



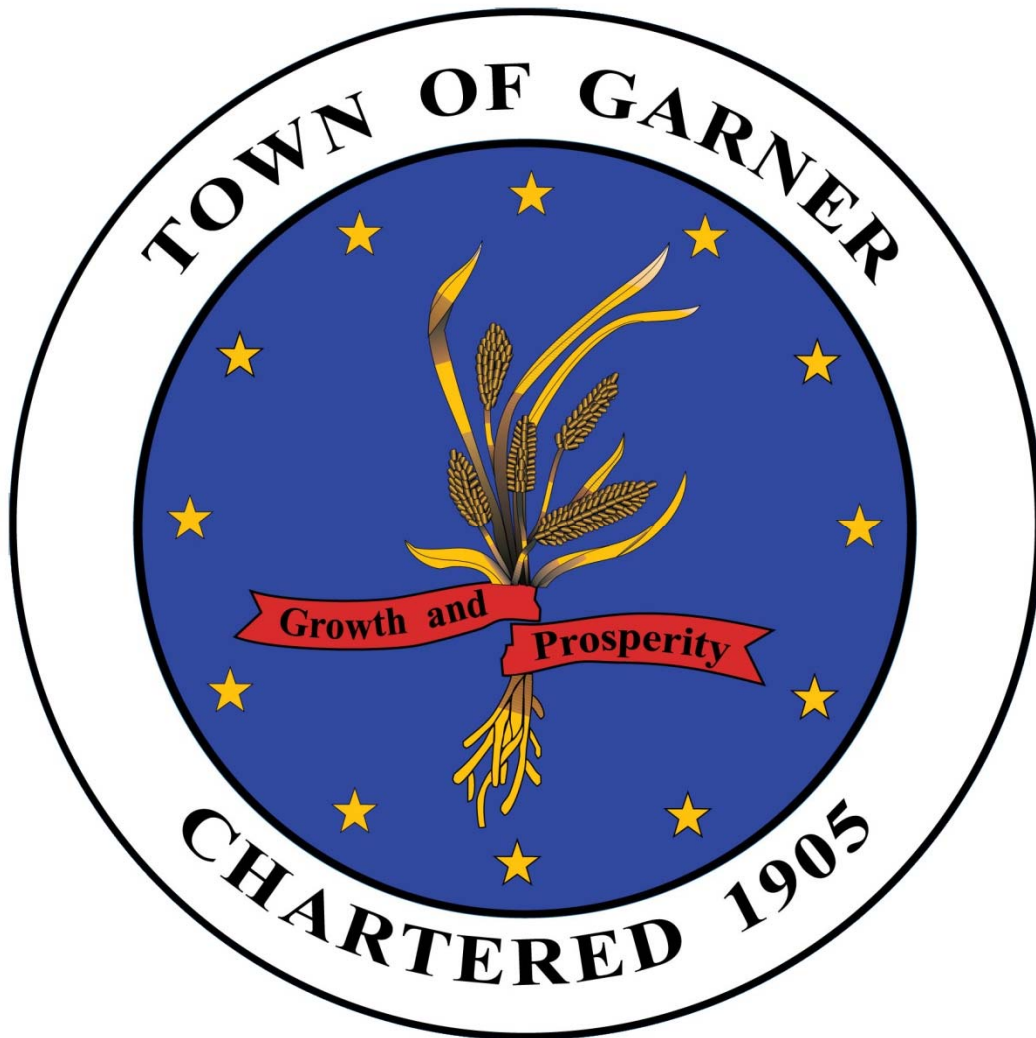
Town of Garner, North Carolina

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2016



**TOWN OF GARNER
NORTH CAROLINA**



COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Town of Garner, North Carolina

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INTRODUCTORY SECTION

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Town of Garner

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



November 14, 2016

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, 2016. 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 and Management and Budget Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, 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.

Construction activity remained strong, and 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, 2016 was 3.6% compared with 4.8% at June 30, 2015.

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 2016-17 budget preparations, which increased 7.9% from the FY 2015-16 budget. Property taxes are projected to increase 6.7%. This is due to revaluation, the increases in real property tax from additions such as Overland Contractors headquarters, UltraPure and WingSwept expansions, Mattress Firm regional distribution center and retail additions at White Oak Shopping Center, as well as a planned increase in the property tax rate of 1.5 cents to cover the cost of adding public safety personnel in police and fire. The current year property tax revenues are projected to increase by approximately \$1,068,762 (6.7%) from the FY 2015-16 adopted budget. Approximately \$589,300 of this new revenue is attributed to an increase in the value of Garner's assessed valuation, while the remaining \$479,462 comes as the result of the 1.5 cent property tax increase.

Sales and other tax revenues are projected to increase 17.5% over the FY 2015-16 budget, which is a reflection of the growth of Garner as a retail center for neighboring rural counties. Debt service expenditures will increase 28.7%, 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 \$353,337 was appropriated in the budget.

MAJOR INITIATIVES

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

- The Town continues to work on several projects related to the approved 2013 bond referendums, including a new recreation center, a new town hall, the Town's second dog park, new sidewalks, and neighborhood improvement projects.
- The Town provided 6 months of funding for 9 new fire fighters for Garner Volunteer Fire & Rescue, Inc., to maintain the current level of service and provide coverage during critical events such as structure fires.
- The Town funded an administrative assistant in the Police department and partial year funding for two additional police officers.
- The Garner Parks Recreation and Cultural Resources Department earned accreditation from the Commission for Accreditation of Park and Recreation Agencies. The Department is the ninth in North Carolina, and only the 136th in the nation, to achieve this status.
- The Town funded a supplemental Fire Inspector to assist with the backlog of routine maintenance fire inspections.
- To facilitate development-related changes, the Town funded Phase II of a two-year planning process to include a new comprehensive plan, revisions of the current 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, 2015. 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, 2015. 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, 2015. 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 19 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 2015-16 will allow us to make FY 2016-17 an even more productive year for the Town of Garner.

Respectfully submitted,



Rodney Dickerson
Town Manager



Pamela J. Wortham, CPA
Finance Director

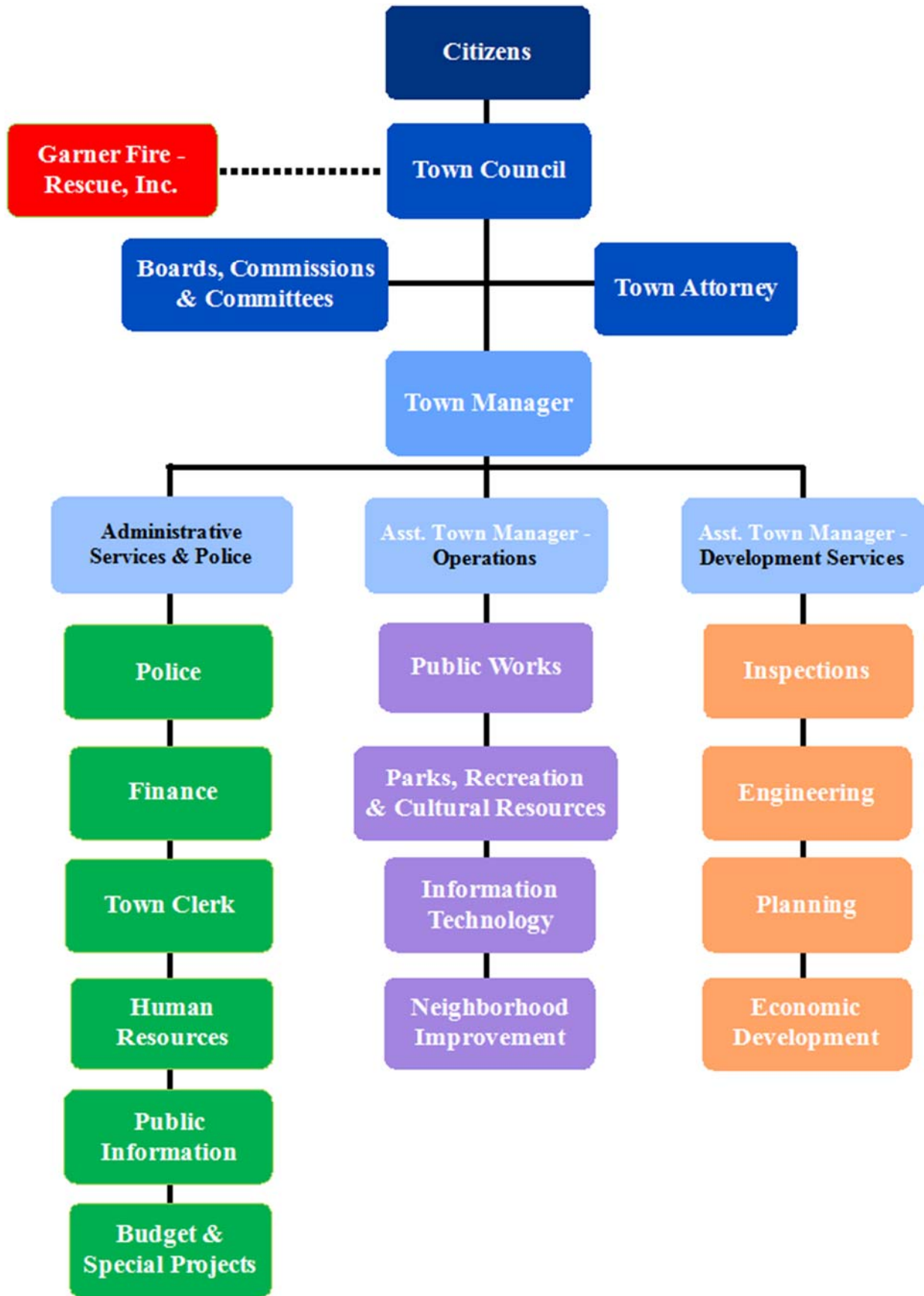
Town of Garner, North Carolina

List of Principal Officials

June 30, 2016

Title	Name
Mayor	Ronnie S. Williams
Mayor Pro Tem	Kathy Behringer
Council Member	Ken Marshburn
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	Rodney Dickerson
Assistant Town Manager – Operations	Vacant
Assistant Town Manager – Development Services	John Hodges
Planning Director	Michael B. Bass
Town Clerk	Stella Gibson
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	Pam Wortham
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

ORGANIZATIONAL CHART





Government Finance Officers Association

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

Presented to

**Town of Garner
North Carolina**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2015

Executive Director/CEO



FINANCIAL SECTION

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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, 2016, and the related notes to the financial statements, which collectively comprise the Town of Garner's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Garner, North Carolina as of June 30, 2016, 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 Schedule of Funding Progress, 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 Liability (Asset) and Contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economical, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Town of Garner, North Carolina. The introductory information, individual fund financial statements, budgetary schedules, other schedules, supplemental ad valorem tax schedules, the statistical section, and the accompanying Schedule of Expenditures of Federal and State Awards, as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Guidance Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 November 14, 2016 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
November 14, 2016

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Town of Garner, North Carolina

Management Discussion and Analysis

As management of the Town of Garner (the “Town”), we offer readers of the Town’s financial statements this overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2016. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the financial statements, which follow this narrative.

Financial Highlights

- The assets and deferred outflows of resources of the Town exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$86,199,231 (net position). Of this amount \$21,214,333 (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 \$46,700,538, or a decrease of \$997,017.
- As of the close of the fiscal year, the Town’s unassigned fund balance for the General Fund was \$17,940,081, or 64.7%, 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 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 and Required Supplementary Information for pensions can also be found in this part of the statements.

Government-wide Financial Statements

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

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

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

The government-wide financial statements are on pages 13-14 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 17-19 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 20 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 21-53 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 54-57 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 58-66 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 70-91.

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 was \$86,199,231 as of June 30, 2016. Approximately 71.2% 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 (4.2%) 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	
	2016	2015
ASSETS		
Current and other assets	\$ 48,294,653	\$ 49,441,948
Capital assets	82,485,789	82,658,687
Total assets	<u>130,780,442</u>	<u>132,100,635</u>
DEFERRED OUTFLOWS OF RESOURCES		
Contributions to pension plan in current fiscal year	651,988	669,335
Pension deferral	2,836	-
Total deferred outflows of resources	<u>654,824</u>	<u>669,335</u>
LIABILITIES		
Long-term debt outstanding	40,317,316	40,884,537
Other liabilities	4,522,606	3,833,331
Total liabilities	<u>44,839,922</u>	<u>44,717,868</u>
DEFERRED INFLOWS OF RESOURCES		
Pension deferrals	394,080	2,345,473
Prepaid taxes	2,033	16,923
Total deferred inflows of resources	<u>396,113</u>	<u>2,362,396</u>
NET POSITION		
Net investment in capital assets	61,370,282	63,979,719
Restricted	3,614,616	4,732,543
Unrestricted	21,214,333	16,977,444
Total net position	<u>\$ 86,199,231</u>	<u>\$ 85,689,706</u>

Town of Garner, North Carolina

Management Discussion and Analysis

The Town's net position increased by \$509,525, while unrestricted net position increased by \$4,236,889. The following are some of the items that influenced the change in unrestricted net position:

- Cash decreased primarily due to expenditures in the authorized capital projects for which debt was issued in the previous fiscal year.

