

TOWN OF GARNER, NC

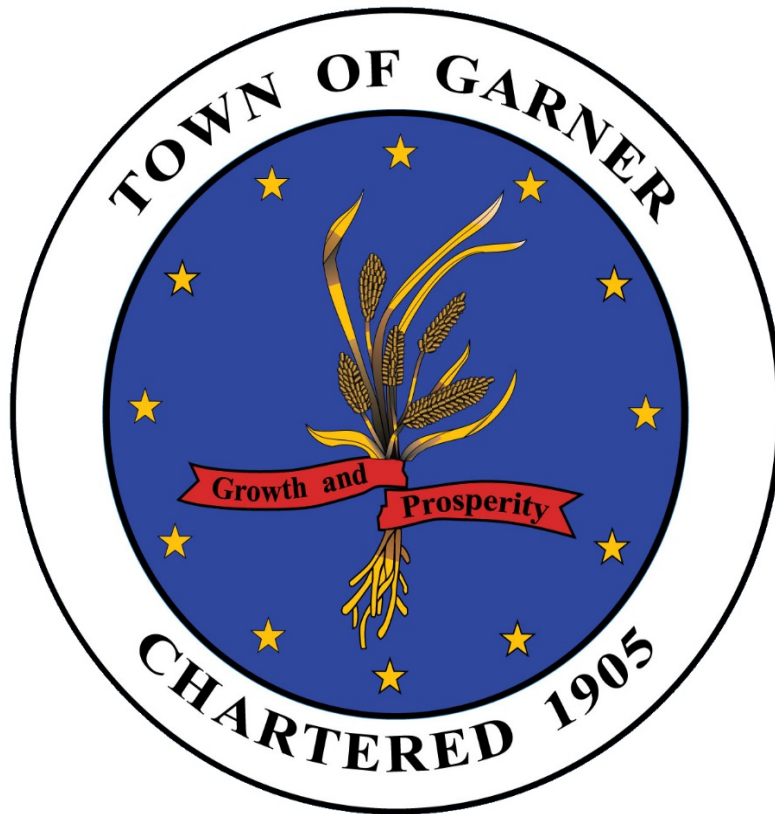
# COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR FISCAL YEAR ENDED JUNE 30, 2020



# TOWN OF GARNER

NORTH CAROLINA



## COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

PREPARED BY:  
FINANCE DEPARTMENT

# TOWN OF GARNER, NORTH CAROLINA

## COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2020

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## COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2020

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**TOWN OF GARNER, NORTH CAROLINA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2020**

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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](http://www.GarnerNC.gov)



December 18, 2020

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, 2020. This report includes financial statements and supplemental schedules audited by Mauldin & Jenkins, PLLC, the independent certified public accountants selected by the Town Council. The financial section of this document includes the auditor's report conveying their unmodified opinion regarding the accuracy of the basic financial statements. The Comprehensive Annual Financial Report consists of management's representations concerning the finances of the Town. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, management of the Town has established a comprehensive internal control framework that is designed both to protect Town assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the Town's financial statements in conformity with accounting principles generally accepted in the United States of America. The Town's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements are free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects. All necessary disclosures to enable the reader to obtain an understanding of the Town's financial activities have been included.

The CAFR encompasses all funds of the Town including all activities considered controlled by or dependent on the Town's governing body. Control by or dependence on the Town was determined by the criteria established by the Governmental Accounting Standards Board (GASB) and included in the GASB's guidance in defining the governmental reporting entity. The Town provides a full range of services to its residents. These services include planning and community development; building inspections; police protection; contracted fire and rescue services; the construction and maintenance of streets and infrastructure; recreational activities and events; and sanitation collection. Other governmental-type entities within the Town that are legally separate entities and for which the Town is not financially accountable are the Garner Volunteer Fire Rescue Department and the Downtown Garner 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 in Wake County, in central North Carolina. It is adjacent to Raleigh, the State capital, which forms one point of an area of the State known as the Triangle. The other points are Durham and Chapel Hill. Located within the Triangle is the Research Triangle Park, nationally recognized for industrial, governmental and scientific research. The Town's location, within easy commuting distance of all areas of the Triangle, offers widely diversified employment opportunities for its residents. Its proximity to these employment centers has encouraged the Town's steady growth over the years, primarily as a comfortable residential community with close proximity to Raleigh. The Town's unemployment rate at June 30, 2020 was 7.6% compared with 4.0% at June 30, 2019 with the increase largely attributed to the COVID-19 pandemic.

Garner is at a critical stage of development as the significant growth experienced in recent years is beginning to positively impact revenue streams but also creates additional demand for services. The Town's primary revenue source, property taxes, is anticipated to increase by 12.2 percent in FY 2021 as the projected Town-wide value of assessed property has increased by \$981.1 million due to revaluation and natural growth. Natural growth in the tax base comes primarily from the construction of new residential and commercial properties which is a good indicator of the Town's economic climate.

Growth is anticipated to continue as many of the Town's development related indicators continue to trend upwards. One area this is reflected in is the value of new construction permits issued by the Town. The FY 2020 value increased by 54.9% over the prior year and should increase even more in coming years.

Additional indicators of continued economic growth are seen in permitting activity. Year-to-date revenue associated with Subdivision Fees is only 3.7 percent lower than the pre-pandemic period of the previous fiscal year. This indicates that the development community is confident in the market and plans to continue construction related activity in the future.

Amazon has invested approximately \$250 million to develop a new distribution center in town. The new center opened in the summer of 2020. The center will create an estimated 3,000 jobs, resulting in approximately \$87 million in new payroll within the Town. This project, and others such as the development of a new business park off US Highway 70, are anticipated to have a significant impact on the commercial sector of the Town's economy.

The current period of economic growth offers the town a unique opportunity to invest in the infrastructure required to facilitate growth. As part of the FY 2021 Adopted Budget, Town Council approved an increase to the property tax rate of 3.5 cents. This will allow the Town to continue to fund critical services and to meet core requirements. The Town continues to perform an annual in-depth review of long-term operating and capital requirements to ensure resources are available. This work will help to ensure that the Town is positioned to meet future growth.



## MAJOR INITIATIVES

The Town continues to focus on enhancements to improve the quality of life for its citizens and pursue initiatives to improve economic development within the Town.

- Infrastructure upgrades as part of the 2013 bond referendums continue town-wide, including a new recreation center, new sidewalks, and street improvements.
- The Town is in the process of a comprehensive review and update of its Unified Development Ordinance to ensure development regulations meet growth needs and goals.
- The Eastern Wake Innovation Park project was approved by Town Council in February 2020 and will bring 300,000 square feet of Class A professional office space to the town.
- Town staff provide an industry recognized high level of service to citizens through nationally accredited departments like Public Works and Parks, Recreation, and Cultural Resources.
- The Town maintained its AAA bond rating from Standard and Poor's Financial Services.

## OTHER INFORMATION

**Independent Audit.** State statutes require an annual audit by independent certified public accountants. The Town's Council selected the accounting firm of Mauldin & Jenkins, PLLC. The auditor's report of the basic financial statements and individual fund statements and schedules are included in the financial section of this report. The goal of the independent audit is to provide reasonable assurance that the financial statements of the Town for the fiscal year ended June 30, 2020, are free of material misstatement. The independent auditor's report is presented as the first component of the financial section of this report.

**Awards.** The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Garner for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2019. 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 31 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, 2019. 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. The Town of Garner has received a Certificate of Achievement for the PAFR for six consecutive years. 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, 2019. 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 23 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 as well as assistance from other Town departments. Special thanks go to Mrs. Gini Schacker who serves as the Town's Accounting Manager for her tireless work to compile this report. 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 is prepared to review this document with Town Council and the public in the coming weeks. We hope this report provides a thorough understanding of the Town's financial activities for FY 2019-20 and will allow us to make informed decisions going forward for the Town of Garner.

Respectfully submitted,



Rodney Dickerson  
Town Manager



David C. Beck  
Finance Director

**Town of Garner, North Carolina  
List of Principal Officials  
June 30, 2020**

**Ken Marshburn**

Mayor

**Phil Matthews**

Council Member

**Kathy Behringer**

Mayor Pro Tem

**J. Graham "Gra" Singleton, Jr.**

Council Member

**Demian Dellinger**

Council Member

**Elmo Vance**

Council Member

**Fred P. Baggett**

Interim Town Attorney

**Rodney Dickerson**

Town Manager

**John Hodges**

Assistant Town Manager  
Development Services

**Matt Roylance**

Assistant Town Manager  
Operations

**Stella Gibson**

Town Clerk

**David C. Beck**

Finance Director

**Joe Binns**

Police Chief

**Mike Franks**

Budget & Special Projects

**Sonya Shaw**

Parks, Recreation & Cultural  
Resources

**Joseph Stallings**

Economic Development

**B.D.Sechler**

Human Resources

**Rick Mercier**

Communications

**Mari Howe**

Downtown Development

**Chris Johnson**

Engineering

**Jeff Triezenberg**

Planning

**Tony Beasley**

Inspections

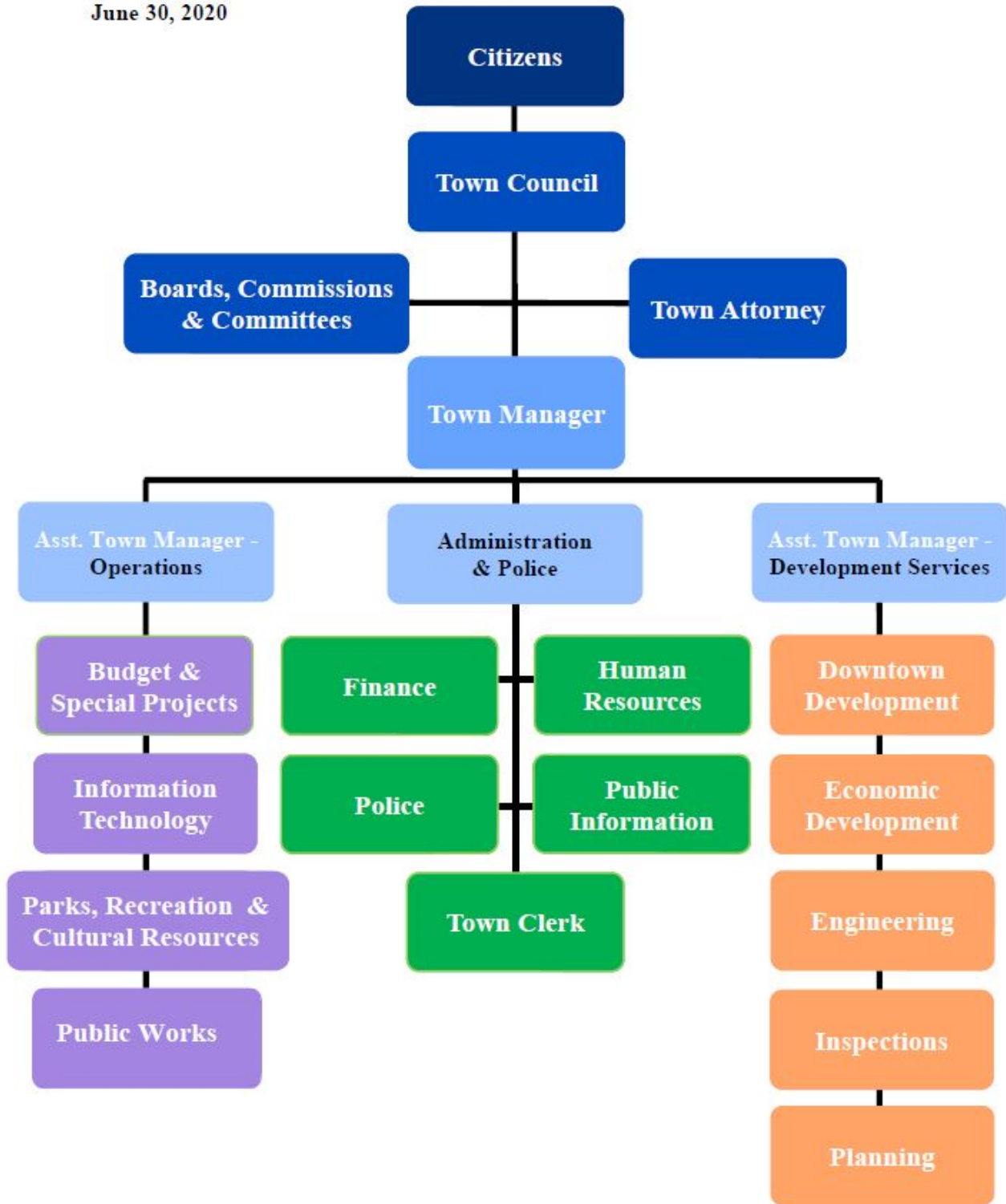
**Forrest Jones**

Public Works

**Bret Kelly**

Information Technology

Town of Garner, North Carolina  
 Organizational Chart  
 June 30, 2020





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, 2019

*Christopher P. Morrill*

Executive Director/CEO

**FINANCIAL SECTION**

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## INDEPENDENT AUDITOR'S REPORT

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**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 remaining fund information of the **Town of Garner, North Carolina** (the "Town"), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

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

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

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

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

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

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

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***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 remaining fund information of the Town of Garner, North Carolina as of June 30, 2020, and the respective changes in financial position and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters******Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion & Analysis, the Schedule of Changes in Total Pension Liability – Law Enforcement Officers' Special Separation Allowance, the Schedule of Total Pension Liability as a Percentage of Covered Payroll - Law Enforcement Officers' Special Separation Allowance, the Schedule of Changes in Total OPEB Liability, the Town of Garner's Proportionate Share of Net Pension Liability (Asset), and the Schedule of the Town of Garner's Contributions on pages 4-11, 48, 49, 50, 51, and 52, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



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*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The individual nonmajor fund statements and schedules, the schedule of expenditures of federal and state awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the State Single Audit Implementation Act, and the introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The individual nonmajor fund statements and schedules and the schedule of expenditures of federal and state awards (the "supplementary information") 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 supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2020 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

*Mauldin & Jenkins, LLC*

Columbia, South Carolina  
December 18, 2020

## 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, 2020. 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 \$70,238,981 (net position).
- At the end of the fiscal year, the Town’s governmental funds reported combined ending fund balances of \$37,893,470 or a increase of \$5,663,299.
- As of the close of the fiscal year, the Town’s unassigned fund balance for the General Fund was \$13,281,799, or 34.0%, of total General Fund expenditures for the fiscal year. This amount is considered available for spending at the government’s discretion.
- The Town maintained its bond rating of AAA with Standard and Poor’s Corporation and its Aa1 rating with Moody’s Investor’s Service.

#### Overview of the Financial Statements

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

#### Basic Financial Statements

The first two statements (pages 12 and 13) 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 (pages 14 through 19) are Fund Financial Statements. These statements focus on the activities of the individual parts of the Town’s government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; and 3) the fiduciary fund statements.

The next section of the basic financial statements is the Notes. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, supplemental information is provided to show details about the Town’s individual funds. Budgetary information required by the 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.

## Town of Garner, North Carolina

### Management Discussion and Analysis

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 12 and 13 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 fiduciary funds.

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

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

The Town adopts an annual appropriated budget for its General Fund, as required by General Statutes. The budget is a legally adopted document that incorporates input from citizens, management, and Council 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 14-17 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 used to account for utility-based fees collected for and remitted to the City of Raleigh.

The fiduciary fund financial statements can be found on page 19 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 20-47 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

**Town of Garner, North Carolina**

Management Discussion and Analysis

obligation to provide pension benefits to its employees and healthcare benefits for retirees. Required supplementary information can be found on pages 48-53 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 54-63 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 64-90.

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

**Government-wide Financial Analysis**

As noted earlier, the Town’s assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$70,238,981 as of June 30, 2020. Approximately 93.3% of the Town’s net position reflects the Town’s net investment in capital assets. The net investment in capital assets category is defined as the Town’s investment in Town owned capital assets (e.g. land, buildings, water and sewer capacity rights, vehicles, equipment and infrastructure) less any related debt still outstanding that was issued to acquire those items. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town’s investment in its capital assets is reported net of outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of net position 6.0% is restricted. This category represents resources that are subject to specific external legal restrictions that limit the Town’s ability to access and use these funds beyond the purpose for which they are provided.

**Town of Garner Net Position  
Figure 1**

|                                       | <b>Governmental Activities</b> |               |
|---------------------------------------|--------------------------------|---------------|
|                                       | <b>2020</b>                    | <b>2019</b>   |
| <b>ASSETS</b>                         |                                |               |
| Current and other assets              | \$ 39,921,392                  | \$ 34,545,253 |
| Capital assets                        | 99,043,840                     | 98,593,337    |
| Total assets                          | 138,965,232                    | 133,138,590   |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b> |                                |               |
| Pension and OPEB deferrals            | 4,274,644                      | 3,683,445     |
| <b>LIABILITIES</b>                    |                                |               |
| Long-term debt outstanding            | 65,213,782                     | 57,944,227    |
| Other liabilities                     | 5,906,943                      | 5,837,512     |
| Total liabilities                     | 71,120,725                     | 63,781,739    |
| <b>DEFERRED INFLOWS OF RESOURCES</b>  |                                |               |
| Pension and OPEB deferrals            | 1,870,179                      | 2,183,169     |
| Prepaid taxes                         | 9,991                          | 19,150        |
| Total deferred inflows of resources   | 1,880,170                      | 2,202,319     |

**Town of Garner, North Carolina**

Management Discussion and Analysis

**NET POSITION**

|                                  |                      |                      |
|----------------------------------|----------------------|----------------------|
| Net investment in capital assets | 65,504,868           | 63,713,621           |
| Restricted                       | 4,196,004            | 3,853,148            |
| Unrestricted                     | 538,109              | 3,271,208            |
| Total net position               | <u>\$ 70,238,981</u> | <u>\$ 70,837,977</u> |

The Town's net position decreased by \$598,996, while unrestricted net position decreased by \$2,733,099. The following are some of the items that influenced the change in unrestricted net position:

- Net OPEB liability increased by \$1,425,860.
- Net pension liability increased by \$686,915.
- The Town sold \$7.19 million of general obligation bonds in August of 2019, increasing its long-term debt outstanding.

