



*Town of Garner, North Carolina*

# Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2015



# 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 350 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	Male - 47.5%
1980 - 10,073	Female - 52.5%
1990 - 14,716	White - 57.8%
2000 - 17,787	Non-white - 42.2%
2010 - 25,745	
2015 - 27,060	

### Land Area

15.22 square miles

### Employment Data

Total Employment - 15,191
Total Unemployment - 737
Civilian Labor Force - 14,454
Unemployment Rate - 4.9%

## Economics

### Major Employers (based on the number of employees)

Wake County Public School System  
Food Lion  
Walmart Supercenter  
Pergo  
Cabelas  
Golden State Foods  
F&D Huebner, LLC (McDonald's)  
Target  
Strategic Behavioral Health  
Kroger

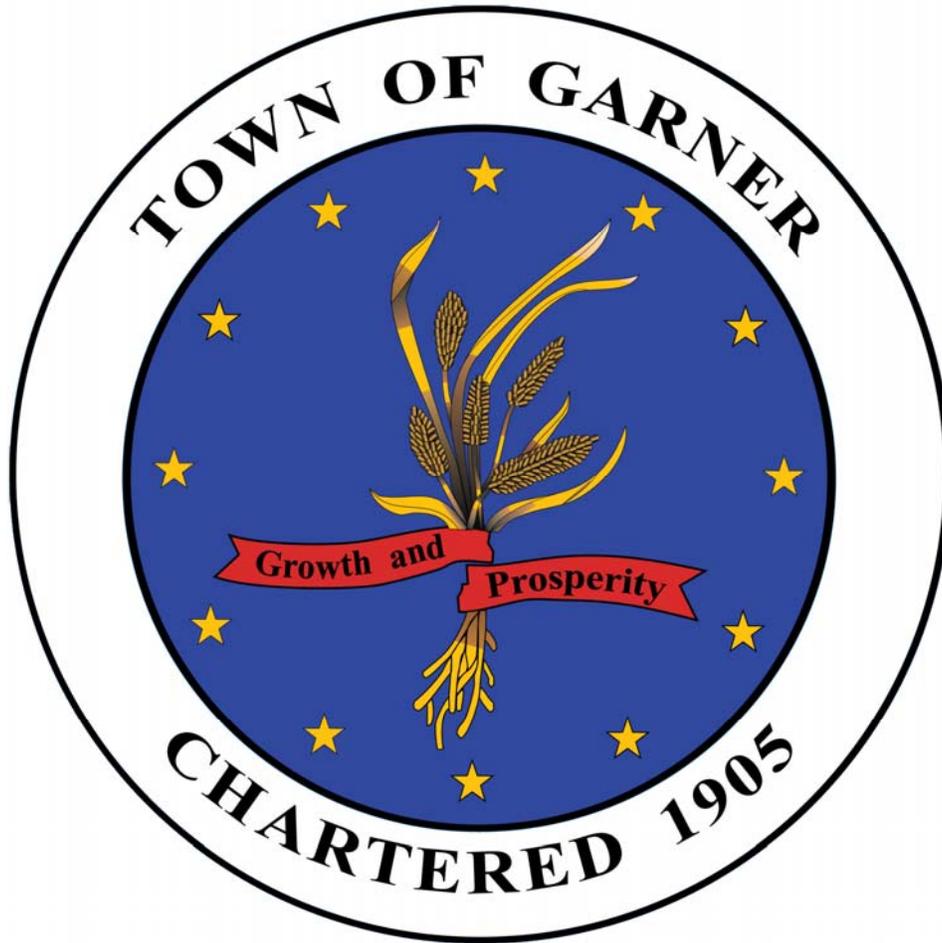
## Climate

### Average Daily Temperature

January	39°F	April	59°F
July	78°F	October	60°F



# TOWN OF GARNER NORTH CAROLINA



## COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

PREPARED BY:  
THE FINANCE DEPARTMENT

This page intentionally left blank.

# Town of Garner, North Carolina

## Table of Contents

<b>INTRODUCTORY SECTION</b>		<b>PAGE</b>
Letter of Transmittal		1
List of Principal Officials		6
Organizational Chart		7
GFOA Certificate of Achievement		8
 <b>FINANCIAL SECTION</b>		
Report of Independent Auditor		9
Management's Discussion and Analysis		12
 <b>BASIC FINANCIAL STATEMENTS</b>	 <b>EXHIBIT</b>	
 <b>Government-Wide Financial Statements</b>		
Statement of Net Position	1	22
Statement of Activities	2	23
 <b>Fund Financial Statements</b>		
<i>Governmental Fund Financial Statements</i>		
Balance Sheet - Governmental Funds	3	24
Reconciliation of the Balance Sheet to the Statement of Net Position	4	25
Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds	5	26
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	6	27
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	7	28
 <i>Fiduciary Fund Financial Statements</i>		
Statement of Net Position - Fiduciary Fund	8	29
 <b>Notes to the Financial Statements</b>		30

## Required Supplementary Information

<i>Law Enforcement Officers Special Separation Allowance</i>		
Schedule of Funding Progress and Employer Contributions	A-1	58
<i>Retirement Health Care Plan</i>		
Schedule of Funding Progress and Employer Contributions	A-2	59
<i>Local Government Employees Retirement System (LGERS)</i>		
Proportionate Share of Net Pension Liability (Assets)	A-3	60
Contributions	A-4	61

## INDIVIDUAL FUND STATEMENTS & SCHEDULES

## SCHEDULE

<i>General Fund</i>		
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	1	64
<i>Capital Projects Fund</i>		
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	2	72
<i>Agency Fund</i>		
Statement of Changes in Fiduciary Assets and Liabilities	3	74
<i>Supplemental Financial Data</i>		
Schedule of Ad Valorem Taxes Receivable	4	76
Analysis of Current Tax Levy	5	77
Detailed Analysis of Current Tax Levy	6	78

## STATISTICAL SECTION

## TABLE

Governmental Net Position	1	80
Changes in Governmental Net Position	2	81
Fund Balances of Governmental Funds	3	83
Changes in Fund Balances of Governmental Funds	4	84
General Governmental Revenues by Source	5	86
General Governmental Expenditures by Function	6	87
Assessed Value of Taxable Property	7	88
Property Tax Rates - Direct and Overlapping Governments	8	89
Principal Property Tax Payers	9	90
Property Tax Levies and Collections	10	91
Ratio of Outstanding Debt	11	92
Computation of Direct and Overlapping Debt	12	93
Ratio of Net General Bonded Debt	13	94
Computation of Legal Debt Margin	14	95

**STATISTICAL SECTION (Continued)****TABLE**

Demographic Statistics	15	96
Principal Employers	16	97
Property Value and Construction	17	98
Full-time Town Employees by Function	18	99
Operating Indicators by Function	19	100
Capital Assets by Function	20	101

**COMPLIANCE SECTION****SCHEDULE**

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards		103
Report on Compliance for each Major Federal Program: Report on Internal Control Over Compliance in Accordance with OMB Circular A-133 and the State Single Audit Implementation Act		105
Report on Compliance for each Major State Program; Report on Internal Control Over Compliance in Accordance with OMB Circular A-133 and the State Single Audit Implementation Act		107
Schedule of Findings, Responses, and Questioned Costs	7	109
Summary Schedule of Prior Year Findings	8	111
Schedule of Expenditures of Federal and State Awards	9	112

This page intentionally left blank.



## **INTRODUCTORY SECTION**





# Town of Garner

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



October 16, 2015

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, 2015. This report includes financial statements and supplemental schedules audited by Martin Starnes & Associates, CPAs, P.A., the independent certified public accountants selected by the Town Council. The financial section of this document includes the auditor's report conveying their unmodified opinion regarding the accuracy of the basic financial statements. 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 central North Carolina. It is adjacent to Raleigh, the State capital, which forms one point of an area of the State known as the Triangle. The other points are Durham and Chapel Hill. Located within the Triangle is the Research Triangle Park, nationally recognized for industrial, governmental and scientific research. The Town's location, within easy commuting distance of all areas of the Triangle, offers widely diversified employment opportunities for its residents. Its proximity to these employment centers has encouraged the Town's steady growth over the years, primarily as a comfortable residential community with close proximity to Raleigh.

Industrial and economic development within the Town increased during the fiscal year. Construction permits issued during Fiscal Year 2014-15 totaled 311, representing an increase of 6.5% from the previous year. Construction activity represented both new construction and expansion of existing facilities. The Town expects construction growth to continue during the next fiscal year. The Town's unemployment rate at June 30, 2015 was 4.8% compared with 5.0% at June 30, 2014.

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 has established itself as the Gateway to the Triangle.

Continued retail growth, meeting new bond debt commitments, and supporting capital investment all played a major role in the Town's FY 2015-16 budget preparations, which increased 7% from the FY 2014-15 budget. Property taxes are projected to increase 7.2%. This is due to both the increases in real property tax from additions such as Cabela's, Adeline Apartments, Direct Distributors and Burlington Coat Factory as well as a planned increase in the property tax rate of 1.75 cents to offset current and future debt service associated with four bond referendums approved in 2013. Sales and other tax revenues are projected to increase 14.6% over the FY 2014-15 budget, which is a reflection of the growth of Garner as a retail center for neighboring rural counties. Debt service expenditures will increase 23%, due to the general obligations bonds issued in FY 2013-14 and FY 2014-15. Capital outlay expenditures also have increased to continue to complete the backlog of needed equipment and vehicle replacements and the Town Council's commitment to fund street resurfacing on an annual basis. Fund balance of

\$271,044 was appropriated in the budget.

## MAJOR INITIATIVES

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

- The Town continues to work on several projects related to the approved 2013 bond referendums, including a new police station, a new town hall, the Town's first dog park, new sidewalks, and replacement park restrooms, shelters, and dugouts.
- Cabela's, one of the country's largest outdoor retailers, started and completed construction on a 100,000 square foot retail site in Garner. This store is their first location in North Carolina.
- The Town funded a new assistant fire chief for Garner Volunteer Fire & Rescue, Inc., to oversee the department's training and accreditation programs.
- The Garner Public Works Departments earned accreditation from the American Public Works Association. The Department is the first in North Carolina, and only the 95<sup>th</sup> in the nation, to achieve this status.
- The Town funded new personnel in the Parks, Recreation, and Cultural Resources Department to coordinate expanding programs and services. The Town also funded a new position in the Engineering Department and additional staffing changes in the Inspections Department to assist with the growing number of development requests.
- To facilitate development-related changes, the Town funded Phase I of a two-year planning process to include a new comprehensive plan, revisions of the current transit plan, and creation of a transit overlay district.
- The Town continues to promote its designation as an All-America City awarded in June 2013. Promotional items have been displayed throughout Town, and entrance and roadway signs placed throughout Garner.

## OTHER INFORMATION

**Independent Audit.** State statutes require an annual audit by independent certified public accountants. The Town's Council selected the accounting firm of Martin Starnes & Associates, CPAs, P.A. 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 (CAFR) for the fiscal year ended June 30, 2014. The Certificate of Achievement is a prestigious national award, recognizing conformance with the highest standard for preparation of state and local government financial reports.

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

A Certificate of Achievement for a CAFR is valid for a period of one year only. The Town of Garner has received a Certificate of Achievement for the CAFR for the last 24 consecutive years. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA for consideration once again.

The GFOA awarded a Certificate of Achievement in Popular Annual Financial Reporting to the Town for its popular annual financial report (PAFR) for the fiscal year ended June 30, 2014. The Certificate of Achievement is a prestigious national award, recognizing a local government's ability to extract information from their CAFR into a report designed to be readily accessible and easily understandable to the general public and other interested parties without a background in public finance.

A Certificate of Achievement for a PAFR is valid for a period of one year only. This is the first year the Town has submitted a PAFR to the GFOA awards program. We believe our current report will continue to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA for consideration once again.

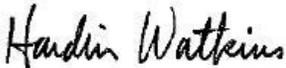
The GFOA also presented a Distinguished Budget Presentation Award to the Town of Garner for its annual budget for the fiscal year beginning July 1, 2014. In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan, and as a communications device. The award is valid for a period of one year only. The Town has received a Distinguished Budget Award for 18 years. We believe our current budget continues to conform to program requirements, and we are submitting it to GFOA to determine its eligibility for another award.

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

#### CONCLUSION

The Town's management team stands ready to review this document with the Council and public in the coming weeks. We hope a thorough understanding of the Town's financial activities for FY 2014-15 will allow us to make FY 2015-16 an even more productive year for the Town of Garner.

Respectfully submitted,



F. Hardin Watkins  
Town Manager



Emily Lucas, CPA  
Finance Director

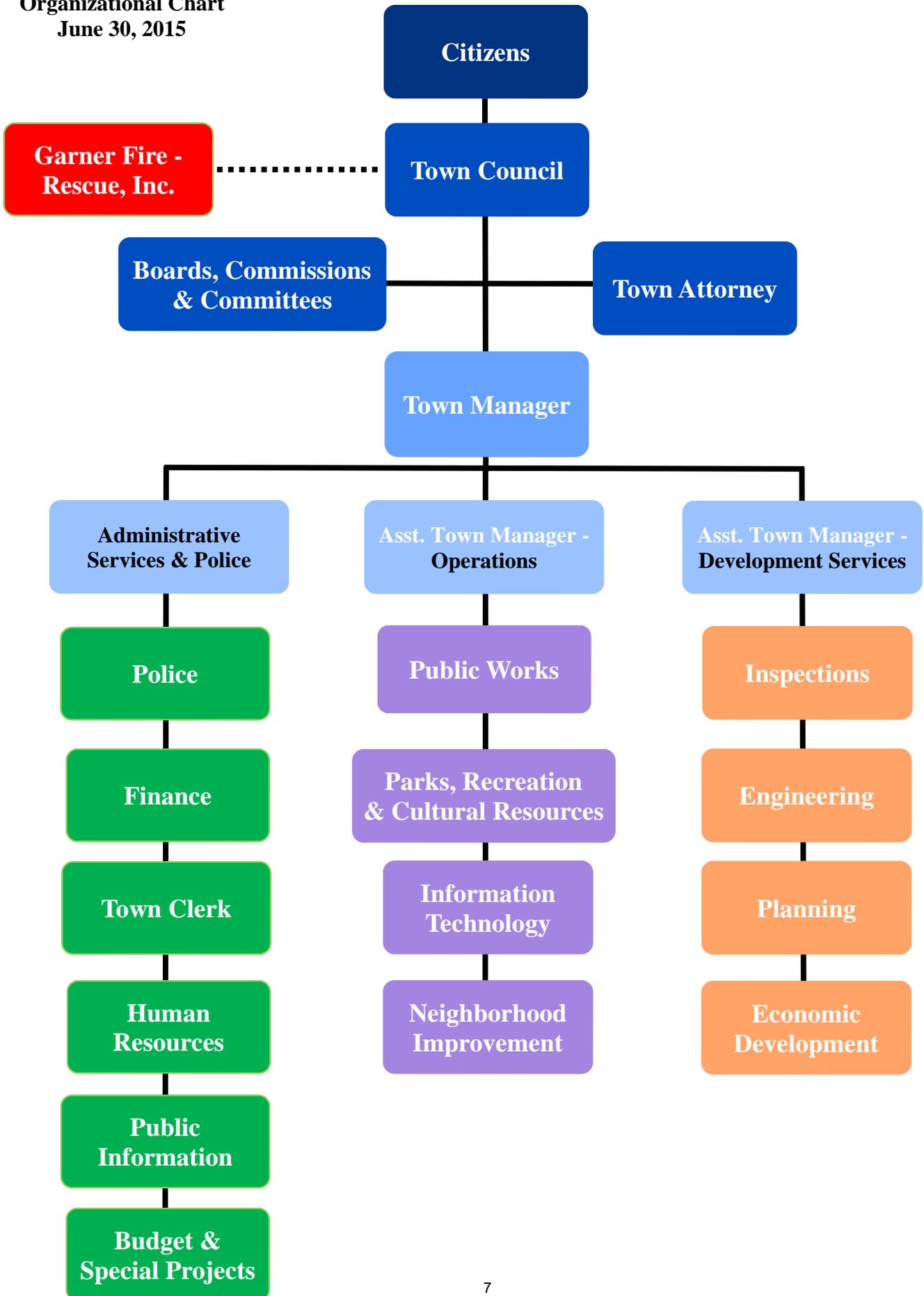
**Town of Garner, North Carolina**

**List of Principal Officials**

**June 30, 2015**

<b>Title</b>	<b>Name</b>
Mayor	Ronnie S. Williams
Mayor Pro Tem	Ken Marshburn
Council Member	Kathy Behringer
Council Member	Jackie Johns, Sr.
Council Member	Arthur "Buck" Kennedy
Council Member	J. Graham "Gra" Singleton, Jr.
Attorney	William E. Anderson, McDaniel & Anderson, LLP
Town Manager	F. Hardin Watkins
Assistant Town Manager – Operations	Rodney Dickerson
Assistant Town Manager – Development Services	John Hodges
Planning Director	Michael B. Bass
Town Clerk	Judith Bass
Inspections Director	Tony Beasley
Neighborhood Improvement Manager	Reginald Buie
Town Engineer	Anthony Chalk
Public Works Director	Paul E. Cox
Budget & Special Projects Manager	Michael Gammon
Downtown Development Manager	Mari Howe
IT Director	Bret Kelly
Finance Director	Emily Lucas
Communications Manager	Rick Mercier
Human Resources Director	B.D. Sechler
Parks, Recreation & Cultural Resources Director	Sonya Shaw
Economic Development Director	Joseph Stallings
Police Chief	Brandon Zuidema

Town of Garner, North Carolina  
Organizational Chart  
June 30, 2015





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, 2014**

Executive Director/CEO



## **FINANCIAL SECTION**



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

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

## **Independent Auditor's Report**

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

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Garner, North Carolina as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town of Garner's basic financial statements as listed in the table of contents.