Town of Garner Changes in Net Position
Figure 2

	Governmental Activities	
	2016	2015
REVENUES		
Program revenues		
Charges for services	\$ 3,486,963	\$ 1,938,800
Operating grants and contributions	876,610	1,054,284
Capital grants and contributions	129,726	1,245,652
General revenues		
Property taxes	17,090,048	15,439,837
Other taxes	7,994,287	7,855,057
Other	446,161	872,653
Total revenues	30,023,795	28,406,283
EXPENSES		
General government	6,855,255	5,483,946
Public safety	11,011,804	10,746,853
Transportation	5,612,182	4,671,100
Environmental protection	1,853,286	1,768,301
Cultural and recreational	3,044,810	3,597,114
Interest on long-term debt	1,136,933	756,985
Total expenses	29,514,270	27,024,299
Change in net position	509,525	1,381,984
Net position, July 1, as previously stated	-	85,650,053
Adjustment for pension plan	-	(1,342,331)
Net position, July 1, as restated	85,689,706	84,307,722
Net position, June 30	\$ 86,199,231	\$ 85,689,706

Governmental Activities. The Town's net position increased by \$509,525 during the current fiscal year. Key elements of this increase included:

- Property taxes collected increased 7.8%, due in part to the increase in tax rate implemented to offset increased debt service from.
- Fees charged for services increased 80% due to increase in building activity in the Town.
- Expenses increased 10.5% from the prior year due to an increase in the streets maintenance and increased debt payments.

Town of Garner, North Carolina

Management Discussion and Analysis

Total revenues were \$29.8 million. The property tax rate was increased from \$.50 to \$.5175 per \$100 of assessed value for fiscal year 2016. 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 3.35% 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 11.6% of revenues.

The total cost of all programs and services was \$29.5 million. Cost of public safety programs (building inspections, police and contracted fire services) accounted for 37.3% of expenses, followed by general government expenses at 23.2%. The Town increased expenditures in the transportation function by 20% from the prior fiscal year to invest in new vehicles and equipment; the Town also made investments in park improvements 10%.

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, 2016, the Town's governmental funds reported a combined ending fund balance of \$46,700,538, a decrease of 2% from the previous fiscal year. The decrease is related to the use of general obligation bonds within the Capital Projects Fund for capital projects that were not completed as of June 30, 2016; the General Fund had an increase in Fund Balance. Approximately \$17,940,081 (47.3%) constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been assigned to liquidate contracts and purchase orders of the prior period (\$340,659), assigned for other purposes (\$711,552), committed by the governing body for future capital projects (\$8.8 million), or restricted by external parties (\$18.9 million).

The General Fund is the chief operating fund of the Town. As of the close of the fiscal year, the Town's unassigned fund balance for the General Fund was \$17,940,081, or 64.7%, 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 used some funds for needs of the Garner Volunteer Fire and Rescue. Overall expenditures were held in check to comply with its budgetary requirements.

The fund balance of the Town's General Fund increased \$2.9 million during the current fiscal year. Key factors in this increase are as follows:

- The Town recognized increased water and sewer capacity fees and inspection fees due to commercial and multi-family residential development.
- 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 decreased \$3.9 million. This decrease was due to expenditures for capital projects of the previous year issuance of general obligation bonds.

Capital Asset and Debt Administration

Capital Assets. The Town's investment in capital assets as of June 30, 2016, amounts to \$82,485,789 (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 \$777,773.

Major capital asset investments of \$4.3 million during the fiscal year include: completion of a new police facility, roadway improvements, and sidewalk construction (\$3.6 million); and equipment and vehicle purchases (\$734,822).

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Land	\$ 10,356,033	\$ 10,356,033
Buildings	6,009,390	6,229,695
Intangible assets	17,485,081	17,485,081
Improvements	4,172,356	4,486,092
Equipment	1,458,777	1,219,548
Infrastructure	27,081,005	29,663,537
Construction in progress	15,923,147	12,268,030
Total	<u>\$ 82,485,789</u>	<u>\$ 81,708,016</u>

Town of Garner, North Carolina

Management Discussion and Analysis

Additional information on the Town's capital assets can be found on page 34 of the notes to the financial statements of this report.

Long-term Debt. The Town issued long-term debt during the fiscal year ended June 30, 2016. The Town entered into a \$630,000 installment loan agreement for the purchase of vehicles. At the end of the fiscal year, the Town had total debt outstanding of \$35,135,674. Of this, \$29.34 million is backed by the full faith and credit of the Town; the remainder is secured by interest property, vehicles, or equipment.

The Town's total debt decreased by \$998,852 during the fiscal year.

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
General obligation bonds	\$ 29,335,000	\$ 29,760,000
Installment financing agreements	5,800,674	6,374,526
Total	<u>\$ 35,135,674</u>	<u>\$ 36,134,526</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.

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 \$220.4 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, 2016.

Additional information on the Town's long-term debt can be found in the notes to the financial statements on pages 50-52 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.

- Wake County performs a revaluation of real property every eight years. The revaluation occurred this year, and will impact next year's budget. The revenue neutral tax rate for FY 2016-17 is 51.39 cents per \$100 of assessed valuation.
- 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, 2017

Governmental Activities: Property taxes (benefiting from the economic growth) are expected to lead the increase in budgeted revenue by 6.7%. This is due to the combination of the increase in the value of Garner's assessed valuation and an increase of the tax rate from \$.5175 to \$.5325 per \$100 of assessed value. This increase will be exclusively used for the expansion of Public Safety services within the Town. Sales tax distributions are anticipated to increase approximately 2.33%. While sales tax revenue continues to be a steady and vital source of revenue for Town operations, the next fiscal year is anticipated to reflect a more normal rate of growth.

The Town anticipates growth of approximately 26.4% in permits and other development-related 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 7.87% to \$30,709,289. The largest increments are in employee compensation, including compensation and benefits adjustments. Initiatives set by the Council included in the approved fiscal year 2017 budget are:

- Garner Town Hall and Recreation Center Construction;
- Lake Benson Dog Park;
- Town Comprehensive and Transportation Plan Updates;
- Vehicle and Equipment Replacements; and
- Continuation of street resurfacing and patching.

The Town has chosen to appropriate fund balance in the fiscal year 2016 budget. These appropriations of fund balance (totaling \$666,552) will be used to make one-time investments in equipment and infrastructure.

Requests for Information

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

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BASIC FINANCIAL STATEMENTS

Government-Wide Financial Statements

Fund Financial Statements

Notes to the Financial Statements

Required Supplementary Information

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TOWN OF GARNER, NORTH CAROLINA
STATEMENT OF NET POSITION
JUNE 30, 2016

Exhibit 1

	Primary Government
	Governmental Activities
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 29,574,701
Taxes receivable- net	51,069
Special assessments-net	14,270
Accounts receivable-net	2,496,811
Sales tax refund receivable	110,087
Accrued interest receivable	21,002
Inventories	25,185
Prepaid items	2,500
Restricted cash, cash equivalents, and investments	15,999,028
Total current assets	48,294,653
Non-current assets:	
Capital assets:	
Capital assets not being depreciated	43,764,261
Capital assets being depreciated-net	38,721,528
Total non-current assets	82,485,789
Total assets	130,780,442
DEFERRED OUTFLOWS OF RESOURCES	
Contributions to pension plan in current fiscal year	651,988
Pension deferrals	2,836
Total deferred outflows of resources	654,824
LIABILITIES	
Accounts payable and accrued liabilities	1,250,601
Accrued interest payable	395,120
Payroll withholdings payable	154,456
Liabilities payable from restricted assets:	
Deposits	96,686
Current portion of compensated absences	450,000
Current portion of long-term obligations	2,175,743
Total current liabilities	4,522,606
Long-term liabilities:	
Non-current portion of compensated absences	392,092
Police separation allowance	771,977
Other postemployment benefits	4,265,024
Net pension liability	717,174
Non-current portion of long-term obligations	34,171,049
Total long-term liabilities	40,317,316
Total liabilities	44,839,922
DEFERRED INFLOWS OF RESOURCES	
Pension deferrals	394,080
Prepaid taxes	2,033
Total deferred inflows of resources	396,113
NET POSITION	
Net investment in capital assets	61,370,282
Restricted for:	
Stabilization by State statute	2,943,559
Streets	570,628
Law enforcement	100,429
Unrestricted	21,214,333
Total net position	\$ 86,199,231

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, 2016

Exhibit 2

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities
Primary government:					
Governmental activities:					
General government	\$ 6,855,255	\$ 1,760,641	\$ -	\$ 125,052	\$ (4,969,562)
Public safety	11,011,804	1,000,264	133,870	4,674	(9,872,996)
Transportation	5,612,182	37,794	742,740	-	(4,831,648)
Environmental protection	1,853,286	31,157	-	-	(1,822,129)
Cultural/recreational	3,044,810	657,107	-	-	(2,387,703)
Interest on long-term debt	1,136,933	-	-	-	(1,136,933)
Total governmental activities	<u>29,514,270</u>	<u>3,486,963</u>	<u>876,610</u>	<u>129,726</u>	<u>(25,020,971)</u>
Total primary government	<u>\$ 29,514,270</u>	<u>\$ 3,486,963</u>	<u>\$ 876,610</u>	<u>\$ 129,726</u>	<u>(25,020,971)</u>
General revenues:					
					17,072,956
					5,826,797
					2,167,490
					148,479
					59,168
					255,606
					<u>25,530,496</u>
					509,525
					<u>85,689,706</u>
					<u>\$ 86,199,231</u>

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

TOWN OF GARNER, NORTH CAROLINA
BALANCE SHEET--GOVERNMENTAL FUNDS
JUNE 30, 2016

Exhibit 3

	General	Capital Projects	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 24,928,101	\$ 4,646,600	\$ 29,574,701
Restricted cash and cash equivalents	767,743	15,231,285	15,999,028
Taxes receivable (net)	51,069	-	51,069
Assessments receivable (net)	14,270	-	14,270
Accounts receivable (net)	2,322,403	174,408	2,496,811
Sales tax refunds receivable	110,087	-	110,087
Inventories	25,185	-	25,185
Prepaid items	2,500	-	2,500
	<hr/>		
Total assets	\$ 28,221,358	\$ 20,052,293	\$ 48,273,651
LIABILITIES			
Accounts payable and accrued liabilities	\$ 1,237,994	\$ 12,607	\$ 1,250,601
Payroll withholdings payable	154,456	-	154,456
Liabilities payable from restricted assets:			
Deposits	96,686	-	96,686
	<hr/>		
Total liabilities	1,489,136	12,607	1,501,743
DEFERRED INFLOWS OF RESOURCES			
Assessments uncollected	14,270	-	14,270
Property taxes uncollected	51,069	-	51,069
Other receivables	3,998	-	3,998
Prepaid taxes	2,033	-	2,033
Total deferred inflows of resources	71,370	-	71,370
FUND BALANCES			
Nonspendable			
Inventories	25,185	-	25,185
Prepays	2,500	-	2,500
Restricted			
Stabilization by State statute	2,769,151	174,408	2,943,559
Streets	570,628	-	570,628
Law enforcement	100,429	-	100,429
Capital projects	-	15,231,285	15,231,285
Committed			
Capital projects	3,912,858	4,633,993	8,546,851
Other	287,809	-	287,809
Assigned			
Contract liquidation	340,659	-	340,659
Subsequent year expenditures	711,552	-	711,552
Unassigned	17,940,081	-	17,940,081
Total fund balances	26,660,852	20,039,686	46,700,538
	<hr/>		
Total liabilities, deferred inflows of resources, and fund balances	\$ 28,221,358	\$ 20,052,293	\$ 48,273,651

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, 2016

Exhibit 4

Fund balances- Governmental Funds		\$ 46,700,538
Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1) are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Assets not being depreciated	43,764,261	
Assets being depreciated	<u>38,721,528</u>	82,485,789
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.		
Accrued interest receivable		21,002
Contributions to pension plans in the current fiscal year are deferred outflows of resources on the Statement of Net Position.		
		651,988
Liabilities for earned revenues considered deferred inflows of resources in fund statements		
		69,337
Pension related deferrals		
		(391,244)
Long-term liabilities used in governmental activities are not financial uses and, therefore, are not reported in the funds.		
Compensated absences	(842,092)	
Police separation allowance	(771,977)	
Other post-employment benefits	(4,265,024)	
Long-term obligations	(36,346,792)	
Accrued interest payable	(395,120)	
Net pension liability	(717,174)	
		<u>(43,338,179)</u>
Net position of governmental activities		<u>\$ 86,199,231</u>

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, 2016

Exhibit 5

	General	Capital Projects	Total Governmental Funds
REVENUES			
Ad valorem taxes	\$ 17,061,096	\$ -	\$ 17,061,096
Other taxes and licenses	5,826,797	-	5,826,797
Intergovernmental revenues	3,185,644	61,886	3,247,530
Permits and fees	2,981,635	-	2,981,635
Sales and services	510,108	-	510,108
Investment earnings	76,234	51,243	127,477
Other revenues	234,534	50,956	285,490
Total revenues	<u>29,876,048</u>	<u>164,085</u>	<u>30,040,133</u>
EXPENDITURES			
Current			
General government	6,780,440	-	6,780,440
Public safety	10,751,421	-	10,751,421
Transportation	2,708,200	-	2,708,200
Environmental protection	1,853,286	-	1,853,286
Cultural and recreational	2,795,777	-	2,795,777
Capital projects	-	4,044,549	4,044,549
Debt service			
Principal retirement	1,628,852	-	1,628,852
Interest and fees	1,163,793	-	1,163,793
Total expenditures	<u>27,681,769</u>	<u>4,044,549</u>	<u>31,726,318</u>
Revenues over (under) expenditures	<u>2,194,279</u>	<u>(3,880,464)</u>	<u>(1,686,185)</u>
OTHER FINANCING SOURCES (USES)			
Sale of capital assets	59,168	-	59,168
Proceeds from issuance of debt	630,000	-	630,000
Transfers in	81,456	37,000	118,456
Transfers out	(37,000)	(81,456)	(118,456)
Total other financing sources (uses)	<u>733,624</u>	<u>(44,456)</u>	<u>689,168</u>
Net change in fund balances	2,927,903	(3,924,920)	(997,017)
FUND BALANCES			
Beginning of year--July 1	<u>23,732,949</u>	<u>23,964,606</u>	<u>47,697,555</u>
End of year--June 30	<u>\$ 26,660,852</u>	<u>\$ 20,039,686</u>	<u>\$ 46,700,538</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, 2016

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 \$ (997,017)

