes are due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due. Therefore, the Town's vehicle taxes for vehicles registered in Wake County from March 2012 through February 2013 apply to the fiscal year ended June 30, 2013. Uncollected taxes that were billed during this period 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. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. 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, 2013. The Town adopts annual budgets, prepared on the modified accrual basis for all funds except capital project and special revenue funds, which have project budgets adopted. Appropriations for funds with annual budgets lapse at the end of the budget year. Capital project and special revenue 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, 2013

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. These encumbrances outstanding are reported as ~~current~~ fund balance since the commitments will be honored through subsequent years' budget appropriations.

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. Official depositories may be established with any bank or savings and loan 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 with a maturity of more than one year at acquisition and non-money market investments are reported at fair value as determined by quoted market prices. The securities of the NCCMT Cash Portfolio, a SEC-registered (2a7) money market mutual fund, are valued at fair value, which is the NCCMT's share price. The NCCMT Term Portfolio's securities are valued at fair value. Money market investments that have a remaining maturity at the time of purchase of one year or less are reported at amortized cost. Non-participating interest earnings and investment contracts are reported at amortized cost.

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

G. Restricted Assets

The unexpended bond proceeds of facility 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

Town of Garner, North Carolina

Notes to the Financial Statements June 30, 2013

classified as restricted cash because they can be expended only for the purposes of maintaining, repairing, constructing, or widening of local streets per G.S. 136-41.1 through 136-41.4.

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 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

Allowances for doubtful accounts are maintained on all types of receivables, which historically experience uncollectible accounts. Allowances are based on collection experience and management's evaluation of the current status of existing receivables.

J. Inventories and Prepaid Items

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

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as

Town of Garner, North Carolina

Notes to the Financial Statements June 30, 2013

prepaid items in both government-wide and fund financial statements and expensed as the items are used.

K. Capital Assets

All purchased or constructed capital assets are recorded at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received. The Town defines capital assets as assets with an individual cost of more than \$5,000 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 financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, Deferred Outflows of Resources, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town currently has no item that meets 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, 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 three items that meet the criterion for these category-prepaid taxes, assessments uncollected and property taxes uncollected.

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. 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

Town of Garner, North Carolina

Notes to the Financial Statements June 30, 2013

leave until it is actually taken, no accrual for sick leave has been made. All vacation pay is accrued when incurred in the government-wide financial statements. The liability for these amounts is being funded in the General Fund

and reported in governmental funds only if they have matured, for example as a result of employee resignations and retirements.

N. Long-Term Debt

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method that 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 Equity

Net Position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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

Town of Garner, North Carolina

Notes to the Financial Statements June 30, 2013

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.

Capital projects - portion of fund balance that represents proceeds from debt issuance and other amounts that has not been spent for the designated project.

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. Any changes or a removal of specific purpose requires majority action by the governing body.

Committed for transportation improvements - portion of fund balance that has been budgeted by Council for improvements to transportation infrastructure.

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

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

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

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

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

Committed for purchase of additional water and sewer capacity - portion of fund balance that has been budgeted by Council for purchase of additional water and sewer capacity from the City of Raleigh and

Town of Garner, North Carolina

Notes to the Financial Statements June 30, 2013

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 improvements to Highway 70 intersection – Portion of fund balance budgeted by Council for improvements to intersection of U.S. Highway 70 and White Oak Road.

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.

Assigned for contract liquidation - portion of fund balance that has already been committed to liquidated contracts and purchase orders of the prior period.

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.

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-city funds, city funds. For purposes of fund balance reclassification expenditure are to be spent from restricted fund balance first, followed in order by committed fund balance, assigned fund balance, and lastly unassigned fund balance. The Finance Officer has the authority to deviate from this policy if it is in the best interest of the Town.

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.

2. DEPOSITS AND INVESTMENTS

All of the Town's deposits are either insured or collateralized by using one of two options. 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

Town of Garner, North Carolina

Notes to the Financial Statements June 30, 2013

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 depositories of the Town use the pooling method to collateralize the Town's excess deposits.

At year-end, the Town's deposits had a carrying amount of \$530,728 and a bank balance of \$683,587. Of the bank balance, \$500,000 was covered by federal depository insurance and \$183,587 in interest bearing deposits were covered by collateral held under the Pooling Method. At June 30, 2013, the Town had \$2,060 cash on hand.

At June 30, 2013, the Town had \$21,256,940 with the North Carolina Capital Management Trust's cash portfolio, which carried a credit rating of AAAM by Standard & Poor's.

At June 30, 2013, the Town had \$2,000,256 invested with the North Carolina Capital Management Trust's term portfolio, which is not rated. The current maturity date on the portfolio is .34 years.

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. As of June 30, 2013 the Town had no investments that were subject to Interest Rate Risk.

Credit Risk. State law limits investments in commercial paper to the top rating issued by nationally recognized statistical rating organizations (NRSROs); however, the Town had no formal policy on managing credit risk. As of June 30, 2013 the Town's only investments were with the North Carolina Capital Management Trust's cash and term portfolios.

3. 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.

	June 30, 2013
General Fund	
Taxes Receivable	\$393,000
Special Assessments	<u>16,208</u>
Total	<u>\$409,208</u>

Town of Garner, North Carolina

Notes to the Financial Statements June 30, 2013

4. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2013, was as follows:

	Balance June 30, 2012	Additions	Transfers	Deletions	Balance June 30, 2013
Governmental Activities					
Capital assets not being depreciated					
Land	\$ 7,840,473	\$ 346,148	\$ -	\$ -	\$ 8,186,621
Construction in Progress	2,012,981	1,795,281	-	-	3,808,262
Intangible Assets	17,485,081	-	-	-	17,485,081
Total Capital Assets not being depreciated	27,338,535	2,141,429	-	-	29,479,964
Capital Assets being depreciated					
Buildings	8,940,921	-	-	-	8,940,921
Improvements	8,805,055	1,600	-	-	8,806,655
Equipment	5,887,104	268,106	(64,797)	(368,228)	5,722,185
Infrastructure	82,227,415	317,025	-	-	82,544,440
Total Capital Assets being depreciated	105,860,495	586,731	(64,797)	(368,228)	106,014,201
Less Accumulated Depreciation for					
Buildings	2,640,180	242,044	-	-	2,882,224
Improvements	4,149,531	305,762	-	-	4,455,293
Equipment	5,693,761	141,106	(64,797)	(368,228)	5,401,842
Infrastructure	44,972,438	2,890,118	-	-	47,862,556
Total accumulated depreciation	57,455,910	3,579,030	(64,797)	(368,228)	60,601,915
Total Capital Assets being depreciated - net	48,404,585	(2,992,299)	-	-	45,412,286
Capital Assets - net	\$ 75,743,120	\$ (850,870)	\$ -	\$ -	\$ 74,892,250

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

General government	\$ 101,743
Public safety	70,748
Transportation	2,906,630
Environmental protection	2,080
Cultural/recreational	<u>497,829</u>
Total	<u>\$3,579,030</u>

Town of Garner, North Carolina

Notes to the Financial Statements June 30, 2013

Commitments – Construction Projects

At June 30, 2013 the Town had contractual commitments of approximately \$152,912 for various capital improvements projects and ongoing professional services. These projects are being funded primarily through current revenues and transfers from Capital Reserve Funds

5. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund transfers:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>
General Fund	Capital Projects Fund	\$431,354

Amounts transferred from the General Fund to the Capital Projects Fund represent the Town's funding of projects.

6. PENSION PLAN OBLIGATIONS

A. North Carolina Local Governmental Employees' Retirement System

Plan Description

All permanent full-time Town of Garner employees participate 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 provides retirement and disability benefits to plan members and beneficiaries. Article 3 of North Carolina G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. 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, or by calling (919) 981-5454.

Funding Policy

Plan members are required to contribute six percent of their annual covered salary. The Town is required to contribute at an actuarially determined rate. For the Town, the current rate for employees not engaged in law enforcement and for law enforcement officers is 6.74% and 6.77%, respectively, of the annual covered payroll. The contribution requirements of members and of Town of Garner are established and may be amended by the North Carolina General Assembly. The Town's contributions to LGERS for the years ended June 30, 2013, 2012, and 2011 were \$611,718, \$619,375, and \$586,717 respectively. The contributions made by the Town equaled the required contributions for each year.

B. Law Enforcement Officers Special Separation Allowance

Plan Description

Town of Garner, North Carolina

Notes to the Financial Statements June 30, 2013

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, 2012, the Separation Allowance's membership consisted of:

Retirees receiving benefits	8
Terminated plan members entitled to but not yet receiving benefits	0
Active plan members	<u>64</u>
Total	<u>72</u>

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.

Method Used to Value Investments. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

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 benefit payments on a pay as you go basis through appropriations made in the General Fund operating budget. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. There were no contributions made by employees.

As of December 31, 2012, the most recent actuarial valuation date, the plan was not funded. Actuarial accrued liability for benefits and thus, the unfunded actuarial accrued liability (UAAL) was \$2,123,779, and the ratio of the UAAL to the covered payroll was 53.47%. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

The annual required contribution for the current year was determined as part of the December 31, 2012 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) amortization method is level percent of pay, closed (b) 5.00% investment rate of return and (c) projected salary increases ranging from 4.25% to 7.85% per year and (d) with a remaining

Town of Garner, North Carolina

Notes to the Financial Statements June 30, 2013

amortization period of 18 years. Item (b) included an inflation component of 3.00%. The assumptions did not include postretirement benefit increases.