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

|                                  | <u>Governmental Activities</u> |                      |
|----------------------------------|--------------------------------|----------------------|
|                                  | <u>2020</u>                    | <u>2019</u>          |
| <b>REVENUES</b>                  |                                |                      |
| Program revenues                 |                                |                      |
| Charges for services             | \$ 2,844,386                   | \$ 3,157,242         |
| Operating grants & contributions | 992,323                        | 881,239              |
| Capital grants & contributions   | 439,688                        | 331,504              |
| General revenues                 |                                |                      |
| Property taxes                   | 21,495,503                     | 19,526,681           |
| Other taxes                      | 9,531,391                      | 9,507,343            |
| Other                            | 1,202,929                      | 1,284,304            |
| Total Revenues                   | <u>36,506,220</u>              | <u>34,688,313</u>    |
| <b>EXPENSES</b>                  |                                |                      |
| General government               | 9,592,933                      | 8,235,521            |
| Public safety                    | 13,441,817                     | 13,479,474           |
| Transportation                   | 6,375,777                      | 6,203,524            |
| Environmental protection         | 2,170,760                      | 2,041,794            |
| Cultural & recreational          | 4,213,447                      | 4,129,671            |
| Interest on long-term debt       | 1,310,482                      | 1,146,684            |
| Total expenses                   | <u>37,105,216</u>              | <u>35,236,668</u>    |
| <b>Change in net position</b>    | (598,996)                      | (548,355)            |
| Net position, beginning of year  | <u>70,837,977</u>              | <u>71,386,332</u>    |
| <b>Net position, end of year</b> | <u>\$ 70,238,981</u>           | <u>\$ 70,837,977</u> |

## Town of Garner, North Carolina

### Management Discussion and Analysis

**Governmental Activities.** The Town's net position decreased by \$598,996 during the current fiscal year. Key elements of this decrease included:

- While property tax revenues increased \$1,968,822 these gains were offset by increasing operating costs and certain one-time expenses.
- Expenses increased 5.3% from the prior year partially attributable to increases in the Town's personnel costs, including continued increases from the State in the pension contributions and increasing health care costs.

Total revenues were \$36.5 million. Charges for services, which go directly against expenses, accounted for 7.8% of revenues.

The total cost of all programs and services was \$37.1 million. Cost of public safety programs (building inspections, police and contracted fire services) accounted for 36.2% of expenses, followed by general government expenses at 25.9%. The Town also spent an additional 11.4% for cultural and recreational expenses.

### Financial Analysis of the Town's Funds

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

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

At June 30, 2020, the Town's governmental funds reported a combined ending fund balance of \$37,893,470 an increase of 17.6% from the previous fiscal year attributed to a general obligation bond sale of \$7.19 million. Approximately \$13.3 million (35.1%) constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been assigned for other purposes (\$2.7 million), committed by the governing body for future capital projects (\$9.0 million), or restricted by external parties (\$12.9 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 \$13,281,799, or 34.0%, of total General Fund expenditures for the fiscal year. The governing body of the Town has determined that the Town should maintain unassigned fund balance equal to at least 30% of General Fund expenditures in case of unforeseen needs or opportunities, in addition to meeting the cash flow needs of the Town.

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

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

The fund balance of the Town's General Fund increased \$0.8 million during the current fiscal year. The key factor for this increase is strong revenues that overall exceeded General Fund expenditures.

Per the Town's Revenue Savings Plan policy, a portion of revenue growth each year is set aside for future capital needs. The Town set aside \$2.5 million in FY20 as additional committed fund balance.

## Town of Garner, North Carolina

### Management Discussion and Analysis

**Capital Projects Fund Highlights.** Fund balance of the Capital Projects Fund increased \$4.9 million. This increase was due to newly issued bonds. Construction of the Recreation Facility is nearing completion and the Town has begun several street and sidewalk improvement projects.

#### Capital Asset and Debt Administration

**Capital Assets.** The Town's investment in capital assets as of June 30, 2020, amounts to \$99,043,840 (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 \$450,503.

Major capital asset investments of \$1.0 million during the fiscal year include: construction in progress for a Recreation Center and starting several street and sidewalk improvement projects.

|                          | <u>June 30, 2020</u> | <u>June 30, 2019</u> |
|--------------------------|----------------------|----------------------|
| Land                     | \$ 15,969,886        | \$ 15,946,621        |
| Buildings                | 17,655,618           | 17,991,828           |
| Intangible assets        | 17,485,081           | 17,485,081           |
| Improvements             | 3,767,613            | 4,105,793            |
| Equipment                | 2,016,202            | 2,041,102            |
| Infrastructure           | 26,664,309           | 29,348,618           |
| Construction in Progress | 15,485,131           | 11,674,294           |
| Total                    | <u>\$ 99,043,840</u> | <u>\$ 98,593,337</u> |

Additional information on the Town's capital assets can be found on page 32 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, 2020. The Town issued general obligation bonds in the amount of \$7,190,000 for the cost of streets and sidewalks, as well as parks and recreational facilities improvements. At the end of the fiscal year, the Town had total debt outstanding of \$41,323,222. Of this, \$36.5 million is backed by the full faith and credit of the Town; the remainder is secured by interest property, vehicles, or equipment.

The Town's total debt increased by \$4,759,605 during the fiscal year.

|                                  | <u>June 30, 2020</u> | <u>June 30, 2019</u> |
|----------------------------------|----------------------|----------------------|
| General obligation bonds         | \$ 36,525,000        | \$ 30,390,000        |
| Installment financing agreements | 4,798,222            | 6,173,617            |
| Total                            | <u>\$ 41,323,222</u> | <u>\$ 36,563,617</u> |

As mentioned in the financial highlights section of this document, the Town of Garner maintained its Aa1 from Moody's Investors Service and has a AAA 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 \$297.4 million. This is significantly more than the Town's outstanding general obligation debt.

Additional information on the Town's long-term debt can be found in the notes to the financial statements on pages 33-35 of this report.

## Town of Garner, North Carolina

### Management Discussion and Analysis

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

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

- The Town has not experienced any significant declines in major revenues due to the COVID-19 pandemic to date.
- Home sales are up 31.7%
- The average home sale price is up 11.6%
- Construction values in the Town increased by 55%

#### Budget Highlights for the Fiscal Year Ending June 30, 2021

**Governmental Activities:** The FY 2020-2021 budget increased by \$3,250,909, or 8.7 percent, over the FY 2019-2020 budget. This budget was developed following a comprehensive review of current and future requirements. As part of this review, it was determined that a combination of market forces, increasing service demands, and unfunded mandates has significantly impacted the Town's ability to fund critical operating requirements. All property taxes in the Town were reappraised as part of Wake County's revaluation cycles. As a result, the Town's property tax rate was increased by 3.5 cents to 49.71 center per \$100 of assessed value above the revenue neutral rate of 46.21. This will allow the Town to continue to fund critical services and to meet core requirements.

As part of the decision to raise taxes, staff performed a review to determine the impact on Town residents and the Town's regional competitiveness. During this review, it was determined that Garner households have the lowest cost for municipal services in Wake County, even after the approved tax increase.

The Town took a very conservative approach to budget development for fiscal year 2021 as a result of uncertainty about the potential impacts to our local economy due to the ongoing COVID-19 pandemic. Some of the measures taken include a delay in filling several vacant positions, only critical capital outlay items are funded, and departments were tasked with identifying reductions within their proposed budgets. Staff is committed to a quarterly budget review with Town Council where additional spending could be proposed if revenues exceed our budget projections.

Additional revenue growth occurred in multiple categories. Property tax revenues are anticipated to increase by 12.2 percent based on the tax rate increase, growth in the tax base, and higher property values as a result of revaluation. Several categories related to development are anticipated to increase as additional residential and commercial investments occur. The one revenue stream that is likely to be most impacted by the pandemic is sales tax. As part of our conservative strategy, sales tax revenues were projected at a decrease of 19%. Actual sales tax revenue in the months following budget development indicate a significantly lower reduction than what we budgeted.

The resources available allowed the Town to continue operations without service reductions and address some critical needs in the upcoming year. The Town funded costs associated with increased retirement contribution rates, higher solid waste costs, and funding to meet street resurfacing and maintenance requirements. It also continues to provide quality healthcare with no out-of-pocket premium costs for employees despite this expense increasing over the last several years. The Town allocated \$310,000 in funding to address critical facility maintenance needs with a large percentage of funding to be used for a new roof on one of our recreation centers. Finally, positions in the Police Department and Fire Department allow for better service levels as population and service area growth have increased demands.

The Town has chosen to appropriate fund balance in the fiscal year 2021 budget. These appropriations of fund balance (totaling \$2,667,376) will be used to make one-time investments in equipment and infrastructure.



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

### Management Discussion and Analysis

#### **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 a request for additional financial information should be addressed to the Finance Director, Town of Garner, 900 7<sup>th</sup> Avenue, Garner, North Carolina. 27529, or visit our website at [www.garnernc.gov](http://www.garnernc.gov).

# TOWN OF GARNER, NORTH CAROLINA

## STATEMENT OF NET POSITION JUNE 30, 2020

|   | <b>Primary Government</b>          |             |
|---|------------------------------------|-------------|
|   | <b>Governmental<br/>Activities</b> |             |
| <b>ASSETS</b>   |                                    |             |
| Cash and cash equivalents                                   | \$                                 | 26,596,225  |
| Investments   |                                    | 10,121,148  |
| Taxes receivable, net of allowances                         |                                    | 55,732      |
| Intergovernmental receivables                               |                                    | 3,113,168   |
| Other receivables   |                                    | 7,760       |
| Inventories   |                                    | 11,388      |
| Prepaid items   |                                    | 15,971      |
| Capital assets:   |                                    |             |
| Non-depreciable   |                                    | 48,940,098  |
| Depreciable, net of accumulated depreciation                |                                    | 50,103,742  |
| Total assets  |                                    | 138,965,232 |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>                       |                                    |             |
| Deferred outflows - pension items                           |                                    | 3,081,733   |
| Deferred outflows - OPEB items                              |                                    | 1,192,911   |
| Total deferred outflows of resources                        |                                    | 4,274,644   |
| <b>LIABILITIES</b>  |                                    |             |
| Accounts payable  |                                    | 1,607,295   |
| Accrued interest payable                                    |                                    | 523,804     |
| Payroll withholdings  |                                    | 216,499     |
| Customer deposits   |                                    | 130,115     |
| Installment notes, due within one year                      |                                    | 1,371,351   |
| Installment notes, due in more than one year                |                                    | 3,426,871   |
| Bonds payable, due within one year                          |                                    | 1,358,000   |
| Bonds payable, due in more than one year                    |                                    | 36,811,319  |
| Compensated absences, due within one year                   |                                    | 699,879     |
| Compensated absences, due in more than one year             |                                    | 699,879     |
| Total Pension Liability (LEOSSA), due in more than one year |                                    | 3,530,245   |
| Net pension liability (LGERs), due in more than one year    |                                    | 4,467,242   |
| Net OPEB liability, due in more than one year               |                                    | 16,278,226  |
| Total liabilities   |                                    | 71,120,725  |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                        |                                    |             |
| Deferred inflows - pension items                            |                                    | 169,081     |
| Deferred inflows - OPEB items                               |                                    | 1,701,098   |
| Prepaid taxes   |                                    | 9,991       |
| Total deferred inflows of resources                         |                                    | 1,880,170   |
| <b>NET POSITION</b>   |                                    |             |
| Net investment in capital assets                            |                                    | 65,504,868  |
| Restricted for:   |                                    |             |
| Stabilization by State statute                              |                                    | 4,181,675   |
| Public safety - law enforcement                             |                                    | 14,329      |
| Unrestricted  |                                    | 538,109     |
| Total net position  | \$                                 | 70,238,981  |

The accompanying notes are an integral part of these financial statements.

**TOWN OF GARNER, NORTH CAROLINA**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2020**

| Functions/Programs                          | Program Revenues |                         |  |  | Net (Expenses) Revenues and<br>Changes in Net Position |
|---|------------------|-------------------------|--|--|--|
|   | Expenses         | Charges for<br>Services | Operating<br>Grants and<br>Contributions | Capital<br>Grants and<br>Contributions | Governmental<br>Activities                             |
| Governmental activities:                    |                  |                         |  |  |  |
| General government                          | \$ 9,592,933     | \$ 799,013              | \$ -                                     | \$ -                                   | \$ (8,793,920)   |
| Public safety                               | 13,441,817       | 1,600,270               | 208,619                                  | -                                      | (11,632,928)   |
| Transportation                              | 6,375,777        | 65,746                  | 765,755                                  | 66,799                                 | (5,477,477)  |
| Environmental protection                    | 2,170,760        | 57,830                  | -  | -                                      | (2,112,930)  |
| Culture and recreation                      | 4,213,447        | 321,527                 | 17,949                                   | 372,889                                | (3,501,082)  |
| Interest on long-term debt                  | 1,310,482        | -                       | -  | -                                      | (1,310,482)  |
| Total governmental activities               | 37,105,216       | 2,844,386               | 992,323                                  | 439,688                                | (32,828,819)   |
| Total primary government                    | \$ 37,105,216    | \$ 2,844,386            | \$ 992,323                               | \$ 439,688                             | \$ (32,828,819)  |
| General revenues:                           |                  |                         |  |  |  |
| Property taxes, levied for general purposes |                  |                         |  |  | 21,495,503   |
| Local option sales tax                      |                  |                         |  |  | 7,137,293  |
| Other taxes                                 |                  |                         |  |  | 2,394,098  |
| Miscellaneous                               |                  |                         |  |  | 531,803  |
| Unrestricted investment earnings            |                  |                         |  |  | 671,126  |
| Total general revenues and transfers        |                  |                         |  |  | 32,229,823   |
| Change in net position                      |                  |                         |  |  | (598,996)  |
| Net position, beginning of year             |                  |                         |  |  | 70,837,977   |
| Net position, end of year                   |                  |                         |  |  | \$ 70,238,981  |

The accompanying notes are an integral part of these financial statements.

# TOWN OF GARNER, NORTH CAROLINA

## BALANCE SHEET GOVERNMENTAL FUNDS JUNE 30, 2020

|   | General Fund         | Capital Project Fund | Total Governmental Funds |
|---|----------------------|----------------------|--------------------------|
| <b>ASSETS</b>   |                      |                      |                          |
| Cash  | \$ 17,213,747        | \$ 9,382,478         | \$ 26,596,225            |
| Investments   | 10,121,148           | -                    | 10,121,148               |
| Taxes receivable, net   | 55,732               | -                    | 55,732                   |
| Intergovernmental receivable  | 3,005,014            | 108,154              | 3,113,168                |
| Other receivables   | 7,760                | -                    | 7,760                    |
| Inventory   | 11,388               | -                    | 11,388                   |
| Prepaid items   | 15,971               | -                    | 15,971                   |
| <b>Total assets</b>   | <b>\$ 30,430,760</b> | <b>\$ 9,490,632</b>  | <b>\$ 39,921,392</b>     |
| <b>LIABILITIES</b>  |                      |                      |                          |
| Accounts payable  | \$ 827,895           | \$ 779,400           | \$ 1,607,295             |
| Payroll withholdings  | 216,499              | -                    | 216,499                  |
| Deposits payable  | 130,115              | -                    | 130,115                  |
| <b>Total liabilities</b>  | <b>1,174,509</b>     | <b>779,400</b>       | <b>1,953,909</b>         |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                                      |                      |                      |                          |
| Unavailable revenue - property taxes                                      | 55,733               | -                    | 55,733                   |
| Unavailable revenue - other   | 8,289                | -                    | 8,289                    |
| Advance collection of property tax  | 9,991                | -                    | 9,991                    |
| <b>Total deferred inflows of resources</b>                                | <b>74,013</b>        | <b>-</b>             | <b>74,013</b>            |
| <b>FUND BALANCES</b>  |                      |                      |                          |
| Nonspendable:   |                      |                      |                          |
| Prepaid items   | 15,971               | -                    | 15,971                   |
| Inventories   | 11,388               | -                    | 11,388                   |
| Restricted:   |                      |                      |                          |
| Stabilization by State Statute  | 4,181,675            | -                    | 4,181,675                |
| Public safety - law enforcement   | 14,329               | -                    | 14,329                   |
| Capital projects  | -                    | 8,711,232            | 8,711,232                |
| Committed:  |                      |                      |                          |
| Capital projects  | 3,340,414            | -                    | 3,340,414                |
| Other   | 5,669,286            | -                    | 5,669,286                |
| Assigned for:   |                      |                      |                          |
| Subsequent year expenditure   | 2,667,376            | -                    | 2,667,376                |
| Unassigned  | 13,281,799           | -                    | 13,281,799               |
| <b>Total fund balances</b>  | <b>29,182,238</b>    | <b>8,711,232</b>     | <b>37,893,470</b>        |
| <b>Total liabilities, deferred inflows of resources, and und balances</b> | <b>\$ 30,430,760</b> | <b>\$ 9,490,632</b>  | <b>\$ 39,921,392</b>     |

The accompanying notes are an integral part of these financial statements.