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	4,389,939	
Depreciation and amortization expense	<u>(3,612,166)</u>	
Net adjustment to reduce fund balance-governmental fund to arrive at net position of governmental activities		777,773

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	(41,697)	
Proceeds from issuance of debt	(630,000)	
Amortization of premium	68,557	
Principal repayments	<u>1,628,852</u>	
Net adjustment to increase the net changes in fund balance-governmental funds to arrive at change in net position of governmental activities		1,025,712

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		21,002
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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		28,952
Other receivables		(125,459)

Change in deferred outflow - pension		(14,511)
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Change in deferred inflow - pension		1,951,393
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Change in net pension liability		(717,174)
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Change in net pension asset		(950,671)
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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 postemployment benefits	(491,749)	
Law enforcement separation allowance	(34,893)	
Accrued salaries	<u>36,167</u>	
		<u>(490,475)</u>

Change in net position of governmental activities		<u>\$ 509,525</u>
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TOWN OF GARNER, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE--
BUDGET AND ACTUAL--GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2016

Exhibit 7

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES				
Ad valorem taxes	\$ 16,487,500	\$ 16,487,500	\$ 17,061,096	\$ 573,596
Other taxes and licenses	5,722,200	5,722,200	5,826,797	104,597
Intergovernmental revenues	3,021,799	2,973,134	3,185,644	212,510
Permits and fees	1,275,310	1,275,310	2,981,635	1,706,325
Sales and services	490,966	490,966	510,108	19,142
Investment earnings	12,700	12,700	76,234	63,534
Other revenues	195,301	209,198	234,534	25,336
Total revenues	<u>27,205,776</u>	<u>27,171,008</u>	<u>29,876,048</u>	<u>2,705,040</u>
EXPENDITURES				
Current				
General government	7,137,376	7,436,019	6,780,440	655,579
Public safety	11,002,466	10,993,414	10,751,421	241,993
Transportation	2,616,174	2,895,750	2,708,200	187,550
Environmental protection	1,879,965	1,878,965	1,853,286	25,679
Cultural and recreational	2,870,492	2,968,872	2,795,777	173,095
Debt service				
Principal retirement	1,626,283	1,626,283	1,628,852	(2,569)
Interest and fees	1,169,139	1,169,139	1,163,793	5,346
Total expenditures	<u>28,301,895</u>	<u>28,968,442</u>	<u>27,681,769</u>	<u>1,286,673</u>
Revenues over (under) expenditures	<u>(1,096,119)</u>	<u>(1,797,434)</u>	<u>2,194,279</u>	<u>3,991,713</u>
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	25,000	25,000	59,168	34,168
Proceeds from issuance of debt	632,000	632,000	630,000	(2,000)
Transfers in	45,000	170,639	81,456	(89,183)
Transfers out	(165,705)	(360,668)	(37,000)	323,668
Fund balance appropriated	559,824	1,330,463	-	(1,330,463)
Total other financing sources (uses)	<u>1,096,119</u>	<u>1,797,434</u>	<u>733,624</u>	<u>(1,063,810)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>2,927,903</u>	<u>\$ 2,927,903</u>
FUND BALANCES				
Beginning of year--July 1			<u>23,732,949</u>	
End of year--June 30			<u>\$ 26,660,852</u>	

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

TOWN OF GARNER, NORTH CAROLINA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
JUNE 30, 2016

Exhibit 8

	<u>Water & Sewer Fees Agency Fund</u>
Assets	
Cash and cash equivalents	\$ <u>92,777</u>
Liabilities	
Liabilities:	
Due to other governments	\$ <u>92,777</u>

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

TOWN OF GARNER, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

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.

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

TOWN OF GARNER, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

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

TOWN OF GARNER, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

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, 2016. The Town adopts annual budgets, prepared on the modified accrual basis for all funds except capital project, which have project budgets adopted. Appropriations for funds with annual budgets lapse at the end of the budget year. Capital project budget appropriations do not lapse until the completion of the project. The Town Council may amend the budget throughout the year.

The annual budgets are adopted at the departmental level and multi-year budgets are adopted at the project level. The Town maintains administrative control over its operations through a more detailed line item budget. The Town Manager may transfer amounts between line items, however, any revision to a salary line item must be reported to the governing council. The governing council must approve any amendment, which alters the total budget of a department.

TOWN OF GARNER, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

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>\$ 340,659</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. Non-participating interest earning contracts are accounted for at cost. The NCCMT- Cash Portfolio, a SEC-registered (2a7) external investment pool, is measured at amortized cost, which is the NCCMT's share price. The NCCMT Term Portfolio's securities are valued at fair value.

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.

TOWN OF GARNER, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

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. Customer deposits held by the Town before any services are supplied are restricted to the service for which the deposit was collected. Asset forfeitures funds and funds received as a distribution of the NC Controlled substance tax are restricted for law enforcement purposes. Powell Bill funds also are classified as restricted cash because they can be expended only for the purposes of maintaining, repairing, constructing, or widening of local streets per G.S. 136-41.1 through 136-41.4.

Governmental Activities			
General Fund	Streets	\$	570,628
	Law enforcement		100,429
	Deposits		96,686
Capital Projects Fund	Unexpended bond proceeds		<u>15,231,285</u>
		\$	<u>15,999,028</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.

TOWN OF GARNER, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

I. Allowances for Doubtful Accounts

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

J. Inventories and Prepaid Items

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

K. Capital Assets

All purchased or constructed capital assets are recorded at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. The Town defines capital assets as assets with an individual cost of more than \$10,000 and an estimated useful life of more than two years. Infrastructure assets include all assets over the capitalization threshold of \$150,000 for streets and \$10,000 for sidewalks that have been acquired since July 1, 1980. Intangible assets include all assets over the capitalization threshold of \$100,000. Intangible assets have an indefinite life; therefore, they are not amortized. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

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

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

TOWN OF GARNER, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

L. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town currently has two items that meet this criterion, pension deferrals and contributions made to the pension plan in the current year. In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to 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, uncollected assessments, property taxes uncollected, other receivables, 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 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.

TOWN OF GARNER, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

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.

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 \$15,231,285 as of June 30, 2016.

TOWN OF GARNER, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

Restricted fund balance at June 30, 2016 is as follows:

<u>Purpose</u>	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
Stabilization by State statute	\$ 2,769,151	\$ 174,408	\$ 2,943,559
Streets	570,628	-	570,628
Law enforcement	100,429	-	100,429
Capital projects	-	15,231,285	15,231,285
Total	\$ 3,440,208	\$ 15,405,693	\$ 18,845,901

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 or improvements to storm water retention facilities.

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

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

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

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

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

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

TOWN OF GARNER, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

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

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

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

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

Committed fund balance at June 30, 2016 is as follows:

<u>Purpose</u>	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
Capital Projects			
Park improvements	\$ 587,958	\$ -	\$ 587,958
Storm water facilities	340,201	-	340,201
Lake Benson Park	50,776	-	50,776
Park equipment	38,145	-	38,145
Community Center	56,514	4,061,275	4,117,789
Water and sewer capacity	2,758,828	-	2,758,828
Greenways	80,436	80,700	161,136
Roadway improvements	-	492,018	492,018
Other			
Veteran's Memorial	56,429	-	56,429
Storm water retention ponds	813	-	813
Insurance	25,712	-	25,712
Public safety	579	-	579
Revenue Savings Plan	204,276	-	204,276
Total	<u>\$ 4,200,667</u>	<u>\$ 4,633,993</u>	<u>\$ 8,834,660</u>

Assigned Fund Balance - portion of fund balance that the Town of Garner intends to use for specific purposes. The Town of Garner’s Town Council has delegated the Town Manager the authority to assign portions of fund balance in accordance with the Town of Garner’s fund balance policy. Unlike commitments, assignments generally only exist temporarily, meaning additional action does not normally have to be taken for a removal of an assignment.

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

TOWN OF GARNER, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

Assigned for subsequent year's expenditures – portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The governing body approves the appropriation; all budget amendments must be submitted to the Town Council for approval.

Assigned fund balance at June 30, 2016 is as follows:

<u>Purpose</u>	<u>General Fund</u>
Contract liquidation	\$ 340,659
Subsequent year's expenditures	711,552
Total	<u>\$ 1,052,211</u>

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

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

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

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

Total General Fund balance	\$ 26,660,852
Less:	
Inventories	25,185
Prepays	2,500
Stabilization by State statute	<u>2,769,151</u>
Available fund balance	<u>\$ 23,864,016</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 FOR THE YEAR ENDED JUNE 30, 2016

Q. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental Employees' Retirement System (LGERS) and additions to/deductions from LGERS' fiduciary net position have been determined on the same basis as they are reported by LGERS. For this purpose, 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, 2016, the Town's deposits had a carrying amount of \$1,185,398 and a bank balance of \$1,468,048. Of the bank balance, \$500,000 was covered by federal depository insurance and \$968,049 in interest bearing deposits were covered by collateral held under the Pooling Method. At June 30, 2016, the Town had \$2,670 cash on hand.

TOWN OF GARNER, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

At June 30, 2016, the Town's investment balances were as follows:

<u>Investment Type</u>	<u>Valuation Measurement Method</u>	<u>Book Value at 6/30/2016</u>	<u>Maturity</u>	<u>Rating</u>
Fannie Mae	Fair Value-Level 1	\$ 1,235,447	4/27/2017	AAA
Federal Home Loan Banks	Fair Value-Level 1	2,165,818	10/26/2017	AAA
Freddie Mac	Fair Value-Level 1	1,894,429	4/27/2017	AAA
U.S Treasury	Fair Value-Level 1	4,645,932	8/31/2017	AAA
NC Capital Management Trust - Cash Portfolio	Amortized Cost	\$ 21,960,710	N/A	AAAm
NC Capital Management Trust - Term Portfolio	Fair Value-Level 1	12,576,102	-	Unrated
Total		<u>\$ 44,478,438</u>		

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, 2016, 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.

	<u>June 30, 2016</u>
General Fund	
Taxes receivable	\$ 320,347
Special assessments	14,597
Total	<u>\$ 334,944</u>

TOWN OF GARNER, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

C. Capital Assets

Capital asset activity for the year ended June 30, 2016, was as follows:

	Balance			Balance
	June 30, 2015	Increases	Retirements	June 30, 2016
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 10,356,033	\$ -	\$ -	\$ 10,356,033
Construction in progress	12,268,030	3,655,117	-	15,923,147
Intangible assets	<u>17,485,081</u>	<u>-</u>	<u>-</u>	<u>17,485,081</u>
Total capital assets not being depreciated	<u>40,109,144</u>	<u>3,655,117</u>	<u>-</u>	<u>43,764,261</u>
Capital assets being depreciated:				
Buildings	9,629,851	-	-	9,629,851
Improvements	9,390,560	-	-	9,390,560
Equipment	6,021,817	734,822	(276,266)	6,480,373
Infrastructure	<u>83,023,989</u>	<u>-</u>	<u>-</u>	<u>83,023,989</u>
Total capital assets being depreciated	<u>108,066,217</u>	<u>734,822</u>	<u>(276,266)</u>	<u>108,524,773</u>
Less accumulated depreciation for:				
Buildings	3,400,156	220,305	-	3,620,461
Improvements	4,904,468	313,736	-	5,218,204
Equipment	4,802,269	495,593	(276,266)	5,021,596
Infrastructure	<u>53,360,452</u>	<u>2,582,532</u>	<u>-</u>	<u>55,942,984</u>
Total accumulated depreciation	<u>66,467,345</u>	<u>\$ 3,612,166</u>	<u>\$ (276,266)</u>	<u>69,803,245</u>
Total capital assets being depreciated, net	<u>41,598,872</u>			<u>38,721,528</u>
Governmental activity capital assets, net	<u>\$ 81,708,016</u>			<u>\$ 82,485,789</u>

TOWN OF GARNER, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

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

General government	\$ 125,780
Public safety	268,870
Transportation	2,701,322
Cultural/recreational	516,194
Total	<u>\$ 3,612,166</u>

Net Investment in Capital Assets

	Governmental Activities
Capital assets	\$ 82,485,789
Less: long-term debt related to Town assets	(36,346,792)
Add: unexpended debt proceeds	15,231,285
Net investment in capital assets	<u>\$ 61,370,282</u>

Commitments – Construction Projects

The government has active construction projects as of June 30, 2016. At year-end, the government's commitments with contractors are as follows:

<u>Purpose</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Police and Town Hall facility	\$ 6,400,136	\$ 6,919,916
Roadway improvements	2,307,628	1,149,686
Park improvements	1,303,243	38,363
Recreation center	733,299	19,117
Downtown redevelopment	1,085,995	8,225
Total	<u>\$ 11,830,301</u>	<u>\$ 8,135,307</u>

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

TOWN OF GARNER, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

D. Interfund Receivables, Payables, and Transfers

Interfund transfers:

Transfer From	Transfer To	Amount
General Fund	Capital Projects Fund	\$ 81,456
Capital Projects Fund	General Fund	37,000

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

Payables at June 30, 2016 were as follows:

	Vendors	Other	Total
General	\$ 280,007	\$ 957,987	\$ 1,237,994
Capital Projects	12,607	-	12,607
Total	\$ 292,614	\$ 957,987	\$ 1,250,601

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.

TOWN OF GARNER, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

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.

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, 2016, was 7.15% of compensation for law enforcement officers and 6.67% 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 \$651,988 for the year ended June 30, 2016.

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.