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

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

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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control

Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Garner, North Carolina as of June 30, 2015, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Law Enforcement Officers' Special Separation Allowance, the Other Post-Employment Benefits' Schedules of Funding Progress and Employer Contributions, and the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Asset and Contributions 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, economical, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Supplementary and Other Information***

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

The individual fund financial statements, budgetary schedules, other schedules, supplemental ad valorem tax schedules, and the Schedule of Expenditures of Federal and State Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other

records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the individual fund financial statements, budgetary schedules, other schedules, supplemental ad valorem tax 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 information and the statistical sections have not been subjected to the auditing procedures applied in the audit of basic financial statements, and accordingly, we do not express an opinion or provide assurance on them.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 16, 2015 on our consideration of the Town of Garner's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of the report is 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 the Town of Garner's internal control over financial reporting and compliance.

*Martin Starnes & Associates, CPAs, P.A.*

Martin Starnes & Associates, CPAs, P.A.  
Hickory, NC  
October 16, 2015

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

### **Management Discussion and Analysis**

As management of the Town of Garner (the “Town”) we offer readers of the Town’s financial statements this overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2015. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the financial statements, which follow this narrative.

#### **Financial Highlights**

- The assets of the Town exceeded its liabilities at the close of the fiscal year by \$85.69 million (net position). Of this amount \$16.98 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 \$47.7 million, or an increase of \$12.6 million.
- As of the close of the fiscal year, the Town’s unassigned fund balance for the General Fund was \$16.4 million, or 64.9% 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 increased by \$13.7 million during the fiscal year, as the Town issued its second set of general obligation bonds associated with the approval of the 2013 referendums.
- The Town maintained its bond rating of AA+ with Standard and Poor’s Corporation and remained at Aa2 with Moody’s Investor’s Service.

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

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

#### **Basic Financial Statements**

The first two statements (Exhibits 1 and 2) in the basic financial statements are the Government-wide Financial Statements. They provide both short and long-term information about the Town’s financial status.

The next statements (Exhibits 3 through 8) are Fund Financial Statements. These statements focus on the activities of the individual parts of the Town’s government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; and 3) the fiduciary fund statements.

## Town of Garner, North Carolina

### Management Discussion and Analysis

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

#### Government-wide Financial Statements

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

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

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

The government-wide financial statements are on pages 22-23 of this report.

#### Fund Financial Statements

The fund financial statements provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Garner, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the Town's budget ordinance. All of the funds of Town are classified as governmental funds or agency funds.

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

The Town maintains two individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balance for each of these funds.

## Town of Garner, North Carolina

### Management Discussion and Analysis

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

The basic governmental fund financial statements can be found on pages 24-28 of this report.

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

The agency fund financial statements can be found on page 29 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 30-58 of this report.

**Other Information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Town of Garner's progress in funding its obligation to provide pension benefits to its employees and healthcare benefits for retirees. Required supplementary information can be found on pages 58-61 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 64-78 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 79-101.

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

# Town of Garner, North Carolina

## Management Discussion and Analysis

### Government-wide Financial Analysis

As noted earlier, the Town's net position exceeded liabilities by \$85,689,706 as of June 30, 2015. Approximately 74.6% of the Town's net position reflects the Town's investment in capital assets. The net investment in capital assets category is defined as the Town's investment in Town owned capital assets (e.g. land, buildings, water and sewer capacity rights, vehicles, equipment and infrastructure) less any related debt still outstanding that was issued to acquire those items. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of net position (5.5%) is restricted. This category represents resources that are subject to specific external legal restrictions that limit the Town's ability to access and use these funds beyond the purpose for which they are provided.

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

	Governmental Activities	
	2015	2014
<b>ASSETS</b>		
Current and other assets	\$ 49,441,948	\$ 37,613,402
Capital assets	82,658,687	78,083,497
Total assets	<u>132,100,635</u>	<u>115,696,899</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Contributions to pension plan in current fiscal year	669,335	-
<b>LIABILITIES</b>		
Long-term debt outstanding	40,884,537	25,703,042
Other liabilities	3,833,331	4,339,847
Total liabilities	<u>44,717,868</u>	<u>30,042,889</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Pension deferrals	2,345,473	-
Prepaid taxes	16,923	3,957
Total deferred inflows of resources	<u>2,362,396</u>	<u>3,957</u>
<b>NET POSITION</b>		
Net investment in capital assets	63,979,719	65,505,673
Restricted	4,732,543	4,412,162
Unrestricted	16,977,444	15,732,218
Total net position	<u>\$ 85,689,706</u>	<u>\$ 85,650,053</u>

## Town of Garner, North Carolina

### Management Discussion and Analysis

The Town of Garner implemented GASB Statement 68 this year. With the new reporting change, the Town is allocated its proportionate share of the Local Government Employees' Retirement System's net pension asset, deferred outflows of resources, deferred inflows of resources, and pension expense. A restatement to record the effects of the new reporting guidance decreased beginning net position by \$1,342,331. Decisions regarding the allocations are made by the administrators of the pension plan, not by the Town's management.

The Town's net position increased by \$1.38 million, while unrestricted net position increased by \$1.25 million. The following are some of the items that influenced the change in unrestricted net position:

- Cash (both restricted and unrestricted) increased through issuance of debt that was not fully invested in capital assets at fiscal year-end.
- Current liabilities decreased through decreases in accounts payable at fiscal year-end and reduced deposits on file.

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

	Governmental Activities	
	2015	2014
<b>REVENUES</b>		
Program revenues		
Charges for services	\$ 1,938,800	\$ 3,905,639
Operating grants and contributions	1,054,284	965,124
Capital grants and contributions	1,245,652	1,578,562
General Revenues		
Property taxes	15,439,837	15,426,294
Other taxes	7,855,057	6,699,784
Other	872,653	1,822,663
Total revenues	28,406,283	30,398,066
<b>EXPENSES</b>		
General government	5,483,946	6,766,914
Public Safety	10,746,853	10,216,257
Transportation	4,671,100	4,834,011
Environmental protection	1,768,301	1,736,723
Cultural and recreational	3,597,114	2,951,491
Interest on long-term debt	756,985	637,528
Total expenses	27,024,299	27,142,924
Change in net position	1,381,984	3,255,142
Net position, July 1, as previously stated	85,650,053	82,394,911
Adjustment for pension plan	(1,342,331)	-
Net position, July 1, as restated	84,307,722	82,394,911
Net position, June 30	\$ 85,689,706	\$ 85,650,053

## Town of Garner, North Carolina

### Management Discussion and Analysis

**Governmental Activities.** The Town's net position increased by \$1.38 million during the current fiscal year. Key elements of this increase included:

- Other taxes, specifically sales taxes, increased 8% due to the improved economy of the region and changes in sales tax distribution laws.
- Expenses only increased 3.6% from the prior year due to retirements of tenured employees and lower than anticipated facility maintenance costs.

Total revenues were \$29.5 million. The property tax rate was increased from \$.49 to \$.50 per \$100 of assessed value for fiscal year 2015. This change was anticipated with the passage of four bond referendums in 2013 that have resulted in two issuances of general obligation debt since. The Town received 7.8% of its revenue through either capital or operating grants that fund specific projects and programs. Charges for services, which go directly against expenses, accounted for 6.6% of revenues.

The total cost of all programs and services was \$28.12 million. Cost of public safety programs (building inspections, police and contracted fire services) accounted for 38.6% of expenses, followed by general government expenses at 21.2%. The Town increased expenditures in the transportation function by 7% from the prior fiscal year to invest in new vehicles and equipment; the Town also made investments in park improvements by increasing expenditures 21.9%.

### 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.

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

At June 30, 2015, the Town's governmental funds reported a combined ending fund balance of \$47.7 million, an increase of 35.7% from the previous fiscal year. A majority of the increase is related to the issuance of general obligation bonds within the Capital Projects Fund for capital projects that were not completed as of June 30, 2015. Approximately \$16.4 million (34.4%) constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been assigned to liquidate contracts and purchase orders of the prior period (\$374,041), assigned for other purposes (\$604,824), committed by the governing body for future capital projects (\$5.8 million), or restricted by external parties (\$24.4 million).

The General Fund is the chief operating fund of the Town. As of the close of the fiscal year, the Town's unassigned fund balance for the General Fund was \$16.4 million, or 66.3% of total General Fund expenditures and transfers out for the fiscal year. The governing body of the Town has determined that the Town should maintain unassigned fund balance equal to at least 30% of general fund expenditures in case of unforeseen needs or opportunities, in addition to meeting the cash flow needs of the Town.

## Town of Garner, North Carolina

### Management Discussion and Analysis

**General Fund Budgetary Highlights.** During the fiscal year, the Town revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as federal and State grants; and 3) increases in appropriations that become necessary to maintain services.

There were several reasons the Town revised its budget throughout the year. The Town was awarded several grants (intergovernmental and other revenues) mid-year to complete specific programs and projects. The Town added some temporary staffing mid-year to handle the increased volume of permits and inspections related to development. Overall expenditures were held in check to comply with its budgetary requirements.

The fund balance of the Town's general fund increased \$2.5 million during the current fiscal year. Key factors in this increase are as follows:

- The Town recognized increases in state-shared sales taxes and taxes on electricity, natural gas, and telecommunications due to a change in state laws effective July 1, 2014.
- The Town continues to see growth in commercial and multi-family residential development, resulting in additional permitting and inspection fees.
- The Town recognized a savings in personnel costs due to retirements of long-tenured employees. This turnover in employment also delayed some projects approved for the fiscal year.

**Capital Projects Fund Budgetary Highlights.** Fund balance of the Capital Projects Fund increased \$10 million. This increase was due to the issuance of \$14.67 million in general obligation bonds.

### Debt and Capital Asset Administration

**Long-term Debt.** The Town issued long-term debt during the fiscal year ended June 30, 2015. The Town issued general obligations bonds in the amount of \$14.67 million and entered into a \$534,200 installment loan agreement for the purchase of vehicles. At the end of the fiscal year the Town had total debt outstanding of \$36,134,526. Of this, \$29.76 million is backed by the full faith and credit of the Town; the remainder is secured by interest property, vehicles, or equipment.

The Town's total debt increased by \$13.3 million during the fiscal year.

#### Town of Garner's Long-Term Debt

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
General obligation bonds	\$29,760,000	\$15,525,000
Installment financing agreements	<u>6,374,526</u>	<u>6,900,751</u>
Total	<u>\$36,134,526</u>	<u>\$22,425,751</u>

As mentioned in the financial highlights section of this document, the Town of Garner maintained its Aa2 bond rating from Moody's Investors Service and AA+ rating from Standard and Poor's Financial Services. This bond rating is a clear indication of the sound financial condition of Town. This achievement is a primary factor in keeping interest costs low on the Town's outstanding debt.

## Town of Garner, North Carolina

### Management Discussion and Analysis

North Carolina General Statutes limit the amount of general obligation debt a governmental entity may issue to 8% of the total assessed value of taxable property. The current debt limitation for the Town is \$209.4 million. This is significantly more than the Town's outstanding general obligation debt. The Town had authorized, but unissued bonds in the amount of \$11,241,000 at June 30, 2015.

Additional information on the Town's long-term debt can be found in the notes to the financial statements on pages 54-56 of this report.

**Capital Assets.** The Town's investment in capital assets as of June 30, 2015, amounts to \$81.7 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, intangible assets, improvements, equipment and infrastructure. The total increase in the Town's investment in capital assets for the current year was \$3.6 million.

Major capital asset investments of \$7.7 million during the fiscal year include: construction in progress for a new police facility, roadway improvements, and sidewalk construction (\$6.2 million); land acquisition related to downtown redevelopment (\$538,000); and equipment and vehicle purchases (\$925,000).

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

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Land	\$10,356,033	\$9,817,284
Buildings	6,229,695	6,488,660
Intangible Assets	17,485,081	17,485,081
Improvements	4,486,092	4,136,258
Equipment	1,219,548	933,071
Infrastructure	29,663,537	32,061,052
Construction in Progress	<u>12,268,030</u>	<u>7,162,091</u>
Total	<u>\$81,708,016</u>	<u>\$78,083,497</u>

Additional information on the Town's capital assets can be found on page 42 of the notes to the financial statements of this report.

#### Economic Factors and Next Year's Budget

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

- The unemployment rate for the Town decreased from 6.1% to 5.8% during fiscal year 2015. We anticipate additional decreases with the opening of several retail centers in Town.
- Permits issued in calendar year 2014 increased 33%, resulting in increased taxable value for fiscal year 2016 of over \$83 million.

## Town of Garner, North Carolina

### Management Discussion and Analysis

#### **Budget Highlights for the Fiscal Year Ending June 30, 2016**

**Governmental Activities:** Property taxes (benefiting from the economic growth) are expected to lead the increase in budgeted revenue by 7.2%. This is due to the combination of the increase in the tax base and an increase of the tax rate from \$.50 to \$.5175 per \$100 of assessed value. This increase completes the plan to raise the tax rate associated with the bond projects approved in the 2013 bond referendums.

Sales tax distributions are anticipated to increase another 9%. Wake County and the Triangle region continue to see the benefits of being a retail center for the state, and additional changes in the sales tax laws will see the sales tax rate applied to more services.

The Town anticipates growth of approximately 7.6% in permits and development fees with recent approvals of retail shopping centers, multi-family residential developments, and single-family unit subdivisions.

The City will use these increases in revenues to finance programs currently in place and complete new initiatives set by the Council. Budgeted expenditures in the General Fund are expected to rise approximately 6% to \$28,467,600. The largest increments are in employee compensation, including compensation and benefits adjustments. Initiatives set by the Council included in the approved fiscal year 2016 budget are:

- Phase one of updating the comprehensive, transportation, and transit overlay plans;
- Funding for operations of the Town's new Police Station, set to open in Fall 2015;
- Additional administrative and inspections assistance for development services departments;
- Gateway signage at the southern and eastern entrances of the Town; and
- Additional funding for street resurfacing and patching.