Annual Pension Cost and Net Pension Obligation. The Town's annual pension cost and net pension obligation to the Separation Allowance for the current year were as follows:

Annual required contribution	\$ 218,995
Interest on net pension obligations	28,185
Adjustment to annual required contribution	<u>(35,080)</u>
Annual pension cost	212,100
Contributions made	<u>(169,308)</u>
Increase in net pension obligation	42,792
Net pension obligation beginning of year	<u>563,709</u>
Net pension obligation end of year	<u>\$ 606,501</u>

Fiscal Year <u>Ended</u>	Trend Information		Net Pension <u>Obligation</u>
	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	
6/30/11	\$195,379	63.43%	\$496,982
6/30/12	194,811	65.75%	563,709
6/30/13	212,100	79.82%	606,501

Funding Status and Funding Progress

As of December 31, 2012, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and the unfunded actuarial accrued liability (UAAL) was \$2,123,779. The covered payroll (annual payroll of active employees covered by the plan) was \$3,972,049, and the ratio of the UAAL to the covered payroll was 53.47 percent.

C. Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description

The Town contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the Town. Article 5 of North Carolina G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

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, 2013 were \$283,433, which consisted of \$201,400 from the Town and \$82,033 from the law enforcement officers.

Town of Garner, North Carolina

Notes to the Financial Statements June 30, 2013

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

Plan Description

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

Funding Policy

The adopted plan requires the Town to contribute each month an amount equal to five percent of each non-law enforcement employee's salary working forty hours per week. Participation begins ninety days after employment and all amounts contributed are vested immediately. Also, the employee may make voluntary contributions to the plan. Contributions for the year ended June 30, 2013 were \$430,772, which consisted of \$251,711 from the Town and \$179,061 from the employees.

7. POST-EMPLOYMENT BENEFITS

A. Healthcare Benefits

Plan Description

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

Retirees hired prior to May 1, 2011 must have at least twenty (20) years of service with the Town, or have at least fifteen (15) years of service with the Town and have attained age sixty-two (62). The Town pays the full cost of coverage for these benefits through private insurers. Health insurance coverage is also available to employees eligible who 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.

A separate report was not issued for the plan.

Membership of the HCB Plan consisted of the following at December 31, 2011, the date of the latest

Town of Garner, North Carolina

Notes to the Financial Statements June 30, 2013

actuarial valuation:

Retirees and dependents receiving benefits	26
Terminated plan members entitled to but not yet receiving benefits	0
Active plan members	<u>161</u>
Total	<u>187</u>

Funding Policy

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

The current ARC rate is 7.80% of annual covered payroll. For the current year, the Town contributed \$111,871 or 1.23% of annual covered payroll. The Town obtains healthcare coverage through private insurers. There were no contributions made by employees. The Town's obligation to contribute to the HCB Plan is established and may be amended by the Town Council.

Summary of Significant Accounting Policies

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

Annual OPEB Cost and Net OPEB Obligation

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

Annual required contribution	\$ 704,685
Interest on net pension obligations	88,284
Adjustment to annual required contribution	<u>(84,339)</u>
Annual pension cost	708,630
Contributions made	<u>(111,871)</u>
Increase in net pension obligation	596,759
Net pension obligation beginning of year	<u>2,207,095</u>
Net pension obligation end of year	<u>\$2,803,854</u>

Town of Garner, North Carolina

Notes to the Financial Statements June 30, 2013

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2013 were as follows:

Fiscal Year <u>Ended</u>	Trend Information		Net Pension <u>Obligation</u>
	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	
6/30/11	\$584,889	18.2%	\$1,608,660
6/30/12	707,560	15.4%	2,207,095
6/30/13	708,630	15.8%	2,803,854

Funded Status and Funding Progress

As of December 31, 2011, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and, thus, the unfunded actuarial accrued liability (UAAL) was \$7,538,579. The covered payroll (annual payroll of active employees covered by the plan) was \$9,085,701, and the ratio of the UAAL to the covered payroll was 83.0 percent. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

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

In the December 31, 2011 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.0% investment rate of return (net of administrative expenses), which is the expected long-term investment returns on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual medical cost trend increase of 9.5% to 5.0% annually. The investment rate included a 3.00% inflation assumption. The actuarial value of assets, if any, was determined using techniques that spread the effects of short-term volatility in the market value of investments over a 5 year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2011, was 30 years.

Town of Garner, North Carolina

Notes to the Financial Statements

June 30, 2013

8. 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. All death benefit payments are made from the Death Benefit Plan. The Town has no liability beyond the payment of monthly contributions. Contributions are determined as a percentage of monthly payroll, based upon rates established annually by the State. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. 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.

9. 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 is a participant in a self-funded risk pool administered by the North Carolina League of Municipalities, which provides workers' compensation coverage. This pool is self-sustaining through member premiums and provides coverage up to statutory limits. The pool has reinsured through commercial companies for claims in excess of \$250,000 up to \$5,000,000.

The Town carries commercial insurance for all other risks of loss, including general liability and employee health and accident insurance. Settled claims from these risks have not exceeded commercial insurance coverage in any of the last three fiscal years.

A \$50,000 fidelity bond is maintained on the Town Finance Director.

10. LONG-TERM OBLIGATIONS

A. Bonds Payable

The Town has issued general obligation bonds for acquisition and construction of major capital improvements. The general obligation bonds issued to finance the construction of facilities utilized in the operations of the water and sewer system were reclassified as governmental activities debt effective with the transfer of water and sewer operations to the City of Raleigh on March 1, 2001. 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.

Town of Garner, North Carolina

Notes to the Financial Statements June 30, 2013

Bonds payable at June 30, 2013 are comprised of the following individual issues:
General obligation bonds:

\$1,250,000 1996 Water serial bonds due in annual installments of \$25,000 to \$100,000 through April 1, 2015 interest varying from 5.4 to 5.6 percent.	\$ 125,000
\$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	<u>5,815,000</u>
Total General Obligation Bonds	<u>5,940,000</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:

\$7,242,800 installment purchase contract (Water and Sewer Capacity and various capital projects) due in annual installments from \$763,464 to \$497,122 through June 23, 2021; interest at 3.94%	3,862,827
\$3,400,000 installment purchase contract (Water and Sewer Capacity and improvements to the Public Works facility) due in annual installments of \$226,667 through September 1, 2026; interest at 3.79%	3,173,332
\$54,663 installment purchase contract (Computer Equipment); interest at 2.344%	<u>9,661</u>
Total promissory notes and installment purchase contract	<u>7,045,820</u>
Total long-term debt	<u>\$12,985,820</u>

At June 30, 2013, the Town of Garner had authorized but unissued bonds in the amount of \$35,716,000 and had a legal debt margin of \$228,015,585.

B. Changes in Long-Term Obligations

A summary of changes in long-term obligations for the year ended June 30, 2013, net of bond premium:

Town of Garner, North Carolina

Notes to the Financial Statements June 30, 2013

Type of Debt	June 30, 2012	Additions	Retirements	June 30, 2013	Due Within One Year
General obligation bonds	\$ 6,160,000	\$ -	\$ (220,000)	\$ 5,940,000	\$ 220,000
Premium on bonds	51,175	-	(2,788)	48,387	-
Promissory notes	7,775,807	-	(729,987)	7,045,820	729,987
Vacation pay	895,926	490,699	(508,309)	878,316	450,000
Police separation allowance	563,709	42,792	-	606,501	-
Healthcare benefits	2,207,095	596,759	-	2,803,854	-
Total	\$ 17,653,712	\$ 1,130,250	\$ (1,461,084)	\$ 17,322,878	\$ 1,399,987

C. Debt Service Requirements

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

Governmental Activities

Fiscal Years	General Obligation Bonds		Installment Purchase Agreements and Promissory Notes		Total Debt Due	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 220,000	\$ 253,247	\$ 719,180	\$ 263,587	\$ 939,180	\$ 516,834
2015	185,000	245,847	709,520	235,799	894,520	481,646
2016	175,000	241,248	709,520	208,183	884,520	449,431
2017	175,000	237,310	709,520	180,568	884,520	417,878
2018-2022	1,145,000	1,104,213	3,064,747	493,370	4,209,747	1,597,583
2023-2027	2,240,000	758,738	1,133,333	107,383	3,373,333	866,121
2028-2031	1,800,000	230,850	-	-	1,800,000	230,850
Total	\$ 5,940,000	\$ 3,071,453	\$ 7,045,820	\$ 1,488,890	\$ 12,985,820	\$ 4,560,343

Water and Sewer debt service requirements are funded by the City of Raleigh. Annual requirements, net of amounts funded by the City of Raleigh, are as follows:

Town of Garner, North Carolina

Notes to the Financial Statements June 30, 2013

	<u>Total Debt</u>		<u>Funded City of Raleigh</u>		<u>Net Requirement</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 939,180	\$ 516,834	\$ 100,000	\$ 7,000	\$ 839,180	\$ 509,834
2015	894,520	481,646	25,000	1,400	869,520	480,246
2016	884,520	449,431	-	-	884,520	449,431
2017	884,520	417,878	-	-	884,520	417,878
2018-2022	4,209,747	1,597,583	-	-	4,209,747	1,597,583
2023-2027	3,373,333	866,121	-	-	3,373,333	866,121
2028-2031	<u>1,800,000</u>	<u>230,850</u>	<u>-</u>	<u>-</u>	<u>1,800,000</u>	<u>230,850</u>
Total	<u>\$12,985,820</u>	<u>\$4,560,343</u>	<u>\$125,000</u>	<u>\$8,400</u>	<u>\$12,860,820</u>	<u>\$4,551,943</u>

11. DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

The Town had no deferred outflows of resources. The deferred inflows of resources are comprised of the following:

	<u>Uncollected</u>	<u>Unearned Revenue</u>
General Fund:		
Taxes receivable – net	\$ 233,555	\$ -
Special Assessments – net	22,260	-
Prepaid property taxes	-	62,815
Prepaid privilege license	-	34,082
Total	\$ 255,815	\$ 96,897

12. SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

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

The Town and Wake County have entered into cost sharing partnership to development an additional fire station to improve response time within the Town limits. The County contracted for the design and construction of the project. The Town agrees to share in the cost for the project based upon 15.5% of the design and construction costs attributed to the Fire Department portion of the shared facility. The Town will reimburse the County for its share of project cost over a period not to exceed ten years at an annual interest equal to the County's investment rate or borrowing rate, not to exceed 5.0%. The Town's share of project cost is estimated to be \$380,000.