TOWN OF GARNER, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

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

At June 30, 2016, the Town reported an liability of \$717,174 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014. The total pension liability was then rolled forward to the measurement date of June 30, 2015 utilizing update procedures incorporating the actuarial assumptions. The Town’s proportion of the net pension liability was based on a projection of the Town’s long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2015, the Town’s proportion was 0.15980%, which was a decrease of 0.00140% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the Town recognized pension expense of \$382,950. At June 30, 2016, 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	\$ -	\$ 168,579
Net difference between projected and actual earnings on pension plan investments	-	204,177
Changes in proportion and differences between Town contributions and proportionate share of contributions	2,836	21,324
Town contributions subsequent to the measurement date	651,988	-
Total	\$ 654,824	\$ 394,080

TOWN OF GARNER, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

\$651,988 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred inflows and outflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended	
June 30:	Amount
2017	\$ (244,291)
2018	(244,291)
2019	(243,961)
2020	341,299
2021	-
Thereafter	-
Total	<u>\$ (391,244)</u>

Actuarial Assumptions. The total pension liability in the December 31, 2014 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, 2014 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.

TOWN OF GARNER, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2015 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	29.0%	2.2%
Global Equity	42.0%	5.8%
Real Estate	8.0%	5.2%
Alternatives	8.0%	9.8%
Credit	7.0%	6.8%
Inflation Protection	6.0%	3.4%
Total	<u>100%</u>	

The information above is based on 30-year expectations developed with the consulting actuary for the 2014 asset, liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

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

TOWN OF GARNER, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

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

	1% Decrease (6.25%)	Discount Rate (7.25%)	1% Increase (8.25%)
Town's proportionate share of the net pension liability (asset)	\$ 5,000,947	\$ 717,174	\$ (2,891,812)

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

2. Law Enforcement Officers Special Separation Allowance

Plan Description

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

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

Retirees receiving benefits	12
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	65
Total	77

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.

TOWN OF GARNER, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

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 contributions made by employees.

The annual required contribution for the current year was determined as part of the December 31, 2014 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 16 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	\$ 293,546
Interest on net pension obligations	36,854
Adjustment to annual required contribution	<u>(64,772)</u>
Annual pension cost	265,628
Benefit payments made	<u>(230,735)</u>
Increase in net pension obligation	34,893
Net pension obligation beginning of year	<u>737,084</u>
Net pension obligation end of year	<u><u>\$ 771,977</u></u>

TOWN OF GARNER, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

Three-Year Trend Information			
Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2014	\$ 210,114	81.55%	\$ 645,273
6/30/2015	255,305	64.04%	737,084
6/30/2016	265,628	86.86%	771,977

Funding Status and Funding Progress

As of December 31, 2015, 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 \$3,414,080. The covered payroll (annual payroll of active employees covered by the plan) was \$4,363,230, and the ratio of the UAAL to the covered payroll was 78.25%.

The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

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, 2016 were \$280,254, which consisted of \$197,555 from the Town and \$82,699 from the law enforcement officers.

TOWN OF GARNER, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

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, 2016 were \$395,896, which consisted of \$275,556 from the Town and \$120,340 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.

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.

TOWN OF GARNER, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

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	-
Active plan members	<u>160</u>
Total	<u><u>191</u></u>

As of December 31, 2015, the membership of the Town's HCB plan consisted of 172 total members. The Town will obtain a new actuarial valuation as of December 31, 2016.

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 \$200,276, or 2.10%, 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 FOR THE YEAR ENDED JUNE 30, 2016

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	\$ 685,280
Interest on net pension obligations	150,931
Adjustment to annual required contribution	<u>(144,186)</u>
Annual pension cost	692,025
Contributions made	<u>(200,276)</u>
Increase in net pension obligation	491,749
Net pension obligation, beginning of year	<u>3,773,275</u>
Net pension obligation, end of year	<u><u>\$ 4,265,024</u></u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2016 were as follows:

Three-Year Trend Information			
Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2014	\$ 663,325	29.10%	\$ 3,274,141
6/30/2015	664,166	24.80%	3,773,275
6/30/2016	692,025	28.94%	4,265,024

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.

TOWN OF GARNER, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

Actuarial Methods and Assumptions

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

In the December 31, 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.

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.

TOWN OF GARNER, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

H. Deferred Outflows and Inflows of Resources

The Town has several deferred outflows and inflows of resources. Deferred outflows of resources are comprised of the following:

<u>Source</u>	<u>Amount</u>
Changes in proportion and differences between Town contributions and proportionate share of contributions	\$ 2,836
Town contributions subsequent to the measurement date	651,988
Total	<u>\$ 654,824</u>

Deferred inflows of resources at year-end are comprised of the following:

<u>Source</u>	<u>Amount</u>
Prepaid taxes	\$ 2,033
Taxes receivable - net	51,069
Special assessments - net	14,270
Other receivables	3,998
Differences between expected and actual experience	168,579
Net difference between projected and actual earnings on pension plan investments	204,177
Changes in proportion and differences between Town contributions and proportionate share of contributions	21,324
Total	<u>\$ 465,450</u>

I. 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.

TOWN OF GARNER, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

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

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

In accordance with G.S. 159-29, the Town's employees that have access to \$100 or more at any given time of the Town's funds are performance bonded through a commercial surety bond. The Finance Officer, Town Manager, and Tax Collector are each individually bonded for \$50,000 each. The remaining employees that have access to funds are bonded under a blanket bond for \$50,000.

J. Claims, Judgments and Contingent Liabilities

At June 30, 2016, the Town was a defendant to various lawsuits. In the opinion of the Town's management and the Town attorney, the ultimate effect of these legal matters will not have a material adverse effect on the Town's financial position.

TOWN OF GARNER, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

K. Long-Term Obligations

1. Bonds and Notes Payable

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

Bonds payable at June 30, 2016 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	5,360,000
\$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>9,305,000</u>
Total General Obligation Bonds	<u><u>\$ 29,335,000</u></u>

TOWN OF GARNER, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

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%	\$ 2,397,798
\$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%	2,493,332
\$712,295 installment purchase contract for vehicles due in annual installments of \$181,156 through September 1, 2016; interest at 1.15%	172,901
\$534,200 installment purchase contract for vehicles and equipment due in annual installments of \$135,524 through February 1, 2018; interest at 1.034%	267,155
\$630,000 installment purchase contract for vehicles due in annual installments of \$160,772 through September 1, 2018; interest at 1.36%	<u>469,488</u>
Total promissory notes and installment purchase contracts	<u>5,800,674</u>
Total long-term debt	<u><u>\$ 35,135,674</u></u>

At June 30, 2016, the Town of Garner had authorized but unissued bonds in the amount of \$11,241,000 and had a legal debt margin of approximately \$220,490,134.

2. Changes in Long-Term Obligations

A summary of changes in long-term obligations for the year ended June 30, 2016, net of bond premium:

Type of Debt	June 30, 2015	Additions	Retirements	June 30, 2016	One Year
General obligation bonds	\$ 29,760,000	\$ -	\$ 425,000	\$ 29,335,000	\$ 990,000
Premium on bonds	1,279,675	-	68,557	1,211,118	-
Promissory notes	6,374,526	630,000	1,203,852	5,800,674	1,185,743
Compensated absences	878,259	486,313	522,480	842,092	450,000
Net pension liability (LGERS)	-	717,174	-	717,174	-
Police separation allowance	737,084	265,628	230,735	771,977	-
Other post-employment benefits	3,773,275	692,025	200,276	4,265,024	-
Total	<u>\$ 42,802,819</u>	<u>\$ 2,791,140</u>	<u>\$ 2,650,900</u>	<u>\$ 42,943,059</u>	<u>\$ 2,625,743</u>

TOWN OF GARNER, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

Compensated absences for governmental activities have typically been liquidated in the General Fund.

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

	GENERAL OBLIGATION BONDS		INSTALLMENT AGREEMENTS & PROMISSORY NOTES		TOTAL	
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST
2017	\$ 990,000	\$ 1,106,972	\$ 1,185,743	\$ 145,531	\$ 2,175,743	\$ 1,252,503
2018	1,000,000	1,062,973	1,006,872	121,758	2,006,872	1,184,731
2019	1,005,000	1,032,410	865,157	100,195	1,870,157	1,132,605
2020	1,015,000	995,110	696,780	80,185	1,711,780	1,075,295
2021	1,025,000	954,097	686,183	62,525	1,711,183	1,016,622
NEXT 5 YEARS	7,425,000	3,949,648	1,133,333	150,337	8,558,333	4,099,985
NEXT 5 YEARS	8,325,000	2,378,488	226,606	4,294	8,551,606	2,382,782
NEXT 5 YEARS	8,550,000	755,868	-	-	8,550,000	755,868
Total	<u>\$ 29,335,000</u>	<u>\$ 12,235,566</u>	<u>\$ 5,800,674</u>	<u>\$ 664,825</u>	<u>\$ 35,135,674</u>	<u>\$ 12,900,391</u>

L. 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.

TOWN OF GARNER, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

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.

Federal and State Assisted Programs

The Town has received proceeds from several federal and State 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 monies to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant monies.

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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 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)
12/31/2006	\$ -	\$ 1,347,077	\$ 1,347,077	0%	\$ 3,222,771	41.80%
12/31/2007	-	1,472,446	1,472,446	0%	3,413,727	43.13%
12/31/2008	-	1,580,574	1,580,574	0%	3,719,325	42.50%
12/31/2009	-	2,008,542	2,008,542	0%	3,677,562	54.62%
12/31/2010	-	1,882,501	1,882,501	0%	4,021,972	46.81%
12/31/2011	-	2,041,879	2,041,879	0%	4,066,111	50.22%
12/31/2012	-	2,123,779	2,123,779	0%	3,972,049	53.47%
12/31/2013	-	2,217,538	2,217,538	0%	4,007,450	55.34%
12/31/2014	-	2,304,735	2,304,735	0%	3,956,429	58.25%
12/31/2015	-	3,414,080	3,414,080	0%	4,363,230	78.25%

Notes to the Required Schedules

Valuation date	12/31/2015	Actuarial assumptions:	
Actuarial cost method	Entry Age Normal	Investment rate of return	3.57%
Amortization method	Level dollar closed	Projected salary increases	3.50 - 7.35%
Remaining amortization period	15 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 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)
12/31/2007	\$ -	\$ 7,264,975	\$ 7,264,975	0.00%	\$ 8,096,690	89.7%
12/31/2009	-	6,852,899	6,852,899	0.00%	9,012,872	76.0%
12/31/2010	-	8,096,518	8,096,518	0.00%	8,983,205	90.1%
12/31/2011	-	7,538,579	7,538,579	0.00%	9,085,701	83.0%
12/31/2013	-	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%
2016	685,280	29.2%

Notes to the Required Schedules

Valuation date	12/31/2013	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	26.1695		
Asset valuation method	Market value of assets		

TOWN OF GARNER, NORTH CAROLINA
TOWN OF GARNER'S PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET)
REQUIRED SUPPLEMENTARY INFORMATION
LAST THREE FISCAL YEARS*

Exhibit A-3

Local Government Employees' Retirement System

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Town of Garner's proportion of the net pension liability (asset) (%)	0.15980%	0.16120%	0.16520%
Town of Garner's proportion of the net pension liability (asset) (\$)	\$ 717,174	\$ (950,671)	\$ 1,991,294
Town of Garner's covered-employee payroll	\$ 9,229,581	\$ 9,063,665	\$ 8,685,568
Town of Garner's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	7.77%	(10.49%)	22.93%
Plan fiduciary net position as a percentage of the total pension liability**	98.09%	102.64%	94.35%

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

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

TOWN OF GARNER, NORTH CAROLINA
TOWN OF GARNER'S CONTRIBUTIONS
REQUIRED SUPPLEMENTARY INFORMATION
LAST THREE FISCAL YEARS*

Exhibit A-4

Local Government Employees' Retirement System

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

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.

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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, 2016

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015

Schedule 1

	2016		Variance Positive (Negative)	2015
	Budget	Actual		Actual
REVENUES				
Ad valorem taxes:				
Current year	\$ 16,273,500	\$ 16,866,750	\$ 593,250	\$ 15,688,876
Prior years	148,700	139,373	(9,327)	96,847
Penalties and interest	65,300	54,973	(10,327)	47,623
Total	16,487,500	17,061,096	573,596	15,833,346
Other taxes and licenses:				
ABC mixed beverage	97,000	119,071	22,071	107,766
Local option sales tax	5,523,800	5,626,669	102,869	5,284,843
Privilege licenses	-	78	78	51,220
Heavy equipment rental tax	81,900	60,543	(21,357)	83,121
Rental vehicles	19,500	20,436	936	20,602
Total	5,722,200	5,826,797	104,597	5,547,552
Intergovernmental revenues:				
Beer and wine tax	119,200	120,043	843	128,940
Utility franchise tax	1,602,000	1,808,361	206,361	1,940,771
Video programming fees	248,600	239,086	(9,514)	237,794
Powell Bill allocation	703,500	720,354	16,854	719,885
Solid waste disposal tax	16,800	17,606	806	17,133
PEG channel funds	63,166	63,166	-	56,839
Federal asset forfeiture	-	4,214	4,214	50,226
Controlled substance tax	-	460	460	10,960
Build America bond - int. reimb.	77,600	78,484	884	79,354
Federal grants	62,290	50,819	(11,471)	149,963
State grants	11,680	11,397	(283)	94,341
Wake County grant-SRO	68,298	71,654	3,356	68,298
Other grants	-	-	-	26,400
Total	2,973,134	3,185,644	212,510	3,580,904
Sales and services:				
Recreation fees	204,966	198,745	(6,221)	192,549
Facility rentals	223,000	211,943	(11,057)	222,380
Sanitation fees	11,300	13,551	2,251	11,467
Third-party bill collection	6,300	5,617	(683)	6,011
Street repairs	20,000	37,794	17,794	28,254
Right of way mowing	21,700	22,386	686	21,797
Fuel sales	3,700	20,072	16,372	8,195
Total	490,966	510,108	19,142	490,653

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, 2016
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015

Schedule 1 (continued)