The Town has chosen to appropriate fund balance in the fiscal year 2016 budget. These appropriations of fund balance (totaling \$604,824) will be used to make one-time investments in equipment and infrastructure.

#### **Requests for Information**

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

## **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, 2015**

Exhibit 1

	<b>Primary Government</b>
	<b>Governmental Activities</b>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 25,054,458
Taxes receivable- net	22,117
Special assessments-net	14,270
Accounts receivable-net	3,645,972
Sales tax refund receivable	83,696
Inventories	37,677
Prepaid items	46,582
Restricted cash, cash equivalents and investments	20,537,176
Total current assets	49,441,948
Non-current assets:	
Net pension asset	950,671
Capital assets:	
Capital assets not being depreciated	40,109,144
Capital assets being depreciated-net	41,598,872
Total capital assets	81,708,016
Total non-current assets	82,658,687
Total assets	132,100,635
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Contributions to pension plan in current fiscal year	669,335
<b>LIABILITIES</b>	
Accounts payable and accrued liabilities	1,355,753
Accrued interest payable	353,424
Payroll withholdings payable	110,422
Liabilities paid from restricted assets:	
Deposits	92,980
Unearned revenue	2,470
Current portion of compensated absences	450,000
Current portion of long-term obligations	1,468,282
Total current liabilities	3,833,331
Long-term liabilities:	
Non-current portion of compensated absences	428,259
Police separation allowance	737,084
Other postemployment benefits	3,773,275
Non-current portion of long-term obligations	35,945,919
Total long-term liabilities	40,884,537
Total liabilities	44,717,868
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Pension deferrals	2,345,473
Prepaid taxes	16,923
Total deferred inflows of resources	2,362,396
<b>NET POSITION</b>	
Net investment in capital assets	63,979,719
Restricted for:	
Stabilization by State statute	3,974,251
Streets	662,812
Law enforcement	95,480
Unrestricted	16,977,444
Total net position	\$ 85,689,706

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

**TOWN OF GARNER, NORTH CAROLINA**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2015**

Exhibit 2

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities
<b>Primary government:</b>					
Governmental activities:					
General government	\$ 5,483,946	\$ 775,755	\$ -	\$ 56,839	\$ (4,651,352)
Public safety	10,746,853	686,758	312,602	61,186	(9,686,307)
Transportation	4,671,100	28,254	741,682	1,115,947	(2,785,217)
Environmental protection	1,768,301	28,600	-	-	(1,739,701)
Cultural/recreational	3,597,114	419,433	-	11,680	(3,166,001)
Interest on long-term debt	756,985	-	-	-	(756,985)
Total governmental activities	27,024,299	1,938,800	1,054,284	1,245,652	(22,785,563)
Total primary government	\$ 27,024,299	\$ 1,938,800	\$ 1,054,284	\$ 1,245,652	(22,785,563)
General revenues:					
					15,439,837
					5,284,843
					2,570,214
					13,044
					859,609
Total General Revenues					24,167,547
					1,381,984
Change in net position					1,381,984
Net position - beginning					85,650,053
Prior period adjustment					(1,342,331)
Net position - beginning, restated					84,307,722
Net position - ending					\$ 85,689,706

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

**Town of Garner, North Carolina**  
**Balance Sheet--Governmental Funds**  
**June 30, 2015**

Exhibit 3

	General	Capital Projects	Total Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 21,379,962	\$ 3,674,496	\$ 25,054,458
Restricted cash and cash equivalents	851,272	19,685,904	20,537,176
Taxes receivable (net)	22,117	-	22,117
Assessments receivable (net)	14,270	-	14,270
Accounts receivable (net)	2,386,943	1,259,029	3,645,972
Sales tax refunds receivable	83,696	-	83,696
Inventories	37,677	-	37,677
Prepaid items	46,582	-	46,582
	<u>\$ 24,822,519</u>	<u>\$ 24,619,429</u>	<u>\$ 49,441,948</u>
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	\$ 700,930	\$ 654,823	\$ 1,355,753
Payroll withholdings payable	110,422	-	110,422
Liabilities payable from restricted assets			
Deposits	92,980	-	92,980
Unearned revenues	2,470	-	2,470
	<u>906,802</u>	<u>654,823</u>	<u>1,561,625</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Assessments uncollected	14,270	-	14,270
Property taxes uncollected	22,117	-	22,117
Other receivables	129,458	-	129,458
Prepaid taxes	16,923	-	16,923
	<u>182,768</u>	<u>-</u>	<u>182,768</u>
<b>FUND BALANCES</b>			
Nonspendable			
Inventories	37,677	-	37,677
Prepays	46,582	-	46,582
Restricted			
Stabilization by State statute	2,715,222	1,259,029	3,974,251
Streets	662,812	-	662,812
Law enforcement	95,480	-	95,480
Capital projects	-	19,685,904	19,685,904
Committed			
Capital projects	2,543,261	3,019,673	5,562,934
Other	247,773	-	247,773
Assigned			
Contract liquidation	374,041	-	374,041
Subsequent year expenditure	604,824	-	604,824
Unassigned	16,405,277	-	16,405,277
	<u>23,732,949</u>	<u>23,964,606</u>	<u>47,697,555</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 24,822,519</u>	<u>\$ 24,619,429</u>	<u>\$ 49,441,948</u>

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

**TOWN OF GARNER, NORTH CAROLINA**  
**RECONCILIATION OF THE BALANCE SHEET TO THE**  
**STATEMENT OF NET POSITION FOR THE YEAR ENDED**  
**JUNE 30, 2015**

Exhibit 4

Fund balances- Governmental Funds		\$ 47,697,555
<b>Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1) are different because:</b>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Assets not being depreciated	40,109,144	
Assets being depreciated	41,598,872	81,708,016
Net pension asset		950,671
Contributions to pension plans in the current fiscal year are deferred outflows of resources on the Statement of Net Position		669,335
Liabilities for earned revenues considered deferred inflows of resources in fund statements		165,845
Pension related deferrals		(2,345,473)
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds.		
Compensated absences	(878,259)	
Police separation allowance	(737,084)	
Other post-employment benefits	(3,773,275)	
Long-term obligations	(37,414,201)	
Accrued interest payable	(353,424)	
		(43,156,243)
Net position of governmental activities		\$ 85,689,706

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

**Town of Garner, North Carolina**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Governmental Funds**  
**For the Year Ended June 30, 2015**

Exhibit 5

	General	Capital Projects	Total Governmental Funds
<b>REVENUES</b>			
Ad valorem taxes	\$ 15,469,793	\$ -	\$ 15,469,793
Other taxes and licenses	5,547,552	-	5,547,552
Intergovernmental revenues	3,580,904	1,115,947	4,696,851
Permits and fees	1,816,364	-	1,816,364
Sales and services	490,653	-	490,653
Investment earnings	8,531	6,829	15,360
Other revenues	316,348	125,030	441,378
	<u>27,230,145</u>	<u>1,247,806</u>	<u>28,477,951</u>
<b>EXPENDITURES</b>			
Current			
General government	5,688,444	-	5,688,444
Public safety	10,341,777	-	10,341,777
Transportation	2,350,138	-	2,350,138
Environmental protection	1,768,301	-	1,768,301
Cultural and recreational	2,620,696	-	2,620,696
Capital projects	-	7,184,635	7,184,635
Debt service			
Principal retirement	1,495,425	-	1,495,425
Interest and fees	775,391	-	775,391
	<u>25,040,172</u>	<u>7,184,635</u>	<u>32,224,807</u>
Revenues over (under) expenditures	<u>2,189,973</u>	<u>(5,936,829)</u>	<u>(3,746,856)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Sale of capital assets	39,262	-	39,262
Premium from bonds issued	-	1,061,816	1,061,816
Issuance of debt	534,200	14,670,000	15,204,200
Transfers in	-	250,360	250,360
Transfers out	(250,360)	-	(250,360)
	<u>323,102</u>	<u>15,982,176</u>	<u>16,305,278</u>
Net change in fund balances	<u>2,513,075</u>	<u>10,045,347</u>	<u>12,558,422</u>
<b>FUND BALANCES</b>			
Beginning of year--July 1	<u>21,219,874</u>	<u>13,919,259</u>	<u>35,139,133</u>
End of year--June 30	<u>\$ 23,732,949</u>	<u>\$ 23,964,606</u>	<u>\$ 47,697,555</u>

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

**TOWN OF GARNER, NORTH CAROLINA**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2015**

Exhibit 6

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

Net change in fund balances- total governmental funds \$ 12,558,422

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

Capital outlay	7,666,385	
Depreciation and amortization expense	(3,689,914)	
Net adjustment to reduce fund balance-governmental fund to arrive at net position of governmental activities		3,976,471

The sale of capital assets is reported as revenue in the governmental funds statement without subtracting the net book value of the capital assets sold. (351,952)

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

Accrued interest	(50,152)	
Proceeds from issuance of debt	(15,204,200)	
Premium on bonds issued	(1,061,816)	
Amortization of premium	68,557	
Principal repayments	1,495,425	
Net adjustment to increase the net changes in fund balance-governmental funds to arrive at change in net position of governmental activities		(14,752,186)

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.

Accrued interest receivable		(2,316)
City of Raleigh debt service receivable		(25,000)

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

Taxes and assessments receivable		(33,556)
Other receivables		(10,795)

Contributions to the pension plan in the current year are not included on the Statement of Activities 669,335

Pension expense (52,471)

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.

Other post employment benefits	(499,134)	
Law enforcement separation allowance	(91,811)	
Accrued salaries	(3,023)	
		<u>(593,968)</u>

Change in net position of governmental activities \$ 1,381,984

**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, 2015

Exhibit 7

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Ad valorem taxes	\$ 15,118,239	\$ 15,142,933	\$ 15,469,793	\$ 326,860
Other taxes and licenses	5,104,250	5,225,040	5,547,552	322,512
Intergovernmental revenues	2,709,179	2,802,244	3,580,904	778,660
Permits and fees	1,466,658	1,466,658	1,816,364	349,706
Sales and services	556,335	556,335	490,653	(65,682)
Investment earnings	11,500	11,500	8,531	(2,969)
Other revenues	139,132	289,762	316,348	26,586
<b>Total revenues</b>	<b>25,105,293</b>	<b>25,494,472</b>	<b>27,230,145</b>	<b>1,735,673</b>
<b>EXPENDITURES</b>				
Current				
General government	5,727,356	6,544,878	5,688,444	856,434
Public safety	11,113,410	10,552,478	10,341,777	210,701
Transportation	2,784,152	2,820,938	2,350,138	470,800
Environmental protection	1,825,664	1,824,364	1,768,301	56,063
Cultural and recreational	2,723,210	2,855,209	2,620,696	234,513
Debt service				
Principal retirement	1,487,326	1,493,544	1,495,425	(1,881)
Interest and fees	777,614	771,396	775,391	(3,995)
<b>Total expenditures</b>	<b>26,438,732</b>	<b>26,862,807</b>	<b>25,040,172</b>	<b>1,822,635</b>
Revenues over (under) expenditures	(1,333,439)	(1,368,335)	2,189,973	3,558,308
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale of capital assets	37,000	39,974	39,262	(712)
Proceeds from issuance of debt	534,200	534,200	534,200	-
Transfers out	(159,947)	(410,929)	(250,360)	160,569
Fund balance appropriated	922,186	1,205,090	-	(1,205,090)
<b>Total other financing sources (uses)</b>	<b>1,333,439</b>	<b>1,368,335</b>	<b>323,102</b>	<b>(1,045,233)</b>
Net change in fund balance	\$ -	\$ -	2,513,075	\$ 2,513,075
<b>FUND BALANCES</b>				
Beginning of year--July 1			21,219,874	
End of year--June 30			\$ 23,732,949	

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

**Town of Garner, North Carolina**  
**Statement of Fiduciary Net Position**  
**Fiduciary Fund**  
**June 30, 2015**

Exhibit 8

---

	<u>Water &amp; Sewer Fees</u> <u>Agency Fund</u>
<b>Assets</b>	
Cash and cash equivalents	<u>\$ 32,590</u>
<b>Liabilities</b>	
Liabilities:	
Due to other governments	<u>32,590</u>
Total liabilities	<u>\$ 32,590</u>

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

# Town of Garner, North Carolina

## Notes to the Financial Statements June 30, 2015

### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

#### A. Reporting Entity

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

#### B. Basis of Presentation

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

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

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

# Town of Garner, North Carolina

## Notes to the Financial Statements

June 30, 2015

**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.

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.

The Town also reports the following fund types:

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

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

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

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences,

# Town of Garner, North Carolina

## Notes to the Financial Statements

June 30, 2015

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.

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

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

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

### D. Budgetary Data

In compliance with the North Carolina Local Government Budget and Fiscal Control Act, the Town adopts balanced budget ordinances for all funds, except the trust and agency fund, which is not budgeted. The amounts shown in the financial statements reflect amounts adopted by the budget ordinances as amended and approved at the close of the day on June 30, 2014. 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

# Town of Garner, North Carolina

## Notes to the Financial Statements

June 30, 2015

a salary line item must be reported to the governing council. The governing council must approve any amendment, which alters the total budget of a department.

### E. Encumbrances

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

	<u>General Fund</u>
Encumbrances	<u>\$374,041</u>

### F. Deposits and Investments

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

State law G.S. 159-30(C) authorizes the Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; and the North Carolina Capital Management Trust (NCCMT).

The Town's investments are reported at fair value as determined by quoted market prices. The securities of the NCCMT 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 public improvement bonds issued by the Town are classified as restricted assets in the capital projects fund because their use is completely restricted to the purpose for which the bonds were originally issued. Asset forfeitures funds and funds received as a distribution of the NC Controlled substance tax are restricted for law enforcement purposes. Powell Bill funds also are classified as restricted cash because they can be expended only for the purposes of maintaining,

# Town of Garner, North Carolina

## Notes to the Financial Statements

June 30, 2015

repairing, constructing, or widening of local streets per G.S. 136-41.1 through 136-41.4.

Governmental Activities		
General Fund	Streets	\$662,812
	Law enforcement	95,480
	Deposits	92,980
Capital Projects Fund	Unexpended bond proceeds	<u>19,685,904</u>
Total governmental activities		<u>\$20,537,176</u>

### H. Receivables and Payables

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

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

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

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

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

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

### I. Allowances for Doubtful Accounts

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

### J. Inventories and Prepaid Items

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

# Town of Garner, North Carolina

## Notes to the Financial Statements June 30, 2015

current assets.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements and 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 \$10,000 and an estimated useful life of more than two years. Infrastructure assets include all assets over the capitalization threshold of \$150,000 for streets and \$10,000 for sidewalks that have been acquired since July 1, 1980. Intangible assets include all assets over the capitalization threshold of \$100,000. Intangible assets have an indefinite life; therefore, they are not amortized. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

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

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

### L. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, Deferred Outflows of Resources, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town currently has one item that meets this criterion, contributions made to the pension plan in the current year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, Deferred Inflows of Resources, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has several items that meet the criterion for this category-prepaid taxes and deferrals of pension expense that result from the implementation of GASB Statement 68.

### M. Compensated Absences

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

# Town of Garner, North Carolina

## Notes to the Financial Statements

June 30, 2015

fiscal year has been designated as a current liability in the government-wide financial statements.

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

### N. Long-Term Debt

In the government-wide financial statements, 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 Balances

#### Net Position

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

#### Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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

*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.

# Town of Garner, North Carolina

## Notes to the Financial Statements June 30, 2015

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

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

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

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

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

Restricted net position on Exhibit 1 varies from restricted fund balance on Exhibit 3 by the amount of unspent debt proceeds of \$19,685,904 as of June 30, 2015.