Town of Garner, North Carolina

Notes to the Financial Statements June 30, 2013

13. CHANGE IN ACCOUNTING PRINCIPLES

Effective July 1, 2012, the Town adopted the provisions of the Governmental Accounting Standards Board (GASB) Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* (Statement No. 63). This implementation required the Town to present a Statement of Net Position, replacing previously presented Statement of Net Assets, in the Town's basic financial statements. The Town's implementation also required the Statement of Net Position to present deferred outflows and inflows of resources in separate sections following total assets and total liabilities sections, respectively.

Effective July 1, 2012, the Town adopted the provisions of GASB Statement 65, *Items Previously Reported as Assets and Liabilities* (Statement No. 65). The provisions of Statement No. 65 relevant to the Town related to changes in the accounting and reporting of bonded debt activities. Specifically bond issuance costs incurred are recorded as current period expenditures as opposed to being deferred and amortized over the maturity period of the debt. Statement No. 65 also requires that deferred charges (credits) resulting from the refunding of debt be presented as a deferred outflows (inflows) of resources and not as assets or liabilities. As the provisions of Statement No. 65 were effective July 1, 2012, net position as of that date has been adjusted accordingly:

	<u>Governmental Activities</u>
Net position, as previously reported	\$84,215,824
Adjustments:	
Debt issuance costs	<u>(188,184)</u>
Net position, as adjusted	<u>\$84,027,640</u>

Statement No. 63 also impacted the treatment of taxes received before the period for which they are levied, as well as property taxes and assessments that were unavailable.

14. SUBSEQUENT EVENTS

The Town has evaluated all other subsequent events through October 14, 2013, in connection with the preparation of these financial statements which is the date the financial statements are available to be issued.

In August 2013, the Town issued \$712,295 in installment debt related to the purchase of vehicles for various Town departments.

Town of Garner, North Carolina
 Law Enforcement Officers' Special Separation Allowance
 Required Supplementary Information

Exhibit A-1

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
12/31/03	\$ -	\$957,455	\$957,455	0%	\$2,537,420	37.73%
12/31/04	-	1,333,355	1,333,355	0%	2,661,289	50.10%
12/31/05	-	1,125,217	1,125,217	0%	2,830,589	39.75%
12/31/06	-	1,347,077	1,347,077	0%	3,222,771	41.80%
12/31/07	-	1,472,446	1,472,446	0%	3,413,727	43.13%
12/31/08	-	1,580,574	1,580,574	0%	3,719,325	42.50%
12/31/09	-	2,008,542	2,008,542	0%	3,677,562	54.62%
12/31/10	-	1,882,501	1,882,501	0%	4,021,972	46.81%
12/31/11	-	2,041,879	2,041,879	0%	4,066,111	50.22%
12/31/12	-	2,123,779	2,123,779	0%	3,972,049	53.47%

Schedule of Employer Contributions

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2003	\$87,443	54.9%
2004	94,500	64.4%
2005	102,108	97.3%
2006	132,306	79.4%
2007	113,590	88.6%
2008	132,736	78.1%
2009	149,618	68.0%
2010	162,994	72.6%
2011	196,884	62.9%
2012	199,610	64.2%
2013	218,995	77.3%

Notes to the Required Schedules

Valuation date	12/31/2012	Actuarial assumptions:	
Actuarial cost method	Projected unit credit	Investment rate of return	5.00%
Amortization method	Level percent of pay close	Projected salary increases	4.25% to 7.85%
Remaining amortization period	18 years	Includes inflation at	3.00%
Asset valuation method	Market value	Cost-of-living adjustments	N/A

Town of Garner, North Carolina

Healthcare Benefits

Required Supplementary Information

Exhibit A-2

Schedule of Funding Progress

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

Schedule of Employer Contributions

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2009	\$ 632,216	12.1%
2010	655,924	12.9%
2011	582,869	18.3%
2012	704,685	15.5%
2013	704,685	15.9%

Notes to the Required Schedules

Valuation date	12/31/11	Actuarial assumptions:	
Actuarial cost method	Projected unit credit	Investment rate of return	4.00%
Amortization method	Level percent of pay open	Medical cost trend rate	
		Pre-Medicare trend rate	10.5% - 5.0%
		Post-Medicare trend rate	9.0% - 5.0%
		Year of ultimate trend rate	2017
Remaining amortization period	30 years	Includes inflation at	3.00%
Asset valuation method	Market value of assets	Cost-of-living adjustments	N/A

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, 2013

With Comparative Actual Amounts for the Year Ended June 30, 2012

Schedule 1

	2013		Variance Positive (Negative)	2012
	Budget	Actual		Actual
REVENUES				
Ad valorem taxes:				
Current year	\$ 14,049,900	\$ 14,579,700	\$ 529,800	\$ 14,577,110
Prior years	175,000	176,228	1,228	163,124
Penalties and interest	53,000	49,220	(3,780)	53,001
Total	14,277,900	14,805,148	527,248	14,793,235
Other taxes and licenses:				
ABC mixed beverage	83,000	93,280	10,280	78,348
Local option sales tax	4,460,000	4,470,663	10,663	4,324,449
Privilege licenses	65,000	65,558	558	63,632
Heavy equipment rental tax	75,000	83,368	8,368	-
Rental vehicles	15,000	18,692	3,692	89,770
Total	4,698,000	4,731,561	33,561	4,556,199
Intergovernmental revenues:				
Beer and wine tax	123,500	106,367	(17,133)	112,395
Utility franchise tax	1,275,000	1,529,410	254,410	1,267,153
Video programming fees	275,000	311,767	36,767	317,388
Powell Bill allocation	685,000	698,174	13,174	675,238
Solid waste disposal tax	18,800	16,505	(2,295)	17,712
PEG channel funds	65,020	79,346	14,326	-
Federal asset forfeiture	1,245	17,415	16,170	10,422
Controlled substance tax	2,143	9,299	7,156	-
Build America bond - interest reimbursement	86,700	86,712	12	87,135
Federal grants	19,450	81,487	62,037	117,391
State grants	64,623	227,807	163,184	123,203
Wake County grant-school resource officer	68,299	68,297	(2)	77,298
Other grants	124,353	124,354	1	118,200
Total	2,809,133	3,356,940	547,807	2,923,535
Sales and services:				
Recreation fees	280,575	261,127	(19,448)	230,030
Facility rentals	163,825	217,337	53,512	165,417
Sanitation fees	5,500	9,875	4,375	8,583
Third-party bill collection	4,500	5,653	1,153	5,311
Street repairs	20,000	46,687	26,687	88,269
Fuel sales	3,000	11,260	8,260	3,500
Total	477,400	551,939	74,539	501,110

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, 2013

With Comparative Actual Amounts for the Year Ended June 30, 2012

Schedule 1 (continued)

	2013		Variance Positive (Negative)	2012
	Budget	Actual		Actual
REVENUES (continued)				
Permits and fees:				
Motor vehicle tags	\$ 315,000	\$ 322,618	\$ 7,618	\$ 316,386
Police outside employment	208,439	230,390	21,951	-
Dog licenses	2,500	1,885	(615)	2,685
Planning and zoning fees	5,500	8,492	2,992	6,938
Inspection fees	284,850	327,420	42,570	377,838
Fee in lieu of park land	-	25,897	25,897	37,800
Special event permit	300	420	120	1,297
Retention pond fees	-	145	145	-
Rental property registration fees	5,500	5,840	340	5,895
False alarms charges	14,000	13,554	(446)	11,902
Taxi cab inspection fees	200	280	80	167,667
Water and sewer capacity replacement fees	82,000	251,244	169,244	151,294
Total	918,289	1,188,185	269,896	1,079,702
Investment revenues:				
Investment earnings	8,500	10,006	1,506	15,982
Other revenues:				
Land use charges	5,000	4,077	(923)	14,514
Rental income	-	7,200	7,200	-
Miscellaneous	29,300	120,930	91,630	74,454
Assessments	20,000	6,880	(13,120)	36,396
Interest on assessments	500	4,245	3,745	1,353
Other grants	2,500	2,500	-	12,205
Officers' fees	12,000	15,546	3,546	13,515
Parking violations	10,000	5,510	(4,490)	12,700
Landfill reimbursement	70,000	83,120	13,120	78,133
Contributions	55,234	48,148	(7,086)	2,500,000
Total	204,534	298,156	93,622	2,743,270
Total revenues	23,393,756	24,941,935	1,548,179	26,613,033

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, 2013

With Comparative Actual Amounts for the Year Ended June 30, 2012

Schedule 1 (continued)