	2016		Variance Positive (Negative)	2015
	Budget	Actual		Actual
REVENUES (continued)				
Permits and fees:				
Police outside employment	195,000	200,344	5,344	208,293
Animal licenses	1,100	725	(375)	685
Planning and zoning fees	23,500	39,192	15,692	29,915
Inspection fees	545,510	784,513	239,003	471,916
Fee in lieu of park land	-	246,419	246,419	4,504
Special event permit	1,300	705	(595)	1,845
Retention pond fees	-	800	800	155
Rental property registration fees	6,000	5,400	(600)	6,150
False alarms charges	12,200	14,570	2,370	5,650
Taxi cab inspection fees	-	112	112	214
Water & sewer capacity repl. fees	490,700	1,688,855	1,198,155	723,484
Total	<u>1,275,310</u>	<u>2,981,635</u>	<u>1,706,325</u>	<u>1,452,811</u>
Investment revenues:				
Investment earnings	<u>12,700</u>	<u>76,234</u>	<u>63,534</u>	<u>8,531</u>
Other revenues:				
Land use charges	4,800	3,830	(970)	4,525
Miscellaneous	67,898	62,242	(5,656)	43,754
Assessments	3,700	8,512	4,812	5,119
Interest on assessments	2,500	2,949	449	1,624
Code enforcement	13,000	5,208	(7,792)	10,521
Other grants	17,500	28,050	10,550	57,851
Officers' fees	14,000	7,485	(6,515)	13,391
Parking violations	6,000	2,830	(3,170)	7,075
Landfill reimbursement	79,800	107,603	27,803	98,421
Contributions	-	5,825	5,825	74,067
Total	<u>209,198</u>	<u>234,534</u>	<u>25,336</u>	<u>316,348</u>
Total revenues	<u>27,171,008</u>	<u>29,876,048</u>	<u>2,705,040</u>	<u>27,230,145</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, 2016
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015

Schedule 1 (continued)

	2016		Variance Positive (Negative)	2015
	Budget	Actual		Actual
EXPENDITURES				
General government				
Governing body				
Salaries and employee benefits	99,319	100,833	(1,514)	94,887
Operating expenses	184,837	160,403	24,434	101,857
Professional services	84,000	84,000	-	84,000
Contracted services	9,300	8,813	487	8,004
Total	<u>377,456</u>	<u>354,049</u>	<u>23,407</u>	<u>288,748</u>
Administration				
Salaries and employee benefits	1,321,948	1,279,297	42,651	1,006,178
Operating expenses	592,209	509,690	82,519	539,676
Professional services	33,820	46,916	(13,096)	29,023
Contracted services	100,984	89,959	11,025	25,533
Total	<u>2,048,961</u>	<u>1,925,862</u>	<u>123,099</u>	<u>1,600,410</u>
Finance				
Salaries and employee benefits	507,566	484,189	23,377	496,861
Operating expenses	46,523	23,126	23,397	27,247
Professional services	82,118	99,045	(16,927)	89,600
Contracted services	96,029	108,203	(12,174)	94,769
Total	<u>732,236</u>	<u>714,563</u>	<u>17,673</u>	<u>708,477</u>
Economic Development				
Salaries and employee benefits	250,422	248,406	2,016	233,751
Operating expenses	298,720	152,090	146,630	145,675
Professional services	-	-	-	101
Contracted services	50,041	34,214	15,827	62,188
Capital outlay	-	-	-	27,848
Total	<u>599,183</u>	<u>434,710</u>	<u>164,473</u>	<u>469,563</u>
Planning				
Salaries and employee benefits	599,914	566,814	33,100	500,455
Operating expenses	55,542	28,169	27,373	27,442
Professional services	81,630	18,928	62,702	-
Contracted services	91,908	58,779	33,129	61,613
Capital outlay	10,000	-	10,000	-
Total	<u>838,994</u>	<u>672,690</u>	<u>166,304</u>	<u>589,510</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, 2016
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015

Schedule 1 (continued)

	2016		Variance Positive (Negative)	2015
	Budget	Actual		Actual
EXPENDITURES (continued)				
General government (continued)				
Engineering				
Salaries and employee benefits	500,252	513,225	(12,973)	488,616
Operating expenses	429,648	421,885	7,763	25,307
Professional services	25,000	-	25,000	-
Contracted services	12,213	9,333	2,880	2,233
Capital outlay	47,715	44,175	3,540	4,500
Total	<u>1,014,828</u>	<u>988,618</u>	<u>26,210</u>	<u>520,656</u>
Information technology				
Salaries and employee benefits	278,094	243,877	34,217	251,804
Operating expenses	167,782	125,645	42,137	145,579
Professional services	3,500	-	3,500	-
Contracted services	114,268	90,779	23,489	85,777
Capital outlay	70,000	65,112	4,888	-
Total	<u>633,644</u>	<u>525,413</u>	<u>108,231</u>	<u>483,160</u>
Building maintenance				
Salaries and employee benefits	239,643	249,873	(10,230)	191,688
Operating expenses	351,985	300,870	51,115	305,366
Contracted services	271,958	285,290	(13,332)	139,298
Capital outlay	-	-	-	52,992
Total	<u>863,586</u>	<u>836,033</u>	<u>27,553</u>	<u>689,344</u>
Vehicle maintenance				
Salaries and employee benefits	272,594	277,366	(4,772)	266,662
Operating expenses	44,337	40,799	3,538	41,045
Contracted services	10,200	10,337	(137)	5,472
Capital outlay	-	-	-	25,397
Total	<u>327,131</u>	<u>328,502</u>	<u>(1,371)</u>	<u>338,576</u>
Total general government	<u>7,436,019</u>	<u>6,780,440</u>	<u>655,579</u>	<u>5,688,444</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, 2016

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015

Schedule 1 (continued)

EXPENDITURES (continued)	2016		Variance Positive (Negative)	2015
	Budget	Actual		Actual
Public safety				
Police				
Salaries and employee benefits	6,295,492	6,229,054	66,438	6,127,598
Operating expenses	496,272	493,454	2,818	594,516
Professional services	1,558	1,689	(131)	1,045
Contracted services	389,547	390,129	(582)	401,627
Capital outlay	350,698	324,623	26,075	55,647
Total	7,533,567	7,438,949	94,618	7,180,433
Inspections				
Salaries and employee benefits	814,454	742,389	72,065	727,382
Operating expenses	65,018	44,277	20,741	26,079
Contract services	6,170	6,848	(678)	16,770
Capital outlay	23,000	21,931	1,069	-
Total	908,642	815,445	93,197	770,231
Fire				
Operating expenses	8,539	8,561	(22)	-
Contracted services	2,471,561	2,468,327	3,234	2,391,113
Capital outlay	71,105	20,139	50,966	-
Total	2,551,205	2,497,027	54,178	2,391,113
Total public safety	10,993,414	10,751,421	241,993	10,341,777
Transportation				
Administration				
Salaries and employee benefits	423,661	429,066	(5,405)	412,914
Operating expenses	18,895	16,870	2,025	18,326
Contracted services	912	-	912	4,804
Total	443,468	445,936	(2,468)	436,044
Street repair and construction				
Salaries and employee benefits	806,668	801,489	5,179	746,599
Operating expenses	871,840	779,917	91,923	765,874
Contracted services	576,126	518,688	57,438	36,068
Capital outlay	197,648	162,170	35,478	365,553
Total	2,452,282	2,262,264	190,018	1,914,094
Total transportation	2,895,750	2,708,200	187,550	2,350,138

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, 2016
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015

Schedule 1 (continued)

	2016		Variance Positive (Negative)	2015
	Budget	Actual		Actual
EXPENDITURES (continued)				
Environmental protection				
Sanitation				
Operating expenses	59,632	57,406	2,226	31,564
Contracted services	1,819,333	1,795,880	23,453	1,736,737
Total environmental protection	<u>1,878,965</u>	<u>1,853,286</u>	<u>25,679</u>	<u>1,768,301</u>
Cultural and recreational				
Administration				
Salaries and employee benefits	295,333	296,223	(890)	286,336
Operating expenses	28,807	25,870	2,937	27,700
Contracted services	16,974	19,520	(2,546)	25,528
Total	<u>341,114</u>	<u>341,613</u>	<u>(499)</u>	<u>339,564</u>
Recreational programs				
Salaries and employee benefits	926,030	908,534	17,496	835,356
Operating expenses	384,953	358,177	26,776	374,850
Contracted services	158,130	148,962	9,168	135,982
Capital outlay	-	-	-	18,338
Total	<u>1,469,113</u>	<u>1,415,673</u>	<u>53,440</u>	<u>1,364,526</u>
Parks maintenance and development				
Salaries and employee benefits	793,035	711,197	81,838	737,072
Operating expenses	170,677	159,097	11,580	132,195
Contracted services	61,433	51,386	10,047	11,995
Capital outlay	133,500	116,811	16,689	35,344
Total	<u>1,158,645</u>	<u>1,038,491</u>	<u>120,154</u>	<u>916,606</u>
Total cultural and recreational	<u>2,968,872</u>	<u>2,795,777</u>	<u>173,095</u>	<u>2,620,696</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, 2016

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015

Schedule 1 (continued)

	2016		Variance Positive (Negative)	2015
	Budget	Actual		Actual
Debt Service				
Principal retirement	1,626,283	1,628,852	(2,569)	1,495,425
Interest and fees	1,169,139	1,163,793	5,346	775,391
Total debt service	<u>2,795,422</u>	<u>2,792,645</u>	<u>2,777</u>	<u>2,270,816</u>
Total expenditures	<u>28,968,442</u>	<u>27,681,769</u>	<u>1,286,673</u>	<u>25,040,172</u>
Revenues over (under) expenditures	<u>(1,797,434)</u>	<u>2,194,279</u>	<u>1,418,367</u>	<u>2,189,973</u>
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	25,000	59,168	34,168	39,262
Issuance of debt	632,000	630,000	(2,000)	534,200
Transfers--in				
From Capital Projects Fund	170,639	81,456	(89,183)	-
Transfers--out				
To Capital Projects Fund	(360,668)	(37,000)	323,668	(250,360)
Fund balance appropriated	1,330,463	-	(1,330,463)	-
Total other financing sources (uses)--net	<u>1,797,434</u>	<u>733,624</u>	<u>(1,063,810)</u>	<u>323,102</u>
Net change in fund balance	<u>\$ -</u>	<u>2,927,903</u>	<u>\$ 2,927,903</u>	<u>2,513,075</u>
FUND BALANCE				
Beginning of year--July 1		<u>23,732,949</u>		<u>21,219,874</u>
End of year--June 30		<u>\$ 26,660,852</u>		<u>\$ 23,732,949</u>

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CAPITAL PROJECTS FUND

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

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TOWN OF GARNER, NORTH CAROLINA
 CAPITAL PROJECTS FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES--BUDGET AND ACTUAL
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2016

Schedule 2

	Project Authorization	Prior Year	Actual Current Year	Total to Date	Variance Positive (Negative)
REVENUES					
Intergovernmental	\$ 3,430,000	\$ 2,605,240	\$ 61,886	\$ 2,667,126	\$ (762,874)
Investment earnings	-	14,754	51,243	65,997	65,997
Contributions	430,551	189,536	50,956	240,492	(190,059)
Total revenues	<u>3,860,551</u>	<u>2,809,530</u>	<u>164,085</u>	<u>2,973,615</u>	<u>(886,936)</u>
EXPENDITURES					
Capital projects					
Parks and Recreation improvements	2,993,500	686,552	294,267	980,819	2,012,681
Town Hall/Police Station	13,233,000	3,863,075	2,304,052	6,167,127	7,065,873
Timber Drive	2,473,070	1,800,347	-	1,800,347	672,723
Vandora/Buffalo roundabout	346,227	332,846	978	333,824	12,403
Public Works improvements	-	288,587	-	288,587	(288,587)
US 70 Highway improvements	6,687,927	5,890,252	160,839	6,051,091	636,836
Recreation Center	8,855,944	336,126	329,983	666,109	8,189,835
Redevelopment	2,000,000	898,107	160,397	1,058,504	941,496
Street & sidewalk improvements	14,566,000	1,372,768	794,033	2,166,801	12,399,199
Debt issuance costs	162,884	555,613	-	555,613	(392,729)
Total expenditures	<u>51,318,552</u>	<u>16,024,273</u>	<u>4,044,549</u>	<u>20,068,822</u>	<u>31,249,730</u>
Revenues under expenditures	<u>(47,458,001)</u>	<u>(13,214,743)</u>	<u>(3,880,464)</u>	<u>(17,095,207)</u>	<u>(30,362,794)</u>
OTHER FINANCING SOURCES (USES)					
Premium on bonds	435,447	1,341,611	-	1,341,611	906,164
Proceeds from issuance of debt	38,566,000	27,618,472	-	27,618,472	(10,947,528)
Transfers - out	(81,456)	-	(81,456)	(81,456)	-
Transfers - in	8,538,010	8,219,266	37,000	8,256,266	(281,744)
Total other financing sources (uses)	<u>47,458,001</u>	<u>37,179,349</u>	<u>(44,456)</u>	<u>37,134,893</u>	<u>(10,323,108)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 23,964,606</u>	<u>(3,924,920)</u>	<u>\$ 20,039,686</u>	<u>\$ 20,039,686</u>
Fund Balance, beginning			23,964,606		
Fund Balance, ending			<u>\$ 20,039,686</u>		

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AGENCY FUND

The Agency Fund is used to account for resources that are held on behalf of another organization. The Town of Garner collects water and sewer development fees on behalf of the City of Raleigh, and then remits these funds to the City at a later date.