**TOWN OF GARNER, NORTH CAROLINA**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
**JUNE 30, 2020**

|  |              |               |
|--|--------------|---------------|
| Fund balances- Governmental Funds  |              | \$ 37,893,470 |
| <b>Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1) are different because:</b>                                      |              |               |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.                                      |              |               |
| Assets not being depreciated   | 48,940,098   |               |
| Assets being depreciated, net of accumulated depreciation  | 50,103,742   | 99,043,840    |
| Some receivables are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds                   |              | 64,022        |
| Net pension liability for the LGERS is not recorded on the fund financial statements   |              | (4,467,242)   |
| Total OPEB liability is not recorded on the fund financial statements  |              | (16,278,226)  |
| Total pension liability for the Special Separation Allowance LEO is not recorded on the fund financial statements  |              | (3,530,245)   |
| Deferred inflows and outflows of resources related to pensions and OPEB which are not current financial resources and, therefore, not reported in the funds. |              | 2,404,465     |
| Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds.                                    |              |               |
| Bonds payable  | (36,525,000) |               |
| Premium on bonds   | (1,644,319)  |               |
| Installment notes  | (4,798,222)  |               |
| Compensated absences   | (1,399,758)  |               |
| Accrued interest payable   | (523,804)    | (44,891,103)  |
| Net position of governmental activities  |              | \$ 70,238,981 |

The accompanying notes are an integral part of these financial statements

**TOWN OF GARNER, NORTH CAROLINA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

|  | General<br>Fund      | Capital Projects<br>Fund | Total<br>Governmental<br>Funds |
|--|----------------------|--------------------------|--------------------------------|
| <b>REVENUES</b>                          |                      |                          |                                |
| Ad valorem taxes                         | \$ 21,511,829        | \$ -                     | \$ 21,511,829                  |
| Other taxes                              | 7,316,038            | -                        | 7,316,038                      |
| Intergovernmental revenues               | 3,355,484            | 449,710                  | 3,805,194                      |
| Permits and fees                         | 2,197,084            | -                        | 2,197,084                      |
| Sales and services                       | 550,101              | -                        | 550,101                        |
| Investment earnings                      | 534,029              | 137,097                  | 671,126                        |
| Miscellaneous                            | 354,615              | 20,000                   | 374,615                        |
| Total revenues                           | <u>35,819,180</u>    | <u>606,807</u>           | <u>36,425,987</u>              |
| <b>EXPENDITURES</b>                      |                      |                          |                                |
| Current:                                 |                      |                          |                                |
| General government                       | 7,970,199            | -                        | 7,970,199                      |
| Public safety                            | 13,279,336           | -                        | 13,279,336                     |
| Transportation                           | 3,622,653            | -                        | 3,622,653                      |
| Environmental protection                 | 2,170,760            | -                        | 2,170,760                      |
| Culture and recreation                   | 3,466,375            | -                        | 3,466,375                      |
| Capital projects                         | -                    | 4,179,246                | 4,179,246                      |
| Debt service:                            |                      |                          |                                |
| Principal retirement                     | 7,170,395            | -                        | 7,170,395                      |
| Interest and fiscal charges              | 1,399,186            | 149,068                  | 1,548,254                      |
| Total expenditures                       | <u>39,078,904</u>    | <u>4,328,314</u>         | <u>43,407,218</u>              |
| Deficiency of revenues over expenditures | <u>(3,259,724)</u>   | <u>(3,721,507)</u>       | <u>(6,981,231)</u>             |
| <b>OTHER FINANCING SOURCES (USES)</b>    |                      |                          |                                |
| Proceeds from issuance of long-term debt | 4,740,000            | 7,190,000                | 11,930,000                     |
| Proceeds from premium on bonds           | -                    | 618,389                  | 618,389                        |
| Transfers in                             | -                    | 823,881                  | 823,881                        |
| Transfers out                            | (823,881)            | -                        | (823,881)                      |
| Proceeds from sale of capital assets     | 96,141               | -                        | 96,141                         |
| Total other financing sources (uses)     | <u>4,012,260</u>     | <u>8,632,270</u>         | <u>12,644,530</u>              |
| Net change in fund balances              | 752,536              | 4,910,763                | 5,663,299                      |
| <b>Fund balances, beginning of year</b>  | <u>28,429,702</u>    | <u>3,800,469</u>         | <u>32,230,171</u>              |
| <b>Fund balances, end of year</b>        | <u>\$ 29,182,238</u> | <u>\$ 8,711,232</u>      | <u>\$ 37,893,470</u>           |

The accompanying notes are an integral part of these financial statements.

**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, 2020**

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances- total governmental funds \$ 5,663,299

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

|  |              |         |
|--|--------------|---------|
| Capital outlay   | \$ 4,794,598 |         |
| Depreciation expense   | (4,344,095)  |         |
| Net adjustment to increase fund balance-governmental fund to arrive at net position of governmental activities |              | 450,503 |

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

|                                |  |              |
|--------------------------------|--|--------------|
| Proceeds from issuance of debt |  | (12,548,389) |
| Interest expense               |  | (15,867)     |
| Amortization of bond premium   |  | 104,571      |
| Principal repayments           |  | 7,170,395    |

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

|                  |  |          |
|------------------|--|----------|
| Taxes receivable |  | (15,908) |
|------------------|--|----------|

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.

|   |  |           |
|---|--|-----------|
| Compensated absences (i.e., vacation)   |  | (194,839) |
| Net pension liability - LGERS and related deferred outflows and inflows of resources                              |  | (907,581) |
| Total pension liability - LEO Special Separation Allowance and related deferred outflows and inflows of resources |  | (28,185)  |
| Total OPEB liability - and related deferred outflows and inflows of resources                                     |  | (276,995) |

|   |  |                     |
|---|--|---------------------|
| Change in net position of governmental activities |  | <u>\$ (598,996)</u> |
|---|--|---------------------|

The accompanying notes are an integral part of these financial statements.

# TOWN OF GARNER, NORTH CAROLINA

## GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET TO ACTUAL (NON-GAAP BASIS) FOR THE YEAR ENDED JUNE 30, 2020

|  | Budget        |               | Actual<br>Amounts | Variance with<br>Actual and Final Budget<br>Positive (Negative) |
|--|---------------|---------------|-------------------|---|
|  | Original      | Final         |                   |   |
| <b>REVENUES</b>                          |               |               |                   |   |
| Ad valorem taxes                         | \$ 21,316,638 | \$ 21,316,638 | \$ 21,511,829     | \$ 195,191  |
| Other taxes                              | 7,158,010     | 7,158,010     | 7,316,038         | 158,028   |
| Intergovernmental revenues               | 3,323,780     | 3,405,840     | 3,355,484         | (50,356)  |
| Permits and fees                         | 1,579,580     | 1,589,580     | 2,197,084         | 607,504   |
| Sales and services                       | 695,210       | 695,210       | 550,101           | (145,109)   |
| Investment earnings                      | 580,000       | 580,000       | 534,029           | (45,971)  |
| Miscellaneous                            | 201,000       | 290,431       | 354,615           | 64,184  |
| Total revenues                           | 34,854,218    | 35,035,709    | 35,819,180        | 783,471   |
| <b>Expenditures</b>                      |               |               |                   |   |
| Current:                                 |               |               |                   |   |
| General government                       | 7,862,120     | 9,074,800     | 7,970,199         | 1,104,601   |
| Public safety                            | 13,305,286    | 13,480,895    | 13,279,336        | 201,559   |
| Transportation                           | 4,695,150     | 5,159,605     | 3,622,653         | 1,536,952   |
| Environmental protection                 | 2,136,083     | 2,191,083     | 2,170,760         | 20,323  |
| Culture and recreation                   | 3,564,164     | 3,626,025     | 3,466,375         | 159,650   |
| Debt service:                            |               |               |                   |   |
| Principal retirement                     | 2,511,113     | 7,171,113     | 7,170,395         | 718   |
| Interest and fiscal charges              | 1,247,242     | 1,412,105     | 1,399,186         | 12,919  |
| Total expenditures                       | 35,321,158    | 42,115,626    | 39,078,904        | 3,036,722   |
| Deficiency of revenues over expenditures | (466,940)     | (7,079,917)   | (3,259,724)       | 3,820,193   |
| <b>Other financing sources (uses)</b>    |               |               |                   |   |
| Proceeds from issuance of long-term debt | -             | 4,740,000     | 4,740,000         | -   |
| Transfers in                             | 459,271       | 684,271       | -                 | (684,271)   |
| Transfers out                            | (2,123,467)   | (2,861,267)   | (823,881)         | 2,037,386   |
| Proceeds from sale of capital assets     | 45,000        | 95,000        | 96,141            | 1,141   |
| Fund balance appropriated                | 2,086,136     | 4,421,913     | -                 | (4,421,913)   |
| Total other financing sources (uses)     | 466,940       | 7,079,917     | 4,012,260         | (3,067,657)   |
| Net change in fund balances              | -             | -             | 752,536           | 752,536   |
| <b>Fund balances, beginning of year</b>  | 28,429,702    | 28,429,702    | 28,429,702        | -   |
| <b>Fund balances, end of year</b>        | \$ 28,429,702 | \$ 28,429,702 | \$ 29,182,238     | \$ 752,536  |

The accompanying notes are an integral part of these financial statements.



**TOWN OF GARNER, NORTH CAROLINA**

**STATEMENT OF FIDUCIARY NET POSITION**

**AGENCY FUND**

**FOR THE YEAR ENDED JUNE 30, 2020**

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|                          | <u>Agency<br/>Fund</u> |
|--------------------------|------------------------|
| <b>Assets</b>            |                        |
| Accounts receivable      | \$ <u>21,731</u>       |
| <b>LIABILITIES</b>       |                        |
| Due to other governments | \$ <u>21,731</u>       |

**TOWN OF GARNER, NORTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Town of Garner, North Carolina (the "Town") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standardsetting body for establishing governmental accounting and financial reporting principles. The Town's significant accounting policies are described below.

**A. Reporting Entity**

Incorporated in 1905, under the laws of the State of North Carolina, the Town of Garner, North Carolina is governed by an elected mayor and a five-member council. The government provides such services as police protection, cultural and recreational activities, and public works services.

**B. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The statement of net position includes non-current assets and non-current liabilities. In addition, the government-wide statement of activities reflects depreciation expense on the Town's capital assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to those who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers most revenues to be available if they are collected within 90 days of the end of the current fiscal period, except for property taxes which use a 60 day period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to other long-term liabilities, such as compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, sales taxes, franchise taxes, licenses, intergovernmental grants, and investment income associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Town.

In accordance with GASB Statement No. 33, Accounting and Financial Reporting for Non-exchange Transactions, the corresponding assets (receivables) in non-exchange transactions are recognized in the period in which the underlying exchange occurs, when an enforceable legal claim has arisen, when all eligibility requirements have been met, or when resources are received, depending on the revenue source.

In accordance with GASB Statement No. 34, individual major funds are reported as separate columns in the fund financial statements.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The Town reports the following major governmental funds:

The **General Fund** is the Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The **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.

Additionally, the Town reports the following fund type:

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

In accounting and reporting for its proprietary operations, the government applies all GASB pronouncements. GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* incorporated into the GASB's authoritative literature certain accounting and financial reporting guidance issued on or before November 30, 1989 which did not conflict with or contradict GASB pronouncements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. However, any inter-fund services provided and used are not eliminated as this process would distort the direct costs and program revenues reported in the various functions.

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

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### **D. Budgets**

Annual appropriated budgets are adopted for all funds, with the exception of the fiduciary 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, 2020. The Town adopts annual budgets, prepared on the modified accrual basis for all funds except the capital project fund, which has a project budget adopted. Appropriations for funds with annual budgets lapse at the end of the budget year. Capital project budget appropriations do not lapse until the completion of the project. The Town Council may amend the budget throughout the year.

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

#### **E. Deposits**

Cash includes amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the Town. The Town pools cash resources of its various funds in order to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the pooled cash accounts is available to meet current operating requirements. Any deposit in excess of the federal depository insured amounts must be collateralized by an equivalent amount of state or U.S. obligations. For purposes of the statement of cash flows, all highly liquid investments with an original maturity of less than 90 days are considered to be cash equivalents.

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. The NCCMT-Government Portfolio, a SEC-registered (2a-7) money market mutual fund, is measured at fair value. The NCCMT-Term Portfolio is a bond fund, has no rating, and is measured at fair value.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### **F. Restricted cash and cash equivalents**

The unexpended bond proceeds of public improvement bonds issued by the Town are classified as restricted assets in the capital projects fund because their use is completely restricted to the purpose for which the bonds were originally issued. Asset forfeitures funds and funds received as a distribution of the NC Controlled substance tax are restricted for law enforcement purposes. Powell Bill funds also are classified as restricted cash because they can be expended only for the purposes of maintaining, repairing, constructing, reconstructing or widening of local streets per G.S. 136-41.1 through 136-41.4.

#### **G. Receivables**

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. In accordance with state law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2019.

#### **H. Allowances**

All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. This amount is estimated by analyzing the percentage of receivables that were written off in prior years.

#### **I. Interfund Receivables and Payables**

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year as well as all other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government wide financial statements as "internal balances."

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### J. Inventories and Prepaid Items

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

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

#### K. Capital Assets

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

Capital assets of the Town are depreciated using the straight line method over the following estimated useful lives:

|                                  |          |
|----------------------------------|----------|
| Buildings                        | 40 years |
| Vehicles and Motorized Equipment | 5 years  |
| Machinery and Equipment          | 3 years  |
| Improvements                     | 20 years |
| Infrastructure                   | 25 years |

#### 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 outflow of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Town currently has two items, pension and OPEB deferrals, that meet this criterion.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### **L. Deferred Outflows/Inflows of Resources (Continued)**

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 future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has several items under the modified accrual basis of accounting which meet the criterion for this category - prepaid taxes and unavailable revenues. Additionally, the Town reports two items, pension and OPEB deferrals, which are reported only in the governmental activities.

#### **M. Compensated Absences**

The vacation policy of the Town provides for the accumulation of up to two hundred eighty-eight (288) hours earned vacation leave with such leave being fully vested when earned. For the Town's government-wide funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The Town has assumed a first-in, first-out method of using accumulated compensated time. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements. The Town's sick leave policy provides for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the Town has no obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

#### **N. Long-Term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Bond premiums and discounts are accrued and amortized over the term of the bonds using the effective interest method. Bonds payable are reported net of the applicable discount or premium. Bond issuance costs are expensed in the year of issuance.



## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### **N. Long-Term Obligations (Continued)**

In the fund financial statements, governmental fund types recognize bond premiums and discounts 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, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

#### **O. Fund Equity**

Fund equity at the governmental fund financial reporting level is classified as “fund balance.” Fund equity for all other reporting is classified as “net position.”

**Fund Balance** – Generally, fund balance represents the difference between the assets and liabilities and deferred inflows of resources under the current financial resources management focus of accounting. In the fund financial statements, governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the Town is bound to honor constraints on the specific purpose for which amounts in those funds can be spent.

Fund balances are classified as follows:

*Nonspendable* – Fund balances are reported as nonspendable when amounts cannot be spent because they are either: (a) not in spendable form (i.e., items that are not expected to be converted to cash), or (b) 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 yearend balance of prepaid expenses, which are not spendable resources.

*Restricted* – Fund balances are reported as restricted when there are limitations imposed on their use either through enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors, laws or regulations of other governments.

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

## NOTES TO FINANCIAL STATEMENTS

---

### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### O. Fund Equity (Continued)

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

*Restricted for law enforcement* – portion of fund balance that is 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 have not been spent for the designated project.

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

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

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

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

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

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

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

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### O. Fund Equity (Continued)

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

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

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

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

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

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

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

*Assigned* – Fund balances are reported as assigned when amounts are constrained by the Town's intent to be used for specific purposes, but are neither restricted nor committed. The Town Council, through Town Ordinance, has expressly delegated to the Town Manager or his/her designee, the authority to assign funds for particular purposes. The assigned fund balance of the General Fund includes \$1,168,902 of outstanding encumbrances.

*Unassigned* – Fund balances are reported as unassigned as the residual amount when the balances do not meet any of the above criterion. The Town reports positive unassigned fund balance only in the General Fund. The Town, by resolution, has created a minimum fund balance policy to be no less than 30% of the next fiscal year's budgeted expenditures and outgoing transfers, in order to maintain adequate reserves to cover unforeseen revenue shortfalls and to maintain a budget stabilization commitment.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### O. Fund Equity (Continued)

**Flow Assumptions** – When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the Town's policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the Town's policy to use fund balance in the following order: (1) Committed, (2) Assigned, and (3) Unassigned.

**Net Position** – Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources, in reporting which utilizes the economic resources measurement focus. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used (i.e., the amount that the Town has spent) for the acquisition, construction or improvement of those assets.

Net position is reported as restricted using the same definition as used for restricted fund balance as described in the section above. All other net position is reported as unrestricted.

The Town applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

#### P. 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, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

#### Q. Management 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 the reported amounts of assets, deferred outflows of resources, deferred inflows of resources, and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 2. DEPOSITS AND INVESTMENTS

Total deposits as of June 30, 2020 are summarized as follows:

Statement of Net Position:

|                           |    |            |
|---------------------------|----|------------|
| Cash and cash equivalents | \$ | 26,596,225 |
| Investments               |    | 10,121,148 |
|                           | \$ | 36,717,373 |

|  |    |            |
|--|----|------------|
| Cash and investments deposited with financial institutions | \$ | 10,888,995 |
| Cash deposited with NCCMT                                  |    | 25,828,378 |
|  | \$ | 36,717,373 |

**Credit risk.** State statutes and the Town's policies authorize the Town to invest in obligations of the state of North Carolina or other states; obligations issued by the U.S. Government; obligations fully insured or guaranteed by the U.S. Government or by a government agency of the United States; obligations of any corporation of the U.S. Government; prime bankers' acceptances; the North Carolina Capital Management Trust (NCCMT); and obligations of other political subdivisions of the state of North Carolina. The Town does not have a credit rating policy which provides restrictions or limitations on credit ratings for the Town's investments. The Town's investment in the NC Capital Management Trust Government Portfolio carried a credit rating of AAAm by Standard & Poor's as of June 30, 2020. The Town's investment in the NC Capital Management Trust Term Portfolio is unrated.

At June 30, 2020, the Town's investment balances were as follows:

| Investment Type                                    | Valuation<br>Measurement<br>Method | Book Value<br>6/30/20 | Duration   | Rating  |
|--|------------------------------------|-----------------------|------------|---------|
| Commercial Paper                                   | Fair Value-Level 2                 | \$ 460,368            | 12 months  | A-1     |
| US Treasury  | Fair Value-Level 1                 | 9,660,780             | 12 months  | AA+     |
| NC Capital Management Trust - Government Portfolio | Fair Value-Level 1                 | 1,617,125             | N/A        | AAAm    |
| NC Capital Management Trust - Term Portfolio       | Fair Value-Level 1                 | 24,211,253            | 0.15 years | Unrated |
|  |                                    | \$ 35,949,526         |            |         |

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

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

**Interest rate risk:** The Town has a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Custodial credit risk – deposits:** Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. State statutes (G.S. 159-31) require all deposits and investments (other than federal or state government instruments) to be collateralized by depository insurance, obligations of the U.S. Government, or bonds of public authorities, counties, or municipalities. As of June 30, 2020, the Town's deposits are insured or collateralized as required by state law.

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 3. RECEIVABLES**

Taxes receivables at June 30, 2020, for the Town's General Fund amounted to a balance of \$265,328, with an offsetting allowance for doubtful accounts of \$209,596.