	2013		Variance Positive (Negative)	2012
	Budget	Actual		Actual
EXPENDITURES				
General government				
Governing body				
Salaries and employee benefits	\$ 94,406	\$ 90,808	\$ 3,598	\$ 92,025
Operating expenses	180,337	170,275	10,062	236,862
Professional services	102,709	97,372	5,337	84,000
Contracted services	62,604	69,774	(7,170)	-
Capital outlay	305,050	286,148	18,902	407,155
Total	<u>745,106</u>	<u>714,377</u>	<u>30,729</u>	<u>820,042</u>
Administration				
Salaries and employee benefits	1,186,862	1,099,714	87,148	809,001
Operating expenses	279,780	259,955	19,825	590,454
Professional services	22,000	20,292	1,708	-
Contracted services	64,520	63,814	706	-
Total	<u>1,553,162</u>	<u>1,443,775</u>	<u>109,387</u>	<u>1,399,455</u>
Finance				
Salaries and employee benefits	538,449	523,119	15,330	509,459
Operating expenses	156,505	151,873	4,632	258,680
Professional services	77,475	76,324	1,151	-
Contracted services	48,030	45,083	2,947	-
Total	<u>820,459</u>	<u>796,399</u>	<u>24,060</u>	<u>768,139</u>
Economic Development				
Salaries and employee benefits	231,912	226,152	5,760	229,201
Operating expenses	449,702	439,849	9,853	147,939
Professional services	1,000	-	1,000	-
Contracted services	2,700	525	2,175	-
Total	<u>685,314</u>	<u>666,526</u>	<u>18,788</u>	<u>377,140</u>
Planning				
Salaries and employee benefits	472,788	458,855	13,933	464,509
Operating expenses	21,782	10,253	11,529	30,313
Professional services	60,635	-	60,635	-
Contracted services	141,318	52,352	88,966	-
Total	<u>696,523</u>	<u>521,460</u>	<u>175,063</u>	<u>494,822</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, 2013

With Comparative Actual Amounts for the Year Ended June 30, 2012

Schedule 1 (continued)

EXPENDITURES (continued)	2013		Variance Positive (Negative)	2012
	Budget	Actual		Actual
General government (continued)				
Engineering				
Salaries and employee benefits	\$ 464,677	\$ 458,349	\$ 6,328	\$ 454,471
Operating expenses	12,254	9,808	2,446	10,262
Professional services	500	-	500	-
Contracted services	2,200	6,058	(3,858)	-
Capital outlay	111,119	68,700	42,419	143,360
Total	590,750	542,915	47,835	608,093
Information technology				
Salaries and employee benefits	266,194	244,566	21,628	202,992
Operating expenses	155,526	210,956	(55,430)	443,982
Professional services	3,157	-	3,157	-
Contracted services	230,647	245,334	(14,687)	-
Capital outlay	227,783	167,966	59,817	-
Total	883,307	868,822	14,485	646,974
Building maintenance				
Salaries and employee benefits	228,370	197,167	31,203	220,255
Operating expenses	287,877	273,581	14,296	370,731
Contracted services	136,811	99,336	37,475	-
Capital outlay	-	-	-	24,997
Total	653,058	570,084	82,974	615,983
Vehicle maintenance				
Salaries and employee benefits	240,036	237,315	2,721	232,678
Operating expenses	29,368	23,501	5,867	26,286
Contracted services	6,800	6,620	180	-
Total	276,204	267,436	8,768	258,964
Total General government	6,903,883	6,391,794	512,089	5,989,612

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, 2013

With Comparative Actual Amounts for the Year Ended June 30, 2012

Schedule 1 (continued)

	2013		Variance Positive (Negative)	2012
	Budget	Actual		Actual
EXPENDITURES (continued)				
Public safety				
Police				
Salaries and employee benefits	\$ 6,099,770	\$ 5,987,027	\$ 112,743	\$ 5,900,231
Operating expenses	597,681	568,688	28,993	891,842
Professional services	500	-	500	-
Contracted services	291,164	281,359	9,805	-
Capital outlay	132,664	105,930	26,734	65,674
Total	<u>7,121,779</u>	<u>6,943,004</u>	<u>178,775</u>	<u>6,857,747</u>
Inspections				
Salaries and employee benefits	681,290	665,174	16,116	661,715
Operating expenses	18,717	13,322	5,395	16,397
Total	<u>700,007</u>	<u>678,496</u>	<u>21,511</u>	<u>678,112</u>
Fire				
Contracted services	2,145,729	2,176,225	(30,496)	2,018,420
Total Public safety	<u>9,967,515</u>	<u>9,797,725</u>	<u>169,790</u>	<u>9,554,279</u>
Transportation				
Administration				
Salaries and employee benefits	401,752	397,911	3,841	394,015
Operating expenses	7,358	7,513	(155)	12,191
Contracted services	4,600	4,600	-	-
Total	<u>413,710</u>	<u>410,024</u>	<u>3,686</u>	<u>406,206</u>
Street repair and construction				
Salaries and employee benefits	684,823	648,016	36,807	648,130
Operating expenses	847,080	782,431	64,649	1,187,456
Contracted services	114,725	89,573	25,152	-
Capital outlay	423,165	275,825	147,340	47,429
Total	<u>2,069,793</u>	<u>1,795,845</u>	<u>273,948</u>	<u>1,883,015</u>
Total Transportation	<u>2,483,503</u>	<u>2,205,869</u>	<u>277,634</u>	<u>2,289,221</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, 2013
 With Comparative Actual Amounts for the Year Ended June 30, 2012

Schedule 1 (continued)

	2013		Variance Positive (Negative)	2012
	Budget	Actual		Actual
EXPENDITURES (continued)				
Environmental protection				
Sanitation				
Operating expenses	\$ 66,404	\$ 53,619	\$ 12,785	\$ -
Contracted services	1,690,551	1,673,334	17,217	1,742,909
Total Environmental protection	<u>1,756,955</u>	<u>1,726,953</u>	<u>30,002</u>	<u>1,742,909</u>
Cultural and recreational				
Parks, recreation & cultural resources administratio				
Salaries and employee benefits	186,065	162,885	23,180	184,976
Operating expenses	14,870	18,444	(3,574)	20,932
Contracted services	-	5,558	(5,558)	-
Total	<u>200,935</u>	<u>186,887</u>	<u>14,048</u>	<u>205,908</u>
Recreational programs				
Salaries and employee benefits	942,038	947,831	(5,793)	932,353
Operating expenses	384,885	328,109	56,776	432,977
Contracted services	253,468	176,757	76,711	-
Capital outlay	-	-	-	20,380
Total	<u>1,580,391</u>	<u>1,452,697</u>	<u>127,694</u>	<u>1,385,710</u>
Parks maintenance and development				
Salaries and employee benefits	746,289	710,717	35,572	706,811
Operating expenses	141,789	133,474	8,315	147,845
Contracted services	67,861	56,653	11,208	-
Capital outlay	-	-	-	25,206
Total	<u>955,939</u>	<u>900,844</u>	<u>55,095</u>	<u>879,862</u>
Total Cultural and recreational	<u>2,737,265</u>	<u>2,540,428</u>	<u>196,837</u>	<u>2,471,480</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, 2013
 With Comparative Actual Amounts for the Year Ended June 30, 2012

Schedule 1 (continued)

	<u>2013</u>			<u>2012</u>
	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)	<u>Actual</u>
Debt Service				
Principal retirement	\$ 987,987	\$ 952,021	\$ 35,966	\$ 729,617
Interest and fees	552,430	552,432	(2)	542,177
Total Debt service	<u>1,540,417</u>	<u>1,504,453</u>	<u>35,964</u>	<u>1,271,794</u>
Total Expenditures	<u>25,389,538</u>	<u>24,167,222</u>	<u>1,222,316</u>	<u>23,319,295</u>
Revenues over (under) expenditures	<u>(1,995,782)</u>	<u>774,713</u>	<u>(2,770,495)</u>	<u>3,293,738</u>
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	7,500	1,045	(6,455)	35,202
Transfers--out				
To Capital Projects Fund	(930,000)	(429,676)	500,324	(541,284)
Fund balance appropriated	<u>2,918,282</u>	<u>-</u>	<u>(2,918,282)</u>	<u>-</u>
Total other financing sources (uses)--net	<u>1,995,782</u>	<u>(428,631)</u>	<u>2,424,413</u>	<u>(506,082)</u>
Net change in fund balance	<u>\$ -</u>	346,082	<u>\$ (346,082)</u>	2,787,656
FUND BALANCE				
Beginning of year--July 1		23,418,824		<u>20,631,168</u>
End of year--June 30		<u>\$ 23,764,906</u>		<u>\$ 23,418,824</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; regional stormwater retention improvements; downtown redevelopment; and roadway improvements.

Town of Garner, North Carolina
 Capital Projects Fund
 Schedule of Revenues, Expenditures, and Changes in Fund Balance
 Budget and Actual
 From Inception and for the Year Ended June 30, 2013

Schedule 2

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
REVENUES					
Intergovernmental	\$ 500,000	\$ 500,000	\$ -	\$ 500,000	\$ -
Premium on bonds	55,830	55,828	-	55,828	(2)
Investment earnings	-	3,968	1,183	5,151	5,151
Total revenues	555,830	559,796	1,183	560,979	5,149
EXPENDITURES					
PRCR Bond Improvements	3,250,000	-	4,950	4,950	3,245,050
Town Hall Addition	2,216,000	58,602	933,189	991,791	1,224,209
White Deer Park	4,270,830	4,270,830	579	4,271,409	(579)
Regional Retention Facilities	368,000	355,961	-	355,961	12,039
Timber Drive	2,473,070	1,634,808	15,657	1,650,465	822,605
Vandora/Buffalo Roundabout	346,227	-	332,095	332,095	14,132
Water and Sewer Capacity	3,038,000	3,038,000	-	3,038,000	-
Public Works Improvements	283,547	-	15,000	15,000	268,547
Recreation Center	-	-	44,878	44,878	(44,878)
Redevelopment Bond Projects	2,000,000	-	900	900	1,999,100
US 70 Intersection Improvements	500,000	319,569	416,344	735,913	(235,913)
Debt Issuance Cost	135,456	135,456	-	135,456	-
Total expenditures	18,881,130	9,813,226	1,763,592	11,576,818	7,304,312
Revenues over (under) expenditures	(18,325,300)	(9,253,430)	(1,762,409)	(11,015,839)	(7,309,461)
OTHER FINANCING SOURCES (USES)--					
Issuance of debt	15,700,000	9,450,000	-	9,450,000	(6,250,000)
Transfers -- in	2,625,300	1,959,923	429,676	2,389,599	(235,701)
Total other financing sources (uses)	18,325,300	11,409,923	429,676	11,839,599	(6,485,701)
Net change in fund balance	\$ -	\$ 2,156,493	(1,332,733)	\$ 823,760	\$ 823,760
Fund balance:					
Beginning of year--July 1			2,156,493		
End of year--June 30			<u>\$ 823,760</u>		

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 at a later date.