Restricted fund balance at June 30, 2015 is as follows:

Purpose	General Fund	Capital Projects Fund	Total
Stabilization by State statute	\$ 2,715,222	\$ 1,259,029	\$ 3,974,251
Streets	662,812	-	662,812
Law enforcement	95,480	-	95,480
Capital projects	-	19,685,904	19,685,904
	<u>\$ 3,473,514</u>	<u>\$ 20,944,933</u>	<u>\$ 24,418,447</u>

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

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

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

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

## Town of Garner, North Carolina

### Notes to the Financial Statements

June 30, 2015

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

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

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

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

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

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

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

Committed fund balance at June 30, 2015 is as follows:

Purpose	General Fund	Capital Projects Fund	Total
<b>Capital Projects</b>			
Park improvements	\$ 384,868	\$ -	\$ 384,868
Storm water facilities	379,343	-	379,343
Lake Benson Park	50,555	-	50,555
Park equipment	37,979	-	37,979
Community Center	56,389	2,520,499	2,576,888
Water and sewer capacity	1,553,869	-	1,553,869
Greenways	80,258	80,700	160,958
Roadway improvements	-	418,474	418,474
<b>Other</b>			
Veteran's Memorial	55,048	-	55,048
Storm water facilities	4,204	-	4,204
Insurance	25,600	-	25,600
Public safety	162,921	-	162,921
<b>Total</b>	<b>\$ 2,791,034</b>	<b>\$ 3,019,673</b>	<b>\$ 5,810,707</b>

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

# Town of Garner, North Carolina

## Notes to the Financial Statements June 30, 2015

*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.

Assigned fund balance at June 30, 2015 is as follows:

Purpose	General Fund
Contract liquidation	\$ 374,041
Subsequent year expenditure	604,824
	<u>\$ 978,865</u>

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.

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

Total General Fund Balance	\$23,732,949
Less:	
Inventories	37,677
Prepays	46,582
Stabilization by State Statute	<u>2,715,222</u>
Available Fund Balance	<u>\$20,933,468</u>

### P. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

# Town of Garner, North Carolina

## Notes to the Financial Statements June 30, 2015

### Q. Pensions

For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental Employees' Retirement System (LGERS) and additions to/deductions from LGERS' fiduciary net position have been determined on the same basis as they are reported by LGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The Town's employer contributions are recognized when due and the Town has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERS. Investments are reported at fair value.

### NOTE 2. DETAILED NOTES ON ALL FUNDS

#### A. Deposits and Investments

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

Under the Dedicated Method, all deposits over the federal depository insurance coverage are collateralized with securities held by the Town's agent in the Town's name.

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

At June 30, 2015, the Town's deposits had a carrying amount of \$707,183 and a bank balance of \$981,585. Of the bank balance, \$250,000 was covered by federal depository insurance, \$296,554 in interest bearing deposits were covered by collateral held under the Pooling Method, and \$435,031 in non-interest bearing deposits were covered by collateral held under the Dedicated Method. At June 30, 2015, the Town had \$3,247 cash on hand.

# Town of Garner, North Carolina

## Notes to the Financial Statements June 30, 2015

At June 30, 2015, the Town had \$31,884,557 with the North Carolina Capital Management Trust's cash portfolio, which carried a credit rating of AAAM by Standard & Poor's.

At June 30, 2015, the Town had \$13,029,237 invested with the North Carolina Capital Management Trust's term portfolio, which is not rated. The current maturity date on the portfolio is .20 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.

*Credit Risk.* State law limits investments in commercial paper to the top rating issued by nationally recognized statistical rating organizations (NRSROs); however, the Town has no formal policy on managing credit risk. As of June 30, 2015 the Town's only investments were with the North Carolina Capital Management Trust's cash and term portfolios. The Term Portfolio is authorized to invest in obligations of the U.S. government and agencies and in high-grade money market instruments as permitted under NC General Statutes 159-30 as amended.

### B. Receivables

#### Allowances for Doubtful Accounts

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

	June 30, 2015
General Fund	
Taxes Receivable	\$248,583
Special Assessments	<u>14,597</u>
Total	<u>\$263,180</u>

# Town of Garner, North Carolina

## Notes to the Financial Statements June 30, 2015

### C. Capital Assets

Capital asset activity for the year ended June 30, 2015, was as follows:

	<b>Balance June 30, 2014</b>	<b>Increases</b>	<b>Retirements</b>	<b>Transfers</b>	<b>Balance June 30, 2015</b>
<b>Governmental activities:</b>					
Capital assets not being depreciated:					
Land	\$ 9,817,284	\$ 538,749	\$ -	\$ -	\$ 10,356,033
Construction In progress	7,162,091	6,202,357	-	(1,096,418)	12,268,030
Intangible Assets	17,485,081	-	-	-	17,485,081
 Total capital assets not being depreciated	 34,464,456	 6,741,106	 -	 (1,096,418)	 40,109,144
<b>Capital assets being depreciated:</b>					
Buildings	9,629,851	-	-	-	9,629,851
Improvements	8,725,733	179,654	-	485,173	9,390,560
Equipment	5,680,067	597,256	(365,792)	110,286	6,021,817
Infrastructure	82,726,613	148,369	(351,952)	500,959	83,023,989
 Total capital assets being depreciated	 106,762,264	 925,279	 (717,744)	 1,096,418	 108,066,217
<b>Less accumulated depreciation for:</b>					
Buildings	3,141,191	258,965	-	-	3,400,156
Improvements	4,589,475	314,993	-	-	4,904,468
Equipment	4,746,996	421,065	(365,792)	-	4,802,269
Infrastructure	50,665,561	2,694,891	-	-	53,360,452
 Total accumulated depreciation	 63,143,223	 \$ 3,689,914	 \$ (365,792)	 \$ -	 66,467,345
 Total capital assets being depreciated, net	 43,619,041				 41,598,872
 Governmental activity capital assets, net	 \$ 78,083,497				 \$ 81,708,016

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

General government	\$ 157,813
Public safety	222,838
Transportation	2,784,063
Cultural/recreational	<u>525,200</u>
 Total	 \$ <u>3,689,914</u>

# Town of Garner, North Carolina

## Notes to the Financial Statements June 30, 2015

### Net Investment in Capital Assets

	<u>Governmental Activities</u>
Capital assets	\$81,708,016
Less: long-term debt related to Town assets	37,414,201
Add: unexpended debt proceeds	<u>19,685,904</u>
 Net investment in capital assets	 <u>\$63,979,719</u>

### Commitments – Construction Projects

The government has active construction projects as of June 30, 2015. At year-end, the government's commitments with contractors are as follows:

Purpose	Spent-to-Date	Remaining Commitment
Police and town hall facility	\$2,545,993	\$2,101,615
Roadway improvements	2,529,899	717,281
Park improvements	657,538	246,999
Recreation center	331,419	324,745
Downtown redevelopment	<u>45,410</u>	<u>23,151</u>
 Total	 <u>\$5,520,259</u>	 <u>\$3,413,791</u>

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

### D. Interfund Receivables, Payables, and Transfers

Interfund transfers:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>
General Fund	Capital Projects Fund	\$250,360

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

Payables at June 30, 2015 were as follows:

	Vendors	Other	Total
General	\$ 244,711	\$ 456,219	\$ 700,930
Capital Projects	654,823	-	654,823
Total	<u>\$ 899,534</u>	<u>\$ 456,219</u>	<u>\$ 1,355,753</u>

# Town of Garner, North Carolina

## Notes to the Financial Statements

June 30, 2015

### E. Pension Plan Obligations

#### 1. North Carolina Local Governmental Employees' Retirement System

##### Plan Description

The Town of Garner is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a multiple-employer, cost-sharing defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of North Carolina G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for the LGERS. The report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at [www.osc.nc.gov](http://www.osc.nc.gov).

##### Benefits Provided

LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service. Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

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

# Town of Garner, North Carolina

## Notes to the Financial Statements June 30, 2015

### Contributions

Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town's contractually required contribution rate for the year ended June 30, 2015, was 7.41% of compensation for law enforcement officers and 7.07% for general employees, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town were \$669,335 for the year ended June 30, 2015.

### Refunds of Contributions

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

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

At June 30, 2015, the Town reported an asset of \$950,671 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2014. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2013. The total pension liability was then rolled forward to the measurement date of June 30, 2014 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension asset was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2014, the Town's proportion was 0.16120%, which was a decrease of 0.00400% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the Town recognized pension expense of \$52,471. At June 30, 2015, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 103,877
Net difference between projected and actual earnings on pension plan investments	-	2,213,141
Changes in proportion and differences between Town contributions and proportionate share of contributions	-	28,455
Town contributions subsequent to the measurement date	669,335	-
Total	\$ 669,335	\$ 2,345,473

# Town of Garner, North Carolina

## Notes to the Financial Statements June 30, 2015

\$669,335 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2016. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year ended June 30:**

2016	\$	(586,451)
2017		(586,451)
2018		(586,451)
2019		(586,120)
Total	\$	<u>(2,345,473)</u>

*Actuarial Assumptions.* The total pension liability in the December 31, 2013 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	4.25 to 8.55 percent, including inflation and productivity factor
Investment rate of return	7.25 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2013 valuation were based on the results of an actuarial experience study for the period January 1, 2005 through December 31, 2009.

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

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

## Town of Garner, North Carolina

### Notes to the Financial Statements June 30, 2015

The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2014 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	36.0%	2.5%
Global Equity	40.5%	6.1%
Real Estate	8.0%	5.7%
Alternatives	6.5%	10.5%
Credit	4.5%	6.8%
Inflation Protection	4.5%	3.7%
Total	100%	

The information above is based on 30 year expectations developed with the consulting actuary for the 2013 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.19%. All rates of return and inflation are annualized.

A new asset allocation policy was finalized during the fiscal year ended June 30, 2014 to be effective July 1, 2014. The new asset allocation policy utilizes different asset classes, changes in the structure of certain asset classes, and adopts new benchmarks. Using the asset class categories in the preceding table, the new long-term expected arithmetic real rates of return are: Fixed Income 2.2%, Global Equity 5.8%, Real Estate 5.2%, Alternatives 9.8%, Credit 6.8% and Inflation Protection 3.4%.

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

*Sensitivity of the Town's proportionate share of the net pension asset to changes in the discount rate.* The following presents the Town's proportionate share of the net pension asset calculated using the discount rate of 7.25 percent, as well as what the Town's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25 percent) or one percentage point higher (8.25 percent) than the current rate:

	<u>1% Decrease (6.25%)</u>	<u>Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
Town's proportionate share of the net pension liability (asset)	\$ 3,226,988	\$ (950,671)	\$ (4,468,125)

# Town of Garner, North Carolina

## Notes to the Financial Statements

June 30, 2015

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

### 2. Law Enforcement Officers Special Separation Allowance

#### Plan Description

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

The Separation Allowance covers all full-time law enforcement officers of the Town. At December 31, 2014, 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>63</u>
Total	<u>71</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. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

The Separation Allowance has no assets accumulated in a trust that meets the following criteria which are outlined in GASB Statements 67 and 68:

- contributions to the pension plan and earnings on those contributions are irrevocable
- pension plan assets are dedicated to providing benefits to plan members
- pension plan assets are legally protected from the creditors or employers, non-employer contributing entities, the plan administrator, and plan members.

*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

# Town of Garner, North Carolina

## Notes to the Financial Statements June 30, 2015

contributions made by employees.

The annual required contribution for the current year was determined as part of the December 31, 2013 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) amortization method is level dollar, closed (b) 5.00% investment rate of return, (c) projected salary increases ranging from 4.25% to 7.85% per year, and (d) with a remaining amortization period of 17 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	\$ 277,551
Interest on net pension obligations	32,264
Adjustment to annual required contribution	<u>(54,510)</u>
Annual pension cost	255,305
Contributions made	<u>(163,494)</u>
Increase in net pension obligation	91,811
Net pension obligation beginning of year	<u>645,273</u>
Net pension obligation end of year	<u>\$ 737,084</u>

Fiscal Year <u>Ended</u>	Three-Year Trend Information		Net Pension <u>Obligation</u>
	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	
6/30/13	\$212,100	79.82%	\$606,501
6/30/14	210,114	81.55%	645,273
6/30/15	255,305	64.04%	737,084

### Funding Status and Funding Progress

As of December 31, 2014, 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 \$2,304,735. The covered payroll (annual payroll of active employees covered by the plan) was \$3,956,429, and the ratio of the UAAL to the covered payroll was 58.25%.

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 are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

# Town of Garner, North Carolina

## Notes to the Financial Statements June 30, 2015

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

#### Plan Description

The Town contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the Town. Article 5 of North Carolina G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

#### Funding Policy

Article 12E of North Carolina G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2015 were \$273,480, which consisted of \$202,476 from the Town and \$71,004 from the law enforcement officers.

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

#### Plan Description

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

#### Funding Policy

The adopted plan requires the Town to contribute each month an amount equal to five percent of each non-law enforcement employee's salary working forty hours per week. Participation begins ninety days after employment and all amounts contributed are vested immediately. Also, the employee may make voluntary contributions to the plan. Contributions for the year ended June 30, 2015 were \$372,804, which consisted of \$260,970 from the Town and \$111,834 from the employees.

### F. Post-employment Benefits

#### 1. Healthcare Benefits

#### Plan Description

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

# Town of Garner, North Carolina

## Notes to the Financial Statements June 30, 2015

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

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

A separate report was not issued for the plan.

Membership of the HCB Plan consisted of the following at December 31, 2013, the date of the latest actuarial valuation:

Retirees and dependents receiving benefits	31
Terminated plan members entitled to but not yet receiving benefits	0
Active plan members	<u>160</u>
Total	<u>191</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 7.27% of annual covered payroll. For the current year, the Town contributed \$165,032 or 1.82% 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.

# Town of Garner, North Carolina

## Notes to the Financial Statements

June 30, 2015

### 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	\$ 658,313
Interest on net pension obligations	130,966
Adjustment to annual required contribution	<u>(125,113)</u>
Annual pension cost	664,166
Contributions made	<u>(165,032)</u>
Increase in net pension obligation	499,134
Net pension obligation beginning of year	<u>3,274,141</u>
Net pension obligation end of year	<u>\$3,773,275</u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2015 were as follows:

Trend Information			
Fiscal Year <u>Ended</u>	Annual Pension <u>Cost (APC)</u>	Percentage of <u>APC Contributed</u>	Net Pension <u>Obligation</u>
6/30/13	\$708,630	15.8%	\$2,803,854
6/30/14	663,325	29.1%	3,274,141
6/30/15	664,166	24.8%	3,773,275

### Funded Status and Funding Progress

As of December 31, 2013, the plan was not funded. The actuarial accrued liability for benefits and, thus, the unfunded actuarial accrued liability (UAAL) was \$8,350,095. The covered payroll (annual payroll of active employees covered by the plan) was \$9,054,517, and the ratio of the UAAL to the covered payroll was 92.2%. 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

# Town of Garner, North Carolina

## Notes to the Financial Statements

June 30, 2015

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, 2013 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 7.75% 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, 2013 was 30 years.

### G. Other Employment Benefits

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

For the fiscal year ended June 30, 2015, the Town made contributions to the State for death benefits of \$0. The Town's required contributions for employees not engaged in law enforcement and for law enforcement officers represented 0.00% and 0.00% of covered payroll, respectively.

Due to a surplus in the death benefit, a decision was made by the State to temporarily stop employer contributions to the LGERS Death Benefit Plan beginning July 1, 2012.

A temporary relief period based on the number of years the employer has contributed as of December 31, 2010 was established as follows:

Number of Years Contributing	Years Relief	FY Contributions Resume
10-20	2	2015
20 or more	3	2016

# Town of Garner, North Carolina

## Notes to the Financial Statements

June 30, 2015

The period of reprieve is determined separately for law enforcement officers. The Town will have a three-year reprieve because it has been contributing for more than 20 years. Contributions will resume in the fiscal year beginning July 1, 2015.