**NOTE 4. CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2020 was as follows:

|   | <b>Balance<br/>June 30, 2019</b> | <b>Increases</b>      | <b>Decreases</b>  | <b>Balance<br/>June 30, 2020</b> |
|---|----------------------------------|-----------------------|-------------------|----------------------------------|
| <b>Governmental activities:</b>             |                                  |                       |                   |                                  |
| Capital assets not being depreciated:       |                                  |                       |                   |                                  |
| Land  | \$ 15,946,621                    | \$ 23,265             | \$ -              | \$ 15,969,886                    |
| Construction In progress                    | 11,674,294                       | 3,810,837             | -                 | 15,485,131                       |
| Intangible Assets                           | 17,485,081                       | -                     | -                 | 17,485,081                       |
|   | <u>45,105,996</u>                | <u>3,834,102</u>      | <u>-</u>          | <u>48,940,098</u>                |
| <b>Capital assets being depreciated:</b>    |                                  |                       |                   |                                  |
| Buildings                                   | 22,318,669                       | 212,690               | -                 | 22,531,359                       |
| Improvements                                | 10,333,972                       | -                     | -                 | 10,333,972                       |
| Equipment                                   | 8,079,589                        | 592,339               | (900,946)         | 7,770,982                        |
| Infrastructure                              | 94,104,909                       | 155,468               | -                 | 94,260,377                       |
|   | <u>134,837,139</u>               | <u>960,497</u>        | <u>(900,946)</u>  | <u>134,896,690</u>               |
| <b>Less accumulated depreciation for:</b>   |                                  |                       |                   |                                  |
| Buildings                                   | (4,326,841)                      | (548,900)             | -                 | (4,875,741)                      |
| Improvements                                | (6,228,180)                      | (338,179)             | -                 | (6,566,359)                      |
| Equipment                                   | (6,038,487)                      | (617,239)             | 900,946           | (5,754,780)                      |
| Infrastructure                              | (64,756,291)                     | (2,839,777)           | -                 | (67,596,068)                     |
|   | <u>(81,349,799)</u>              | <u>\$ (4,344,095)</u> | <u>\$ 900,946</u> | <u>(84,792,948)</u>              |
| Total capital assets being depreciated, net | <u>53,487,340</u>                |                       |                   | <u>50,103,742</u>                |
| Governmental activity capital assets, net   | <u>\$ 98,593,336</u>             |                       |                   | <u>\$ 99,043,840</u>             |

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

|                          |                     |
|--------------------------|---------------------|
| Governmental activities: |                     |
| General government       | \$ 378,517          |
| Public safety            | 430,115             |
| Transportation           | 3,009,477           |
| Culture and recreation   | 525,986             |
|                          | <u>\$ 4,344,095</u> |

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 5. LONG-TERM DEBT**

Long-term liability activity for the year ended June 30, 2020 is as follows:

|   | <b>Beginning<br/>Balance</b> | <b>Additions</b>     | <b>Reductions</b>   | <b>Ending<br/>Balance</b> | <b>Due Within<br/>One Year</b> |
|---|------------------------------|----------------------|---------------------|---------------------------|--------------------------------|
| <b>Governmental activities:</b>             |                              |                      |                     |                           |                                |
| Direct placement - General obligation bonds | \$ 30,390,000                | \$ 11,930,000        | \$ 5,795,000        | \$ 36,525,000             | \$ 1,358,000                   |
| Premium on bonds                            | 1,130,501                    | 618,389              | 104,571             | 1,644,319                 | -                              |
| Total bonds                                 | <u>31,520,501</u>            | <u>12,548,389</u>    | <u>5,899,571</u>    | <u>38,169,319</u>         | <u>1,358,000</u>               |
| Direct borrowing - Promissory notes         | 6,173,617                    | -                    | 1,375,395           | 4,798,222                 | 1,371,351                      |
| Compensated absences                        | 1,204,919                    | 648,278              | 453,439             | 1,399,758                 | 699,879                        |
| Net pension liability (LGERS)               | 3,780,327                    | 2,209,562            | 1,522,647           | 4,467,242                 | -                              |
| Total pension liability (LEO)               | 3,526,070                    | 253,427              | 249,252             | 3,530,245                 | -                              |
| Total OPEB liability                        | 14,852,366                   | 1,425,860            | -                   | 16,278,226                | -                              |
| Total                                       | <u>\$ 61,057,800</u>         | <u>\$ 17,085,516</u> | <u>\$ 9,500,304</u> | <u>\$ 68,643,012</u>      | <u>\$ 3,429,230</u>            |

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

**Direct Placement - Bonds Payable**

The outstanding balances for direct placement bonds as of June 30, 2020 are as follows:

|   | <b>Balance as of<br/>June 30, 2020</b> |
|---|--|
| <b>General obligation bonds</b>   |  |
| \$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.    | \$ 12,360,000                          |
| \$9,805,000 2014 Public improvements bonds due in annual installments of \$250,000 to \$1,000,000 through August 1, 2034; interest varying from 2.0 to 4.0 percent. | 8,305,000                              |
| \$4,050,000 2018 Public improvements bonds due in annual installments of \$120,000 to \$480,000 through August 1, 2032; interest varying from 3.0 to 5.0 percent.   | 3,930,000                              |
| \$7,190,000 2019 Public improvements bonds due in annual installments of \$185,000 to \$450,000 through August 1, 2038; interest varying from 3.0 to 5.0 percent.   | 7,190,000                              |
| \$4,740,000 2020 Refunding of Public improvements 2010 bonds due in annual installments of \$203,000 to \$428,000 through August 1, 2031; interest of 1.81 percent. | <u>4,740,000</u>                       |
| Total General Obligation Bonds  | <u>\$ 36,525,000</u>                   |

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 5. LONG-TERM DEBT (CONTINUED)**

The debt service to maturity on the bonds payable is as follows:

| Year Ending June 30, | Principal            | Interest             | Total                |
|----------------------|----------------------|----------------------|----------------------|
| 2021                 | \$ 1,358,000         | \$ 1,190,592         | \$ 2,548,592         |
| 2022                 | 1,822,000            | 1,136,795            | 2,958,795            |
| 2023                 | 1,823,000            | 1,071,377            | 2,894,377            |
| 2024                 | 1,819,000            | 1,003,756            | 2,822,756            |
| 2025                 | 1,820,000            | 936,082              | 2,756,082            |
| 2026-2030            | 10,625,000           | 3,612,169            | 14,237,169           |
| 2031-2035            | 11,678,000           | 1,741,496            | 13,419,496           |
| 2036-2040            | 5,580,000            | 269,663              | 5,849,663            |
| Total                | <u>\$ 36,525,000</u> | <u>\$ 10,961,930</u> | <u>\$ 47,486,930</u> |

**Direct Borrowing - Promissory notes and installment purchase contracts:**

|   | Balance as of<br>6/30/2020 |
|---|----------------------------|
| <b><i>Governmental activities</i></b>   |                            |
| \$3,620,759 installment refunding due in semi-annual installments of \$229,758 to \$258,546 through June 23, 2021; interest at 1.94%  | \$ 459,516                 |
| \$710,000 installment purchase contract for vehicles and equipment due in annual installments through September 1, 2020; interest at 1.42%.   | 181,000                    |
| \$660,000 installment purchase contract for vehicles and equipment due in annual installments of \$162,000 to \$168,000 through March 1, 2022; interest at 1.41%                            | 334,706                    |
| \$5,519,000 installment loan for refinancing and for the purchase of a parcel of property due in annual installments of \$532,000 to \$564,000 through September 1, 2026; interest at 1.84% | <u>3,823,000</u>           |
| Total promissory notes and installment purchase contracts   | <u>\$ 4,798,222</u>        |

The notes above are secured by the underlying assets being financed. If the Town fails to make the required debt service payments, the creditors have the authority to seize the financed assets and hold a sale of the asset to generate the necessary repayment.



**NOTES TO FINANCIAL STATEMENTS**

**NOTE 5. LONG-TERM DEBT (CONTINUED)**

The debt service to maturity on the promissory notes and installment purchase contracts is as follows:

|                      | Principal    | Interest   | Total        |
|----------------------|--------------|------------|--------------|
| Year Ending June 30, |              |            |              |
| 2021                 | \$ 1,371,351 | \$ 79,157  | \$ 1,450,508 |
| 2022                 | 723,000      | 57,302     | 780,302      |
| 2023                 | 551,000      | 44,758     | 595,758      |
| 2024                 | 546,000      | 34,666     | 580,666      |
| 2025                 | 542,000      | 24,656     | 566,656      |
| 2026-2027            | 1,064,871    | 19,624     | 1,084,495    |
| Total                | \$ 4,798,222 | \$ 260,163 | \$ 5,058,385 |

**NOTE 6. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

The composition of interfund transfers for the year ended June 30, 2020 is as follows:

| Transfers In          | Transfers Out | Amount     |
|-----------------------|---------------|------------|
| Capital Projects Fund | General Fund  | \$ 823,881 |

Transfers are used to move revenues from the General Fund to the Capital Projects Fund for capital project matching purposes.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 7. PENSION PLANS

#### A. 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 cost-sharing multiple-employer 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 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 LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at [www.osc.nc.gov](http://www.osc.nc.gov).

**Benefits Provided.** LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). 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 (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) 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 postretirement 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. The Town of Garner 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 of Garner's contractually required contribution rate for the year ended June 30, 2020, was 9.70% of compensation for law enforcement officers and 8.95% for general employees and firefighters, 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 of Garner were \$1,032,242 for the year ended June 30, 2020.

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 7. PENSION PLANS (CONTINUED)**

**A. Local Governmental Employees' Retirement System (Continued)**

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

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

At June 30, 2020, the Town reported a liability of \$4,467,242 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018. The total pension liability was then rolled forward to the measurement date of June 30, 2019 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, 2019 (measurement date), the Town's proportion was 0.16358%, which was an increase of 0.00423% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the Town recognized pension expense of \$1,939,823. At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|  | <b>Deferred Outflows of<br/>Resources</b> | <b>Deferred Inflows of<br/>Resources</b> |
|--|---|--|
| Differences between expected and actual experience   | \$ 764,905                                | \$ -                                     |
| Changes in plan assumptions  | 728,086                                   | -  |
| Net difference between projected and actual earnings<br>on pension plan investments                          | 108,962                                   | -  |
| Changes in proportion and differences between Town<br>contributions and proportionate share of contributions | 9,898                                     | 23,833                                   |
| Town contributions subsequent to the measurement date  | 1,032,242                                 | -  |
| Total  | \$ 2,644,093                              | \$ 23,833                                |

Town contributions made subsequent to the measurement date of \$1,032,242 are reported as deferred outflows of resources and will be recognized as a decrease of the net pension liability in the year ending June 30, 2021. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| <b>Year ending June 30:</b> |              |
|-----------------------------|--------------|
| 2021                        | \$ 791,121   |
| 2022                        | 239,240      |
| 2023                        | 431,515      |
| 2024                        | 126,142      |
|                             | \$ 1,588,018 |

## NOTES TO FINANCIAL STATEMENTS

### NOTE 7. PENSION PLANS (CONTINUED)

#### A. Local Governmental Employees' Retirement System (Continued)

**Actuarial Assumptions.** The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

|                           |   |
|---------------------------|---|
| Inflation                 | 3.0 percent   |
| Salary increases          | 3.50 to 8.10 percent, including inflation and productivity factor         |
| Investment rate of return | 7.00 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, 2018 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

The projected long-term investment returns, and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2019 are summarized in the following table:

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

The information above is based on 30 year expectations developed with the consulting actuary for the 2018 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.

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 7. PENSION PLANS (CONTINUED)**

**A. Local Governmental Employees' Retirement System (Continued)**

**Discount rate.** The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the Town's proportionate share of the net pension 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 7.00 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 (6.00 percent) or one percentage point higher (8.00 percent) than the current rate:

|   | <b>1% Decrease<br/>(6.00%)</b> | <b>Current<br/>Discount Rate<br/>(7.00%)</b> | <b>1% Increase<br/>(8.00%)</b> |
|---|--------------------------------|--|--------------------------------|
| Town's proportionate share of the net pension liability (asset) | \$ 10,217,400                  | \$ 4,467,242                                 | \$(312,304)                    |

**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.

**B. Law Enforcement Officers Special Separation Allowance**

**Plan Description.** The Town of Garner administers a public employee retirement system (the "Separation Allowance"), an agent multiple-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 G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. A separate report is not issued for the Plan.

All full time law enforcement officers of the Town are covered by the Separation Allowance. At December 31, 2018, the date of the most recent actuarial valuation the Separation Allowance's membership consisted of:

|                             |    |
|-----------------------------|----|
| Retirees receiving benefits | 13 |
| Active plan members         | 66 |
| Total                       | 79 |

**Basis of Accounting.** The Town has chosen to fund the Separation Allowance on a pay as you go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. The Separation Allowance has no assets accumulated in a trust that meets the criteria which are outlined in GASB Statement 73.

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 7. PENSION PLANS (CONTINUED)**

**B. Law Enforcement Officers Special Separation Allowance (Continued)**

**Actuarial Assumptions.** The entry age normal actuarial cost method was used in the December 31, 2018 valuation. The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

|                  |   |
|------------------|---|
| Inflation        | 2.50 percent  |
| Salary increases | 3.50 to 7.35 percent, including inflation and productivity factor |
| Discount rate    | 3.26 percent  |

**Contributions.** The Town is required by Article 12D of 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. Administration costs of the Separation Allowance are financed through investment earnings. The Town paid \$257,816 as benefits came due for the reporting period.

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

At June 30, 2020, the Town reported a total pension liability of \$3,530,245. The total pension liability was measured as of December 31, 2019 based on a December 31, 2018 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2019 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2020 the Town recognized pension expense of \$230,982.

|   | <u>Deferred<br/>Outflows of<br/>Resources</u> | <u>Deferred<br/>Inflows of<br/>Resources</u> |
|---|---|--|
| Differences between expected and actual experience            | \$ 158,928                                    | \$ 55,019                                    |
| Changes of assumptions  | 145,522                                       | 90,229                                       |
| Town benefit payments made subsequent to the measurement date | 133,190                                       | -  |
| Total   | <u>\$ 437,640</u>                             | <u>\$ 145,248</u>                            |

The Town reported \$133,190 as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2021. Other amounts reported as deferred inflows and outflows of resources related to pensions will be recognized in pension expense as follows:

| <b>Year ending June 30:</b> |                   |
|-----------------------------|-------------------|
| 2021                        | \$ 52,451         |
| 2022                        | 57,945            |
| 2023                        | 38,409            |
| 2024                        | 8,995             |
| 2025                        | 1,402             |
| Total                       | <u>\$ 159,202</u> |

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 7. PENSION PLANS (CONTINUED)**

**B. Law Enforcement Officers Special Separation Allowance (Continued)**

**Changes in the Total Pension Liability.** The changes in total pension liability of the Town for the fiscal year ended June 30, 2020 were as follows:

|  | <b>2020</b>  |
|--|--------------|
| Beginning balance  | \$ 3,526,070 |
| Service cost   | 109,737      |
| Interest on the total pension liability  | 123,813      |
| Differences between expected and actual experience in the measurement of the total pension liability | (67,580)     |
| Changes of assumptions or other inputs   | 87,457       |
| Benefit payments   | (249,252)    |
| Ending balance of the total pension liability  | \$ 3,530,245 |

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

**Sensitivity of the Town's total pension liability to changes in the discount rate.** The following presents the Town's total pension liability calculated using the discount rate of 3.26 percent, as well as what the Town's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.26 percent) or 1-percentage-point higher (4.26 percent) than the current rate:

|                         | <b>1% Decrease<br/>(2.26%)</b> | <b>Discount Rate<br/>(3.26%)</b> | <b>1% Increase<br/>(4.26%)</b> |
|-------------------------|--------------------------------|----------------------------------|--------------------------------|
| Total pension liability | \$ 3,773,111                   | \$ 3,530,245                     | \$ 3,305,635                   |

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

The actuarial assumptions used in the December 31, 2018 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 7. PENSION PLANS (CONTINUED)

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

**Plan Description.** The Town contributes to the Supplemental Retirement Income Plan (“Plan”), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the Town. Article 5 of 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 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, 2020 were \$344,066 which consisted of \$214,223 from the Town and \$129,843 from the law enforcement officers.

#### D. Supplemental Retirement Income Plan for Employees Other than Law Enforcement Officers

All other permanent full-time employees of the Town (excluding law enforcement officers) also participate in the Supplemental Retirement income Plan, a defined contribution pension plan as described previously. The Plan is a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Town contributes each month an amount equal to five percent of each employee's salary, and all amounts contributed are vested immediately. Also, these employees may make voluntary contributions to the plan. Contributions for the year ended June 30, 2020 were \$516,754, which consisted of \$343,569 from the Town and \$173,185 from the employees.



**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 8. OTHER POSTEMPLOYMENT BENEFITS**

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

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

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

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

Membership of the HCB Plan consisted of the following at June 30, 2018, the date of the latest actuarial valuation:

|   |            |
|---|------------|
| Active participants                                     | 165        |
| Retirees and beneficiaries currently receiving benefits | 48         |
| Total   | <u>213</u> |

The plan was closed to new entrants on August 22, 2014.

**Contributions.** The Town Council has elected to fund the HCB Plan on a “pay as you go” basis. Per the Town resolution, retirees are able to continue to receive health insurance at active employee rates, subsidized by Town contributions. For the fiscal year ended June 30, 2020, the Town contributed \$340,231 for the pay as you go benefits for the HCB Plan.

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 8. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)**

***Total OPEB Liability***

The Town's total OPEB liability of \$16,278,226 was measured as of June 30, 2019 and was determined by an actuarial valuation as of June 30, 2018.

**Actuarial assumptions and other inputs.** The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

|  |               |                        |
|--|---------------|------------------------|
| Inflation rate                             | 2.50 %        |                        |
| Real wage growth                           | 1.00%         |                        |
| Wage inflation                             | 3.50%         |                        |
| Salary increases, including wage inflation |               |                        |
| General employees                          | 3.50% - 7.75% |                        |
| Law Enforcement Officers                   | 3.50% - 7.35% |                        |
| Municipal Bond Index Rate                  |               |                        |
| Prior measurement date                     | 3.89%         |                        |
| Measurement date                           | 3.50%         |                        |
| Health care cost trends                    |               |                        |
| Pre-medicare                               | 7.25% - 4.75% | Ultimate Trend in 2028 |
| Medicare                                   | 5.38% - 4.75% | Ultimate Trend in 2022 |

The discount rate is based on the yield June average of the Bond Buyer General Obligation 20-year Municipal Bond Index published weekly by The Bond Buyer.