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TOWN OF GARNER, NORTH CAROLINA
 WATER AND SEWER FEES AGENCY FUND
 STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 FOR THE YEAR ENDED JUNE 30, 2016

Schedule 3

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
Assets:				
Cash and cash equivalents	\$ 32,590	\$ 778,826	\$ 718,639	\$ 92,777
Liabilities:				
Intergovernmental payable	\$ 32,590	\$ 778,826	\$ 718,639	\$ 92,777

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SUPPLEMENTAL FINANCIAL DATA

Schedule of Ad Valorem Taxes Receivable

Analysis of Current Tax Levy

Detailed Analysis of Current Tax Levy

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TOWN OF GARNER, NORTH CAROLINA
SCHEDULE OF AD VALOREM TAXES RECEIVABLE
 JUNE 30, 2016

Schedule 4

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2015</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Uncollected Balance June 30, 2016</u>
2015-2016	\$ -	\$ 16,900,584	\$ 16,849,515	\$ 51,069
2014-2015	44,234	6,639	28,892	21,981
2013-2014	26,136	14,528	5,905	34,759
2012-2013	32,917	20,426	5,128	48,215
2011-2012	29,261	19,328	2,418	46,171
2010-2011	21,641	16,713	950	37,404
2009-2010	21,035	16,153	854	36,334
2008-2009	23,406	13,756	970	36,192
2007-2008	31,579	6,920	1,380	37,119
2006-2007	23,055	6,219	7,102	22,172
2005-2006	17,436	-	17,436	-
	<u>\$ 270,700</u>	<u>\$ 17,021,266</u>	<u>\$ 16,920,550</u>	371,416
Less: allowance for uncollectible accounts:				
General Fund				<u>(320,347)</u>
Ad valorem taxes receivable - net				<u>\$ 51,069</u>
<u>Reconciliation to revenues:</u>				
Ad valorem taxes - General Fund				\$ 17,061,096
Reconciling items:				
Interest collected				(54,973)
Taxes written off per State statute				17,436
Payment in lieu of taxes				(1,146)
Miscellaneous				<u>(101,863)</u>
Subtotal				<u>(140,546)</u>
Total collections and credits				<u>\$ 16,920,550</u>

Town of Garner, North Carolina
ANALYSIS OF CURRENT TAX LEVY
FOR THE YEAR ENDED JUNE 30, 2016

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	\$ 3,188,020,325	0.5175	\$ 16,873,537	\$ 15,265,388	\$ 1,608,149
Penalties	-		17,094	17,094	-
Total	<u>3,188,020,325</u>		<u>16,890,631</u>	<u>15,282,482</u>	<u>1,608,149</u>
Discoveries:					
Prior year taxes	-		32,332	32,332	-
Abatements	7,302,280	0.5175	(22,379)	(22,379)	-
Total property valuation	<u>\$ 3,195,322,605</u>				
Net levy			16,900,584	15,292,435	1,608,149
Uncollected taxes at June 30, 2016			<u>(51,069)</u>	<u>(33,977)</u>	<u>(17,092)</u>
Current year's taxes collected			<u>\$ 16,849,515</u>	<u>\$ 15,258,458</u>	<u>\$ 1,591,057</u>
Current levy collection percentage			<u>99.70%</u>	<u>99.78%</u>	<u>98.94%</u>

TOWN OF GARNER, NORTH CAROLINA
 DETAILED ANALYSIS OF CURRENT TAX LEVY
 TOWN-WIDE LEVY
 FOR THE YEAR ENDED JUNE 30, 2016

Schedule 6

Secondary Market Disclosure

Assessed Valuation:

Assessment Ratio (1)		100%
Real Property	\$	2,665,301,113
Personal Property		415,485,692
Public Service Companies (2)		114,535,800
 Total Assessed Valuation	 \$	 3,195,322,605
Tax Rate per \$100		0.5175
 Levy (includes discoveries, releases and abatements) (3)	 \$	 16,900,584

- (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.

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STATISTICAL SECTION

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Governmental Activities										
Net investment in capital assets	\$ 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	\$ 61,370,282
Restricted	718,482	455,948	110,289	148,090	-	1,360,720	1,940,597	3,761,936	3,974,251	2,943,559
Stabilization by state statute	-	-	-	-	1,345,242	405,797	484,250	615,932	662,812	570,628
Streets	-	-	-	-	271,766	-	20,396	34,294	95,480	100,429
Law enforcement	-	-	-	-	-	683,398	-	-	-	-
Capital projects	-	-	-	-	-	16,984,241	16,913,915	15,732,218	16,977,444	21,214,333
Unrestricted	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	21,214,333
Total governmental activities net position	\$ 71,823,139	\$ 76,690,736	\$ 77,207,952	\$ 88,686,604	\$ 84,127,189	\$ 84,215,824	\$ 82,394,911	\$ 85,650,053	\$ 85,689,706	\$ 86,199,231

Note:
 The change in the classifications of fund balance amounts in 2011 is discussed in Management's Discussion and Analysis.
 **Prior year amounts have not been restated for the implementation of Statement 54.

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

Table 2

FUNCTIONS/PROGRAMS	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Expenses					
Government activities:					
General government	\$ 5,018,297	\$ 5,821,229	\$ 6,413,626	\$ 6,822,627	\$ 6,681,939
Public safety	8,429,748	8,576,041	9,071,950	9,476,699	9,538,923
Transportation	4,439,669	5,471,692	5,683,744	5,336,617	5,229,693
Environmental protection	1,317,954	1,427,511	1,540,954	1,920,656	1,663,545
Cultural/recreational	2,487,400	2,629,818	2,708,309	2,809,490	2,964,727
Interest on long-term debt	382,285	325,110	284,649	256,299	384,113
 Total governmental activities	 <u>22,075,353</u>	 <u>24,251,401</u>	 <u>25,703,232</u>	 <u>26,622,388</u>	 <u>26,462,940</u>
Program Revenues					
Governmental Activities:					
Charges for services					
General government	1,013,822	328,113	243,088	244,097	128,207
Public safety	1,013,604	772,080	335,631	594,963	463,281
Transportation	17,659	67,740	81,334	85,991	35,978
Environmental protection	30,844	14,451	8,135	116,506	167,229
Cultural & recreational	253,110	622,385	255,992	273,510	261,683
Interest on long-term debt	81,210	47,862	35,377	27,999	22,402
Operating grants and contributions	880,670	933,098	849,089	866,550	946,980
Capital grants and contributions	3,449,470	5,669,476	2,905,371	132,427	55,132
 Total program revenues	 <u>6,740,389</u>	 <u>8,455,205</u>	 <u>4,714,017</u>	 <u>2,342,043</u>	 <u>2,080,892</u>
 Total Governmental net (expense)/revenue	 <u>(15,334,964)</u>	 <u>(15,796,196)</u>	 <u>(20,989,215)</u>	 <u>(24,280,345)</u>	 <u>(24,382,048)</u>
Revenues					
Governmental Activities:					
General Revenues:					
Property taxes	\$ 12,289,203	\$ 13,181,474	\$ 14,659,430	\$ 14,921,267	\$ 14,786,084
Sales taxes	4,444,080	4,646,190	4,270,224	4,045,884	4,344,010
Other taxes	1,306,745	1,442,679	1,805,252	1,782,096	1,942,599
Grants and contributions					
not restricted to specific programs	7,905	625	3,925	2,357	13,750
Unrestricted investment earnings	574,804	727,199	312,863	40,177	28,323
Other	419,041	665,626	454,737	520,135	574,615
 Total general revenues	 <u>19,041,778</u>	 <u>20,663,793</u>	 <u>21,506,431</u>	 <u>21,311,916</u>	 <u>21,689,381</u>
 Changes in net position	 3,706,814	 4,867,597	 517,216	 (2,968,429)	 (2,692,667)
 Net position, beginning of year	 21,590,628	 71,823,139	 76,690,736	 77,207,952	 88,686,604
 Prior period adjustment	 <u>46,525,697</u>	 <u>-</u>	 <u>-</u>	 <u>14,447,081</u>	 <u>(1,866,748)</u>
 Net position, end of year	 <u>\$ 71,823,139</u>	 <u>\$ 76,690,736</u>	 <u>\$ 77,207,952</u>	 <u>\$ 88,686,604</u>	 <u>\$ 84,127,189</u>

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

Table 2

FUNCTIONS/PROGRAMS	2012	2013	2014	2015	2016
Expenses					
Government activities:					
General government	\$ 6,132,147	\$ 6,552,537	\$ 6,766,914	\$ 5,483,946	\$ 6,855,255
Public safety	9,743,696	9,803,267	10,216,257	10,746,853	11,011,804
Transportation	5,326,310	4,836,477	4,834,011	4,671,100	5,612,182
Environmental protection	1,744,989	1,729,033	1,736,723	1,768,301	1,853,286
Cultural/recreational	2,933,020	3,037,853	2,951,491	3,597,114	3,044,810
Interest on long-term debt	582,873	567,914	637,528	756,985	1,136,933
Total governmental activities	26,463,035	26,527,081	27,142,924	27,024,299	29,514,270
Program Revenues					
Governmental Activities:					
Charges for services					
General government	181,811	347,772	2,225,404	775,755	1,760,641
Public safety	576,322	586,925	805,086	686,758	1,000,264
Transportation	88,269	46,688	31,812	28,254	37,794
Environmental protection	104,429	109,500	31,980	28,600	31,157
Cultural & recreational	267,830	504,361	811,357	419,433	657,107
Interest on long-term debt	16,799	11,199	-	-	-
Operating grants and contributions	1,043,468	1,016,612	965,124	1,054,284	876,610
Capital grants and contributions	2,559,425	263,678	1,578,562	1,245,652	129,726
Total program revenues	4,838,353	2,886,735	6,449,325	4,238,736	4,493,299
Total Governmental net (expense)/revenue	(21,624,682)	(23,640,346)	(20,693,599)	(22,785,563)	(25,020,971)
Revenues					
Governmental Activities:					
General Revenues:					
Property taxes	\$ 14,770,016	\$ 14,804,481	\$ 15,426,294	\$ 15,439,837	\$ 17,072,956
Sales taxes	4,324,449	4,470,661	4,858,268	5,284,843	5,826,797
Other taxes	1,928,686	2,208,444	1,841,516	2,570,214	2,167,490
Grants and contributions not restricted to specific programs	9,500	799	500	-	-
Unrestricted investment earnings	17,852	11,189	6,992	13,044	148,479
Other	662,815	512,043	1,815,171	859,609	314,774
Total general revenues	21,713,318	22,007,617	23,948,741	24,167,547	25,530,496
Changes in net position	88,636	(1,632,729)	3,255,142	1,381,984	509,525
Net position, beginning of year	84,127,189	84,215,824	82,394,911	85,650,053	85,689,706
Prior period adjustment	-	(188,184)	-	(1,342,331)	-
Net position, end of year	\$ 84,215,825	\$ 82,394,911	\$ 85,650,053	\$ 85,689,706	\$ 86,199,231

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

Table 3

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General fund										
Reserved	\$ 3,383,761	\$ 2,855,285	\$ 2,844,496	\$ 4,390,881						
Unreserved	12,501,341	14,622,672	15,529,798	15,151,047						
Nonspendable					\$ 113,877	\$ 49,410	\$ 66,393	\$ 127,934	\$ 84,259	\$ 27,685
Restricted					1,617,008	1,766,517	2,445,243	2,858,365	3,473,514	3,440,208
Committed					-	-	6,868,750	2,717,555	2,791,034	4,200,667
Assigned				5,404,399	8,220,431	8,220,431	283,940	913,645	978,865	1,052,211
Unassigned				13,495,884	13,382,466	13,382,466	14,100,580	14,602,375	16,405,277	17,940,081
Total general fund	<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>	<u>\$ 26,660,852</u>
All other governmental funds										
Reserved										
Unreserved:										
Capital projects	\$ 132,039	\$ 463,134	\$ (1,367,045)	\$ (2,522,694)	\$ 6,857,936	\$ 2,156,493	\$ 823,760	\$ 11,663,140	\$ 20,944,933	\$ 15,405,693
Restricted								2,256,119	3,019,673	4,633,993
Committed										
Total all other governmental funds	<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>	<u>\$ 20,039,686</u>

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

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

Table 4

	2007	2008	2009	2010	2011
REVENUES					
Ad valorem taxes	\$ 12,217,657	\$ 13,144,760	\$14,594,341	\$ 14,980,052	\$ 14,876,541
Other taxes and licenses	4,582,519	4,811,881	4,433,984	4,217,586	4,586,384
Intergovernmental revenues	2,826,691	3,072,339	3,195,971	2,756,568	2,844,452
Permits and fees	2,111,042	1,547,405	795,324	1,127,074	866,912
Sales and services	332,365	394,778	398,701	467,471	453,915
Investment earnings	574,803	727,199	312,863	40,177	28,324
Other revenues	462,525	301,449	241,231	239,584	289,588
Total revenues	<u>23,107,602</u>	<u>23,999,811</u>	<u>23,972,415</u>	<u>23,828,512</u>	<u>24,001,944</u>
EXPENDITURES					
Current					
General government	5,608,496	5,675,801	5,741,858	6,031,883	6,712,757
Public safety	8,155,882	8,498,765	8,965,706	9,415,377	9,309,560
Transportation	1,505,804	2,445,807	2,617,478	2,032,223	1,870,034
Environmental protection	1,316,802	1,425,232	1,546,994	1,916,298	1,661,240
Cultural and recreational	2,145,406	2,489,933	2,437,701	2,396,481	2,567,941
Capital projects	1,171,453	386,544	2,583,235	1,112,593	331,081
Debt service					
Principal retirement	1,258,924	1,028,215	789,413	682,611	951,123
Interest and fees	388,728	329,796	286,872	258,065	302,892
Total expenditures	<u>21,551,495</u>	<u>22,280,093</u>	<u>24,969,257</u>	<u>23,845,531</u>	<u>23,706,628</u>
Revenues over (under) expenditures	<u>1,556,107</u>	<u>1,719,718</u>	<u>(996,842)</u>	<u>(17,019)</u>	<u>295,316</u>
OTHER FINANCING SOURCES (USES)					
Sale of capital assets	\$ 59,981	\$ 40,851	\$ 251	\$ 29,004	\$ 345,000
Premium on bonds	-	-	-	-	55,828
Issuance of debt	113,590	163,381	62,749	-	9,829,554
Transfers in	2,219,790	2,465,867	1,283,927	727,925	203,800
Transfers out	<u>(2,219,790)</u>	<u>(2,465,867)</u>	<u>(1,283,927)</u>	<u>(727,925)</u>	<u>(203,800)</u>
Total other financing sources (uses)	<u>173,571</u>	<u>204,232</u>	<u>63,000</u>	<u>29,004</u>	<u>10,174,554</u>
Net change in fund balance	<u>\$ 1,729,678</u>	<u>\$ 1,923,950</u>	<u>\$ (933,842)</u>	<u>\$ 11,985</u>	<u>\$ 10,469,870</u>
Debt service as a percentage of non-capital expenditures	<u>8.67%</u>	<u>6.51%</u>	<u>5.05%</u>	<u>4.23%</u>	<u>5.49%</u>