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

### H. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in one self-funded risk-financing pool administered by the North Carolina League of Municipalities. Through this pool, the Town obtains workers' compensation coverage up to statutory limits. Stop loss insurance is purchased by the Board of Trustees to protect against large medical claims that exceed certain dollar cost levels. Specific information on the stop loss policies purchased by the Board of Trustees can be obtained by contacting the Risk Management Services Department of the NC League of Municipalities. This pool is audited annually by certified public accountants, and the audited financial statements are available to the Town upon request.

The Town carries commercial insurance for all other risks of loss, including general liability, property coverage, and employee health and accident insurance. The Town obtains general liability, cyber liability, and auto liability coverage of \$1 million per occurrence, and property coverage up to the total insured values of the property policy. The Town also carries \$1 million in excess or umbrella liability. There have been no significant reductions in insurance coverage in the prior year, and settled claims have not exceeded commercial insurance coverage in any of the last three fiscal years.

The Town carries flood insurance for various properties at a coverage level of \$500,000 per structure. Most of the current property making up the Town's jurisdiction has been mapped and designated as "Zone X" area (areas determined to be outside the .2% annual chance and future conditions 1% annual chance); a majority of the streams running through the Town have FEMA flood hazard zones along the lower reaches near Lake Benson and Swift Creek.

In accordance with G.S. 159-29, the City's employees that have access to \$100 or more at any given time of the City's funds are performance bonded through a commercial surety bond. The finance officer and tax collector are each individually bonded for \$500,000 each. The remaining employees that have access to funds are bonded under a blanket bond for \$250,000.

### I. Long-Term Obligations

#### 1. Bonds and Notes Payable

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

# Town of Garner, North Carolina

## Notes to the Financial Statements June 30, 2015

Bonds payable at June 30, 2015 are comprised of the following individual issues:

General obligation bonds:

\$14,670,000 2015 Public improvement bonds due in annual installments of \$565,000 to \$1,710,000 through August 2036; interest varying from 2.0 to 5.0 percent	\$14,670,000
\$6,050,000 2011 Taxable public improvements bonds due in annual installments of \$115,000 to \$450,000 through February 1, 2031; interest varying from 1.05 to 5.25 percent	5,535,000
\$9,805,000 2014 Public improvement bonds due in annual installments of \$250,000 to \$1,000,000 through August 1, 2034; interest varying from 2.0 to 4.0 percent	<u>9,555,000</u>
Total General Obligation Bonds	<u>29,760,000</u>

Promissory notes and installment purchase contracts:

The Town has entered into agreements to finance certain land and equipment purchases. Promissory notes and installment purchase agreements are comprised of the following:

\$3,620,759 installment refunding due in semi-annual installments of \$229,758 to \$258,546 through June 23, 2021; interest at 1.94%	2,905,854
\$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%	2,719,998
\$712,295 installment purchase contract for vehicles due in annual installments of \$181,156 through September 1, 2016; interest at 1.15%	349,998
\$534,200 installment purchase contract for vehicles and equipment due in annual installments of \$135,524 through February 1, 2018; interest at 1.034%	<u>398,676</u>
Total promissory notes and installment purchase contracts	<u>6,374,526</u>
Total long-term debt	<u>\$36,134,526</u>

At June 30, 2015, the Town of Garner had authorized but unissued bonds in the amount of \$11,241,000 and had a legal debt margin of approximately \$209,390,000.

## Town of Garner, North Carolina

### Notes to the Financial Statements June 30, 2015

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

A summary of changes in long-term obligations for the year ended June 30, 2015, net of bond premium:

<u>Type of Debt</u>	<u>June 30, 2014</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2015</u>	<u>Due Within One Year</u>
General obligation bonds	\$15,525,000	\$14,670,000	\$435,000	\$29,760,000	\$425,000
Premium on bonds	286,416	1,061,816	68,557	1,279,675	-
Promissory notes	6,900,751	534,200	1,060,425	6,374,526	1,043,282
Compensated absences	875,236	645,670	642,647	878,259	450,000
Net pension liability	1,991,294	-	1,991,294	-	-
Police separation allowance	645,273	255,305	163,494	737,084	-
Other post-employment benefits	<u>3,274,141</u>	<u>664,166</u>	<u>165,032</u>	<u>3,773,275</u>	<u>-</u>
Total	<u>\$29,498,111</u>	<u>\$17,831,157</u>	<u>\$4,526,449</u>	<u>\$42,802,819</u>	<u>\$1,918,282</u>

The LGERS plan had a net pension asset as of June 30, 2015; however, the plan had a net pension liability at the beginning of the fiscal year.

#### 3. Debt Service Requirements

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

#### Governmental Activities

Fiscal Years	Installment Purchase Agreements and					
	General Obligation Bonds		Promissory Notes		Total Debt Due	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$425,000	\$1,002,645	\$1,043,282	\$160,961	\$1,468,282	\$1,163,606
2017	990,000	1,106,972	1,031,356	139,146	2,021,356	1,246,118
2018	1,000,000	1,062,973	850,385	117,472	1,850,385	1,180,445
2019	1,005,000	1,032,410	706,542	98,038	1,711,542	1,130,447
2020	1,015,000	995,110	696,780	80,185	1,711,780	1,075,294
2021-2025	6,965,000	4,237,883	1,592,850	199,976	8,557,850	4,437,859
2026-2030	8,100,000	2,697,688	453,332	17,181	8,553,332	2,714,869
2031-2035	8,550,000	1,075,812	0	0	8,550,000	1,075,812
2036-2040	1,710,000	26,719	0	0	1,710,000	26,719
Total	<u>\$29,760,000</u>	<u>\$13,238,211</u>	<u>\$6,374,526</u>	<u>\$812,959</u>	<u>\$36,134,526</u>	<u>\$14,051,169</u>

#### J. Deferred Outflows and Inflows of Resources

The Town had a deferred outflow of resources, comprised of contributions to the pension plan in the current fiscal year.

# Town of Garner, North Carolina

## Notes to the Financial Statements June 30, 2015

The deferred inflows of resources are comprised of the following:

Source	Amount
General Fund:	
Taxes receivable – net	\$ 22,117
Special Assessments – net	14,270
Other receivables	129,458
Pension deferrals	2,345,473
Prepaid property taxes	16,923
Total	\$ 2,528,241

### K. Summary Disclosure of Significant Contingencies

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

The Town and Wake County have entered into 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.

### L. Subsequent Events

The Town has evaluated all other subsequent events through October 16, 2015 in connection with the preparation of these financial statements which is the date the financial statements are available to be issued. On August 20, 2015 the Town entered into an installment financing agreement in the amount of \$630,000 for vehicles and equipment, due in annual installments of \$160,772 through September 1, 2018, with an interest rate of 1.36%.

### M. Change in Accounting Principles/Restatement

The City implemented Governmental Accounting Standards Board (GASB) statement 68, *Accounting and Financial Reporting for Pensions (an amendment of GASB Statement No. 27)*, in the fiscal year ending June 30, 2015. The implementation of the statement required the City to record beginning net pension liability and the effects on net position of contributions made by the City during the measurement period (fiscal year ending June 30, 2014). As a result, net position for the governmental activities decreased by \$1,342,331.

**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)
12/31/05	\$ -	\$ 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%
12/31/13	-	2,217,538	2,217,538	0%	4,007,450	55.34%
12/31/14	-	2,304,735	2,304,735	0%	3,956,429	58.25%

Schedule of Employer Contributions

Year Ended June 30	Annual Required Contribution	Percentage Contributed
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%
2014	229,202	74.8%
2015	277,551	58.9%

Notes to the Required Schedules

Valuation date	12/31/2014	Actuarial assumptions:	
Actuarial cost method	Projected unit credit	Investment rate of return	5.00%
Amortization method	Level dollar closed	Projected salary increases	4.25% to 7.85%
Remaining amortization period	16 years	Includes inflation at	3.00%
Asset valuation method	Market value	Cost-of-living adjustments	N/A

**Town of Garner, North Carolina**

Other Post-Employment Benefits  
Required Supplementary Information

Exhibit A-2

Schedule of Funding Progress

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

Schedule of Employer Contributions

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

Notes to the Required Schedules

Valuation date	12/31/13	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	7.75% - 5.0%
		Post-Medicare trend rate	5.75% - 5.0%
		Year of ultimate trend rate	2019
Remaining amortization period	30 years	Includes inflation at	3.00%
Amortization factor	26.17		
Asset valuation method	Market value of assets		

**Town of Garner, North Carolina**  
 Proportionate Share of Net Pension Liability (Asset) Required  
 Supplementary Information  
 Last Two Fiscal Years\*

Exhibit A-3

---

**Local Government Employees' Retirement System**

	<u>2015</u>	<u>2014</u>
Town of Garner's proportion of the net pension liability (asset) (%)	0.16120%	0.16520%
Town of Garner's proportion of the net pension liability (asset) (\$)	\$ (950,671)	\$ 1,991,294
Town of Garner's covered-employee payroll	\$ 9,063,665	\$ 8,685,568
Town of Garner's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	( 10.49%)	22.93%
Plan fiduciary net position as a percentage of the total pension liability**	102.64%	94.35%

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

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

**Town of Garner, North Carolina**

Required Contributions  
Supplementary Information  
Last Two Fiscal Years\*

Exhibit A-4

---

**Local Government Employees' Retirement System**

	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 669,335	\$ 648,964
Contributions in relation to the contractually required contribution	<u>669,335</u>	<u>648,964</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>
Town of Garner's covered-employee payroll	\$ 9,229,581	\$ 9,063,665
Contributions as a percentage of covered-employee payroll	7.25%	7.16%

This page intentionally left blank.

## **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, 2015

With Comparative Actual Amounts for the Year Ended June 30, 2014

#### Schedule 1

	<b>2015</b>		Variance Positive (Negative)	<b>2014</b>
	Budget	Actual		Actual
<b>REVENUES</b>				
Ad valorem taxes:				
Current year	\$ 14,883,733	\$ 15,325,323	\$ 441,590	\$ 15,179,887
Prior years	200,200	96,847	(103,353)	213,513
Penalties and interest	59,000	47,623	(11,377)	74,123
<b>Total</b>	<b>15,142,933</b>	<b>15,469,793</b>	<b>326,860</b>	<b>15,467,523</b>
Other taxes and licenses:				
ABC mixed beverage	92,700	107,766	15,066	94,395
Local option sales tax	4,991,090	5,284,843	293,753	4,858,268
Privilege licenses	37,650	51,220	13,570	67,329
Heavy equipment rental tax	84,500	83,121	(1,379)	78,318
Rental vehicles	19,100	20,602	1,502	18,825
<b>Total</b>	<b>5,225,040</b>	<b>5,547,552</b>	<b>322,512</b>	<b>5,117,135</b>
Intergovernmental revenues:				
Beer and wine tax	110,400	128,940	18,540	117,004
Utility franchise tax	1,180,100	1,940,771	760,671	1,319,003
Video programming fees	240,800	237,794	(3,006)	246,642
Powell Bill allocation	705,210	719,885	14,675	713,628
Solid waste disposal tax	16,200	17,133	933	16,788
PEG channel funds	63,166	56,839	(6,327)	63,691
Federal asset forfeiture	-	50,226	50,226	10,040
Controlled substance tax	-	10,960	10,960	3,858
Build America bond - interest reimbursement	77,855	79,354	1,499	79,335
Federal grants	194,283	149,963	(44,320)	7,595
State grants	94,532	94,341	(191)	154,303
Wake County grant-school resource officer	68,298	68,298	-	68,333
Other grants	51,400	26,400	(25,000)	118,680
<b>Total</b>	<b>2,802,244</b>	<b>3,580,904</b>	<b>778,660</b>	<b>2,918,900</b>
Sales and services:				
Recreation fees	272,035	192,549	(79,486)	198,275
Facility rentals	199,500	222,380	22,880	232,787
Sanitation fees	9,400	11,467	2,067	15,192
Third-party bill collection	7,500	6,011	(1,489)	7,529
Street repairs	37,000	28,254	(8,746)	31,812
Right of way mowing	19,300	21,797	2,497	21,265
Fuel sales	11,600	8,195	(3,405)	7,408
<b>Total</b>	<b>556,335</b>	<b>490,653</b>	<b>(65,682)</b>	<b>514,268</b>

**Town of Garner, North Carolina**  
 General Fund  
 Schedule of Revenues, Expenditures, and Changes in Fund Balance--Budget and Actual  
 For the Year Ended June 30, 2015  
 With Comparative Actual Amounts for the Year Ended June 30, 2014

## Schedule 1 (continued)

	<b>2015</b>		Variance Positive (Negative)	<b>2014</b>
	Budget	Actual		Actual
REVENUES (continued)				
Permits and fees:				
Motor vehicle tags	\$ 311,700	\$ 363,553	\$ 51,853	\$ 455,695
Police outside employment	178,140	208,293	30,153	196,056
Animal licenses	1,600	685	(915)	750
Planning and zoning fees	18,500	29,915	11,415	19,616
Inspection fees	432,141	471,916	39,775	596,830
Fee in lieu of park land	-	4,504	4,504	380,295
Special event permit	1,000	1,845	845	1,735
Retention pond fees	-	155	155	310
Rental property registration fees	5,900	6,150	250	6,260
False alarms charges	13,600	5,650	(7,950)	11,450
Taxi cab inspection fees	-	214	214	-
Water and sewer capacity replacement fees	504,077	723,484	219,407	2,182,546
Total	<u>1,466,658</u>	<u>1,816,364</u>	<u>349,706</u>	<u>3,851,543</u>
Investment revenues:				
Investment earnings	<u>11,500</u>	<u>8,531</u>	<u>(2,969)</u>	<u>5,302</u>
Other revenues:				
Land use charges	3,900	4,525	625	5,755
Rental income	-	-	-	700
Miscellaneous	16,717	43,754	27,037	101,406
Assessments	4,750	5,119	369	3,635
Interest on assessments	2,750	1,624	(1,126)	2,462
Code enforcement	26,770	10,521	(16,249)	50,265
Other grants	67,352	57,851	(9,501)	-
Officers' fees	12,700	13,391	691	13,257
Parking violations	3,780	7,075	3,295	3,430
Landfill reimbursement	79,385	98,421	19,036	77,962
Contributions	<u>71,658</u>	<u>74,067</u>	<u>2,409</u>	<u>12,457</u>
Total	<u>289,762</u>	<u>316,348</u>	<u>26,586</u>	<u>271,329</u>
Total revenues	<u>25,494,472</u>	<u>27,230,145</u>	<u>1,735,673</u>	<u>28,146,000</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, 2015  
 With Comparative Actual Amounts for the Year Ended June 30, 2014

## Schedule 1 (continued)

EXPENDITURES	2015			2014
	Budget	Actual	Variance Positive (Negative)	Actual
General government				
Governing body				
Salaries and employee benefits	\$ 96,493	\$ 94,887	\$ 1,606	\$ 94,313
Operating expenses	121,037	101,857	19,180	115,261
Professional services	84,000	84,000	-	83,223
Contracted services	18,827	8,004	10,823	31,399
Total	320,357	288,748	31,609	324,196
Administration				
Salaries and employee benefits	1,142,876	1,006,178	136,698	917,792
Operating expenses	600,649	539,676	60,973	648,013
Professional services	37,152	29,023	8,129	22,358
Contracted services	29,636	25,533	4,103	26,310
Total	1,810,313	1,600,410	209,903	1,614,473
Finance				
Salaries and employee benefits	501,268	496,861	4,407	490,466
Operating expenses	29,513	27,247	2,266	19,089
Professional services	89,857	89,600	257	132,212
Contracted services	92,085	94,769	(2,684)	87,160
Total	712,723	708,477	4,246	728,927
Economic Development				
Salaries and employee benefits	288,549	233,751	54,798	252,782
Operating expenses	259,150	145,675	113,475	358,957
Professional services	1,000	101	899	550
Contracted services	117,666	62,188	55,478	48,020
Capital outlay	27,849	27,848	1	-
Total	694,214	469,563	224,651	660,309
Planning				
Salaries and employee benefits	549,924	500,455	49,469	451,115
Operating expenses	54,287	27,442	26,845	12,059
Professional services	4,330	-	4,330	265
Contracted services	104,788	61,613	43,175	44,887
Capital outlay	-	-	-	9,470
Total	713,329	589,510	123,819	517,796