**Changes in the Total OPEB Liability.** The changes in the total OPEB liability for the Town for the fiscal year ended June 30, 2020 were as follows:

|                                 | <b>Total OPEB Liability</b> |                   |
|---------------------------------|-----------------------------|-------------------|
| <b>Balance at June 30, 2019</b> | \$                          | 14,852,366        |
| Service cost                    |                             | 320,685           |
| Interest                        |                             | 569,704           |
| Experience differences          |                             | (19,595)          |
| Assumption changes              |                             | 973,101           |
| Benefit payments                |                             | (418,035)         |
| <b>Balance at June 30, 2020</b> | <b>\$</b>                   | <b>16,278,226</b> |

Changes in assumptions and other inputs reflect a change in the discount rate from 3.89% to 3.50%. The current mortality rates were based on the RP-2014 mortality tables, with adjustments for LGERS experience and generational mortality improvements using Scale MP-2015. The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 8. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)**

**Sensitivity of the total OPEB liability to changes in the discount rate.** The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.50 percent) or 1-percentage-point higher (4.50 percent) than the current discount rate:

|                      | <b>1% Decrease<br/>(2.50%)</b> | <b>Discount Rate<br/>(3.50%)</b> | <b>1% Increase<br/>(4.50%)</b> |
|----------------------|--------------------------------|----------------------------------|--------------------------------|
| Total OPEB Liability | \$ 19,240,237                  | \$ 16,278,226                    | \$ 13,950,540                  |

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

|                      | <b>1% Decrease</b> | <b>Current</b> | <b>1% Increase</b> |
|----------------------|--------------------|----------------|--------------------|
| Total OPEB Liability | \$ 13,691,483      | \$ 16,278,226  | \$ 19,613,314      |

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revisions as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. Calculations are based on the substantive plan in effect as of June 30, 2018 and the current sharing pattern of costs between employer and inactive employees.

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

For the year ended June 30, 2020 the Town recognized OPEB expense of \$765,448. At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

|   | <b>Deferred Outflows<br/>of Resources</b> | <b>Deferred Inflows<br/>of Resources</b> |
|---|---|--|
| Differences between expected and actual experience    | \$ 3,699                                  | \$ 219,387                               |
| Changes in plan assumptions                           | 848,981                                   | 1,481,711                                |
| Town contributions subsequent to the measurement date | 340,231                                   | -  |
| Total   | \$ 1,192,911                              | \$ 1,701,098                             |

**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 8. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)**

Town contributions made subsequent to the measurement date of \$340,231 are reported as deferred outflows of resources and will be recognized as a decrease of the total pension liability in the year ending June 30, 2021. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| <b>Period Ending June 30:</b> |                     |
|-------------------------------|---------------------|
| 2021                          | \$ (199,052)        |
| 2022                          | (199,052)           |
| 2023                          | (199,052)           |
| 2024                          | (199,052)           |
| 2025                          | (176,769)           |
| Thereafter                    | 124,559             |
|                               | <u>\$ (848,418)</u> |

**NOTE 9. 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 postemployment 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 an 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.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 10. 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 pools administered by the North Carolina League of Municipalities. Through this pool, the Town obtains workers' compensation coverage up to statutory limits. Stop loss insurance is purchased by the Board of Trustees to protect against large medical claims that exceed certain dollar cost levels. Specific information on the stop loss policies purchased by the Board of Trustees can be obtained by contacting the Risk Management Services Department of the NC League of Municipalities. This pool is audited annually by certified public accountants, and the audited financial statements are available to the Town upon request.

The Town carries commercial coverage 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 coverage in any of the past 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 0.2% annual chance and futures conditions 1% annual chance); a majority of the streams running through the Town have FEMA flood hazard zones along the lower reaches near Lake Benson and Swift Creek.

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

### NOTE 11. COMMITMENTS AND CONTINGENT LIABILITIES

#### **Litigation:**

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

#### **Grant Contingencies:**

The Town has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to the disallowance of certain expenditures previously reimbursed by those agencies. Based upon prior experience, management of the Town believes such disallowances, if any, will not be significant.

**REQUIRED SUPPLEMENTARY INFORMATION**

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**TOWN OF GARNER, NORTH CAROLINA**

**REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY  
JUNE 30, 2020**

**LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE**

|   | <u>2020</u>         | <u>2019</u>         | <u>2018</u>         | <u>2017</u>         |
|---|---------------------|---------------------|---------------------|---------------------|
| Beginning balance                                 | \$ 3,526,070        | \$ 3,486,839        | \$ 3,313,668        | \$ 3,414,080        |
| Service cost                                      | 109,737             | 117,732             | 99,562              | 110,693             |
| Interest on the total pension liability           | 123,813             | 105,519             | 122,858             | 117,231             |
| Difference between expected and actual experience | (67,580)            | 226,443             | 42,785              | -                   |
| Changes of assumptions or other inputs            | 87,457              | (115,183)           | 169,607             | (67,766)            |
| Benefit payments                                  | <u>(249,252)</u>    | <u>(295,280)</u>    | <u>(261,641)</u>    | <u>(260,570)</u>    |
| Ending balance of the total pension liability     | <u>\$ 3,530,245</u> | <u>\$ 3,526,070</u> | <u>\$ 3,486,839</u> | <u>\$ 3,313,668</u> |

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

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

**TOWN OF GARNER, NORTH CAROLINA**

**REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF TOTAL PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL  
LAST FOUR FISCAL YEARS**

**LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE**

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|  | <u>2020</u>  | <u>2019</u>  | <u>2018</u>  | <u>2017</u>  |
|--|--------------|--------------|--------------|--------------|
| Total pension liability                                    | \$ 3,530,245 | \$ 3,526,070 | \$ 3,486,839 | \$ 3,313,668 |
| Covered payroll  | 4,318,057    | 4,183,629    | 4,117,105    | 4,363,230    |
| Total pension liability as a percentage of covered payroll | 81.76%       | 84.28%       | 84.69%       | 75.95%       |

The Town of Garner has no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 73 to pay related benefits.

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



**TOWN OF GARNER, NORTH CAROLINA**

**REQUIRED SUPPLEMENTARY INFORMATION**

**OPEB HEALTHCARE BENEFIT PLAN**

**SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY**

**AND RELATED RATIOS**

|   | <b>2020</b>          | <b>2019</b>          | <b>2018</b>          |
|---|----------------------|----------------------|----------------------|
| Total OPEB Liability  |                      |                      |                      |
| Service Cost  | \$ 320,685           | \$ 388,709           | \$ 444,708           |
| Interest  | 569,704              | 535,824              | 484,665              |
| Differences between expected and actual experience                      | (19,595)             | (271,569)            | 5,967                |
| Changes of assumptions  | 973,101              | (654,520)            | (1,604,076)          |
| Benefit payments  | (418,035)            | (391,179)            | (373,205)            |
| <b>Net change in total OPEB liability</b>                               | <b>1,425,860</b>     | <b>(392,735)</b>     | <b>(1,041,941)</b>   |
| <b>Total OPEB liability - beginning</b>                                 | <b>14,852,366</b>    | <b>15,245,101</b>    | <b>16,287,042</b>    |
| <b>Total OPEB liability - ending</b>                                    | <b>\$ 16,278,226</b> | <b>\$ 14,852,366</b> | <b>\$ 15,245,101</b> |
| <br>  |                      |                      |                      |
| <b>Covered-employee payroll</b>   | <b>\$ 9,675,324</b>  | <b>\$ 9,675,324</b>  | <b>\$ 8,878,383</b>  |
| <br>  |                      |                      |                      |
| <b>Total OPEB liability as a percentage of covered-employee payroll</b> | <b>168.2%</b>        | <b>153.5%</b>        | <b>171.7%</b>        |

**Notes to the Schedule:**

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

The Town is not accumulating assets in a trust fund that meets the criteria in paragraph 4 of GASB Statement No. 75 for payment of future OPEB benefits.

**TOWN OF GARNER, NORTH CAROLINA**

**REQUIRED SUPPLEMENTARY INFORMATION  
TOWN OF GARNER'S PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET)  
LAST SEVEN FISCAL YEARS\***

**LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM**

|  | <u>2020</u>   | <u>2019</u>   | <u>2018</u>  | <u>2017</u>  | <u>2016</u>  | <u>2015</u>  | <u>2014</u>  |
|--|---------------|---------------|--------------|--------------|--------------|--------------|--------------|
| Town's proportion of the net pension liability (asset) (%)   | 0.16358%      | 0.15935%      | 0.16069%     | 0.16521%     | 0.15980%     | 0.16120%     | 0.16520%     |
| Town's proportion of the net pension liability (asset) (\$)  | \$ 4,467,242  | \$ 3,780,327  | \$ 2,454,898 | \$ 3,506,311 | \$ 717,174   | \$ (950,671) | \$ 1,991,294 |
| Town's covered payroll   | \$ 10,490,544 | \$ 10,004,274 | \$ 9,946,981 | \$ 9,447,504 | \$ 9,229,581 | \$ 9,063,665 | \$ 8,685,568 |
| Town's proportionate share of the net pension liability (asset) as a percentage of its covered payroll | 42.58%        | 37.79%        | 24.68%       | 37.11%       | 7.77%        | (10.49)%     | 22.93%       |
| Plan fiduciary net position as a percentage of the total pension liability                             | 90.86%        | 91.63%        | 94.18%       | 91.47%       | 98.09%       | 102.64%      | 94.35%       |

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

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

**TOWN OF GARNER, NORTH CAROLINA**

**REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF TOWN OF GARNER'S CONTRIBUTIONS  
LAST SEVEN FISCAL YEARS\***

**LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM**

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|  | <u>2020</u>      | <u>2019</u>    | <u>2018</u>    | <u>2017</u>    | <u>2016</u>    | <u>2015</u>    | <u>2014</u>    |
|--|------------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Contractually required contribution                                  | \$ 1,032,242     | \$ 787,467     | \$ 782,069     | \$ 756,263     | \$ 651,988     | \$ 669,335     | \$ 648,964     |
| Contributions in relation to the contractually required contribution | <u>1,032,242</u> | <u>787,467</u> | <u>782,069</u> | <u>756,263</u> | <u>651,988</u> | <u>669,335</u> | <u>648,964</u> |
| Contribution deficiency (excess)                                     | <u>\$ -</u>      | <u>\$ -</u>    | <u>\$ -</u>    | <u>\$ -</u>    | <u>\$ -</u>    | <u>\$ -</u>    | <u>\$ -</u>    |
| Town's covered payroll   | \$ 11,192,219    | \$ 10,490,544  | \$ 10,004,274  | \$ 9,946,981   | \$ 9,447,504   | \$ 9,229,581   | \$ 9,063,665   |
| Contributions as a percentage of covered payroll                     | 9.22%            | 7.51%          | 7.82%          | 7.60%          | 6.90%          | 7.25%          | 7.16%          |

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

**TOWN OF GARNER, NORTH CAROLINA**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

**Method and assumptions used in calculations of actuarially determined contributions:** The actuarially determined contribution rates in the schedule of contributions are calculated as of December 31, one year prior to the end of the fiscal year in which contributions are reported. The following actuarial methods and assumptions were used to determine the contractually required contributions for year ended June 30, 2020 reported in that schedule:

|                               |   |
|-------------------------------|---|
| Valuation date                | December 31, 2018   |
| Actuarial cost method         | Frozen Entry age  |
| Amortization method           | Level dollar, closed  |
| Remaining amortization period | 12 years  |
| Asset valuation method        | Assets return in excess of or less than the expected return on market value of assets reflected over a five-year period (and not less than 80% of market value) |
| Inflation rate                | 2.5% - 3%   |
| Salary increases              | 3.50 – 8.10%, including inflation   |
| Investment rate of return     | 7.00%, net of pension plan investment expense, including inflation  |

**SUPPLEMENTARY INFORMATION**

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# TOWN OF GARNER, NORTH CAROLINA

## GENERAL FUND SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGETARY BASIS) FOR THE YEAR ENDED JUNE 30, 2020

|   | Budget            |                   |                   | Variance With<br>Final Budget |
|---|-------------------|-------------------|-------------------|-------------------------------|
|   | Original          | Final             | Actual            |                               |
| <b>Revenues</b>                             |                   |                   |                   |                               |
| Ad valorem taxes:                           |                   |                   |                   |                               |
| Current year                                | \$ 21,212,138     | \$ 21,212,138     | \$ 21,420,897     | \$ 208,759                    |
| Prior year                                  | 60,500            | 60,500            | 55,967            | (4,533)                       |
| Penalties and interest                      | 44,000            | 44,000            | 34,965            | (9,035)                       |
| Total ad valorem taxes                      | <u>21,316,638</u> | <u>21,316,638</u> | <u>21,511,829</u> | <u>195,191</u>                |
| Other taxes and licenses:                   |                   |                   |                   |                               |
| ABC mixed beverage                          | 145,000           | 145,000           | 155,447           | 10,447                        |
| Local option sales tax                      | 6,993,010         | 6,993,010         | 7,137,293         | 144,283                       |
| Solid waste disposal tax                    | 20,000            | 20,000            | 23,298            | 3,298                         |
| Total other taxes and licenses              | <u>7,158,010</u>  | <u>7,158,010</u>  | <u>7,316,038</u>  | <u>158,028</u>                |
| Intergovernmental revenues:                 |                   |                   |                   |                               |
| Beer and wine tax                           | 135,000           | 135,000           | 132,417           | (2,583)                       |
| Utility franchise tax                       | 1,925,000         | 1,925,000         | 1,798,893         | (126,107)                     |
| Video programming fees                      | 249,000           | 249,000           | 223,810           | (25,190)                      |
| Powell Bill allocation                      | 762,144           | 762,144           | 765,755           | 3,611                         |
| PEG channel funds                           | 79,500            | 79,500            | 88,768            | 9,268                         |
| Federal asset forfeiture                    | -                 | -                 | 3,335             | 3,335                         |
| Controlled substance tax                    | -                 | -                 | 5,528             | 5,528                         |
| Build America bond - interest reimbursement | 67,000            | 67,000            | 72,884            | 5,884                         |
| Federal grants                              | -                 | 21,524            | 99,148            | 77,624                        |
| State grants                                | -                 | 60,536            | 58,356            | (2,180)                       |
| Wake County grant - school resource officer | 106,136           | 106,136           | 106,590           | 454                           |
| Total intergovernmental revenues            | <u>3,323,780</u>  | <u>3,405,840</u>  | <u>3,355,484</u>  | <u>(50,356)</u>               |
| Sales and services:                         |                   |                   |                   |                               |
| Recreation fees                             | 339,160           | 339,160           | 154,595           | (184,565)                     |
| Facility rentals                            | 251,825           | 251,825           | 166,932           | (84,893)                      |
| Sanitation fees                             | 38,775            | 38,775            | 57,830            | 19,055                        |
| Dental insurance fees                       | -                 | -                 | 100,870           | 100,870                       |
| Third-party bill collection                 | 4,950             | 4,950             | 4,128             | (822)                         |
| Street repairs                              | 37,500            | 37,500            | 34,673            | (2,827)                       |
| Right of way mowing                         | 23,000            | 23,000            | 31,073            | 8,073                         |
| Total sales and service                     | <u>695,210</u>    | <u>695,210</u>    | <u>550,101</u>    | <u>(145,109)</u>              |

*continued*

# TOWN OF GARNER, NORTH CAROLINA

## GENERAL FUND SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGETARY BASIS) FOR THE YEAR ENDED JUNE 30, 2020

|                                | Budget     |            | Actual     | Variance With<br>Final Budget |
|--------------------------------|------------|------------|------------|-------------------------------|
|                                | Original   | Final      |            |                               |
| <b>Permits and fees:</b>       |            |            |            |                               |
| Police outside employment      | 225,000    | 225,000    | 209,987    | (15,013)                      |
| Animal licenses                | 800        | 800        | 480        | (320)                         |
| Planning and zoning fees       | 139,100    | 149,100    | 201,727    | 52,627                        |
| Inspection fees                | 1,163,980  | 1,163,980  | 1,409,175  | 245,195                       |
| Business registration          | 30,000     | 30,000     | 20,755     | (9,245)                       |
| Fee in lieu of park land       | -          | -          | 346,655    | 346,655                       |
| Special event permit           | 700        | 700        | 100        | (600)                         |
| Retention pond fees            | -          | -          | 4,600      | 4,600                         |
| False alarms charges           | 20,000     | 20,000     | 3,600      | (16,400)                      |
| Taxi cab inspection fees       | -          | -          | 5          | 5                             |
| Total permits and fees         | 1,579,580  | 1,589,580  | 2,197,084  | 607,504                       |
| Investment earnings            | 580,000    | 580,000    | 534,029    | (45,971)                      |
| Land use charges               | 13,500     | 13,500     | 20,259     | 6,759                         |
| Insurance proceeds             | -          | -          | 24,126     | 24,126                        |
| Miscellaneous                  | 34,500     | 116,506    | 102,466    | (14,040)                      |
| Assessments                    | 4,000      | 4,000      | 3,189      | (811)                         |
| Interest on assessments        | 700        | 700        | 64         | (636)                         |
| Code enforcement               | 25,000     | 25,000     | 33,069     | 8,069                         |
| Officers' fees                 | 7,500      | 7,500      | 3,926      | (3,574)                       |
| Parking violations             | 800        | 800        | 1,800      | 1,000                         |
| Landfill reimbursement         | 115,000    | 115,000    | 158,341    | 43,341                        |
| Contributions                  | -          | 7,425      | 7,375      | (50)                          |
| Total revenues                 | 34,854,218 | 35,035,709 | 35,819,180 | 783,471                       |
| <b>Expenditures</b>            |            |            |            |                               |
| <b>Current:</b>                |            |            |            |                               |
| <b>General government:</b>     |            |            |            |                               |
| Governing body:                |            |            |            |                               |
| Salaries and employee benefits | 132,112    | 132,112    | 133,018    | (906)                         |
| Operating expenditures         | 77,688     | 79,338     | 61,679     | 17,659                        |
| Professional services          | 38,250     | 38,250     | 32,487     | 5,763                         |
| Contracted services            | 167,345    | 167,345    | 131,018    | 36,327                        |
| Total                          | 415,395    | 417,045    | 358,202    | 58,843                        |
| Administration:                |            |            |            |                               |
| Salaries and employee benefits | 1,318,184  | 1,215,946  | 1,213,669  | 2,277                         |
| Operating expenditures         | 552,255    | 700,333    | 531,013    | 169,320                       |
| Insurance                      | 594,376    | 739,376    | 686,077    | 53,299                        |
| Professional services-legal    | 128,617    | 176,617    | 136,676    | 39,941                        |
| Total                          | 2,593,432  | 2,832,272  | 2,567,435  | 264,837                       |
| Finance:                       |            |            |            |                               |
| Salaries and employee benefits | 532,887    | 542,887    | 559,614    | (16,727)                      |
| Operating expenditures         | 108,403    | 153,403    | 120,975    | 32,428                        |
| Professional services          | 46,200     | 74,300     | 58,413     | 15,887                        |
| Contracted services            | 143,932    | 171,318    | 130,873    | 40,445                        |
| Total                          | 831,422    | 941,908    | 869,875    | 72,033                        |
| Economic development:          |            |            |            |                               |
| Salaries and employee benefits | 199,695    | 199,695    | 203,943    | (4,248)                       |
| Operating expenditures         | 90,299     | 90,299     | 73,112     | 17,187                        |
| Contracted services            | 11,000     | 11,000     | 5,426      | 5,574                         |
| Total                          | 300,994    | 300,994    | 282,481    | 18,513                        |