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

Table 4

	Fiscal Year				
	2012	2013	2014	2015	2016
REVENUES					
Ad valorem taxes	\$ 14,793,235	\$ 14,805,148	\$ 15,467,523	\$ 15,469,793	\$ 17,061,096
Other taxes and licenses	4,573,911	4,731,561	5,117,135	5,547,552	5,826,797
Intergovernmental revenues	2,918,028	3,356,940	4,408,193	4,696,851	3,247,530
Permits and fees	1,079,702	1,188,185	3,851,543	1,816,364	2,981,635
Sales and services	501,335	551,939	514,268	490,653	510,108
Investment earnings	17,851	11,189	8,092	15,360	127,477
Other revenues	2,730,840	298,156	335,835	441,378	285,490
Total revenues	26,614,902	24,943,118	29,702,589	28,477,951	30,040,133
EXPENDITURES					
Current					
General government	5,989,612	6,391,794	6,330,924	5,688,444	6,780,440
Public safety	9,554,279	9,797,725	10,646,438	10,341,777	10,751,421
Transportation	2,289,221	2,205,869	2,128,167	2,350,138	2,708,200
Environmental protection	1,742,909	1,726,953	1,736,723	1,768,301	1,853,286
Cultural and recreational	2,471,480	2,540,428	2,540,999	2,620,696	2,795,777
Capital projects	5,244,596	1,763,592	4,996,717	7,184,635	4,044,549
Debt service					
Principal retirement	729,617	952,021	4,698,123	1,495,425	1,625,841
Interest and fees	542,177	552,432	497,080	775,391	1,166,804
Total expenditures	28,563,891	25,930,814	33,575,171	32,224,807	31,726,318
Revenues over (under) expenditures	(1,948,989)	(987,696)	(3,872,582)	(3,746,856)	(1,686,185)
OTHER FINANCING SOURCES (USES)					
Sale of capital assets	\$ 35,202	\$ 1,045	\$ 31,500	\$ 39,262	\$ 59,168
Premium on bonds	-	-	253,495	1,061,816	-
Issuance of debt	-	-	14,138,054	15,204,200	630,000
Transfers in	541,284	431,354	6,477,132	250,360	118,456
Transfers out	(541,284)	(431,354)	(6,477,132)	(250,360)	(118,456)
Total other financing sources (uses)	35,202	1,045	14,423,049	16,305,278	689,168
Net change in fund balance	\$ (1,913,787)	\$ (986,651)	\$ 10,550,467	\$ 12,558,422	\$ (997,017)
Debt service as a percentage of non-capital expenditures	5.63%	6.48%	18.18%	9.07%	10.09%

Town of Garner, North Carolina

General Governmental Revenues by Source ⁽¹⁾

Last Ten Fiscal Years

(modified accrual basis of accounting)

(Unaudited)

Table 5

<u>Fiscal Year</u>	<u>Ad Valorem Taxes</u>	<u>Other Taxes and Licenses</u>	<u>Intergovernmental Revenues</u>	<u>Permits and Fees</u>	<u>Sales and Services</u>	<u>Investment Earnings</u>	<u>Other Revenues</u>	<u>Total</u>
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
2016	17,061,096	5,826,797	3,247,530	2,981,635	510,108	127,477	285,490	30,040,133

(1) Includes General and Capital Project Funds.

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

Fiscal Year	General Government	Public Safety	Streets and Transportation	Environmental Protection	Cultural and Recreational	Capital Projects	Debt Service	Total
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
2016	6,780,440	10,751,421	2,708,200	1,853,286	2,795,777	4,044,549	2,792,645	31,726,318

(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. ⁽¹⁾	Motor Vehicle	Other				
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 ⁽²⁾	2,405,039,709	76,650,226	241,741,480	217,860,146	2,941,291,561	0.490	3,000,028,860	98.04%
2010	2,469,678,054	77,711,846	262,907,169	192,675,880	3,002,972,949	0.490	2,756,005,144	108.96%
2011	2,463,484,759	75,237,723	254,503,481	188,077,390	2,981,303,353	0.490	2,808,859,420	106.14%
2012	2,516,107,912	73,569,802	216,342,522	198,944,121	3,004,964,357	0.490	2,879,158,961	104.37%
2013	2,525,516,066	84,276,805	209,030,147	193,694,549	3,012,517,567	0.490	3,005,648,283	100.23%
2014	2,545,063,692	84,992,903	277,051,961	196,003,306	3,103,111,862	0.490	3,057,641,837	101.49%
2015	2,584,113,562	85,722,393	211,479,241	187,742,315	3,069,057,511	0.500	3,045,027,800	100.79%
2016	2,665,301,113	114,535,800	242,511,731	172,973,961	3,195,322,605	0.5175	3,209,121,829	99.57%

(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>
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
2016	0.5175	0.6145	1.132

(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 2008.

Town of Garner, North Carolina

Principal Property Taxpayers
Ten Year Comparison
(Unaudited)

Table 9

Taxpayer	2016			2007		
	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	2.61%			
Duke Energy ⁽¹⁾	78,277,396	2	2.45%	\$ 53,175,462	2	2.51%
Pergo, Inc.	36,169,213	3	1.13%	37,585,274	3	1.78%
Duke Realty, LP	28,169,243	4	0.88%			
Abberly Place Garner Phase I, LP	25,165,430	5	0.79%	16,943,975	9	0.80%
GA NS Station, LLC	24,871,731	6	0.78%			
Adeline at White Oak, LLC	22,958,475	7	0.72%			
BRE Throne Garner Towne Square LLC	22,392,067	8	0.70%			
Ashton Village, LP	22,185,839	9	0.69%			
White Oak Associates	20,479,119	10	0.64%			
Garner Retail, LLC				58,864,801	1	2.78%
Goodmark Foods, Inc.				21,409,140	6	1.01%
DIM Vastgoed NV				19,570,920	7	0.92%
Regency Centers, LP				25,702,415	5	1.21%
Parker Raleigh Development				18,522,622	8	0.87%
Raleigh-Durham MSA				23,373,026	4	1.10%
JP Realty IV LLC				13,102,908	10	0.62%
Totals	\$ 364,045,601		11.39%	\$ 288,250,543		13.62%

(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
2007	\$ 12,259,185	\$ 11,964,705	97.6%	\$ 278,528	\$ 12,243,233	99.9%
2008	13,164,682	12,852,014	97.6%	282,468	13,134,482	99.8%
2009	14,620,367	14,269,780	97.6%	328,151	14,597,931	99.8%
2010	14,913,304	14,625,986	98.1%	267,136	14,893,122	99.9%
2011	14,793,869	14,579,297	98.5%	193,881	14,773,178	99.9%
2012	14,792,108	14,575,719	98.5%	189,546	14,765,265	99.8%
2013	14,837,586	14,579,700	98.3%	193,451	14,773,151	99.6%
2014	15,293,124	15,179,887	99.3%	95,094	15,274,981	99.9%
2015	15,388,156	15,344,753	99.7%	28,891	15,373,644	99.9%
2016	16,900,584	16,849,516	99.7%	-	16,849,516	99.7%
Reconciliation to revenues collected:						
Total collected as stated above			\$ 16,849,516			
Prior year collections in current year			156,607			
Penalties and interest collected			<u>54,973</u>			
Ad valorem taxes collected per general fund financial statements			<u><u>\$ 17,061,096</u></u>			

Town of Garner, North Carolina

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

Table 11

Fiscal Year	Installment Purchase	General Obligation Bonds	Total	Per Capita ⁽¹⁾	Percentage of Personal Income ⁽²⁾
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	1.47%
2014	6,900,751	15,525,000	22,425,751	858	2.55%
2015	6,374,526	31,039,675	37,414,201	1,383	4.10%
2016	5,803,685	29,335,000	35,138,685	1,299	3.85%

(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, 2016
 (Unaudited)

Table 12

<u>Jurisdiction</u>	<u>Net General Obligation Bonded Debt Outstanding</u>	<u>Percentage Applicable to Town of Garner ⁽²⁾</u>	<u>Amount Applicable to Town of Garner</u>
Wake County	\$ 1,812,535,000 ⁽¹⁾	2.42%	\$ 43,863,347
Town of Garner	29,335,000	100.00%	<u>29,335,000</u>
Total direct and overlapping debt			<u><u>\$ 73,198,347</u></u>

(1) Information provided by Wake County Finance Department. Of the total general obligation debt outstanding, \$1,493,005,464, or 82.37%, is for the Wake County Public School System.

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

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

Table 13

<u>Fiscal Year</u>	<u>Population Estimate</u> ⁽¹⁾	<u>Total Assessed Value</u>	<u>Net Bonded Debt</u>	<u>Percent of Net Bonded Debt to Assessed Value</u>	<u>Net Bonded Debt Per Capita</u>
2007	\$ 24,877	\$ 2,117,071,586	\$ 8,061,102	0.38%	\$ 324
2008	25,753	2,273,823,184	7,196,268	0.32%	279.43
2009	26,341	2,941,291,561	6,469,606	0.22%	245.61
2010	26,523	3,002,972,949	5,786,995	0.19%	218.19
2011	25,891	2,981,303,353	14,719,390	0.49%	568.51
2012	25,999	3,004,964,357	13,986,982	0.47%	537.98
2013	26,124	3,012,517,567	13,034,207	0.43%	498.94
2014	26,253	3,103,111,862	22,712,167	0.73%	865.13
2015	27,060	3,069,057,511	37,414,201	1.22%	1,382.64
2016	28,766	3,195,322,605	35,138,685	1.10%	1,221.54

(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)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Debt Limit	\$ 169,366	\$ 181,906	\$ 235,303	\$ 240,238	\$ 238,504	\$ 240,397	\$ 241,001	\$ 248,249	\$ 245,365	\$ 255,626
Total net debt applicable to limit	8,061	7,196	6,470	5,787	14,719	13,987	13,034	22,426	36,135	35,139
Legal debt margin	\$ 161,305	\$ 174,710	\$ 228,833	\$ 234,451	\$ 223,785	\$ 226,410	\$ 227,967	\$ 225,823	\$ 209,230	\$ 220,487

Legal Debt Margin Calculation for Fiscal Year 2015

Assessed Value	\$ 3,195,322,605
Debt Limit (8% of total assessed value)	255,625,808
Debt applicable to limit:	
Outstanding General Bonded Debt	\$ 29,335,000
Installment Purchase	5,800,674
Subtotal	35,135,674
Authorized and unissued debt	11,241,000
Total Gross Debt	46,376,674
Less: Statutory deductions	(11,241,000)
Authorized and unissued debt	(11,241,000)
Total amount of debt applicable to debt limit	35,135,674
Legal debt margin	\$ 220,490,134

Table 14

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

Table 15

<u>Fiscal Year</u>	<u>Population ⁽¹⁾</u>	<u>Per Capita Personal Income ⁽²⁾</u>	<u>Unemployment Rate ⁽³⁾</u>	<u>Personal Income (Thousands of Dollars) ⁽⁴⁾</u>
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	33,727	5.0%	885,435
2015	27,060	Not Available	4.9%	912,653
2016	28,766	Not Available	4.2%	970,191

(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) 2015 and 2016 personal income amounts are calculated using 2014 personal income.

Town of Garner, North Carolina

Principal Employers ⁽¹⁾

Fiscal Year 2016 and Ten Year Comparison
(Unaudited)

Table 16

Employer	2016			2007		
	Employees	Rank	Percentage of Total Town Employment ⁽²⁾	Employees	Rank	Percentage of Total Town Employment
Wake County Public Schools	800	1	5.3%	845	1	4.8%
Food Lion	360	2	2.4%			
Wal-Mart	350	3	2.3%	236	4	1.3%
Pergo, Inc.	284	4	1.9%	120	10	0.7%
Cabelas	277	5	1.8%			
Golden State Foods	265	6	1.7%			
F&D Huebner, LLC	258	7	1.7%			
Target	251	8	1.7%	288	3	1.6%
Strategic Behavioral Health	206	9	1.4%			
Kroger	200	10	1.3%			
Town of Garner				155	7	0.9%
Con Agra Foods				718	2	4.1%
News & Observer				172	6	1.0%
K-Mart Corporation				155	8	0.9%
Lowe's Home Improvement				155	9	0.9%
Hamlin Company				200	5	1.1%
Totals	3,251		21.4%	3,044		17.3%

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

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

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

Table 17

Fiscal Year	Property Value	Construction ⁽¹⁾	
		Number of Permits	Value
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
2016	3,195,322,605	1,207	77,561,649

(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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Government	43	43	44	43	40	37	37	37	44	40
Public Safety	77	78	76	77	75	77	77	78	77	78
Streets and Transportation	14	16	16	13	11	17	17	17	13	14
Cultural & Recreation	21	21	23	25	22	26	25	25	25	25
Total	155	158	159	158	148	157	156	157	159	157

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

Table 19

Function	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Community Development Services										
Inspections:										
Permits issued (all trade types)	1,105	1,105	780	889	875	876	833	995	1,297	1,207
Building inspections conducted	11,697	11,697	8,100	4,053	4,584	3,519	3,856	5,971	6,303	5,244
Public Works										
Miles of streets maintained	94	96	98	98	98	99	99	99	100	101
Traffic control signs repaired/replaced	65	529	174	223	411	210	240	133	140	142
Town parks maintained	11	11	12	12	12	12	12	12	14	14
Town athletic fields/courts maintained	30	30	33	30	30	30	30	30	36	36
Town building/grounds maintained	40	40	42	42	42	44	44	55	56	56
Police										
Calls for service	24,003	29,491	30,595	29,681	27,518	27,272	31,959	31,913	35,963	33,132
Accidents investigated	1,105	1,236	1,240	1,127	1,073	1,125	1,147	1,249	1,260	1,371
Arrests	1,695	1,511	1,420	1,288	936	826	1,062	1,304	1,330	1,082
Fire/Rescue ⁽¹⁾										
Fire call answered	1,522	1,522	1,522	4,307	4,733	4,737	4,743	4,725	4,875	1,922
EMS calls answered	3,860	3,860	3,860	Not Available	Not Available	Not Available	Not Available	Not Available	Not Available	3,198
Solid Waste										
Sanitation customers	8,203	8,455	8,547	8,543	8,595	8,700	8,802	8,852	8,952	8,957
% of solid waste stream reduction reported to the state	40%	40%	40%	40%	40%	40%	40%	40%	52%	50%
Spring and fall cleanups - tons collected	308	363	390	390	400	360	320	401	423	486
Leisure Services										
Parks & Recreation program registrations	1,878	1,878	1,750	1,878	1,750	3,220	4,512	3,634	4,200	4,025
Picnic shelter reservations	289	289	410	289	410	475	652	708	600	700
Auditorium event attendance	16,663	16,663	20,000	27,353	30,000	30,000	37,642	35,844	31,395	31,869
Independence day attendance	12,500	15,000	15,000	15,000	20,000	20,000	17,000	17,000	10,000	8,500 *

Source: Departmental performance indicators in the Town of Garner Budget Document

(1) Fire and Rescue services merged in 2010.