Town of Garner, North Carolina
 Agency Fund
 Statement of Changes in Fiduciary Assets and Liabilities
 For the Year Ended June 30, 2013

Schedule 3

	<u>Balance June 30, 2012</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2013</u>
Utility Collection Fund				
Assets				
Cash and cash equivalents	\$ 14,244	\$ 265,498	\$ 274,526	\$ 5,216
Liabilities				
Due to other governmental units	\$ 14,244	\$ 265,498	\$ 274,526	\$ 5,216

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
For the Year Ended June 30, 2013

Schedule 4

Fiscal Year	Uncollected Balance June 30, 2012	Additions	Collections, Credits and Adjustments	Uncollected Balance June 30, 2013
2012-13	\$ -	\$ 14,828,753	\$ 14,616,472	\$ 212,281
2011-12	207,556	-	155,090	52,466
2010-11	47,925	-	11,688	36,237
2009-10	31,393	-	6,592	24,801
2008-09	29,175	-	3,245	25,930
2007-08	36,577	-	2,965	33,612
2006-07	27,562	-	2,468	25,094
2005-06	19,769	-	813	18,956
2004-05	15,444	-	384	15,060
2003-04	14,122	-	756	13,366
2002-03	11,878	-	11,878	-
	\$ 441,401	\$ 14,828,753	\$ 14,812,351	457,803
Less allowance for uncollectible ad valorem taxes receivable				393,000
Ad valorem taxes--net				\$ 64,803
Reconcilement with revenues:				
Taxes--ad valorem--General Fund				
Ad valorem tax --current			\$ 14,579,700	
Ad valorem tax--prior			176,228	
Tax penalty & interest			49,220	\$ 14,805,148
Credits and adjustments				45,391
Amounts written off for tax year 2002-03 per statute of limitations				11,878
Subtotal				14,862,417
Less:				
Interest collected				49,220
Tax collected, previously written off				-
Deferred farm land tax collected				-
Payment in lieu				846
Total collections and credits				\$ 14,812,351

Town of Garner, North Carolina

Analysis of Current Tax Levy
For the Year Ended June 30, 2013

Schedule 5

	Total Property Valuation	Rate per \$100	Total Levy	Total Levy	
				Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy					
Property taxed at current year's rate	\$ 2,945,195,618	0.490	\$ 14,439,406	\$ 13,775,482	\$ 663,924
Registered motor vehicles taxed at prior year's rate	75,157,406	0.490	371,577	-	371,577
Penalties	-		10,935	10,935	-
Total	3,020,353,024		14,821,918	13,786,417	1,035,501
Discoveries					
Prior year taxes	-		45,229	26,507	18,722
Abatements	(7,835,457)		(38,394)	(38,394)	-
Total for year	<u>\$ 3,012,517,567</u>				
Net levy			14,828,753	13,774,530	1,054,223
Uncollected tax at June 30, 2013			<u>(212,281)</u>	<u>(52,374)</u>	<u>(159,907)</u>
Current year's taxes collected			<u>\$ 14,616,472</u>	<u>\$ 13,722,156</u>	<u>\$ 894,316</u>
Percent current year collected			<u>98.57%</u>	<u>99.62%</u>	<u>84.83%</u>

Town of Garner, North Carolina

Detailed Analysis of Current Tax Levy

Town-Wide Levy

For the Year Ended June 30, 2013

Schedule 6

Secondary Market Disclosure

Assessed Valuation:

Assessment Ratio (1)	100%
Real Property	\$ 2,525,516,066
Personal Property	402,724,696
Public Service Companies (2)	84,276,805
Total Assessed Valuation	3,012,517,567
Tax Rate per \$100	<u>0.490</u>
Levy (includes discoveries, releases and abatements) (3)	<u>\$ 14,828,753</u>

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

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

(3) The levy includes interest and penalties.



STATISTICAL SECTION

This part of the Town of Garner's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

Contents	Page
Financial Trends <i>These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.</i>	76-83
Revenue Capacity <i>These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.</i>	84-87
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>	88-91
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>	92-94
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>	95-97

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

Table 1

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Governmental Activities										
Invested in capital assets, net of related debt	\$ 5,742,449	\$ 8,551,907	\$ 6,461,277	\$ 55,415,289	\$ 58,707,607	\$ 60,976,743	\$ 73,287,732	\$ 65,859,876	\$ 64,781,668	\$ 63,035,753
Restricted	1,061,207	499,188	513,700	718,482	455,948	110,289	148,090			
Stabilization by state statute	-	-	-	-	-	-	-	1,345,242	1,360,720	1,940,597
Streets	-	-	-	-	-	-	-	271,766	405,797	484,250
Law enforcement	-	-	-	-	-	-	-	-	-	20,396
Capital projects	-	-	-	-	-	-	-	-	683,398	-
Unrestricted	<u>11,991,513</u>	<u>10,983,520</u>	<u>14,615,651</u>	<u>15,689,368</u>	<u>17,527,181</u>	<u>16,120,920</u>	<u>15,250,782</u>	<u>16,650,305</u>	<u>16,984,241</u>	<u>16,913,915</u>
Total governmental activities net position	<u>\$ 18,795,169</u>	<u>\$ 20,034,615</u>	<u>\$ 21,590,628</u>	<u>\$ 71,823,139</u>	<u>\$ 76,690,736</u>	<u>\$ 77,207,952</u>	<u>\$ 88,686,604</u>	<u>\$ 84,127,189</u>	<u>\$ 84,215,824</u>	<u>\$ 82,394,911</u>

Note:

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

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

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

Table 2

FUNCTIONS/PROGRAMS	Fiscal Year				
	2004	2005	2006	2007	2008
Expenses					
Government activities:					
General government	\$ 6,252,849	\$ 4,418,405	\$ 4,509,508	\$ 5,018,297	\$ 5,821,229
Public safety	7,210,653	7,047,334	7,586,030	8,429,748	8,576,041
Transportation	1,275,552	1,985,628	1,461,208	4,439,669	5,471,692
Environmental protection	3,041,845	1,091,372	1,185,574	1,317,954	1,427,511
Cultural/recreational	1,866,241	2,090,744	2,995,586	2,487,400	2,629,818
Interest on long-term debt	251,838	203,824	158,158	382,285	325,110
Total governmental activities	<u>19,898,978</u>	<u>16,837,307</u>	<u>17,896,064</u>	<u>22,075,353</u>	<u>24,251,401</u>
Program Revenues					
Governmental Activities:					
Charges for services					
General government	64,938	42,309	83,703	1,013,822	328,113
Public safety	578,789	567,803	725,856	1,013,604	772,080
Transportation	33,478	28,371	59,108	17,659	67,740
Environmental protection	20,517	22,693	35,399	30,844	14,451
Cultural & recreational	264,671	407,980	372,412	253,110	622,385
Interest on long-term debt	-	125,641	-	81,210	47,862
Operating grants and contributions	1,014,885	714,390	932,030	880,670	933,098
Capital grants and contributions	1,336,500	188,754	146,877	3,449,470	5,669,476
Total program revenues	<u>3,313,778</u>	<u>2,097,941</u>	<u>2,355,385</u>	<u>6,740,389</u>	<u>8,455,205</u>
Total Governmental net (expense)/revenue	<u>(16,585,200)</u>	<u>(14,739,366)</u>	<u>(15,540,679)</u>	<u>(15,334,964)</u>	<u>(15,796,196)</u>
Revenues					
Governmental Activities:					
General Revenues:					
Property taxes	\$ 9,918,473	\$ 10,514,511	\$ 11,180,039	\$ 12,289,203	\$ 13,181,474
Sales taxes	3,561,092	3,588,830	3,991,127	4,444,080	4,646,190
Other taxes	1,069,669	1,126,405	1,186,319	1,306,745	1,442,679
Grants and contributions					
not restricted to specific programs	5,610	1,975	6,821	7,905	625
Unrestricted investment earnings	94,451	214,499	365,532	574,804	727,199
Other	559,977	532,592	366,854	419,041	665,626
Total general revenues	<u>15,209,272</u>	<u>15,978,812</u>	<u>17,096,692</u>	<u>19,041,778</u>	<u>20,663,793</u>
Changes in net position	(1,375,928)	1,239,446	1,556,013	3,706,814	4,867,597
Net position, beginning of year	20,171,097	18,795,169	20,034,615	21,590,628	71,823,139
Prior period adjustment	-	-	-	46,525,697	-
Net position, end of year	<u>\$ 18,795,169</u>	<u>\$ 20,034,615</u>	<u>\$ 21,590,628</u>	<u>\$ 71,823,139</u>	<u>\$ 76,690,736</u>

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

Table 2

FUNCTIONS/PROGRAMS	Fiscal Year				
	2009	2010	2011	2012	2013
Expenses					
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	25,703,232	26,622,388	26,462,940	26,463,035	26,527,081
Program Revenues					
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	4,714,017	2,342,043	2,080,892	4,838,353	2,886,735
Total Governmental net (expense)/revenue	(20,989,215)	(24,280,345)	(24,382,048)	(21,624,682)	(23,640,346)
Revenues					
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	21,506,431	21,311,916	21,689,381	21,713,318	22,007,617
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	\$ 77,207,952	\$ 88,686,604	\$ 84,127,189	\$ 84,215,825	\$ 82,394,911