*continued*

# TOWN OF GARNER, NORTH CAROLINA

## GENERAL FUND SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGETARY BASIS) FOR THE YEAR ENDED JUNE 30, 2020

|                                | Budget    |           |           | Variance With<br>Final Budget |
|--------------------------------|-----------|-----------|-----------|-------------------------------|
|                                | Original  | Final     | Actual    |                               |
| <b>Planning:</b>               |           |           |           |                               |
| Salaries and employee benefits | 690,476   | 799,714   | 746,962   | 52,752                        |
| Operating expenditures         | 70,055    | 433,582   | 191,908   | 241,674                       |
| Professional services          | 14,700    | 14,700    | 1,240     | 13,460                        |
| Total                          | 775,231   | 1,247,996 | 940,110   | 307,886                       |
| <b>Engineering:</b>            |           |           |           |                               |
| Salaries and employee benefits | 708,211   | 683,211   | 654,272   | 28,939                        |
| Operating expenditures         | 29,727    | 168,767   | 91,728    | 77,039                        |
| Total                          | 737,938   | 851,978   | 746,000   | 105,978                       |
| <b>Information Technology:</b> |           |           |           |                               |
| Salaries and employee benefits | 418,327   | 425,827   | 434,132   | (8,305)                       |
| Operating expenditures         | 130,639   | 301,640   | 275,265   | 26,375                        |
| Contracted services            | 164,180   | 164,180   | 155,833   | 8,347                         |
| Total                          | 713,146   | 891,647   | 865,230   | 26,417                        |
| <b>Building maintenance:</b>   |           |           |           |                               |
| Salaries and employee benefits | 419,905   | 419,905   | 402,211   | 17,694                        |
| Operating expenditures         | 437,906   | 437,906   | 368,337   | 69,569                        |
| Contracted services            | 246,250   | 342,648   | 207,174   | 135,474                       |
| Total                          | 1,104,061 | 1,200,459 | 977,722   | 222,737                       |
| <b>Vehicle maintenance:</b>    |           |           |           |                               |
| Salaries and employee benefits | 330,652   | 330,652   | 317,688   | 12,964                        |
| Operating expenditures         | 41,912    | 41,912    | 32,828    | 9,084                         |
| Contracted services            | 10,021    | 10,021    | 5,903     | 4,118                         |
| Capital Outlay                 | 7,916     | 7,916     | 6,725     | 1,191                         |
| Total                          | 390,501   | 390,501   | 363,144   | 27,357                        |
| Total general government       | 7,862,120 | 9,074,800 | 7,970,199 | 1,104,601                     |
| <b>Public Safety:</b>          |           |           |           |                               |
| <b>Police:</b>                 |           |           |           |                               |
| Salaries and employee benefits | 6,953,202 | 6,940,629 | 6,990,487 | (49,858)                      |
| Retirees insurance             | 348,874   | 348,874   | 340,231   | 8,643                         |
| Separation allowance           | 268,882   | 268,882   | 276,914   | (8,032)                       |
| Operating expenditures         | 333,980   | 359,437   | 405,631   | (46,194)                      |
| Professional services          | 13,600    | 13,600    | 13,190    | 410                           |
| Contracted services            | 556,975   | 556,977   | 514,556   | 42,421                        |
| Capital outlay                 | 83,320    | 104,844   | -         | 104,844                       |
| Total                          | 8,558,833 | 8,593,243 | 8,541,009 | 52,234                        |
| <b>Inspections:</b>            |           |           |           |                               |
| Salaries and employee benefits | 1,153,342 | 1,123,342 | 1,105,527 | 17,815                        |
| Operating expenditures         | 60,212    | 90,212    | 70,172    | 20,040                        |
| Total                          | 1,213,554 | 1,213,554 | 1,175,699 | 37,855                        |

*continued*



# TOWN OF GARNER, NORTH CAROLINA

## GENERAL FUND SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGETARY BASIS) FOR THE YEAR ENDED JUNE 30, 2020

|                                  | Budget     |            | Actual     | Variance With<br>Final Budget |
|----------------------------------|------------|------------|------------|-------------------------------|
|                                  | Original   | Final      |            |                               |
| <b>Fire Department:</b>          |            |            |            |                               |
| Contracted services              | 3,532,899  | 3,674,098  | 3,562,628  | 111,470                       |
| Total                            | 3,532,899  | 3,674,098  | 3,562,628  | 111,470                       |
| Total public safety              | 13,305,286 | 13,480,895 | 13,279,336 | 201,559                       |
| <b>Transportation:</b>           |            |            |            |                               |
| Transportation:                  |            |            |            |                               |
| Salaries and employee benefits   | 388,092    | 388,092    | 377,248    | 10,844                        |
| Operating expenditures           | 23,637     | 23,637     | 19,260     | 4,377                         |
| Capital outlay                   | 145,799    | 207,201    | 155,024    | 52,177                        |
| Total                            | 557,528    | 618,930    | 551,532    | 67,398                        |
| Street repair and construction:  |            |            |            |                               |
| Salaries and employee benefits   | 1,064,800  | 1,054,400  | 943,123    | 111,277                       |
| Operating expenditures           | 1,568,558  | 2,074,116  | 1,444,635  | 629,481                       |
| Contracted services              | 961,146    | 976,389    | 262,484    | 713,905                       |
| Capital outlay                   | 543,118    | 435,770    | 420,879    | 14,891                        |
| Total                            | 4,137,622  | 4,540,675  | 3,071,121  | 1,469,554                     |
| Total Transportation             | 4,695,150  | 5,159,605  | 3,622,653  | 1,536,952                     |
| <b>Environmental Protection:</b> |            |            |            |                               |
| Sanitation:                      |            |            |            |                               |
| Operating expenditures           | 436,258    | 491,258    | 480,432    | 10,826                        |
| Contracted services              | 1,699,825  | 1,699,825  | 1,690,328  | 9,497                         |
| Total                            | 2,136,083  | 2,191,083  | 2,170,760  | 20,323                        |
| <b>Cultural and Recreation:</b>  |            |            |            |                               |
| Administration:                  |            |            |            |                               |
| Salaries and employee benefits   | 287,653    | 287,653    | 292,055    | (4,402)                       |
| Operating expenditures           | 66,284     | 66,284     | 47,735     | 18,549                        |
| Capital outlay                   | -          | 20,848     | 20,848     | -                             |
| Total                            | 353,937    | 374,785    | 360,638    | 14,147                        |
| Recreational programs:           |            |            |            |                               |
| Salaries and employee benefits   | 1,425,663  | 1,425,663  | 1,235,626  | 190,037                       |
| Operating expenditures           | 405,562    | 421,137    | 316,339    | 104,798                       |
| Contracted services              | 216,268    | 220,842    | 309,324    | (88,482)                      |
| Total                            | 2,047,493  | 2,067,642  | 1,861,289  | 206,353                       |

*continued*

**TOWN OF GARNER, NORTH CAROLINA**

**GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - BUDGET AND ACTUAL (BUDGETARY BASIS)  
FOR THE YEAR ENDED JUNE 30, 2020**

|  | <b>Budget</b>     |                   |                      | <b>Variance With<br/>Final Budget</b> |
|--|-------------------|-------------------|----------------------|---------------------------------------|
|  | <b>Original</b>   | <b>Final</b>      | <b>Actual</b>        |                                       |
| Parks maintenance and development:       |                   |                   |                      |                                       |
| Salaries and employee benefits           | 924,688           | 924,688           | 1,012,277            | (87,589)                              |
| Operating expenditures                   | 154,546           | 168,780           | 143,083              | 25,697                                |
| Contracted services                      | 83,500            | 90,130            | 89,088               | 1,042                                 |
| Total                                    | <u>1,162,734</u>  | <u>1,183,598</u>  | <u>1,244,448</u>     | <u>(60,850)</u>                       |
| Total cultural and recreation            | <u>3,564,164</u>  | <u>3,626,025</u>  | <u>3,466,375</u>     | <u>159,650</u>                        |
| <b>Debt Service:</b>                     |                   |                   |                      |                                       |
| Principal retirement                     | 2,511,113         | 7,171,113         | 7,170,395            | 718                                   |
| Interest and fees                        | 1,247,242         | 1,412,105         | 1,399,186            | 12,919                                |
| Total debt service                       | <u>3,758,355</u>  | <u>8,583,218</u>  | <u>8,569,581</u>     | <u>13,637</u>                         |
| Total Expenditures                       | <u>35,321,158</u> | <u>42,115,626</u> | <u>39,078,904</u>    | <u>3,036,722</u>                      |
| Deficiency of revenues over expenditures | (466,940)         | (7,079,917)       | (3,259,724)          | 3,820,193                             |
| <b>OTHER FINANCING SOURCES (USES)</b>    |                   |                   |                      |                                       |
| Proceeds from sale of capital assets     | 45,000            | 95,000            | 96,141               | 1,141                                 |
| Proceeds from debt issuance              | -                 | 4,740,000         | 4,740,000            | -                                     |
| From (To) Capital Projects Fund          | (1,664,196)       | (2,176,996)       | (823,881)            | 1,353,115                             |
| Fund balance appropriated                | <u>2,086,136</u>  | <u>4,421,913</u>  | <u>-</u>             | <u>(4,421,913)</u>                    |
| Total other financing sources (uses)     | <u>466,940</u>    | <u>7,079,917</u>  | <u>4,012,260</u>     | <u>(3,067,657)</u>                    |
| Net change in fund balances              | <u>\$ -</u>       | <u>\$ -</u>       | <u>752,536</u>       | <u>\$ 752,536</u>                     |
| <b>Fund balance, beginning of year</b>   |                   |                   | <u>28,429,702</u>    |                                       |
| <b>Fund balance, end of year</b>         |                   |                   | <u>\$ 29,182,238</u> |                                       |

**TOWN OF GARNER, NORTH CAROLINA  
CAPITAL PROJECTS FUND**

**SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (NON--GAAP BASIS)  
PROJECT LIFE AS OF JUNE 30, 2020**

|  | Project<br>Budget | Actual              |                     | Total               |
|--|-------------------|---------------------|---------------------|---------------------|
|  |                   | Prior Years         | Current Year        |                     |
| <b>REVENUES</b>                          |                   |                     |                     |                     |
| Intergovernmental revenues               | \$ 10,437,338     | \$ 3,186,147        | \$ 449,710          | \$ 3,635,857        |
| Investment earnings                      | 218,595           | 374,035             | 137,097             | 511,132             |
| Miscellaneous                            | 385,674           | 178,449             | 20,000              | 198,449             |
| Total revenues                           | <u>11,041,607</u> | <u>3,738,631</u>    | <u>606,807</u>      | <u>4,345,438</u>    |
| <b>EXPENDITURES</b>                      |                   |                     |                     |                     |
| Parks and Recreation Improvements        | 2,489,612         | 1,381,242           | 2,405               | 1,383,647           |
| Town Hall/Police Station                 | 15,223,315        | 14,481,342          | 223,568             | 14,704,910          |
| Sewer Outfall Project                    | 741,413           | 127,594             | 544,685             | 672,279             |
| Timber Drive                             | 1,844,410         | 1,857,971           | -                   | 1,857,971           |
| Vandora/Buffalo Roundabout               | 333,825           | 333,824             | -                   | 333,824             |
| US 70 Highway Improvements               | 11,556,313        | 6,295,480           | -                   | 6,295,480           |
| Recreation Center                        | 10,902,140        | 10,011,326          | 1,622,661           | 11,633,987          |
| Redevelopment                            | 2,166,087         | 1,849,846           | 134,503             | 1,984,349           |
| Street & Sidewalk Improvements           | 15,447,760        | 5,222,507           | 1,651,424           | 6,873,931           |
| Interest and fiscal charges              | 711,306           | 567,736             | 149,068             | 716,804             |
| Total expenditures                       | <u>61,416,181</u> | <u>42,128,868</u>   | <u>4,328,314</u>    | <u>46,457,182</u>   |
| Deficiency of revenues over expenditures | (50,374,574)      | (38,390,237)        | (3,721,507)         | (42,111,744)        |
| <b>OTHER FINANCING SOURCES (USES)</b>    |                   |                     |                     |                     |
| Proceeds from issuance of long-term debt | 38,566,000        | 31,375,000          | 7,190,000           | 38,565,000          |
| Proceeds from premium on bonds           | 1,427,131         | 1,499,328           | 618,389             | 2,117,717           |
| Transfers in                             | 13,393,069        | 11,844,006          | 823,881             | 12,667,887          |
| Transfers out                            | (3,011,626)       | (2,527,628)         | -                   | (2,527,628)         |
| Total other financing sources (uses)     | <u>50,374,574</u> | <u>42,190,706</u>   | <u>8,632,270</u>    | <u>50,822,976</u>   |
| Net change in fund balance               | <u>\$ -</u>       | <u>\$ 3,800,469</u> | <u>4,910,763</u>    | <u>\$ 8,711,232</u> |
| <b>FUND BALANCE, beginning of year</b>   |                   |                     | <u>3,800,469</u>    |                     |
| <b>FUND BALANCE, end of year</b>         |                   |                     | <u>\$ 8,711,232</u> |                     |

**TOWN OF GARNER, NORTH CAROLINA**  
**WATER AND SEWER FEES AGENCY FUND**

**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**FOR THE YEAR ENDED JUNE 30, 2020**

|                           | Beginning<br>Balance | Additions | Deductions | Ending<br>Balance |
|---------------------------|----------------------|-----------|------------|-------------------|
| <b>Assets:</b>            |                      |           |            |                   |
| Accounts receivable       | \$ 21,731            | \$ 254    | \$ 254     | \$ 21,731         |
| <b>Liabilities:</b>       |                      |           |            |                   |
| Intergovernmental payable | \$ 21,731            | \$ 254    | \$ 254     | \$ 21,731         |

**TOWN OF GARNER, NORTH CAROLINA**

**SCHEDULE OF AD VALOREM TAXES RECEIVABLE**

**JUNE 30, 2020**

| <b>Fiscal Year</b> | <b>Uncollected<br/>Balance<br/>June 30, 2019</b> | <b>Additions</b>     | <b>Collections<br/>And Credits</b> | <b>Uncollected<br/>Balance<br/>June 30, 2020</b> |
|--------------------|--|----------------------|------------------------------------|--|
| 2019-2020          | \$ -   | \$ 21,577,752        | \$ 21,470,720                      | \$ 107,032                                       |
| 2018-2019          | 49,786   | -                    | 30,579                             | 19,207   |
| 2017-2018          | 12,184   | -                    | 3,492                              | 8,692  |
| 2016-2017          | 7,638  | -                    | 1,270                              | 6,368  |
| 2015-2016          | 4,369  | -                    | 704                                | 3,665  |
| 2014-2015          | 18,009   | -                    | 675                                | 17,334   |
| 2013-2014          | 29,147   | -                    | 752                                | 28,395   |
| 2012-2013          | 43,323   | -                    | 868                                | 42,455   |
| 2011-2012          | 43,174   | -                    | 10,994                             | 32,180   |
| 2010-2011          | 35,217   | -                    | 35,217                             | -  |
|                    | <u>\$ 242,847</u>                                | <u>\$ 21,577,752</u> | <u>\$ 21,555,271</u>               | <u>265,328</u>                                   |

Less: allowance for uncollectible accounts:  
     General Fund (209,596)

Ad valorem taxes receivable - net \$ 55,732

Reconciliation to revenues:

|   |                      |
|---|----------------------|
| Ad valorem taxes - General Fund           | \$ 21,511,829        |
| Reconciling items:                        |                      |
| Interest collected                        | (34,965)             |
| Change in allowance for doubtful accounts | 16,536               |
| Payment in lieu of taxes                  | (418)                |
| Releases and write-offs                   | 62,289               |
| Total collections and credits             | <u>\$ 21,555,271</u> |

**TOWN OF GARNER, NORTH CAROLINA**  
**ANALYSIS OF CURRENT TAX LEVY**  
**TOWN-WIDE LEVY**  
**JUNE 30, 2020**

|  | City - Wide                    |                    |                      | Total Levy   |                                 |
|--|--------------------------------|--------------------|----------------------|--|---------------------------------|
|  | Total<br>Property<br>Valuation | Rate per<br>\$ 100 | Total<br>Levy        | Property<br>excluding<br>Registered<br>Motor<br>Vehicles | Registered<br>Motor<br>Vehicles |
| Original Levy:                           |                                |                    |                      |  |                                 |
| Property taxed at current<br>year's rate | \$ 3,715,611,864               | 0.5600             | \$ 20,807,427        | \$ 19,177,485  | \$ 1,629,942                    |
| Vehicle Fee                              |                                |                    | 755,849              | 15,779   | 740,070                         |
| Penalties                                |                                |                    | 24,615               | 24,615   | -                               |
| Total original levy                      |                                |                    | <u>21,587,891</u>    | <u>19,217,879</u>  | <u>2,370,012</u>                |
| Discoveries:                             |                                |                    |                      |  |                                 |
| Current year levy                        | 7,603,828                      | 0.5600             | 21,290               | 21,290   | -                               |
| Adjustments:                             |                                |                    |                      |  |                                 |
| Current year levy                        | <u>(5,612,263)</u>             | 0.5600             | <u>(31,429)</u>      | <u>(31,429)</u>  | <u>-</u>                        |
| Total property valuation                 | <u>\$ 3,717,603,429</u>        |                    |                      |  |                                 |
| Net levy                                 |                                |                    | 21,577,752           | 19,207,740   | 2,370,012                       |
| Uncollected taxes at June 30, 2020       |                                |                    | <u>107,032</u>       | <u>107,032</u>   | <u>-</u>                        |
| Current year's taxes collected           |                                |                    | <u>\$ 21,470,720</u> | <u>\$ 19,100,708</u>                                     | <u>\$ 2,370,012</u>             |
| Current levy collection percentage       |                                |                    | <u>99.50%</u>        | <u>99.44%</u>  | <u>100.00%</u>                  |

**TOWN OF GARNER, NORTH CAROLINA**

DETAILED ANALYSIS OF CURRENT TAX LEVY  
TOWN-WIDE LEVY  
FOR THE YEAR ENDED JUNE 30, 2020

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Secondary Market Disclosure

Assessed Valuation:

|  |    |               |
|--|----|---------------|
| Assessment Ratio (1)                                     |    | 100%          |
| Real Property  | \$ | 3,041,603,671 |
| Personal Property  |    | 527,250,939   |
| Public Service Companies (2)                             |    | 148,748,820   |
| Total Assessed Valuation                                 | \$ | 3,717,603,430 |
| Tax Rate per \$100                                       |    | 0.5600        |
| Levy (includes discoveries, releases and abatements) (3) | \$ | 21,577,752    |

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

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

(3) The levy includes interest and penalties.