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

Table 20

Function	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Public Safety										
Police stations	3	3	3	2	2	3	3	3	3	1
Patrol and investigative units	2	2	2	2	2	3	3	3	3	1
K-9 Units	3	3	2	3	4	4	4	4	4	4
Fire stations	3	3	3	3	3	4	4	4	4	4
Fire apparatus	Not Available	Not Available	Not Available	Not Available	14	14	15	15	15	15
Highways and Streets										
Streets (miles)	94.06	96.26	97.24	97.67	99.07	99.07	99.07	99.78	100.00	101.43
Sidewalks (feet)	93,954	109,004	124,044	131,644	274,967	277,207	309,921	318,892	332,640	323,180
Leisure Services										
Number of major parks	12	12	13	13	13	13	13	13	14	14
Total park acreage	268	268	350	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

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COMPLIANCE SECTION

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**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, 2016, and the related notes to the financial statements, which collectively comprise the Town of Garner's basic financial statements, and have issued our report thereon dated November 14, 2016.

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 over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings, Responses, and Questioned Costs as items 2016-001, 2016-002, 2016-003, and 2016-004 that we consider to be significant deficiencies.

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*.

Town of Garner's Responses to Findings

The Town of Garner's responses to the findings identified in our audit are described in the accompanying Schedule of Findings, Responses and Questioned Costs. The Town's responses were not subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on them.

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
November 14, 2016

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 Uniform Guidance 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, 2016. The Town of Garner's major State programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings, Responses 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 Title 2 US *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, Uniform Guidance, 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, 2016.

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 Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town 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 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 financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings, Responses and Questioned Costs as item 2016-005 that we consider to be a significant deficiency.

Town of Garner's Response to Finding

The Town of Garner's response to the finding identified in our audit is described in the accompanying Schedule of Findings, Responses and Questioned Costs. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on it.

Purpose of this Report

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

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, NC
November 14, 2016

TOWN OF GARNER, NORTH CAROLINA

SCHEDULE OF FINDINGS, RESPONSES AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2016

1. Summary of Auditor's Results

Financial Statements

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

Unmodified

Internal control over financial reporting:

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

Non-compliance material to financial statements noted?

Yes No

State Awards

Internal control over major State programs:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes 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?

Yes No

Identification of major State program:

Program Name

Powell Bill

TOWN OF GARNER, NORTH CAROLINA

SCHEDULE OF FINDINGS, RESPONSES AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2016

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

Significant Deficiency

Finding 2016-001

Criteria: Management should have a system in place to reduce the likelihood of errors in financial reporting.

Condition: Due to high turnover of key financial personnel in the Town office, there are limitations in segregations of duties.

Context: While obtaining an understanding of the major systems of internal control, we noted the condition described above. There is a lack of segregation of duties with regard to the major systems of internal controls.

Effect: Errors in financial reporting could occur and not be detected.

Cause: Due to high turnover in key financial personnel, there is a limited number of personnel for certain internal control functions.

Recommendation: Access to the books and records of the Town should be separated from access to the assets of the Town as much as possible. Alternative controls should be used to compensate for any lack of segregation of duties. The Town Council should provide some of these controls to minimize the lack of segregation of duties.

Views of Responsible Officials and Corrective Action Plan: Management concurs with this finding and will adhere to the corrective action plan in this audit report.

TOWN OF GARNER, NORTH CAROLINA

SCHEDULE OF FINDINGS, RESPONSES AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2016

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

Significant Deficiency

Finding 2016-002

Criteria: Management should have a system in place to reduce the likelihood of errors in financial reporting.

Condition: Controls over journal entries have been designed but not properly implemented. Journal entries are being entered without proper approval and review.

Context: During our observation and walkthrough of internal controls, we noted the above condition.

Effect: Lack of proper implementation of internal control policies greatly increases the risk of an error or irregularity going undetected and can result in improper financial reporting.

Cause: The Town's internal control system with respect to journal entries is not implemented.

Recommendation: Strengthen the internal controls over journal entries. Limit duties and general ledger write-access to certain individuals as much as possible to implement segregation of duties. Implement an overall review process for journal entries on a regular basis.

Views of Responsible Officials and Corrective Action Plan: Management concurs with this finding and will adhere to the corrective action plan in this audit report.

TOWN OF GARNER, NORTH CAROLINA

SCHEDULE OF FINDINGS, RESPONSES AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2016

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

Significant Deficiency

Finding 2016-003

Criteria: Management should have a system in place to reduce the likelihood of misappropriations of assets and errors in financial reporting.

Condition: Due to high turnover of key financial personnel in the Town office, there are limitations to segregations of duties in cash collections at the Town office. Internal controls in place were not operating as they were designed.

Context: While documenting internal controls relating to the collections department, we noted that some personnel have the ability to make certain adjustments without requiring a secondary review. Adherence to all internal controls is not occurring.

Effect: Misappropriations of assets and errors in financial reporting could result.

Cause: Due to high turnover in key financial personnel, there is a limited number of personnel for certain internal control functions.

Recommendation: Internal controls in the collections department should be closely monitored by Management and the Town Council. Employees in the collections department should be reminded of the internal controls in place and be required to adhere to them. Management should monitor the manual adjustments in the system in a timely manner. Manual adjustments should be reviewed by Management and the Town Council.

Views of Responsible Officials and Corrective Action Plan: Management concurs with this finding and will adhere to the corrective action plan in this audit report.

TOWN OF GARNER, NORTH CAROLINA

SCHEDULE OF FINDINGS, RESPONSES AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2016

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

Significant Deficiency

Finding 2016-004

Criteria: N.C. General Statute 159-28 requires that obligations of the unit be pre-audited in accordance with the Local Government Budget and Fiscal Control Act.

Condition: We noted a violation of the General Statutes regarding pre-audit procedures. During our testing, we noted 2 transactions without purchase orders, therefore we were not able to verify evidence of a pre-audit stamp.

Context: While performing disbursement procedures, we noted the condition described above.

Effect: The Town was in violation of North Carolina General Statute 159-28. The statute requires the pre-audit of expenditures.

Cause: Due to high turnover in key financial personnel, there is a limited number of personnel for certain internal control functions.

Recommendation: We recommend that the Town pre-audit the expenditures for proper budgetary compliance before expending the Town's funds.

Views of Responsible Officials and Corrective Action Plan: Management concurs with this finding and will adhere to the corrective action plan in this audit report.

TOWN OF GARNER, NORTH CAROLINA

SCHEDULE OF FINDINGS, RESPONSES AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2016

3. State Award Findings and Responses:

Significant Deficiency

Finding 2016-005

Criteria: Management should have a system in place to reduce the likelihood of errors in financial reporting.

Condition: Controls over approval of Powell Bill expenditures have been designed but not properly implemented. Expenditures are being made without proper approval and review. The items we tested, however, were deemed allowable.

Context: During our observation and walkthrough of internal controls, we noted the above condition.

Effect: Lack of proper implementation of internal control policies greatly increases the risk of an error or irregularity going undetected and can result in improper financial reporting.

Cause: The Town's internal control system with respect to Powell Bill expenditures is not implemented.

Recommendation: Strengthen the internal controls over grant expenditure approval. Limit duties and general ledger write-access to certain individuals as much as possible to implement segregation of duties. Implement an overall review process for expenditures on a regular basis.

Views of Responsible Officials and Corrective Action Plan: Management concurs with this finding and will adhere to the corrective action plan in this audit report.

TOWN OF GARNER, NORTH CAROLINA

CORRECTIVE ACTION PLAN FOR THE YEAR ENDED JUNE 30, 2016

Section 2: Financial Statement Findings

Significant Deficiency

Finding 2016-001:

Name of Contact Person: Pam Wortham

Corrective Action: The Town of Garner has hired additional staff which has allowed us to segregate duties within the Finance Department. This has significantly strengthened internal controls.

Proposed Completion Date: Immediately.

Significant Deficiency

Finding 2016-002:

Name of Contact Person: Pam Wortham

Corrective Action: The Finance Director created and posted journal entries due to lack of staff. There was no one else who had sufficient knowledge to approve those entries. With the additional staff that has been hired, the accounting manager now prepares the entries, and the Finance Director approves them before they are entered into the system. Occasionally the Finance Director prepares a journal entry, and in those cases, the Accounting Manager reviews and approves them.

Proposed Completion Date: Immediately.

Significant Deficiency

Finding 2016-003:

Name of Contact Person: Pam Wortham

Corrective Action: The staff turnover led to the need for the remaining staff members to perform multiple steps in the cash collection, receipt, and deposit functions. Additional staff has been hired, and we have separated the duties of the members of the Finance Department so that no one person has control of the entire receipt process.

Proposed Completion Date: Immediately.

TOWN OF GARNER, NORTH CAROLINA

CORRECTIVE ACTION PLAN FOR THE YEAR ENDED JUNE 30, 2016

Significant Deficiency

Finding 2016-004:

Name of Contact Person: Pam Wortham

Corrective Action: Although there was not a Purchase Order initiated for the items indicated in this finding, there actually is a pre-audit process in place. Once invoices are keyed into the accounting system, the disbursements journal is brought to the Finance Director for review. If everything is in order, a pre-audit stamp is put on the front page and signed by the Finance Director prior to releasing checks. Also, our checks include a pre-audit statement on the face of the checks, so there is written evidence of the pre-audit function. However, with the addition of the new Purchasing Manager, purchases orders will be issued for all purchases over \$1,000 in accordance with our policy.

Proposed Completion Date: Immediately.

Section 3: State Award Findings

Significant Deficiency

Finding 2016-005:

Name of Contact Person: Pam Wortham

Corrective Action: The addition of new staff members in the Finance Department has allowed us to more thoroughly review all payment requests to ensure that all required approvals are present prior to payments.

Proposed Completion Date: Immediately.

TOWN OF GARNER, NORTH CAROLINA

**SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016**

None reported

TOWN OF GARNER, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2016

Grantor/Pass-through Grantor/Program Title 1(a)	Federal CFDA Number 1(b)	State/ Pass-through Grantor's Number	Fed. (Direct & Pass-through) Expenditures 1(c) (d), 2	State Expenditures 1 (d)	Pass-through to subrecipients	Local Expenditures 1 (d)
Federal Grants:						
U.S. Department of Justice						
Direct Program						
Bulletproof Vest Partnership Program	16.607	XXXX	\$ 7,880	\$ -	\$ -	\$ -
U.S Department of Transportation:						
National Highway Traffic Safety Administration						
Passed through NC Department of Transportation						
Alcohol Impaired Driving Countermeasures Incentives Grants I	20.601	154AL-16-12-17	49,205	-	-	-
National Priority Safety Programs	20.616	M9MT-15-13-06	1,190	-	-	-
Total Highway Safety Cluster			<u>50,395</u>	<u>-</u>	<u>-</u>	<u>-</u>
U.S. Department of Transportation Federal Highway Administration:						
Passed-through the N.C. Department of Transportation:						
Highway Planning and Construction	20.205	44091.3.F1	61,886	-	-	-
Total Highway Planning & Construction Cluster			<u>61,886</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assistance - federal programs			<u>120,161</u>	<u>-</u>	<u>-</u>	<u>-</u>
State Grants:						
N.C. Department of Revenue:						
Control Substance Tax			-	4,949	-	-
N.C Department of Health and Human Services:						
Senior Center Development Grant			-	11,397	-	-
N.C. Department of Transportation:						
Powell Bill			-	815,546	-	-
Total assistance - State programs			<u>-</u>	<u>831,892</u>	<u>-</u>	<u>-</u>
Total assistance			<u>\$ 120,161</u>	<u>\$ 831,892</u>	<u>\$ -</u>	<u>\$ -</u>

Notes to the Schedule of Expenditures of Federal and State Financial Awards:

Note 1: Basis of Presentation

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

Note 2: Summary of Significant Accounting Policies

Expenditures reported in the SEFSA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Town has elected not to use the 10-percent de minimus indirect cost rate as allowed under the Uniform Guidance.

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