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

Table 3

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General fund										
Reserved	\$ 4,021,599	\$ 4,654,324	\$ 2,227,087	\$ 3,383,761	\$ 2,855,285	\$ 2,844,496	\$ 4,390,881			
Unreserved	7,220,909	7,488,352	10,921,073	12,501,341	14,622,672	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
Total general fund	<u>\$ 11,242,508</u>	<u>\$ 12,142,676</u>	<u>\$ 13,148,160</u>	<u>\$ 15,885,102</u>	<u>\$ 17,477,957</u>	<u>\$ 18,374,294</u>	<u>\$ 19,541,928</u>	<u>\$ 20,631,168</u>	<u>\$ 23,418,824</u>	<u>\$ 23,764,906</u>
All other governmental funds										
Reserved										
Unreserved:										
Capital projects	\$ (365,382)	\$ (2,203,278)	\$ 1,139,303	\$ 132,039	\$ 463,134	\$ (1,367,045)	\$ (2,522,694)			
Restricted								\$ 6,857,936	\$ 2,156,493	\$ 823,760
Total all other governmental funds	<u>\$ (365,382)</u>	<u>\$ (2,203,278)</u>	<u>\$ 1,139,303</u>	<u>\$ 132,039</u>	<u>\$ 463,134</u>	<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
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
(Unaudited)

Table 4

	Fiscal Year				
	2004	2005	2006	2007	2008
REVENUES					
Ad valorem taxes	\$ 10,106,058	\$ 10,533,316	\$ 11,176,254	\$ 12,217,657	\$ 13,144,760
Other taxes and licenses	3,659,252	3,702,497	4,122,202	4,582,519	4,811,881
Intergovernmental revenues	2,719,673	2,544,588	2,657,476	2,826,691	3,072,339
Permits and fees	767,451	908,531	1,046,718	2,111,042	1,547,405
Sales and services	269,855	236,357	306,732	332,365	394,778
Investment earnings	1,218,670	223,427	365,532	574,803	727,199
Premium on bonds	-	-	-	-	-
Other revenues	501,548	465,143	376,934	462,525	301,449
Total revenues	19,242,507	18,613,859	20,051,848	23,107,602	23,999,811
EXPENDITURES					
Current					
General government	6,000,558	4,393,606	6,961,587	5,608,496	5,675,801
Public safety	6,496,573	6,814,654	7,425,424	8,155,882	8,498,765
Transportation	2,453,604	2,207,499	1,522,118	1,505,804	2,445,807
Environmental protection	1,069,540	1,091,372	1,278,457	1,316,802	1,425,232
Cultural and recreational	1,859,920	2,148,227	2,105,216	2,145,406	2,489,933
Capital projects	688,879	1,844,001	2,541,794	1,171,453	386,544
Debt service					
Principal retirement	1,069,589	970,408	976,094	1,258,924	1,028,215
Interest and fees	263,291	208,368	159,711	388,728	329,796
Total expenditures	19,901,954	19,678,135	22,970,401	21,551,495	22,280,093
Revenues over (under) expenditures	(659,447)	(1,064,276)	(2,918,553)	1,556,107	1,719,718
OTHER FINANCING SOURCES (USES)					
Sale of capital assets	\$ 6,278	\$ 66,547	\$ 2,437	\$ 59,981	\$ 40,851
Issuance of debt	-	-	7,264,181	113,590	163,381
Transfers in	252,758	356,480	1,847,362	2,219,790	2,465,867
Transfers out	(252,758)	(296,480)	(1,847,362)	(2,219,790)	(2,465,867)
Total other financing sources (uses)	6,278	126,547	7,266,618	173,571	204,232
Net change in fund balance	\$ (653,169)	\$ (937,729)	\$ 4,348,065	\$ 1,729,678	\$ 1,923,950
Debt service as a percentage of non-capital expenditures	7.64%	6.93%	6.73%	8.67%	6.51%

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

Table 4

	Fiscal Year				
	2009	2010	2011	2012	2013
REVENUES					
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
Premium on bonds	-	-	55,828	-	-
Other revenues	241,231	239,584	289,588	2,730,840	298,156
Total revenues	23,972,415	23,828,512	24,001,944	26,614,902	24,943,118
EXPENDITURES					
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
Total expenditures	24,969,257	23,845,531	23,706,628	28,563,891	25,930,814
Revenues over (under) expenditures	(996,842)	(17,019)	295,316	(1,948,989)	(987,696)
OTHER FINANCING SOURCES (USES)					
Sale of capital assets	\$ 251	\$ 29,004	\$ 345,000	\$ 35,202	\$ 1,045
Issuance of debt	62,749	-	9,829,554	-	-
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)
Total other financing sources (uses)	63,000	29,004	10,174,554	35,202	1,045
Net change in fund balance	\$ (933,842)	\$ 11,985	\$ 10,469,870	\$ (1,913,787)	\$ (986,651)
Debt service as a percentage of non-capital expenditures	5.05%	4.23%	5.49%	5.63%	6.48%

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

Table 5

<u>Fiscal Year</u>	<u>Ad Valorem Taxes</u>	<u>Other Taxes and Licenses</u>	<u>Intergovernmental Revenues</u>	<u>Permits and Fees</u>	<u>Sales and Services</u>	<u>Investment Earnings</u>	<u>Premium on Bonds</u>	<u>Other Revenues</u>	<u>Total</u>
2004	\$ 10,106,058	\$ 3,659,252	\$ 2,719,673	\$ 767,451	\$ 269,855	\$ 1,218,670	\$ -	\$ 501,548	\$ 19,242,507
2005	10,533,316	3,702,497	2,544,588	908,531	236,357	155,889	-	465,143	18,546,321
2006	11,176,254	4,122,202	2,657,476	1,046,718	306,732	365,532	-	376,934	20,051,848
2007	12,217,657	4,582,519	2,826,691	2,111,042	332,365	574,803	-	462,525	23,107,602
2008	13,144,760	4,811,881	3,072,339	1,547,405	394,778	727,199	-	301,449	23,999,811
2009	14,594,341	4,433,984	3,195,971	795,324	398,701	312,863	-	241,231	23,972,415
2010	14,980,052	4,217,586	2,756,568	1,127,074	467,471	40,177	-	239,584	23,828,512
2011	14,876,541	4,586,384	2,844,452	866,912	453,915	28,324	55,828	289,588	24,001,944
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

(1) Includes General and Capital Project Funds.

Town of Garner, North Carolina
 General Governmental Expenditures by Function (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
2004	\$ 6,000,558	\$ 6,496,573	\$ 2,453,604	\$ 1,069,540	\$ 1,859,920	\$ 688,879	\$ 1,332,880	\$19,901,954
2005	4,393,606	6,814,654	2,207,499	1,091,372	2,148,227	1,844,002	1,178,776	19,678,136
2006	6,961,587	7,425,424	1,522,118	1,278,457	2,105,216	2,541,794	1,135,805	22,970,401
2007	5,608,496	8,155,882	1,505,804	1,316,802	2,145,406	1,171,453	1,647,652	21,551,495
2008	5,675,801	8,498,765	2,445,807	1,425,232	2,489,933	386,544	1,358,011	22,280,093
2009	5,741,858	8,965,706	2,617,478	1,546,994	2,437,701	2,583,235	1,076,285	24,969,257
2010	6,031,883	9,415,377	2,032,223	1,916,298	2,396,481	1,112,593	940,676	23,845,531
2011	6,712,757	9,309,560	1,870,034	1,661,240	2,567,941	331,081	1,254,015	23,706,628
2012	5,989,612	9,554,279	2,289,221	1,742,909	2,471,480	5,244,596	1,271,794	28,563,891
2013	6,391,794	9,797,725	2,205,869	1,726,953	2,540,428	1,763,592	1,504,453	25,930,814

(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	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				
2004	\$ 1,409,919,143	\$72,887,530	\$ 156,334,085	\$120,458,299	\$ 1,759,599,057	\$ 0.560	\$ 1,937,535,857	90.82%
2005	1,487,184,792	74,505,130	177,565,761	118,088,996	1,857,344,679	0.560	2,133,310,018	87.06%
2006	1,550,238,391	69,942,361	202,591,976	161,253,096	1,984,025,824	0.560	2,361,328,464	84.02%
2007	1,659,119,409	74,221,122	202,194,608	181,536,447	2,117,071,586	0.575	2,615,538,642	80.94%
2008	1,770,103,434	61,216,927	222,612,062	219,890,761	2,273,823,184	0.575	2,982,726,510	76.23%
2009 ⁽²⁾	2,405,039,709	76,650,226	217,860,146	241,741,480	2,941,291,561	0.490	3,000,028,860	98.04%
2010	2,469,678,054	77,711,846	192,675,880	262,907,169	3,002,972,949	0.490	2,756,005,144	108.96%
2011	2,463,484,759	75,237,723	188,077,390	254,503,481	2,981,303,353	0.490	2,808,859,420	106.14%
2012	2,516,107,912	73,569,802	198,944,121	216,342,522	3,004,964,357	0.490	2,879,158,961	104.37%
2013	2,525,516,066	84,276,805	193,694,549	209,030,147	3,012,517,567	0.490	3,005,648,283	100.23%

(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 2009.

Town of Garner, North Carolina

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

Table 8

<u>Fiscal Year</u>	<u>Town of Garner</u>	<u>Wake County</u>	<u>Total</u>
2004	0.560	0.604	1.164
2005	0.560	0.604	1.164
2006	0.560	0.604	1.164
2007	0.575	0.634	1.209
2008	0.575	0.678	1.253
2009 (1)	0.490	0.534	1.024
2010	0.490	0.534	1.024
2011	0.490	0.534	1.024
2012	0.490	0.534	1.024
2013	0.490	0.534	1.024

(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 2009.