**STATISTICAL SECTION**

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

| <b>Contents</b>  | <b>Page</b> |
|--|-------------|
| Financial Trends<br><i>These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.</i>   | 64-71       |
| Revenue Capacity<br><i>These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.</i>   | 72-77       |
| Debt Capacity<br><i>These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.</i>                            | 78-82       |
| Demographic and Economic Information<br><i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.</i>  | 83-85       |
| Operating Information<br><i>These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.</i> | 86-90       |

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

Table 1

Page 1 of 2

|  | 2011                 | 2012                 | 2013                 | 2014                 |
|--|----------------------|----------------------|----------------------|----------------------|
| Governmental Activities                    |                      |                      |                      |                      |
| Net investment in capital assets           | \$ 65,859,876        | \$ 64,781,668        | \$ 63,035,753        | \$ 65,505,673        |
| Restricted                                 |                      |                      |                      |                      |
| Stabilization by state statute             | 1,345,242            | 1,360,720            | 1,940,597            | 3,761,936            |
| Streets                                    | 271,766              | 405,797              | 484,250              | 615,932              |
| Law enforcement                            | -                    | -                    | 20,396               | 34,294               |
| Capital projects                           | -                    | 683,398              | -                    | -                    |
| Unrestricted                               | 16,650,305           | 16,984,241           | 16,913,915           | 15,732,218           |
| Total governmental activities net position | <u>\$ 84,127,189</u> | <u>\$ 84,215,824</u> | <u>\$ 82,394,911</u> | <u>\$ 85,650,053</u> |

Notes:

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 GASB Statement 54.

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

Table 1

Page 2 of 2

|    | 2015              | 2016                 | 2017                 | 2018                 | 2019                 | 2020                 |
|----|-------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| \$ | 63,979,719        | \$ 61,370,282        | \$ 61,066,119        | \$ 60,841,862        | \$ 63,713,621        | \$ 65,504,868        |
|    | 3,974,251         | 2,943,559            | 3,508,572            | 3,358,985            | 3,688,276            | 4,181,675            |
|    | 662,812           | 570,628              | 836,096              | 773,055              | 117,777              | -                    |
|    | 95,480            | 100,429              | 37,002               | 40,479               | 47,095               | 14,329               |
|    | -                 | -                    | -                    | -                    | -                    | -                    |
|    | 16,977,444        | 21,214,333           | 18,423,099           | 6,371,951            | 3,271,208            | 538,109              |
|    | <u>85,689,706</u> | <u>\$ 86,199,231</u> | <u>\$ 83,870,888</u> | <u>\$ 71,386,332</u> | <u>\$ 70,837,977</u> | <u>\$ 70,238,981</u> |

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

Table 2

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

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

Table 2

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| <b>FUNCTIONS/PROGRAMS</b>                                       | <u>2016</u>          | <u>2017</u>          | <u>2018</u>          | <u>2019</u>          | <u>2020</u>          |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|
| <b>Expenses</b>   |                      |                      |                      |                      |                      |
| Government activities:  |                      |                      |                      |                      |                      |
| General government  | \$ 6,855,255         | \$ 7,021,774         | \$ 7,748,861         | \$ 8,235,521         | \$ 9,592,933         |
| Public safety   | 11,011,804           | 12,208,004           | 12,726,953           | 13,479,474           | 13,441,817           |
| Transportation  | 5,612,182            | 5,435,823            | 6,078,817            | 6,203,524            | 6,375,777            |
| Environmental protection  | 1,853,286            | 1,888,478            | 1,895,800            | 2,041,794            | 2,170,760            |
| Culture and recreation  | 3,044,810            | 3,338,441            | 3,539,484            | 4,129,671            | 4,213,447            |
| Interest on long-term debt                                      | 1,136,933            | 1,312,239            | 1,153,007            | 1,146,684            | 1,310,482            |
| Total governmental activities                                   | <u>29,514,270</u>    | <u>31,204,759</u>    | <u>33,142,922</u>    | <u>35,236,668</u>    | <u>37,105,216</u>    |
| <b>Program Revenues</b>   |                      |                      |                      |                      |                      |
| Governmental Activities:  |                      |                      |                      |                      |                      |
| Charges for services  |                      |                      |                      |                      |                      |
| General government  | 1,760,641            | 1,130,793            | 380,906              | 595,942              | 799,013              |
| Public safety   | 1,000,264            | 1,153,200            | 1,316,971            | 1,925,344            | 1,600,270            |
| Transportation  | 37,794               | 59,122               | 49,897               | 71,171               | 65,746               |
| Environmental protection  | 31,157               | 20,679               | 35,070               | 46,659               | 57,830               |
| Culture and recreation  | 657,107              | 1,002,668            | 1,107,134            | 518,124              | 321,527              |
| Interest on long-term debt                                      | -                    | -                    | -                    | -                    | -                    |
| Operating grants and contributions                              | 876,610              | 1,009,068            | 1,095,356            | 881,239              | 992,323              |
| Capital grants and contributions                                | 129,726              | 36,311               | 152,143              | 331,504              | 439,688              |
| Total program revenues  | <u>4,493,299</u>     | <u>4,411,841</u>     | <u>4,137,477</u>     | <u>4,369,983</u>     | <u>4,276,397</u>     |
| Total Governmental net (expense)/revenue                        | <u>(25,020,971)</u>  | <u>(26,792,918)</u>  | <u>(29,005,445)</u>  | <u>(30,866,685)</u>  | <u>(32,828,819)</u>  |
| <b>Revenues</b>   |                      |                      |                      |                      |                      |
| Governmental Activities:  |                      |                      |                      |                      |                      |
| General Revenues:   |                      |                      |                      |                      |                      |
| Property taxes  | \$ 17,072,956        | \$ 17,817,253        | \$ 18,368,348        | \$ 19,526,681        | \$ 21,495,503        |
| Sales taxes   | 5,826,797            | 6,064,218            | 6,208,086            | 6,881,083            | 7,137,293            |
| Other taxes   | 2,167,490            | 2,573,786            | 2,384,651            | 2,626,260            | 2,394,098            |
| Grants and contributions<br>not restricted to specific programs |                      |                      |                      |                      |                      |
| Unrestricted investment earnings                                | 148,479              | 244,541              | 456,212              | 832,311              | 671,126              |
| Other   | 314,774              | 146,312              | 275,925              | 451,995              | 531,803              |
| Total general revenues  | <u>25,530,496</u>    | <u>26,846,110</u>    | <u>27,693,222</u>    | <u>30,318,330</u>    | <u>32,229,823</u>    |
| Changes in net position   | 509,525              | 53,192               | (1,312,223)          | (548,355)            | (598,996)            |
| Net position, beginning of year                                 | 85,689,706           | 86,199,231           | 83,870,888           | 71,386,332           | 70,837,977           |
| Prior period adjustment   | -                    | (2,381,553)          | (11,172,333)         | -                    | -                    |
| Net position, end of year                                       | <u>\$ 86,199,231</u> | <u>\$ 83,870,870</u> | <u>\$ 71,386,332</u> | <u>\$ 70,837,977</u> | <u>\$ 70,238,981</u> |

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

Table 3

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|   | 2011                 | 2012                 | 2013                 | 2014                 | 2015                 |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|
| <b>General fund</b>                       |                      |                      |                      |                      |                      |
| Nonspendable                              | \$ 113,877           | \$ 49,410            | \$ 66,393            | \$ 127,934           | \$ 84,259            |
| Restricted                                | 1,617,008            | 1,766,517            | 2,445,243            | 2,858,365            | 3,473,514            |
| Committed                                 | -                    | -                    | 6,868,750            | 2,717,555            | 2,791,034            |
| Assigned                                  | 5,404,399            | 8,220,431            | 283,940              | 913,645              | 978,865              |
| Unassigned                                | 13,495,884           | 13,382,466           | 14,100,580           | 14,602,375           | 16,405,277           |
| <b>Total general fund</b>                 | <b>\$ 20,631,168</b> | <b>\$ 23,418,824</b> | <b>\$ 23,764,906</b> | <b>\$ 21,219,874</b> | <b>\$ 23,732,949</b> |
| <br>                                      |                      |                      |                      |                      |                      |
| <b>All other governmental funds</b>       |                      |                      |                      |                      |                      |
| Restricted                                | \$ 6,857,936         | \$ 2,156,493         | \$ 823,760           | \$ 11,663,140        | \$ 20,944,933        |
| Committed                                 | -                    | -                    | -                    | 2,256,119            | 3,019,673            |
| <b>Total all other governmental funds</b> | <b>\$ 6,857,936</b>  | <b>\$ 2,156,493</b>  | <b>\$ 823,760</b>    | <b>\$ 13,919,259</b> | <b>\$ 23,964,606</b> |

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

Table 3

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|   | 2016                 | 2017                 | 2018                 | 2019                 | 2020                 |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|
| <b>General fund</b>                       |                      |                      |                      |                      |                      |
| Nonspendable                              | \$ 27,685            | \$ 43,342            | \$ 45,752            | \$ 111,008           | \$ 27,359            |
| Restricted                                | 3,440,208            | 4,364,506            | 4,172,519            | 3,853,148            | 4,196,004            |
| Committed                                 | 4,200,667            | 5,767,055            | 6,503,558            | 6,017,106            | 9,009,700            |
| Assigned                                  | 1,052,211            | 1,707,136            | 2,145,498            | 2,888,904            | 2,667,376            |
| Unassigned                                | 17,940,081           | 18,065,140           | 17,726,861           | 15,559,536           | 13,281,799           |
| <b>Total general fund</b>                 | <b>\$ 26,660,852</b> | <b>\$ 29,947,179</b> | <b>\$ 30,594,188</b> | <b>\$ 28,429,702</b> | <b>\$ 29,182,238</b> |
| <b>All other governmental funds</b>       |                      |                      |                      |                      |                      |
| Restricted                                | \$ 15,405,693        | \$ 6,626,985         | \$ 934,509           | \$ 2,814,402         | \$ 8,711,232         |
| Committed                                 | 4,633,993            | 3,183,529            | 1,727,623            | 986,067              | -                    |
| <b>Total all other governmental funds</b> | <b>\$ 20,039,686</b> | <b>\$ 9,810,514</b>  | <b>\$ 2,662,132</b>  | <b>\$ 3,800,469</b>  | <b>\$ 8,711,232</b>  |

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

Table 4

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|  | 2011                 | 2012                  | 2013                | 2014                 | 2015                 |
|--|----------------------|-----------------------|---------------------|----------------------|----------------------|
| <b>REVENUES</b>  |                      |                       |                     |                      |                      |
| Ad valorem taxes   | \$ 14,876,541        | \$ 14,793,235         | \$ 14,805,148       | \$ 15,467,523        | \$ 15,469,793        |
| Other taxes and licenses                                 | 4,586,384            | 4,573,911             | 4,731,561           | 5,117,135            | 5,547,552            |
| Intergovernmental revenues                               | 2,844,452            | 2,918,028             | 3,356,940           | 4,408,193            | 4,696,851            |
| Permits and fees   | 866,912              | 1,079,702             | 1,188,185           | 3,851,543            | 1,816,364            |
| Sales and services                                       | 453,915              | 501,335               | 551,939             | 514,268              | 490,653              |
| Investment earnings                                      | 28,324               | 17,851                | 11,189              | 8,092                | 15,360               |
| Other revenues   | 289,588              | 2,730,840             | 298,156             | 335,835              | 441,378              |
| <b>Total revenues</b>                                    | <b>23,946,116</b>    | <b>26,614,902</b>     | <b>24,943,118</b>   | <b>29,702,589</b>    | <b>28,477,951</b>    |
| <b>EXPENDITURES</b>                                      |                      |                       |                     |                      |                      |
| Current  |                      |                       |                     |                      |                      |
| General government                                       | 6,712,757            | 5,989,612             | 6,391,794           | 6,330,924            | 5,688,444            |
| Public safety  | 9,309,560            | 9,554,279             | 9,797,725           | 10,646,438           | 10,341,777           |
| Transportation   | 1,870,034            | 2,289,221             | 2,205,869           | 2,128,167            | 2,350,138            |
| Environmental protection                                 | 1,661,240            | 1,742,909             | 1,726,953           | 1,736,723            | 1,768,301            |
| Cultural and recreational                                | 2,567,941            | 2,471,480             | 2,540,428           | 2,540,999            | 2,620,696            |
| Capital projects   | 331,081              | 5,244,596             | 1,763,592           | 4,996,717            | 7,184,635            |
| Debt service   |                      |                       |                     |                      |                      |
| Principal retirement                                     | 951,123              | 729,617               | 952,021             | 4,698,123            | 1,495,425            |
| Interest and fees  | 302,892              | 542,177               | 552,432             | 497,080              | 775,391              |
| <b>Total expenditures</b>                                | <b>23,706,628</b>    | <b>28,563,891</b>     | <b>25,930,814</b>   | <b>33,575,171</b>    | <b>32,224,807</b>    |
| Revenues over (under) expenditures                       | 239,488              | (1,948,989)           | (987,696)           | (3,872,582)          | (3,746,856)          |
| <b>OTHER FINANCING SOURCES (USES)</b>                    |                      |                       |                     |                      |                      |
| Sale of capital assets                                   | \$ 345,000           | \$ 35,202             | \$ 1,045            | \$ 31,500            | \$ 39,262            |
| Premium on bonds   | 55,828               | -                     | -                   | 253,495              | 1,061,816            |
| Issuance of debt   | 9,829,554            | -                     | -                   | 14,138,054           | 15,204,200           |
| Payment to escrow agent                                  | -                    | -                     | -                   | -                    | -                    |
| Transfers in   | 203,800              | 541,284               | 431,354             | 6,477,132            | 250,360              |
| Transfers out  | (203,800)            | (541,284)             | (431,354)           | (6,477,132)          | (250,360)            |
| <b>Total other financing sources (uses)</b>              | <b>10,230,382</b>    | <b>35,202</b>         | <b>1,045</b>        | <b>14,423,049</b>    | <b>16,305,278</b>    |
| <b>Net change in fund balance</b>                        | <b>\$ 10,469,870</b> | <b>\$ (1,913,787)</b> | <b>\$ (986,651)</b> | <b>\$ 10,550,467</b> | <b>\$ 12,558,422</b> |
| Debt service as a percentage of non-capital expenditures | 5.36%                | 5.45%                 | 6.23%               | 18.18%               | 9.07%                |



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

Table 4

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|  | Fiscal Year         |                       |                       |                       |                     |
|--|---------------------|-----------------------|-----------------------|-----------------------|---------------------|
|  | 2016                | 2017                  | 2018                  | 2019                  | 2020                |
| <b>REVENUES</b>  |                     |                       |                       |                       |                     |
| Ad valorem taxes   | \$ 17,061,096       | \$ 17,834,515         | \$ 18,336,285         | \$ 19,520,909         | \$ 21,511,829       |
| Other taxes and licenses                                 | 5,826,797           | 6,236,202             | 6,376,074             | 7,048,593             | 7,316,038           |
| Intergovernmental revenues                               | 3,247,530           | 3,298,717             | 3,468,976             | 3,774,353             | 3,805,194           |
| Permits and fees   | 2,981,635           | 2,690,728             | 2,217,839             | 2,409,115             | 2,197,084           |
| Sales and services                                       | 510,108             | 546,432               | 672,139               | 725,216               | 550,101             |
| Investment earnings                                      | 127,477             | 244,541               | 456,212               | 832,311               | 671,126             |
| Other revenues   | 285,490             | 325,818               | 180,654               | 401,000               | 374,615             |
| <b>Total revenues</b>                                    | <b>30,040,133</b>   | <b>31,176,953</b>     | <b>31,708,179</b>     | <b>34,711,497</b>     | <b>36,425,987</b>   |
| <b>EXPENDITURES</b>                                      |                     |                       |                       |                       |                     |
| Current  |                     |                       |                       |                       |                     |
| General government                                       | 6,780,440           | 6,212,951             | 6,960,076             | 7,578,884             | 7,970,199           |
| Public safety  | 10,406,031          | 11,214,072            | 12,989,182            | 12,906,345            | 13,279,336          |
| Transportation   | 2,708,200           | 2,374,446             | 2,899,718             | 3,564,911             | 3,622,653           |
| Environmental protection                                 | 1,853,286           | 1,888,478             | 1,895,800             | 2,041,794             | 2,170,760           |
| Cultural and recreational                                | 2,795,777           | 2,759,364             | 2,936,533             | 5,558,172             | 3,466,375           |
| Capital projects   | 4,389,939           | 14,273,161            | 7,493,450             | 4,551,899             | 4,179,246           |
| Debt service   |                     |                       |                       |                       |                     |
| Principal retirement                                     | 1,625,841           | 2,150,627             | 2,520,206             | 2,548,501             | 7,170,395           |
| Interest and fees  | 1,166,804           | 1,285,042             | 1,227,800             | 1,224,605             | 1,548,254           |
| <b>Total expenditures</b>                                | <b>31,726,318</b>   | <b>42,158,141</b>     | <b>38,922,765</b>     | <b>39,975,111</b>     | <b>43,407,218</b>   |
| Revenues over (under) expenditures                       | (1,686,185)         | (10,981,188)          | (7,214,586)           | (5,263,614)           | (6,981,231)         |
| <b>OTHER FINANCING SOURCES (USES)</b>                    |                     |                       |                       |                       |                     |
| Sale of capital assets                                   | \$ 59,168           | \$ 101,066            | \$ 53,213             | \$ 29,748             | \$ 96,141           |
| Premium on bonds   | -                   | -                     | -                     | 157,717               | 618,389             |
| Issuance of debt   | 630,000             | 6,229,000             | 660,000               | 4,050,000             | 11,930,000          |
| Payment to escrow agent                                  | -                   | (2,291,723)           | -                     | -                     | -                   |
| Transfers in   | 118,456             | -                     | -                     | 1,031,464             | 823,881             |
| Transfers out  | (118,456)           | -                     | -                     | (1,031,464)           | (823,881)           |
| <b>Total other financing sources (uses)</b>              | <b>689,168</b>      | <b>4,038,343</b>      | <b>713,213</b>        | <b>4,237,465</b>      | <b>12,644,530</b>   |
| <b>Net change in fund balance</b>                        | <b>\$ (997,017)</b> | <b>\$ (6,942,845)</b> | <b>\$ (6,501,373)</b> | <b>\$ (1,026,149)</b> | <b>\$ 5,663,299</b> |
| Debt service as a percentage of non-capital expenditures | 10.22%              | 12.32%                | 12.19%                | 11.45%                | 10.93%              |