## 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, 2015

With Comparative Actual Amounts for the Year Ended June 30, 2014

Schedule 1 (continued)

	<b>2015</b>		Variance Positive (Negative)	<b>2014</b>
	Budget	Actual		Actual
<b>EXPENDITURES (continued)</b>				
General government (continued)				
Engineering				
Salaries and employee benefits	\$ 498,897	\$ 488,616	\$ 10,281	\$ 457,995
Operating expenses	26,802	25,307	1,495	14,369
Contracted services	33,023	2,233	30,790	373,281
Capital outlay	95,637	4,500	91,137	193,130
<b>Total</b>	<b>654,359</b>	<b>520,656</b>	<b>133,703</b>	<b>1,038,775</b>
Information technology				
Salaries and employee benefits	268,469	251,804	16,665	256,081
Operating expenses	181,261	145,579	35,682	227,185
Professional services	3,500	-	3,500	3,325
Contracted services	122,472	85,777	36,695	104,994
Capital outlay	-	-	-	12,741
<b>Total</b>	<b>575,702</b>	<b>483,160</b>	<b>92,542</b>	<b>604,326</b>
Building maintenance				
Salaries and employee benefits	199,745	191,688	8,057	159,079
Operating expenses	315,899	305,366	10,533	288,671
Contracted services	152,931	139,298	13,633	88,492
Capital outlay	52,000	52,992	(992)	-
<b>Total</b>	<b>720,575</b>	<b>689,344</b>	<b>31,231</b>	<b>536,242</b>
Vehicle maintenance				
Salaries and employee benefits	262,445	266,662	(4,217)	253,988
Operating expenses	48,061	41,045	7,016	25,989
Contracted services	6,800	5,472	1,328	5,940
Capital outlay	26,000	25,397	603	19,963
<b>Total</b>	<b>343,306</b>	<b>338,576</b>	<b>4,730</b>	<b>305,880</b>
<b>Total General government</b>	<b>6,544,878</b>	<b>5,688,444</b>	<b>856,434</b>	<b>6,330,924</b>

## Town of Garner, North Carolina

### General Fund

#### Schedule of Revenues, Expenditures, and Changes in Fund Balance--Budget and Actual For the Year Ended June 30, 2015

With Comparative Actual Amounts for the Year Ended June 30, 2014

Schedule 1 (continued)

EXPENDITURES (continued)	<b>2015</b>		Variance Positive (Negative)	<b>2014</b>
	Budget	Actual		Actual
Public safety				
Police				
Salaries and employee benefits	\$ 6,214,428	\$ 6,127,598	\$ 86,830	\$ 6,023,201
Operating expenses	538,924	594,516	(55,592)	511,092
Professional services	1,200	1,045	155	419
Contracted services	404,843	401,627	3,216	361,639
Capital outlay	156,419	55,647	100,772	758,915
Total	<u>7,315,814</u>	<u>7,180,433</u>	<u>135,381</u>	<u>7,655,266</u>
Inspections				
Salaries and employee benefits	795,871	727,382	68,489	696,790
Operating expenses	30,455	26,079	4,376	16,272
Contract services	19,065	16,770	2,295	9,768
Capital outlay	-	-	-	10,295
Total	<u>845,391</u>	<u>770,231</u>	<u>75,160</u>	<u>733,125</u>
Fire				
Contracted services	2,391,273	2,391,113	160	2,258,047
Total Public safety	<u>10,552,478</u>	<u>10,341,777</u>	<u>210,701</u>	<u>10,646,438</u>
Transportation				
Administration				
Salaries and employee benefits	415,448	412,914	2,534	421,576
Operating expenses	18,775	18,326	449	12,306
Contracted services	6,912	4,804	2,108	1,198
Total	<u>441,135</u>	<u>436,044</u>	<u>5,091</u>	<u>435,080</u>
Street repair and construction				
Salaries and employee benefits	773,372	746,599	26,773	687,430
Operating expenses	934,856	765,874	168,982	872,332
Contracted services	291,975	36,068	255,907	8,847
Capital outlay	379,600	365,553	14,047	124,478
Total	<u>2,379,803</u>	<u>1,914,094</u>	<u>465,709</u>	<u>1,693,087</u>
Total Transportation	<u>2,820,938</u>	<u>2,350,138</u>	<u>470,800</u>	<u>2,128,167</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, 2015  
 With Comparative Actual Amounts for the Year Ended June 30, 2014

## Schedule 1 (continued)

	<b>2015</b>		Variance Positive (Negative)	<b>2014</b>
	Budget	Actual		Actual
EXPENDITURES (continued)				
Environmental protection				
Sanitation				
Operating expenses	\$ 48,486	\$ 31,564	\$ 16,922	\$ 62,227
Contracted services	1,775,878	1,736,737	39,141	1,674,496
Total Environmental protection	<u>1,824,364</u>	<u>1,768,301</u>	<u>56,063</u>	<u>1,736,723</u>
Cultural and recreational				
Administration				
Salaries and employee benefits	295,157	286,336	8,821	166,830
Operating expenses	28,857	27,700	1,157	11,996
Contracted services	59,500	25,528	33,972	10,215
Total	<u>383,514</u>	<u>339,564</u>	<u>43,950</u>	<u>189,041</u>
Recreational programs				
Salaries and employee benefits	881,182	835,356	45,826	892,934
Operating expenses	227,612	374,850	(147,238)	323,452
Contracted services	367,232	135,982	231,250	207,430
Capital outlay	18,400	18,338	62	26,000
Total	<u>1,494,426</u>	<u>1,364,526</u>	<u>129,900</u>	<u>1,449,816</u>
Parks maintenance and development				
Salaries and employee benefits	776,116	737,072	39,044	696,503
Operating expenses	147,234	132,195	15,039	152,219
Contracted services	18,560	11,995	6,565	5,084
Capital outlay	35,359	35,344	15	48,336
Total	<u>977,269</u>	<u>916,606</u>	<u>60,663</u>	<u>902,142</u>
Total Cultural and recreational	<u>2,855,209</u>	<u>2,620,696</u>	<u>234,513</u>	<u>2,540,999</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, 2015

With Comparative Actual Amounts for the Year Ended June 30, 2014

## Schedule 1 (continued)

	<b>2015</b>		Variance Positive (Negative)	<b>2014</b>
	Budget	Actual		Actual
Debt Service				
Principal retirement	\$ 1,493,544	\$ 1,495,425	\$ (1,881)	\$ 4,698,122
Interest and fees	771,396	775,391	(3,995)	497,081
Total Debt service	<u>2,264,940</u>	<u>2,270,816</u>	<u>(5,876)</u>	<u>5,195,203</u>
Total Expenditures	<u>26,862,807</u>	<u>25,040,172</u>	<u>1,822,635</u>	<u>28,578,454</u>
Revenues over (under) expenditures	<u>(1,368,335)</u>	<u>2,189,973</u>	<u>3,558,308</u>	<u>(432,454)</u>
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	39,974	39,262	712	31,500
Issuance of debt	534,200	534,200	-	4,333,054
Transfers--out				
To Capital Projects Fund	(410,929)	(250,360)	160,569	(6,477,132)
Fund balance appropriated	<u>1,205,090</u>	<u>-</u>	<u>(1,205,090)</u>	<u>-</u>
Total other financing sources (uses)--net	<u>1,368,335</u>	<u>323,102</u>	<u>(1,045,233)</u>	<u>(2,112,578)</u>
Net change in fund balance	<u>\$ -</u>	<u>2,513,075</u>	<u>\$ 2,513,075</u>	<u>(2,545,032)</u>
FUND BALANCE				
Beginning of year--July 1		<u>21,219,874</u>		<u>23,764,906</u>
End of year--June 30		<u>\$ 23,732,949</u>		<u>\$ 21,219,874</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; improvements to the public works facility; downtown redevelopment; and street and sidewalk improvements.

**Town of Garner, North Carolina**  
**Capital Projects Fund**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual**  
**From Inception and For the Fiscal Year Ended June 30, 2015**

Schedule 2

	Project Authorization	Prior Year	Actual Current Year	Total to Date	Variance Positive (Negative)
<b>REVENUES</b>					
Intergovernmental	\$ 3,430,000	\$ 1,489,293	\$ 1,115,947	\$ 2,605,240	\$ (824,760)
Investment earnings	1,144	7,925	6,829	14,754	13,610
Contributions	430,551	64,506	125,030	189,536	(241,015)
Total revenues	<u>3,861,695</u>	<u>1,561,724</u>	<u>1,247,806</u>	<u>2,809,530</u>	<u>(1,052,165)</u>
<b>EXPENDITURES</b>					
Capital projects					
Parks and Recreation Improvements	2,993,500	8,300	678,252	686,552	2,306,948
Town Hall/Police Station	13,233,000	1,330,644	2,532,431	3,863,075	9,369,925
Timber Drive	2,473,070	1,795,885	4,462	1,800,347	672,723
Vandora/Buffalo Roundabout	346,227	332,095	751	332,846	13,381
Public Works Improvements	288,587	253,845	34,742	288,587	-
US 70 Highway Improvements	6,687,927	3,696,892	2,193,360	5,890,252	797,675
Recreation Center	8,855,944	108,691	227,435	336,126	8,519,818
Redevelopment	2,000,000	584,601	313,506	898,107	1,101,893
Street & Sidewalk Improvements	14,566,000	443,596	929,172	1,372,768	13,193,232
Debt Issuance Costs	172,809	285,089	270,524	555,613	(382,804)
Total expenditures	<u>51,617,064</u>	<u>8,839,638</u>	<u>7,184,635</u>	<u>16,024,273</u>	<u>35,592,791</u>
Revenues under expenditures	<u>(47,755,369)</u>	<u>(7,277,914)</u>	<u>(5,936,829)</u>	<u>(13,214,743)</u>	<u>(34,540,626)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Premium on bonds	435,447	279,795	1,061,816	1,341,611	906,164
Proceeds from issuance of debt	38,859,472	12,948,472	14,670,000	27,618,472	(11,241,000)
Transfers - in	8,460,450	7,968,906	250,360	8,219,266	(241,184)
Total other financing sources	<u>47,755,369</u>	<u>21,197,173</u>	<u>15,982,176</u>	<u>37,179,349</u>	<u>(10,576,020)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 13,919,259</u>	10,045,347	<u>\$ 23,964,606</u>	<u>\$ (23,964,606)</u>
Fund Balance, beginning			13,919,259		
Fund Balance, Ending			<u>\$ 23,964,606</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**  
**Water and Sewer Fees Agency Fund Statement of**  
**Changes in Assets and Liabilities For the Fiscal Year**  
**Ended June 30, 2015**

Schedule 3

---

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
<b>Assets:</b>				
Cash and cash equivalents	<u>\$ 123,698</u>	<u>\$ 429,865</u>	<u>\$ 520,973</u>	<u>\$ 32,590</u>
<b>Liabilities:</b>				
Intergovernmental payable	<u>\$ 123,698</u>	<u>\$ 429,865</u>	<u>\$ 520,973</u>	<u>\$ 32,590</u>

## **SUPPLEMENTAL FINANCIAL DATA**

Schedule of Ad Valorem Taxes Receivable

Analysis of Current Tax Levy

Detailed Analysis of Current Tax Levy

**Town of Garner, North Carolina**  
**Schedule of Ad Valorem Taxes Receivable**  
**June 30, 2015**

Schedule 4

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2014</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Uncollected Balance June 30, 2015</u>
2014-2015	\$ -	\$ 15,388,156	\$ 15,343,922	\$ 44,234
2013-2014	114,110	1,215	89,189	26,136
2012-2013	49,849	125	17,057	32,917
2011-2012	32,938	-	3,677	29,261
2010-2011	22,909	-	1,268	21,641
2009-2010	22,323	-	1,288	21,035
2008-2009	24,444	-	1,038	23,406
2007-2008	32,413	-	834	31,579
2006-2007	23,850	-	795	23,055
2005-2006	18,199	-	763	17,436
2004-2005	13,891	-	13,891	-
	<u>\$ 354,926</u>	<u>\$ 15,389,496</u>	<u>\$ 15,473,722</u>	<u>270,700</u>
	Less: allowance for uncollectible accounts:			
				<u>248,583</u>
				<u>\$ 22,117</u>
	<u>Reconciliation to revenues:</u>			
				\$ 15,469,793
	Reconciling items:			
				(33,658)
				13,891
				(831)
				20,138
				4,389
				<u>3,929</u>
				<u>\$ 15,473,722</u>

**Town of Garner, North Carolina**  
**Analysis of Current Tax Levy for the**  
**Year Ended**  
**June 30, 2015**

Schedule 5

	City - Wide			Total Levy	
	Total Property Valuation	Rate per \$100	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current rate	\$ 3,017,440,266	0.50	\$ 15,093,169	\$ 14,260,013	\$ 833,156
Registered motor vehicles taxed at prior year's rate	60,626,445	0.49	297,070	-	297,070
Penalties	-		13,965	13,965	-
Total	<u>3,078,066,711</u>		<u>15,404,204</u>	<u>14,273,978</u>	<u>1,130,226</u>
Discoveries:					
Prior year taxes	-		28,998	27,831	1,167
Abatements	(9,009,200)	0.50	(45,046)	(39,843)	(5,203)
Total property valuation	<u>\$ 3,069,057,511</u>				
Net levy			15,388,156	14,261,966	1,126,190
Uncollected taxes at June 30, 2015			(44,234)	(43,953)	(281)
Current year's taxes collected			<u>\$15,343,922</u>	<u>\$14,218,013</u>	<u>\$1,125,909</u>
Current levy collection percentage			<u>99.71%</u>	<u>99.69%</u>	<u>99.98%</u>

**Town of Garner, North Carolina**  
**Detailed Analysis of Current Tax Levy**  
**Town-Wide Levy For the Year Ended June**  
**30, 2015**

Schedule 6

---

Secondary Market Disclosure

Assessed Valuation:	
Assessment Ratio (1)	100%
Real Property	\$ 2,584,113,562
Personal Property	399,221,556
Public Service Companies (2)	85,722,393
 Total Assessed Valuation	 3,069,057,511
Tax Rate per \$100	<u>0.500</u>
 Levy (includes discoveries, releases and abatements) (3)	 <u><u>\$ 15,388,156</u></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.