Town of Garner, North Carolina

Principal Property Taxpayers

Ten Year Comparison

(Unaudited)

Table 9

Taxpayer	2013			2004		
	2013 Assessed Valuation	Rank	Percentage of Total Assessed Valuation	2004 Assessed Valuation	Rank	Percentage of Total Assessed Valuation
Inland American Garner White Oak	\$ 83,377,088	1	2.77%	\$ -		
Progress Energy Carolinas ⁽¹⁾	69,489,916	2	2.31%	50,881,343	1	2.89%
Pergo, Inc.	42,589,695	3	1.41%	28,924,908	3	1.64%
Alltel Communications, Inc.	37,455,676	4	1.24%	-		
Duke Realty, LP	25,647,846	5	0.85%	-		
Abberly Place Garner, LP	25,410,771	6	0.84%	-		
Regency Centers, LP	23,543,605	7	0.78%	25,702,415	5	1.46%
Ashton Village, LP	22,169,484	8	0.74%	-		
GA NS Station, LLC	21,230,462	9	0.70%	-		
Lenoxplace Apartments, LLC	17,197,070	10	0.57%	-		
Garner Retail, LLC	-		0.00%	36,376,138	2	2.07%
Goodmark Foods, Inc.	-		0.00%	25,419,525	4	1.44%
DIM Vastgoed NV	-		-	19,532,352	6	1.11%
Parker Raleigh Development	-		-	15,843,751	7	0.90%
JP Realty IV, LLC	-		-	14,367,837	8	0.82%
Bellsouth Telephone Co	-		-	12,538,977	9	0.71%
Heather Park Limited Partnership	-		-	12,398,492	10	0.70%
Totals	<u>\$ 368,111,613</u>		<u>12.22%</u>	<u>\$ 241,985,738</u>		<u>13.75%</u>

(1) Formerly 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
2004	\$ 9,934,017	\$ 9,734,975	98.0%	\$ 185,675	\$ 9,920,650	99.9%
2005	10,478,602	10,269,510	98.0%	194,032	10,463,542	99.9%
2006	11,128,876	10,891,632	97.9%	218,287	11,109,919	99.8%
2007	12,259,185	11,964,705	97.6%	269,387	12,234,092	99.8%
2008	13,164,682	12,852,014	97.6%	279,055	13,131,069	99.7%
2009	14,620,367	14,269,780	97.6%	324,657	14,594,437	99.8%
2010	14,913,304	14,625,986	98.1%	262,517	14,888,503	99.8%
2011	14,792,939	14,579,297	98.6%	177,405	14,756,702	99.8%
2012	14,783,275	14,575,719	98.6%	155,089	14,730,808	99.6%
2013	14,828,753	14,579,700	98.3%	-	14,579,700	98.3%

Reconciliation to revenues collected:

Total collected as stated above	\$ 14,579,700
Prior year collections in current year	176,228
Penalties and interest collected	49,220
	<u>49,220</u>

Ad valorem taxes collected per general fund financial statements

\$ 14,805,148

Town of Garner, North Carolina

Ratio of Outstanding Debt
Governmental Activities
Last Ten Fiscal Years
(Unaudited)

Table 11

<u>Fiscal Year</u>	<u>Installment Purchase</u>	<u>General Obligation Bonds</u>	<u>Total</u>	<u>Per Capita ⁽¹⁾</u>	<u>Percentage of Personal Income ⁽²⁾</u>
2004	\$ 500,856	\$ 3,327,900	\$ 3,828,756	\$ 156	0.44%
2005	759,645	2,522,200	3,281,845	111	0.31%
2006	7,535,235	1,671,200	9,206,435	385	1.21%
2007	7,021,702	1,039,400	8,061,102	324	0.88%
2008	6,516,268	680,000	7,196,268	279	0.75%
2009	5,944,606	525,000	6,469,606	246	0.80%
2010	5,361,993	425,000	5,786,993	218	0.71%
2011	8,290,424	6,428,966	14,719,390	569	1.83%
2012	7,775,807	6,211,175	13,986,982	538	1.72%
2013	7,045,820	5,988,387	13,034,207	499	1.60%

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

(2) 2013 and 2012 ratios are calculated using 2011 personal income.

Town of Garner, North Carolina
 Computation of Direct and Overlapping Debt
 General Obligation Bonds
 June 30, 2013
 (Unaudited)

Table 12

<u>Jurisdiction</u>	<u>Net General Obligation Bonded Debt Outstanding</u>	<u>Percentage Applicable to Town of Garner ⁽²⁾</u>	<u>Amount Applicable to Town of Garner</u>
Wake County	\$ 1,801,325,000 ⁽¹⁾	2.47%	\$ 44,492,727.50
Town of Garner	13,034,207	100.00%	<u>13,034,207</u>
Total direct and overlapping debt			<u><u>\$ 57,526,935</u></u>

(1) Information provided by Wake County Finance Department. Of the total general obligation debt outstanding, \$1,482,086,981, or 82%, is for the Wake County Public School System.

(2) The percentage of overlapping debt applicable to the Town is estimated using assessed property values. The applicable percentage represents the Town's total assessed value divided by Wake County's total assessed value.

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

Table 13

<u>Fiscal Year</u>	<u>Population Estimate</u> ⁽¹⁾	<u>Total Assessed Value</u>	<u>Net Bonded Debt</u>	<u>Percent of Net Bonded Debt to Assessed Value</u>	<u>Net Bonded Debt Per Capita</u>
2004	21,326	\$ 1,759,599,057	\$ 3,327,900	0.19%	\$ 156.05
2005	22,722	1,857,344,679	2,522,200	0.14%	111.00
2006	23,906	1,984,025,824	9,206,435	0.46%	385.11
2007	24,877	2,117,071,586	8,061,102	0.38%	324.04
2008	25,753	2,273,823,184	7,196,268	0.32%	279.43
2009	26,341	2,941,291,561	6,469,606	0.22%	245.61
2010	26,523	3,002,972,949	5,786,995	0.19%	218.19
2011	25,891	2,981,303,353	14,719,390	0.49%	568.51
2012	25,999	3,004,964,357	13,986,982	0.47%	537.98
2013	26,124	3,012,517,567	13,034,207	0.43%	498.94

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

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

Table 14

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Debt Limit	\$ 140,768	\$ 148,588	\$ 158,722	\$ 169,366	\$ 181,906	\$ 235,303	\$ 240,238	\$ 238,504	\$ 240,397	\$ 241,001
Total net debt applicable to limit	<u>3,829</u>	<u>2,918</u>	<u>9,206</u>	<u>8,061</u>	<u>7,196</u>	<u>6,470</u>	<u>5,787</u>	<u>14,719</u>	<u>13,987</u>	<u>13,034</u>
Legal debt margin	<u>\$ 136,939</u>	<u>\$ 145,670</u>	<u>\$ 149,516</u>	<u>\$ 161,305</u>	<u>\$ 174,710</u>	<u>\$ 228,833</u>	<u>\$ 234,451</u>	<u>\$ 223,785</u>	<u>\$ 226,410</u>	<u>\$ 227,967</u>
Total net debt applicable to the limit as a percentage of debt limit										

Legal Debt Margin Calculation for Fiscal Year 2013

Assessed Value	\$ 3,012,517,567
Debt Limit (8% of total assessed value)	241,001,405
Debt applicable to limit:	
Outstanding General Bonded Debt	\$ 5,988,387
Installment Purchase	<u>7,045,820</u>
Subtotal	13,034,207
Authorized and unissued debt	<u>35,716,000</u>
Total Gross Debt	48,750,207
Less: Statutory deductions	
Authorized and unissued debt	<u>35,716,000</u>
Total amount of debt applicable to debt limit	13,034,207
Legal debt margin	<u>\$ 227,967,198</u>

Town of Garner, North Carolina

Demographic Statistics Last Ten Fiscal Years (Unaudited)

Table 15

Fiscal Year	Population ⁽¹⁾	Per Capita Personal Income ⁽²⁾	Unemployment Rate ⁽³⁾	Personal Income (Thousands of Dollars) ⁽⁴⁾
2004	21,376	\$ 35,515	4.7%	\$ 759,169
2005	22,722	35,864	4.4%	814,902
2006	23,906	31,724	3.6%	758,394
2007	24,877	36,635	3.4%	911,369
2008	25,753	37,389	4.8%	962,879
2009	26,341	30,863	8.8%	812,962
2010	26,523	31,021	8.2%	822,770
2011	25,891	31,178	8.4%	807,230
2012	25,999	Not Available	7.8%	810,597
2013	26,124	Not Available	7.3%	814,494

(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. Rates are for Wake County, separate data for the Town not available.

(4) 2012 and 2011 personal income amounts are calculated using 2010 personal income.

Town of Garner, North Carolina
Principal Employers ⁽¹⁾
Fiscal Year 2013 and Seven-Year Comparison
(Unaudited)

Table 16

Employer	2013			2006 ⁽²⁾		
	Employees	Rank	Percentage of Total Town Employment ⁽³⁾	Employees	Rank	Percentage of Total Town Employment
Wake County Public Schools	869	1	6.8%	604	2	4.9%
Food Lion	360	2	2.8%			
Wal-Mart	350	3	2.7%	188	5	1.5%
Pergo, Inc.	284	4	2.2%	154	8	1.3%
Golden State Foods	265	5	2.1%			
F&D Huebner, LLC	258	6	2.0%			
Target	251	7	2.0%	205	4	1.7%
Strategic Behavioral Health	206	8	1.6%			
Kroger	200	9	1.6%			
Lowe's Foods	160	10	1.3%			
Con Agra Foods				705	1	5.7%
News & Observer				207	3	1.7%
Town of Garner				164	6	1.3%
K-Mart Corporation				160	7	1.3%
Lowe's Home Improvement				150	9	1.2%
Hamlin Company				75	10	0.6%
Totals	<u>3,203</u>		<u>25.1%</u>	<u>2,612</u>		<u>21.2%</u>

(1) Data from the Greater Raleigh Chamber of Commerce.