<b>Contents</b>	<b>Page</b>
Financial Trends <i>These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.</i>	80-87
Revenue Capacity <i>These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.</i>	88-91
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>	92-95
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>	96-98
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>	99-101

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

Table 1

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Governmental Activities</b>										
Net investment in capital assets	\$ 6,461,277	\$ 55,415,289	\$ 58,707,607	\$ 60,976,743	\$ 73,287,732	\$ 65,859,876	\$ 64,781,668	\$ 63,035,753	\$ 65,505,673	\$ 63,979,719
Restricted	513,700	718,482	455,948	110,289	148,090	-	1,360,720	1,940,597	3,761,936	3,974,251
Stabilization by state statute	-	-	-	-	-	1,345,242	405,797	484,250	615,932	662,812
Streets	-	-	-	-	-	271,766	-	20,396	34,294	95,480
Law enforcement	-	-	-	-	-	-	683,398	-	-	-
Capital projects	-	-	-	-	-	-	-	-	-	-
Unrestricted	14,615,651	15,689,368	17,527,181	16,120,920	15,250,782	16,650,305	16,984,241	16,913,915	15,732,218	16,977,444
<b>Total governmental activities net position</b>	<b>\$ 21,590,628</b>	<b>\$ 71,823,139</b>	<b>\$ 76,690,736</b>	<b>\$ 77,207,952</b>	<b>\$ 88,686,604</b>	<b>\$ 84,127,189</b>	<b>\$ 84,215,824</b>	<b>\$ 82,394,911</b>	<b>\$ 85,650,053</b>	<b>\$ 85,689,706</b>

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

<b>FUNCTIONS/PROGRAMS</b>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
<b>Expenses</b>					
Government activities:					
General government	\$ 4,509,508	\$ 5,018,297	\$ 5,821,229	\$ 6,413,626	\$ 6,822,627
Public safety	7,586,030	8,429,748	8,576,041	9,071,950	9,476,699
Transportation	1,461,208	4,439,669	5,471,692	5,683,744	5,336,617
Environmental protection	1,185,574	1,317,954	1,427,511	1,540,954	1,920,656
Cultural/recreational	2,995,586	2,487,400	2,629,818	2,708,309	2,809,490
Interest on long-term debt	158,158	382,285	325,110	284,649	256,299
<b>Total governmental activities</b>	<u>17,896,064</u>	<u>22,075,353</u>	<u>24,251,401</u>	<u>25,703,232</u>	<u>26,622,388</u>
<b>Program Revenues</b>					
Governmental Activities:					
Charges for services					
General government	83,703	1,013,822	328,113	243,088	244,097
Public safety	725,856	1,013,604	772,080	335,631	594,963
Transportation	59,108	17,659	67,740	81,334	85,991
Environmental protection	35,399	30,844	14,451	8,135	116,506
Cultural & recreational	372,412	253,110	622,385	255,992	273,510
Interest on long-term debt	-	81,210	47,862	35,377	27,999
Operating grants and contributions	932,030	880,670	933,098	849,089	866,550
Capital grants and contributions	146,877	3,449,470	5,669,476	2,905,371	132,427
<b>Total program revenues</b>	<u>2,355,385</u>	<u>6,740,389</u>	<u>8,455,205</u>	<u>4,714,017</u>	<u>2,342,043</u>
<b>Total Governmental net (expense)/revenue</b>	<u>(15,540,679)</u>	<u>(15,334,964)</u>	<u>(15,796,196)</u>	<u>(20,989,215)</u>	<u>(24,280,345)</u>
<b>Revenues</b>					
Governmental Activities:					
General Revenues:					
Property taxes	\$ 11,180,039	\$ 12,289,203	\$ 13,181,474	\$ 14,659,430	\$ 14,921,267
Sales taxes	3,991,127	4,444,080	4,646,190	4,270,224	4,045,884
Other taxes	1,186,319	1,306,745	1,442,679	1,805,252	1,782,096
Grants and contributions not restricted to specific programs	6,821	7,905	625	3,925	2,357
Unrestricted investment earnings	365,532	574,804	727,199	312,863	40,177
Other	366,854	419,041	665,626	454,737	520,135
<b>Total general revenues</b>	<u>17,096,692</u>	<u>19,041,778</u>	<u>20,663,793</u>	<u>21,506,431</u>	<u>21,311,916</u>
<b>Changes in net position</b>	1,556,013	3,706,814	4,867,597	517,216	(2,968,429)
Net position, beginning of year	20,034,615	21,590,628	71,823,139	76,690,736	77,207,952
Prior period adjustment	-	46,525,697	-	-	14,447,081
<b>Net position, end of year</b>	<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>

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

Table 2 (Continued)

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

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

Table 3

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>General fund</b>										
Reserved	\$ 2,227,087	\$ 3,383,761	\$ 2,855,285	\$ 2,844,496	\$ 4,390,881	\$ 113,877	\$ 49,410	\$ 66,393	\$ 127,934	\$ 84,259
Unreserved	10,921,073	12,501,341	14,622,672	15,529,798	15,151,047	1,617,008	1,766,517	2,445,243	2,858,365	3,473,514
Nonspendable										
Restricted						-	-	6,868,750	2,717,555	2,791,034
Committed						5,404,399	8,220,431	283,940	913,645	978,865
Assigned						13,495,884	13,382,466	14,100,580	14,602,375	16,405,277
Unassigned										
<b>Total general fund</b>	<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>	<u>\$ 21,219,874</u>	<u>\$ 23,732,949</u>
<b>All other governmental funds</b>										
Reserved										
Unreserved:										
Capital projects	\$ 1,139,303	\$ 132,039	\$ 463,134	\$ (1,367,045)	\$ (2,522,694)	\$ 6,857,936	\$ 2,156,493	\$ 823,760	\$ 11,663,140	\$ 20,944,933
Restricted									2,256,119	3,019,673
Committed										
<b>Total all other governmental funds</b>	<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>	<u>\$ 13,919,259</u>	<u>\$ 23,964,606</u>

Note: Due to GASB 54 guide/lines, 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				
	2006	2007	2008	2009	2010
<b>REVENUES</b>					
Ad valorem taxes	\$ 11,176,254	\$ 12,217,657	\$ 13,144,760	\$ 14,594,341	\$ 14,980,052
Other taxes and licenses	4,122,202	4,582,519	4,811,881	4,433,984	4,217,586
Intergovernmental revenues	2,657,476	2,826,691	3,072,339	3,195,971	2,756,568
Permits and fees	1,046,718	2,111,042	1,547,405	795,324	1,127,074
Sales and services	306,732	332,365	394,778	398,701	467,471
Investment earnings	365,532	574,803	727,199	312,863	40,177
Other revenues	376,934	462,525	301,449	241,231	239,584
<b>Total revenues</b>	<b>20,051,848</b>	<b>23,107,602</b>	<b>23,999,811</b>	<b>23,972,415</b>	<b>23,828,512</b>
<b>EXPENDITURES</b>					
Current					
General government	6,961,587	5,608,496	5,675,801	5,741,858	6,031,883
Public safety	7,425,424	8,155,882	8,498,765	8,965,706	9,415,377
Transportation	1,522,118	1,505,804	2,445,807	2,617,478	2,032,223
Environmental protection	1,278,457	1,316,802	1,425,232	1,546,994	1,916,298
Cultural and recreational	2,105,216	2,145,406	2,489,933	2,437,701	2,396,481
Capital projects	2,541,794	1,171,453	386,544	2,583,235	1,112,593
Debt service					
Principal retirement	976,094	1,258,924	1,028,215	789,413	682,611
Interest and fees	159,711	388,728	329,796	286,872	258,065
<b>Total expenditures</b>	<b>22,970,401</b>	<b>21,551,495</b>	<b>22,280,093</b>	<b>24,969,257</b>	<b>23,845,531</b>
Revenues over (under) expenditures	(2,918,553)	1,556,107	1,719,718	(996,842)	(17,019)
<b>OTHER FINANCING SOURCES (USES)</b>					
Sale of capital assets	\$ 2,437	\$ 59,981	\$ 40,851	\$ 251	\$ 29,004
Premium on bonds	-	-	-	-	-
Issuance of debt	7,264,181	113,590	163,381	62,749	-
Transfers in	1,847,362	2,219,790	2,465,867	1,283,927	727,925
Transfers out	(1,847,362)	(2,219,790)	(2,465,867)	(1,283,927)	(727,925)
<b>Total other financing sources (uses)</b>	<b>7,266,618</b>	<b>173,571</b>	<b>204,232</b>	<b>63,000</b>	<b>29,004</b>
<b>Net change in fund balance</b>	<b>\$ 4,348,065</b>	<b>\$ 1,729,678</b>	<b>\$ 1,923,950</b>	<b>\$ (933,842)</b>	<b>\$ 11,985</b>
Debt service as a percentage of non-capital expenditures	6.73%	8.67%	6.51%	5.05%	4.23%

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

Table 4 (Continued)

	Fiscal Year				
	2011	2012	2013	2014	2015
<b>REVENUES</b>					
Ad valorem taxes	\$ 14,876,541	\$ 14,793,235	\$ 14,805,148	\$ 15,467,523	\$ 15,469,793
Other taxes and licenses	4,586,384	4,573,911	4,731,561	5,117,135	5,547,552
Intergovernmental revenues	2,844,452	2,918,028	3,356,940	4,408,193	4,696,851
Permits and fees	866,912	1,079,702	1,188,185	3,851,543	1,816,364
Sales and services	453,915	501,335	551,939	514,268	490,653
Investment earnings	28,324	17,851	11,189	8,092	15,360
Other revenues	289,588	2,730,840	298,156	335,835	441,378
<b>Total revenues</b>	<b>24,001,944</b>	<b>26,614,902</b>	<b>24,943,118</b>	<b>29,702,589</b>	<b>28,477,951</b>
<b>EXPENDITURES</b>					
Current					
General government	6,712,757	5,989,612	6,391,794	6,330,924	5,688,444
Public safety	9,309,560	9,554,279	9,797,725	10,646,438	10,341,777
Transportation	1,870,034	2,289,221	2,205,869	2,128,167	2,350,138
Environmental protection	1,661,240	1,742,909	1,726,953	1,736,723	1,768,301
Cultural and recreational	2,567,941	2,471,480	2,540,428	2,540,999	2,620,696
Capital projects	331,081	5,244,596	1,763,592	4,996,717	7,184,635
Debt service					
Principal retirement	951,123	729,617	952,021	4,698,123	1,495,425
Interest and fees	302,892	542,177	552,432	497,080	775,391
<b>Total expenditures</b>	<b>23,706,628</b>	<b>28,563,891</b>	<b>25,930,814</b>	<b>33,575,171</b>	<b>32,224,807</b>
Revenues over (under) expenditures	295,316	(1,948,989)	(987,696)	(3,872,582)	(3,746,856)
<b>OTHER FINANCING SOURCES (USES)</b>					
Sale of capital assets	\$ 345,000	\$ 35,202	\$ 1,045	\$ 31,500	\$ 39,262
Premium on bonds	55,828	-	-	253,495	1,061,816
Issuance of debt	9,829,554	-	-	14,138,054	15,204,200
Transfers in	203,800	541,284	431,354	6,477,132	250,360
Transfers out	(203,800)	(541,284)	(431,354)	(6,477,132)	(250,360)
<b>Total other financing sources (uses)</b>	<b>10,174,554</b>	<b>35,202</b>	<b>1,045</b>	<b>14,423,049</b>	<b>16,305,278</b>
<b>Net change in fund balance</b>	<b>\$ 10,469,870</b>	<b>\$ (1,913,787)</b>	<b>\$ (986,651)</b>	<b>\$ 10,550,467</b>	<b>\$ 12,558,422</b>
Debt service as a percentage of non-capital expenditures	5.49%	5.63%	6.48%	18.18%	9.07%

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

Table 5

Fiscal Year	Ad Valorem Taxes	Other Taxes and Licenses	Intergovernmental Revenues	Permits and Fees	Sales and Services	Investment Earnings	Other Revenues	Total
2006	\$ 11,176,254	\$ 4,122,202	\$ 2,657,476	\$ 1,046,718	\$ 306,732	\$ 365,552	\$ 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	289,588	23,946,116
2012	14,793,235	4,573,911	2,918,028	1,079,702	501,335	17,851	2,730,840	26,614,902
2013	14,805,148	4,731,561	3,356,940	1,188,185	551,939	11,189	298,156	24,943,118
2014	15,467,523	5,117,135	4,408,193	3,851,543	514,268	8,092	335,835	29,702,589
2015	15,469,793	5,547,552	4,696,851	1,816,364	490,653	15,360	441,378	28,477,951

(1) Includes General and Capital Project Funds.

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

Table 6

Fiscal Year	General Government	Public Safety	Streets and Transportation	Environmental Protection	Cultural and Recreational	Capital Projects	Debt Service	Total
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
2014	6,330,924	10,646,438	2,128,167	1,736,723	2,540,999	4,996,717	5,195,203	33,575,171
2015	5,688,444	10,341,777	2,350,138	1,768,301	2,620,696	7,184,635	2,270,816	32,224,807

(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	Personal Property			Total Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
		Public Service Co. <sup>(1)</sup>	Motor Vehicle	Other				
2006	\$ 1,550,238,391	\$ 69,942,361	\$ 161,253,096	\$ 202,591,976	\$ 1,984,025,824	0.560	\$ 2,361,328,464	84.02%
2007	1,659,119,409	74,221,122	181,536,447	202,194,608	2,117,071,586	0.575	2,615,538,642	80.94%
2008	1,770,103,434	61,216,927	219,890,761	222,612,062	2,273,823,184	0.575	2,982,726,510	76.23%
2009 <sup>(2)</sup>	2,405,039,709	76,650,226	241,741,480	217,860,146	2,941,291,561	0.490	3,000,028,860	98.04%
2010	2,469,678,054	77,711,846	262,907,169	192,675,880	3,002,972,949	0.490	2,756,005,144	108.96%
2011	2,463,484,759	75,237,723	254,503,481	188,077,390	2,981,303,353	0.490	2,808,859,420	106.14%
2012	2,516,107,912	73,569,802	216,342,522	198,944,121	3,004,964,357	0.490	2,879,158,961	104.37%
2013	2,525,516,066	84,276,805	209,030,147	193,694,549	3,012,517,567	0.490	3,005,648,283	100.23%
2014	2,545,063,692	84,992,903	277,051,961	196,003,306	3,103,111,862	0.490	3,057,641,837	101.49%
2015	2,584,113,562	85,722,393	211,479,241	187,742,315	3,069,057,511	0.500	3,045,027,800	100.79%

(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>
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
2014	0.490	0.534	1.024
2015	0.500	0.578	1.078

(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	2015			2006		
	Assessed Valuation	Rank	Percentage of Total Assessed Valuation	Assessed Valuation	Rank	Percentage of Total Assessed Valuation
Inland American Garner White Oak	\$ 83,377,088	1	2.72%			
Duke Energy <sup>(1)</sup>	68,573,057	2	2.23%	\$ 50,103,867	2	2.53%
Pergo, Inc.	38,910,396	3	1.27%	26,782,941	4	1.35%
Duke Realty, LP	25,891,525	4	0.84%			
Abberly Place Garner Phase I, LP	25,165,430	5	0.82%	15,744,715	9	0.79%
GA NS Station, LLC	24,871,731	6	0.81%			
BRE Throne Garner Towne Square LLC	22,392,067	7	0.73%			
Ashton Village, LP	22,185,839	8	0.72%			
Wal-Mart	17,992,289	9	0.59%			
Lenoxplace Apartments Owner LLC	17,197,070	10	0.56%			
Garner Retail, LLC				50,237,702	1	2.53%
Goodmark Foods, Inc.				34,638,317	3	1.75%
DIM Vastgoed NV				19,532,352	6	0.98%
Regency Centers, LP				25,702,415	5	1.30%
Parker Raleigh Development				17,841,123	8	0.90%
Raleigh-Durham MSA				18,159,172	7	0.92%
Kmart Corporation				13,963,037	10	0.70%
Totals	\$ 346,556,492		11.29%	\$ 272,705,641		13.75%

(1) Formerly Progress Energy

**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
2006	\$ 11,128,876	\$ 10,891,632	97.9%	\$ 219,807	\$ 11,111,439	99.8%
2007	12,259,185	11,964,705	97.6%	271,426	12,236,131	99.8%
2008	13,164,682	12,852,014	97.6%	281,088	13,133,102	99.8%
2009	14,620,367	14,269,780	97.6%	327,181	14,596,961	99.8%
2010	14,913,304	14,625,986	98.1%	266,282	14,892,268	99.9%
2011	14,793,869	14,579,297	98.5%	192,931	14,772,228	99.9%
2012	14,792,108	14,575,719	98.5%	187,128	14,762,847	99.8%
2013	14,837,586	14,579,700	98.3%	188,323	14,768,023	99.5%
2014	15,293,124	15,179,887	99.3%	89,189	15,179,014	99.3%
2015	15,388,156	15,344,753	99.7%	-	15,343,922	99.7%

Reconciliation to revenues collected:

Total collected as stated above	\$ 15,344,753
Prior year collections in current year	129,800
Penalties and interest collected	<u>(4,760)</u>
Ad valorem taxes collected per general fund financial statements	<u>\$ 15,469,793</u>

**Town of Garner, North Carolina**

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

Table 11

<u>Fiscal Year</u>	<u>Installment Purchase</u>	<u>General Obligation Bonds</u>	<u>Total</u>	<u>Per Capita <sup>(1)</sup></u>	<u>Percentage of Personal Income <sup>(2)</sup></u>
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	1.67%
2013	7,045,820	5,988,387	13,034,207	499	1.55%
2014	6,900,751	15,525,000	22,425,751	858	3.05%
2015	6,374,526	31,039,675	37,414,201	1,383	4.91%

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

(2) 2015 and 2014 ratios are calculated using information from the US Census from Calendar Year 2013.  
2013 and 2012 ratios are calculated using the per capita income as calculated by the 2012 American Community Survey.  
2010 and 2011 personal income based on 2010 US Census Data.