(2) First year of data available.

(3) 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	Value
2004	\$ 1,759,599,057	808	\$ 62,758,376
2005	1,857,344,679	1004	87,395,619
2006	1,984,025,824	1025	123,062,464
2007	2,117,071,586	1104	189,073,566
2008	2,273,823,184	975	93,456,119
2009	2,941,291,561	804	37,758,767
2010	3,002,972,949	889	14,475,118
2011	2,981,303,353	875	18,816,144
2012	3,004,964,357	1023	38,680,248
2013	3,012,517,567	833	34,770,509

(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

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Government	33	33	35	43	43	44	43	40	41	36
Public Safety	69	66	71	77	78	76	77	75	73	83
Streets and Transportation	18	18	16	14	16	16	13	11	10	18
Cultural & Recreation	22	24	25	21	21	23	25	22	23	24
Total	<u>142</u>	<u>141</u>	<u>147</u>	<u>155</u>	<u>158</u>	<u>159</u>	<u>158</u>	<u>148</u>	<u>147</u>	<u>161</u>

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

Table 19

Function	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Community Development Services										
Inspections:										
Permits issued (all trade types)	884	884	884	1,105	1,105	780	889	875	876	833
Building inspections conducted	8,750	8,750	8,750	11,697	11,697	8,100	4,053	4,584	3,519	3,856
Public Works										
Miles of streets maintained	83	83	93	94	96	98	98	98	99	99
Traffic control signs repaired/replaced	67	131	212	65	529	174	223	411	210	240
Town parks maintained	11	11	11	11	11	12	12	12	12	12
Town athletic fields/courts maintained	30	30	30	30	30	33	30	30	30	30
Town building/grounds maintained	6	6	40	40	40	42	42	42	44	44
Police										
Calls for service	17,716	21,801	24,794	24,003	29,491	30,595	29,681	27,518	27,272	31,959
Accidents investigated	1,090	1,166	1,360	1,105	1,236	1,240	1,127	1,073	1,125	873
Arrests	2,325	2,104	1,800	1,695	1,511	1,420	1,288	936	826	1,062
Fire/Rescue ⁽¹⁾										
Fire call answered	1,522	1,521	1,522	1,522	1,522	1,522	4,307	4,733	4,737	4,743
EMS calls answered	3,860	3,948	3,860	3,860	3,860	3,860	Not Available	Not Available	Not Available	Not Available
Patients transported	1,944	1,944	Not Available							
Solid Waste										
Rollout containers in use	7,098	7,274	7,348	8,203	8,455	8,547	8,543	8,595	8,700	8,802
% of solid waste stream reduction reported to the state	40%	40%	40%	40%	40%	40%	40%	40%	40%	40%
Spring and fall cleanups - tons collected	1,694	890	456	308	363	390	390	400	360	320
Leisure Services										
Parks & Recreation program registrations	1,300	1,878	1,878	1,878	1,878	1,750	1,878	1,750	3,220	4,512
Picnic shelter reservations	300	289	289	289	289	410	289	410	475	652
Auditorium event attendance	18,484	17,450	17,450	16,663	16,663	20,000	27,353	30,000	30,000	37,642
Independence day attendance	12,000	12,000	12,000	12,500	15,000	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
 Capital Asset by Function
 Last Ten Fiscal Years
 (Unaudited)

Table 20

Function	Fiscal Year										
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Public Safety											
Police stations	3	3	3	3	3	3	3	2	2	3	3
Patrol and investigative units	2	2	2	2	2	2	2	2	2	3	3
K-9 Units	3	5	5	5	3	3	2	3	4	4	4
Fire stations	3	3	3	3	3	3	3	3	3	4	4
Fire apparatus	Not Available	14	14	15							
Highways and Streets											
Streets (miles)	81.45	82.66	86.99	92.96	94.06	96.26	97.24	97.67	99.07	99.07	99.07
Sidewalks (feet)	56,285	57,085	74,759	93,964	93,954	109,004	124,044	131,644	274,967	277,207	309,921
Leisure Services											
Number of major parks	10	11	11	12	12	12	13	13	13	13	13
Total park acreage	236	254	254	268	268	268	350	350	350	350	350
Baseball fields	7	7	7	7	7	7	7	7	7	7	7
Tennis courts	6	6	6	6	6	6	6	6	6	6	6
Basketball courts	2	2	2	2	2	2	2	2	2	2	2

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COMPLIANCE SECTION

**Report of Independent Auditor 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***

Honorable Mayor and Town Council
Town of Garner, North Carolina
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 the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, 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, 2013, and the related notes to the financial statements, which collectively comprises the Town's basic financial statements, and have issued our report thereon dated October 14, 2013.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town'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 Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Cherry Point LLP

Raleigh, North Carolina
October 14, 2013

**Report of Independent Auditor on Compliance With Requirements
Applicable to Each Major State Program and Internal Control Over Compliance in
Accordance With Applicable Sections of OMB Circular A-133 and the
State Single Audit Implementation Act**

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

Report on Compliance for Each Major State Program

We have audited the Town of Garner, North Carolina (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, 2013. The Town's major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

Auditors' 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; applicable sections of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, 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, 2013.

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 OMB Circular A-133, 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 material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2013-01 that we consider to be significant deficiencies.

The Town's response to the internal control over compliance 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 compliance and, accordingly, we express no opinion on the response.

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Cherry Rickett LLP

Raleigh, North Carolina
October 14, 2013

TOWN OF GARNER

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2013

Schedule 7

I – Summary of Auditor’s Results

Financial Statements

Type of Auditor’s Report Issued: **Unmodified**

Internal control over Financial Reporting:

- Material weakness(es) identified? _____ yes no
- Significant Deficiency(ies) identified that are not considered to be material weaknesses? _____ yes none reported

Noncompliance material to financial statements noted? _____ yes no

State Awards

Internal control over major State programs:

- Material weakness(es) identified? _____ yes no
- Significant Deficiency(ies) identified that are not considered to be material weaknesses? yes _____

Noncompliance material to State awards? _____ yes no

Type of auditor’s report issued on compliance and other matters for major State programs: **Unmodified**

Any audit findings disclosed that are required to be reported in accordance with the *Audit Manual for Governmental Auditors in North Carolina*? _____ yes no

Identification of major State program:

Names of State Program or Cluster

Non-State System Street Aid Allocation (Powell Bill)

II – Financial Statement Findings

None reported.

III – State Awards Findings and Questioned Costs

N.C. Department of Transportation Financial Management Division
Program Name: Non-State Street-Aid Allocation (Powell Bill)

Significant Deficiency- Activities Allowed/Allowable Cost Finding 2013-01

Criteria or specific requirement: Powell Bill expenditures shall be expended by cities and towns only for the purpose of maintaining, repairing, constructing, reconstructing, or widening of any street or public thoroughfare.

Condition: One expenditure was incorrectly recorded.

Questioned costs: \$5,612 One expenditure was incorrectly charged to the Powell Bill program in the amount of \$5,615 when the actual expenditure was \$2.95.

Context: The audit tested 40 Powell Bill expenditures.

Effect: The Powell Bill Expenditure report was overstated.

Cause: Employee oversight during journal entry process to move expenditures to the Powell Bill account.

Recommendation: The Town of Garner should improve the journal entry review process for Powell Bill expenditures to verify all expenditures are correctly recorded.

Views of responsible officials: With limited staffing, the time cost of reviewing every journal entry outweighs the benefit of preventing every oversight that could be possible in the journal entry process. However, with a change in management and additional staffing through the hiring of a budget and special projects manager will allow new management procedures.

Corrective Action Plan: The Finance Director will review all non-payroll transactions involving Powell Bill accounts.

TOWN OF GARNER, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2013

Schedule 8

<u>Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Federal (Direct and Pass-through) Expenditures</u>	<u>State Expenditures</u>	<u>Local Expenditures</u>
Federal Grants					
<u>U.S. Department of Justice:</u>					
Federal Asset Forfeiture	16.592		\$ 17,415	\$ -	\$ -
Recovery Act Ed Byrne Justice Assistance Grant	16.804	2010-DJ-BX-0279	6,393	-	-
Safe Streets Task Force			20,320	-	-
COPS Hiring Grant		2009-RX-WX-0585	50,168	-	-
Bullet Proof Vest Program	16.607		4,606	-	-
Build America Bonds Interest			86,712	-	-
Total Federal Grants			185,614	-	-
State Grants					
<u>N.C. Department of Transportation:</u>					
Non-State System Street-Aid Allocation		9.90000	-	620,002	-
Surface Transportation Program			-	70,865	-
GHSP Traffic Safety Coordinator Grant		PT-2012-03-03-02	-	3,061	-
GHSP Traffic Officer Grant		PT-2012-03-04-08	-	31,302	-
<u>N.C. Department of Public Safety</u>					
Governor's Crime Commission		PT-2012-03-04-54	-	47,578	-
<u>N.C. Department of Revenue</u>					
Control Substance Tax			-	9,299	-
<u>N.C. Department of Environment and Natural Resources:</u>					
Recreation Trails			-	75,000	-
<u>N.C. Department of Health and Human Services:</u>					
Senior Center Development Grant			-	11,753	-
			-	-	-
Total State Grants			-	868,860	-
Total Federal and State Expenditures			\$ 185,614	\$ 868,860	\$ -

Note: The accompanying schedule of expenditures of Federal and State awards includes the Federal and State grant activity of the Town of Garner and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and the State Single Audit Implementation Act. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

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