**Town of Garner, North Carolina**  
 Computation of Direct and Overlapping Debt  
 General Obligation Bonds  
 June 30, 2015  
 (Unaudited)

Table 12

<u>Jurisdiction</u>	<u>Net General Obligation Bonded Debt Outstanding</u>	<u>Percentage Applicable to Town of Garner <sup>(2)</sup></u>	<u>Amount Applicable to Town of Garner</u>
Wake County	\$ 1,967,590,000 <sup>(1)</sup>	2.43%	\$ 47,812,437
Town of Garner	31,039,675	100.00%	<u>31,039,675</u>
Total direct and overlapping debt			<u><u>\$ 78,852,112</u></u>

(1) Information provided by Wake County Finance Department. Of the total general obligation debt outstanding, \$1,625,289,840, or 82.61%, 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> <sup>(1)</sup>	<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>
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
2014	26,253	3,103,111,862	22,712,167	0.73%	865.13
2015	27,060	3,069,057,511	37,414,201	1.22%	1,382.64

(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

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Debt Limit	\$ 158,722	\$ 169,366	\$ 181,906	\$ 235,303	\$ 240,238	\$ 238,504	\$ 240,397	\$ 241,001	\$ 248,249	\$ 245,365
Total net debt applicable to limit	9,206	8,061	7,196	6,470	5,787	14,719	13,987	13,034	22,426	36,135
Legal debt margin	\$ 149,516	\$ 161,305	\$ 174,710	\$ 228,833	\$ 234,451	\$ 223,785	\$ 226,410	\$ 227,967	\$ 225,823	\$ 209,230

Legal Debt Margin Calculation for Fiscal Year 2015

Assessed Value	\$ 3,069,057,511
Debt Limit (8% of total assessed value)	245,524,601
Debt applicable to limit:	
Outstanding General Bonded Debt	\$ 29,760,000
Installment Purchase	6,374,526
Subtotal	36,134,526
Authorized and unissued debt	11,241,000
Total Gross Debt	47,375,526
Less: Statutory deductions	
Authorized and unissued debt	(11,241,000)
Total amount of debt applicable to debt limit	36,134,526
Legal debt margin	\$ 209,390,075

## Town of Garner, North Carolina

### Demographic Statistics

#### Last Ten Fiscal Years

(Unaudited)

Table 15

Fiscal Year	Population <sup>(1)</sup>	Per Capita Personal Income <sup>(2)</sup>	Unemployment Rate <sup>(3)</sup>	Personal Income (Thousands of Dollars) <sup>(4)</sup>
2006	\$ 23,906	\$ 31,724	5.3%	\$ 758,394
2007	24,877	36,635	3.7%	911,369
2008	25,753	37,389	4.9%	962,879
2009	26,341	30,863	8.2%	812,962
2010	26,523	31,021	9.3%	822,770
2011	25,891	31,178	8.6%	807,230
2012	25,999	32,228	7.5%	837,896
2013	26,124	33,917	6.9%	886,048
2014	26,253	Not Available	5.0%	890,423
2015	27,060	Not Available	4.9%	917,794

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

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

(3) From North Carolina Employment Security Commission.

(4) 2014 and 2015 personal income amounts are calculated using 2012 personal income.

**Town of Garner, North Carolina**  
Principal Employers <sup>(1)</sup>  
Fiscal Year 2015 and Ten Year Comparison  
(Unaudited)

Table 16

Employer	2015			2006		
	Employees	Rank	Percentage of Total Town Employment <sup>(2)</sup>	Employees	Rank	Percentage of Total Town Employment
Wake County Public Schools	800	1	5.3%	604	2	4.9%
Food Lion	360	2	2.4%			
Wal-Mart	150	3	1.0%	188	5	1.5%
Pergo, Inc.	284	4	1.9%	154	8	1.3%
Cabelas	277	5	1.8%			
Golden State Foods	265	6	1.7%			
F&D Huebner, LLC	258	7	1.7%			
Target	251	8	1.7%	205	4	1.7%
Strategic Behavioral Health	260	9	1.7%			
Kroger	200	10	1.3%			
Town of Garner				164	6	1.3%
Con Agra Foods				705	1	5.7%
News & Observer				207	3	1.7%
K-Mart Corporation				160	7	1.3%
Lowe's Home Improvement				150	9	1.2%
Hamlin Company				75	10	0.6%
Totals	3,105		20.4%	2,612		21.2%

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

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

# Town of Garner, North Carolina

## Property Value and Construction

Last Ten Fiscal Years

(Unaudited)

Table 17

Fiscal Year	Property Value	Construction <sup>(1)</sup>	
		Number of Permits	Value
2006	\$ 1,984,025,824	1,025	\$ 123,062,464
2007	2,117,071,586	1,104	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	1,023	38,680,248
2013	3,012,517,567	833	34,770,509
2014	3,103,111,862	995	73,351,752
2015	3,081,432,283	1,297	46,549,862

(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

Function	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General Government	35	43	43	44	43	40	37	37	37	44
Public Safety	71	77	78	76	77	75	77	77	78	77
Streets and Transportation	16	14	16	16	13	11	17	17	17	13
Cultural & Recreation	25	21	21	23	25	22	26	25	25	25
<b>Total</b>	<b>147</b>	<b>155</b>	<b>158</b>	<b>159</b>	<b>158</b>	<b>148</b>	<b>157</b>	<b>156</b>	<b>157</b>	<b>159</b>

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

Table 19

Function	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Community Development Services</b>										
Inspections:										
Permits issued (all trade types)	884	1,105	1,105	780	889	875	876	833	995	1,297
Building inspections conducted	8,750	11,697	11,697	8,100	4,053	4,584	3,519	3,856	5,971	6,303
<b>Public Works</b>										
Miles of streets maintained	93	94	96	98	98	98	99	99	99	100
Traffic control signs repaired/replaced	212	65	529	174	223	411	210	240	133	140
Town parks maintained	11	11	11	12	12	12	12	12	12	14
Town athletic fields/courts maintained	30	30	30	33	30	30	30	30	30	36
Town building/grounds maintained	40	40	40	42	42	42	44	44	55	56
<b>Police</b>										
Calls for service	24,794	24,003	29,491	30,595	29,681	27,518	27,272	31,959	31,913	35,963
Accidents investigated	1,360	1,105	1,236	1,240	1,127	1,073	1,125	1,147	1,249	1,260
Arrests	1,800	1,695	1,511	1,420	1,288	936	826	1,062	1,304	1,330
<b>Fire/Rescue <sup>(1)</sup></b>										
Fire call answered	1,522	1,522	1,522	1,522	4,307	4,733	4,737	4,743	4,725	4,875
EMS calls answered	3,860	3,860	3,860	3,860	Not Available					
<b>Solid Waste</b>										
Sanitation customers	7,348	8,203	8,455	8,547	8,543	8,595	8,700	8,802	8,852	8,952
% of solid waste stream reduction reported to the state	40%	40%	40%	40%	40%	40%	40%	40%	40%	52%
Spring and fall cleanups - tons collected	456	308	363	390	390	400	360	320	401	423
<b>Leisure Services</b>										
Parks & Recreation program registrations	1,878	1,878	1,878	1,750	1,878	1,750	3,220	4,512	3,634	4,200
Picnic shelter reservations	289	289	289	410	289	410	475	652	708	600
Auditorium event attendance	17,450	16,663	16,663	20,000	27,353	30,000	30,000	37,642	35,844	31,395
Independence day attendance	12,000	12,500	15,000	15,000	15,000	20,000	20,000	17,000	17,000	10,000

**Source:**

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

Table 20

Function	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Public Safety</b>										
Police stations	3	3	3	3	2	2	3	3	3	3
Patrol and investigative units	2	2	2	2	2	2	3	3	3	3
K-9 Units	5	3	3	2	3	4	4	4	4	4
Fire stations	3	3	3	3	3	3	4	4	4	4
Fire apparatus	Not Available	14	14	15	15	15				
<b>Highways and Streets</b>										
Streets (miles)	92.96	94.06	96.26	97.24	97.67	99.07	99.07	99.07	99.78	100.00
Sidewalks (feet)	93,964	93,954	109,004	124,044	131,644	274,967	277,207	309,921	318,892	332,640
<b>Leisure Services</b>										
Number of major parks	12	12	12	13	13	13	13	13	13	14
Total park acreage	268	268	268	350	350	350	350	350	350	350
Baseball fields	7	7	7	7	7	7	7	7	7	7
Tennis courts	6	6	6	6	6	6	6	6	6	6
Basketball courts	2	2	2	2	2	2	2	2	2	2

This page intentionally left blank.



## **COMPLIANCE SECTION**



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

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

## **Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit Of Financial Statements Performed In Accordance With *Government Auditing Standards***

### **Independent Auditor's Report**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Garner, North Carolina as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town of Garner's basic financial statements, and have issued our report thereon dated October 16, 2015.

### **Internal Control Over Financial Reporting**

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

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

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

## **Compliance and Other Matters**

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

## **Purpose of this Report**

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

*Martin Starnes & Associates, CPAs, P.A.*

Martin Starnes & Associates, CPAs, P.A.  
Hickory, NC  
October 16, 2015

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

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

## **Report On Compliance For Each Major Federal Program; Report On Internal Control Over Compliance; In Accordance With OMB Circular A-133 And The State Single Audit Implementation Act**

### **Independent Auditor's Report**

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

#### **Report on Compliance for Each Major Federal Program**

We have audited the compliance of the Town of Garner, North Carolina, with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* and 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 its major Federal programs for the year ended June 30, 2015. The Town of Garner's major Federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

#### **Management's Responsibility**

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

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

Our responsibility is to express an opinion on compliance for each of the Town of Garner's major Federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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 non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Garner'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 Federal program. However, our audit does not provide a legal determination of the Town of Garner's compliance with those requirements.

## Opinion on Each Major Federal Program

In our opinion, the Town of Garner 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 Federal programs for the year ended June 30, 2015.

## Report on Internal Control Over Compliance

Management of the Town of Garner 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 of Garner's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal 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 of Garner'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, non-compliance with a type of compliance requirement of a Federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is reasonable possibility that material non-compliance with a type of compliance requirement of a Federal 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 federal 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Martin Starnes & Associates, CPAs, P.A.*

Martin Starnes & Associates, CPAs, P.A.  
Hickory, NC  
October 16, 2015

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

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

## **Report On Compliance For Each Major State Program; Report On Internal Control Over Compliance; In Accordance With OMB Circular A-133 And The State Single Audit Implementation Act**

### **Independent Auditor's Report**

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

#### **Report On Compliance for Each Major State Program**

We have audited the Town of Garner, North Carolina's, 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 of Garner's major State programs for the year ended June 30, 2015. The Town of Garner's major State programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

#### **Management's Responsibility**

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

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

Our responsibility is to express an opinion on compliance for each of the Town of Garner's major State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and applicable sections of 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 non-compliance 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 of Garner'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 of Garner's compliance.

### **Opinion On Each Major State Program**

In our opinion, the Town of Garner 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, 2015.

### **Report On Internal Control Over Compliance**

Management of the Town of Garner 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 of Garner's internal control over compliance with the types of requirements that could have a direct and material effect on each major State program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an 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 of Garner'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, non-compliance 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 non-compliance with a type of compliance requirement of a State program will not be prevented or detected and corrected on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a State program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Martin Starnes & Associates, CPAs, P.A.*

Martin Starnes & Associates, CPAs, P.A.  
Hickory, NC  
October 16, 2015

**TOWN OF GARNER, NORTH CAROLINA**  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED  
 JUNE 30, 2015

Schedule 7

---

**1. Summary of Auditor's Results**

**Financial Statements:**

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	No
• Significant deficiency(s) identified that are not considered to be material weaknesses?	None reported
Non-compliance material to financial statements noted?	No

**Federal Awards**

Internal control over major Federal programs:	
• Material weakness(es) identified?	No
• Significant deficiency identified that is not considered to be a material weakness	None reported
Non-compliance material to Federal awards?	No
Type of auditor's report issued on compliance for major Federal programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with U.S. Office of Management and Budget, Circular A-133, <i>Audits of States, Local Governments, and Non Profit Organizations</i> , Section 510(a)?	No
Identification of major Federal programs:	
Highway Planning & Construction Cluster	20.205
Dollar threshold used to distinguish between Type A and Type B programs	<u>\$300,000</u>
Auditee qualified as low-risk auditee?	Yes

**TOWN OF GARNER, NORTH CAROLINA**  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED  
JUNE 30, 2015

Schedule 7 (Continued)

---

**State Awards**

Internal control over major State programs:

- Material weakness(es) identified? No
- Significant deficiency(s) identified that are not considered to be material weaknesses? None reported

Type of auditor's report issued on compliance for major State programs Unmodified

Any audit findings disclosed that are required to be reported in accordance with the State Single Audit Implementation Act? No

Identification of major State programs:

**Program Name**

Powell Bill

**2. Financial Statements Findings**

None reported.

**3. Federal Award Findings and Questioned Costs**

None reported.

**4. State Award Findings and Questioned Costs**

None reported.

**TOWN OF GARNER, NORTH CAROLINA**  
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS FOR THE YEAR ENDED  
JUNE 30, 2015

Schedule 8

---

**Finding:** 2014-001

**Status:** Corrected

**TOWN OF GARNER, NORTH CAROLINA**  
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
Year Ended June 30, 2015

Schedule 9

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal (Direct and Pass-through) Expenditures	State Expenditures
<b>Federal Grants</b>				
<u>U.S. Department of Justice:</u>				
Equitable Sharing Program	16.922		\$ 50,226	\$ -
Bullet Proof Vest Partnership Program	16.607		10,364	-
<u>U.S. Department of Transportation:</u>				
<u>National Highway Traffic Safety Administration</u>				
Passed through NC Department of Transportation				
Highway Safety Cluster:				
State and Community Highway Safety	20.600	PT-15-09-20	4,012	
Alcohol Impaired Driving Countermeasures Incentive Grants	20.601		89,889	-
National Priority Safety Programs	20.616	M9MT-15-13-06	34,448	
State and Community Highway Safety	20.600		<u>11,250</u>	<u>-</u>
Total Highway Safety Cluster			139,599	-
Federal Highway Administration:				
Passed through NC Department of Transportation				
Highway Planning and Construction Cluster	20.205		<u>907,576</u>	<u>-</u>
Total Federal Grants			<u>1,107,765</u>	<u>-</u>
<b>State Grants</b>				
<u>N.C. Department of Transportation:</u>				
Non-State System Street-Aid Allocation				
Powell Bill		9.90000	-	673,138
<u>N.C. Department of Public Safety:</u>				
Governor's Crime Commission		PT-2012-03-04-54	-	7,661
<u>N.C. Department of Revenue:</u>				
Control Substance Tax			-	10,960
<u>N.C. Department of Commerce:</u>				
Main Street Solutions Grant			-	75,000
<u>N.C. Department of Health and Human Services:</u>				
Senior Center Development Grant			-	11,680
Total State Grants			<u>-</u>	<u>778,439</u>
<b>Total Federal and State Expenditures</b>			<u>\$ 1,107,765</u>	<u>\$ 778,439</u>

**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.