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

Table 5

| Fiscal Year | Ad Valorem<br>Taxes | Other<br>Taxes | Intergovernmental<br>Revenues | Permits<br>and Fees | Sales<br>and Services | Investment<br>Earnings | Other<br>Revenues | Total         |
|-------------|---------------------|----------------|-------------------------------|---------------------|-----------------------|------------------------|-------------------|---------------|
| 2011        | \$ 14,876,541       | \$ 4,586,384   | \$ 2,844,452                  | \$ 866,912          | \$ 453,915            | \$ 28,324              | \$ 289,588        | \$ 23,946,116 |
| 2012        | 14,793,235          | 4,573,911      | 2,918,028                     | 1,079,702           | 501,335               | 17,851                 | 2,730,840         | 26,614,902    |
| 2013        | 14,805,148          | 4,731,561      | 3,356,940                     | 1,188,185           | 551,939               | 11,189                 | 298,156           | 24,943,118    |
| 2014        | 15,467,523          | 5,117,135      | 4,408,193                     | 3,851,543           | 514,268               | 8,092                  | 335,835           | 29,702,589    |
| 2015        | 15,469,793          | 5,547,552      | 4,696,851                     | 1,816,364           | 490,653               | 15,360                 | 441,378           | 28,477,951    |
| 2016        | 17,061,096          | 5,826,797      | 3,247,530                     | 2,981,635           | 510,108               | 127,477                | 285,490           | 30,040,133    |
| 2017        | 17,834,515          | 6,236,202      | 3,298,718                     | 2,690,728           | 546,432               | 244,541                | 325,818           | 31,176,954    |
| 2018        | 18,336,285          | 6,376,074      | 3,468,976                     | 2,217,839           | 672,139               | 456,212                | 180,654           | 31,708,179    |
| 2019        | 19,520,909          | 7,048,593      | 3,774,353                     | 2,409,115           | 725,216               | 832,311                | 401,000           | 34,711,497    |
| 2020        | 21,511,829          | 7,316,038      | 3,805,194                     | 2,197,084           | 550,101               | 671,126                | 374,615           | 36,425,987    |

(1) Includes General and Capital Project Funds.

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

Table 6

| Fiscal Year | General Government | Public Safety | Streets and Transportation | Environmental Protection | Cultural and Recreational | Capital Projects | Debt Service | Total         |
|-------------|--------------------|---------------|----------------------------|--------------------------|---------------------------|------------------|--------------|---------------|
| 2011        | \$ 6,712,757       | \$ 9,309,560  | \$ 1,870,034               | \$ 1,661,240             | \$ 2,567,941              | \$ 331,081       | \$ 1,254,015 | \$ 23,706,628 |
| 2012        | 5,989,612          | 9,554,279     | 2,289,221                  | 1,742,909                | 2,471,480                 | 5,244,596        | 1,271,794    | 28,563,891    |
| 2013        | 6,391,794          | 9,797,725     | 2,205,869                  | 1,726,953                | 2,540,428                 | 1,763,592        | 1,504,453    | 25,930,814    |
| 2014        | 6,330,924          | 10,646,438    | 2,128,167                  | 1,736,723                | 2,540,999                 | 4,996,717        | 5,195,203    | 33,575,171    |
| 2015        | 5,688,444          | 10,341,777    | 2,350,138                  | 1,768,301                | 2,620,696                 | 7,184,635        | 2,270,816    | 32,224,807    |
| 2016        | 6,780,440          | 10,751,421    | 2,708,200                  | 1,853,286                | 2,795,777                 | 4,044,549        | 2,792,645    | 31,726,318    |
| 2017        | 6,212,951          | 11,605,337    | 2,656,663                  | 1,888,478                | 6,045,833                 | 10,313,209       | 3,435,669    | 42,158,140    |
| 2018        | 6,960,076          | 12,989,182    | 2,899,718                  | 1,895,800                | 2,936,533                 | 7,493,450        | 3,748,006    | 38,922,765    |
| 2019        | 7,578,884          | 12,906,345    | 3,564,911                  | 2,041,794                | 5,558,172                 | 4,551,899        | 3,773,106    | 39,975,111    |
| 2020        | 7,970,199          | 13,279,336    | 3,622,653                  | 2,170,760                | 3,466,375                 | 4,179,246        | 8,718,649    | 43,407,218    |

(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<br>Year<br>Ending | Personal Property |                                      |                  |                | Total<br>Assessed<br>Value | Total<br>Direct<br>Tax Rate | Estimated<br>Actual<br>Taxable<br>Value | Assessed<br>Value as a<br>Percentage of<br>Actual Value |
|--------------------------|-------------------|--------------------------------------|------------------|----------------|----------------------------|-----------------------------|---|---|
|                          | Real<br>Property  | Public<br>Service Co. <sup>(1)</sup> | Motor<br>Vehicle | Other          |                            |                             |   |   |
| 2011                     | \$ 2,463,484,759  | \$ 75,237,723                        | \$ 254,503,481   | \$ 188,077,390 | \$ 2,981,303,353           | 0.490                       | \$ 2,808,859,420                        | 106.14%   |
| 2012                     | 2,516,107,912     | 73,569,802                           | 216,342,522      | 198,944,121    | 3,004,964,357              | 0.490                       | 2,879,158,961                           | 104.37%   |
| 2013                     | 2,525,516,066     | 84,276,805                           | 209,030,147      | 193,694,549    | 3,012,517,567              | 0.490                       | 3,005,648,283                           | 100.23%   |
| 2014                     | 2,545,063,692     | 84,992,903                           | 277,051,961      | 196,003,306    | 3,103,111,862              | 0.490                       | 3,057,641,837                           | 101.49%   |
| 2015                     | 2,584,113,562     | 85,722,393                           | 211,479,241      | 187,742,315    | 3,069,057,511              | 0.500                       | 3,045,027,800                           | 100.79%   |
| 2016                     | 2,665,301,113     | 114,535,800                          | 242,511,731      | 172,973,961    | 3,195,322,605              | 0.5175                      | 3,209,121,829                           | 99.57%  |
| 2017                     | 2,710,296,531     | 118,064,138                          | 254,734,085      | 181,432,076    | 3,264,526,830              | 0.5325                      | 3,461,852,418                           | 94.30%  |
| 2018                     | 2,777,319,789     | 132,723,662                          | 262,102,485      | 203,739,029    | 3,375,884,965              | 0.5325                      | 3,793,129,175                           | 89.00%  |
| 2019                     | 2,896,345,048     | 133,018,450                          | 282,099,430      | 219,257,615    | 3,530,720,543              | 0.5325                      | 4,181,336,503                           | 84.44%  |
| 2020 <sup>(2)</sup>      | 3,041,603,671     | 148,748,820                          | 292,189,233      | 235,061,706    | 3,717,603,430              | 0.5600                      | 3,714,631,725                           | 100.08%   |

(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 2020.

**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<br/>Ending June</u> | <u>Town of<br/>Garner</u> | <u>Wake<br/>County</u> | <u>Total</u> |
|------------------------------------|---------------------------|------------------------|--------------|
| 2011                               | 0.4900                    | 0.5340                 | 1.024        |
| 2012                               | 0.4900                    | 0.5340                 | 1.024        |
| 2013                               | 0.4900                    | 0.5340                 | 1.024        |
| 2014                               | 0.4900                    | 0.5340                 | 1.024        |
| 2015                               | 0.5000                    | 0.5780                 | 1.078        |
| 2016                               | 0.5175                    | 0.6145                 | 1.132        |
| 2017                               | 0.5325                    | 0.6005                 | 1.133        |
| 2018                               | 0.5325                    | 0.6150                 | 1.148        |
| 2019                               | 0.5325                    | 0.6544                 | 1.187        |
| 2020 <sup>(1)</sup>                | 0.5600                    | 0.7207                 | 1.281        |

(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 2020.

**Town of Garner, North Carolina**  
**Principal Property Taxpayers**  
**Ten Year Comparison**  
**(Unaudited)**

Table 9

| Taxpayer                                | Fiscal Year 2020      |      |                | Fiscal Year 2010      |      |                |
|---|-----------------------|------|----------------|-----------------------|------|----------------|
|   | 1/1/19                | Rank | Percentage of  | 1/1/09                | Rank | Percentage of  |
|   | Assessed Valuation    |      | Total Assessed | Assessed Valuation    |      | Total Assessed |
|   |                       |      | Valuation      |                       |      | Valuation      |
| Duke Energy Progress Inc <sup>(1)</sup> | \$ 117,333,828        | 1    | 3.21%          | \$ 62,016,466         | 2    | 2.0%           |
| Inland American Garner White Oak LLC    | 73,053,824            | 2    | 2.00%          |                       |      |                |
| 4851 JS Project LLC                     | 51,466,089            | 3    | 1.41%          |                       |      |                |
| BCORE MF Villages LLC                   | 47,800,039            | 4    | 1.31%          |                       |      |                |
| Adeline at White Oak LLC                | 39,632,192            | 5    | 1.08%          |                       |      |                |
| Abberly Place Garner Phase I, LP        | 33,965,530            | 6    | 0.93%          | 25,639,142            | 9    | 0.8%           |
| DPR Deer Harbor LLC                     | 33,926,874            | 7    | 0.93%          |                       |      |                |
| Ashton Village, LP                      | 31,795,876            | 8    | 0.87%          | 23,856,275            | 10   | 0.8%           |
| Time Warner Cable                       | 30,574,599            | 9    | 0.84%          | 30,563,268            | 6    | 1.0%           |
| Duke Realty LP                          | 28,745,496            | 10   | 0.79%          |                       |      |                |
| White Oak Associates LLC                |                       |      |                |                       |      |                |
| Garner Retail LLC                       |                       |      |                | 87,100,272            | 1    | 2.8%           |
| ConAgra Foods, LLC                      |                       |      |                | 60,984,448            | 3    | 2.0%           |
| Pergo Inc                               |                       |      |                | 41,104,485            | 4    | 1.3%           |
| Regency Center LP                       |                       |      |                | 33,707,425            | 5    | 1.1%           |
| North South Station LLC                 |                       |      |                | 27,084,658            | 7    | 0.9%           |
| Greenfield North, LLC                   |                       |      |                | 26,585,613            | 8    | 0.9%           |
| <b>Totals</b>                           | <b>\$ 488,294,347</b> |      | <b>13.37%</b>  | <b>\$ 418,642,052</b> |      | <b>13.7%</b>   |

(1) Formerly Progress Energy Carolinas

**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 |
| 2011        | \$ 14,793,869  | \$ 14,579,297           | 98.5%                              | \$ 179,355                      | \$ 14,758,652             | 99.8%                       |
| 2012        | 14,792,108     | 14,575,719              | 98.5%                              | 173,215                         | 14,748,934                | 99.7%                       |
| 2013        | 14,837,586     | 14,616,472              | 98.5%                              | 177,791                         | 14,794,263                | 99.7%                       |
| 2014        | 15,293,124     | 15,179,014              | 99.3%                              | 84,963                          | 15,263,977                | 99.8%                       |
| 2015        | 15,388,156     | 15,343,922              | 99.7%                              | 26,225                          | 15,370,147                | 99.9%                       |
| 2016        | 16,900,584     | 16,849,516              | 99.7%                              | 46,699                          | 16,896,215                | 100.0%                      |
| 2017        | 17,764,759     | 17,730,952              | 99.8%                              | 26,169                          | 17,757,121                | 100.0%                      |
| 2018        | 18,314,301     | 18,280,317              | 99.8%                              | 21,800                          | 18,302,117                | 99.9%                       |
| 2019        | 19,416,589     | 19,355,809              | 99.7%                              | 10,994                          | 19,366,803                | 99.7%                       |
| 2020        | 21,577,752     | 21,470,720              | 99.5%                              | -                               | 21,470,720                | 99.5%                       |

Reconciliation to revenues collected:

|  |                      |
|--|----------------------|
| Total collected as stated above                                  | \$ 21,470,720        |
| Prior year collections in current year                           | 84,551               |
| Releases and write-offs  | (78,407)             |
| Penalties and interest collected                                 | 34,965               |
|  | <u>21,511,829</u>    |
| Ad valorem taxes collected per general fund financial statements | <u>\$ 21,511,829</u> |

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

Table 11

| <u>Fiscal Year</u> | <u>Installment<br/>Purchase</u> | <u>General<br/>Obligation<br/>Bonds</u> | <u>Total</u>  | <u>Per Capita</u> <sup>(1)</sup> | <u>Percentage<br/>of Personal<br/>Income</u> <sup>(2)</sup> |
|--------------------|---------------------------------|---|---------------|----------------------------------|---|
| 2011               | \$ 8,290,424                    | \$ 6,428,966                            | \$ 14,719,390 | \$ 569                           | 1.82%   |
| 2012               | 7,775,807                       | 6,211,175                               | 13,986,982    | 538                              | 1.67%   |
| 2013               | 7,045,820                       | 5,988,387                               | 13,034,207    | 499                              | 1.47%   |
| 2014               | 6,900,751                       | 15,525,000                              | 22,425,751    | 854                              | 2.53%   |
| 2015               | 6,374,526                       | 31,039,675                              | 37,414,201    | 1,383                            | 4.95%   |
| 2016               | 5,803,685                       | 29,335,000                              | 35,138,685    | 1,222                            | 4.37%   |
| 2017               | 8,577,324                       | 28,345,000                              | 36,922,324    | 1,273                            | 4.39%   |
| 2018               | 7,717,118                       | 27,345,000                              | 35,062,118    | 1,120                            | 3.81%   |
| 2019               | 6,173,617                       | 31,520,501                              | 37,694,118    | 1,175                            | 4.23%   |
| 2020               | 4,798,222                       | 38,169,319                              | 42,967,541    | 1,280                            | 4.05%   |

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

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



**Town of Garner, North Carolina**  
 Computation of Direct and Overlapping Debt  
 June 30, 2020  
 (Unaudited)

Table 12

| <u>Jurisdiction</u>               | <u>Net General<br/>Obligation<br/>Bonded Debt<br/>Outstanding</u> | <u>Percentage<br/>Applicable to<br/>Town of Garner <sup>(2)</sup></u> | <u>Amount<br/>Applicable to<br/>Town of Garner</u> |
|-----------------------------------|---|---|--|
| Wake County                       | \$ 1,580,690,000 <sup>(1)</sup>                                   | 2.43%   | \$ 38,350,663                                      |
| Town of Garner                    | 38,169,319  | 100.00%   | <u>38,169,319</u>                                  |
| Total direct and overlapping debt |   |   | <u><u>\$ 76,519,982</u></u>                        |

(1) Information provided by Wake County Finance Department. Of the total debt outstanding, \$1,268,294,615 or 80.20% is for the Wake County Public School System.

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

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

Table 13

| Fiscal Year | Population Estimate <sup>(1)</sup> | Total Assessed Value | Net Bonded Debt | Percent of Net Bonded Debt to Assessed Value | Net Bonded Debt Per Capita |
|-------------|------------------------------------|----------------------|-----------------|--|----------------------------|
| 2011        | 25,891                             | \$ 2,981,303,353     | \$ 14,719,390   | 0.49%  | \$ 568.51                  |
| 2012        | 25,999                             | 3,004,964,357        | 13,986,982      | 0.47%  | 537.98                     |
| 2013        | 26,124                             | 3,012,517,567        | 13,034,207      | 0.43%  | 498.94                     |
| 2014        | 26,253                             | 3,103,111,862        | 22,712,167      | 0.73%  | 865.13                     |
| 2015        | 27,060                             | 3,069,057,511        | 37,414,201      | 1.22%  | 1,382.64                   |
| 2016        | 28,766                             | 3,195,322,605        | 35,138,685      | 1.10%  | 1,221.54                   |
| 2017        | 28,999                             | 3,264,526,830        | 36,922,324      | 1.13%  | 1,273.23                   |
| 2018        | 31,317                             | 3,375,884,965        | 35,062,118      | 1.04%  | 1,119.59                   |
| 2019        | 32,069                             | 3,530,720,543        | 37,694,118      | 1.07%  | 1,175.41                   |
| 2020        | 33,562                             | 3,717,603,429        | 38,169,319      | 1.03%  | 1,137.28                   |

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

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

Table 14

Page 1 of 2

|                                    | <u>2011</u>       | <u>2012</u>       | <u>2013</u>       | <u>2014</u>       | <u>2015</u>       |
|------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Debt Limit                         | \$ 238,504        | \$ 240,397        | \$ 241,001        | \$ 248,249        | \$ 245,365        |
| Total net debt applicable to limit | <u>14,719</u>     | <u>13,987</u>     | <u>13,034</u>     | <u>22,426</u>     | <u>36,135</u>     |
| Legal debt margin                  | <u>\$ 223,785</u> | <u>\$ 226,410</u> | <u>\$ 227,967</u> | <u>\$ 225,823</u> | <u>\$ 209,230</u> |

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

Table 14

Page 2 of 2

|                                    | 2016              | 2017              | 2018              | 2019              | 2020              |
|------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Debt Limit                         | \$ 255,626        | \$ 261,162        | \$ 270,071        | \$ 282,458        | \$ 297,408        |
| Total net debt applicable to limit | <u>35,139</u>     | <u>36,922</u>     | <u>35,062</u>     | <u>37,694</u>     | <u>38,169</u>     |
| Legal debt margin                  | <u>\$ 220,487</u> | <u>\$ 224,240</u> | <u>\$ 235,009</u> | <u>\$ 244,764</u> | <u>\$ 259,239</u> |

Legal Debt Margin Calculation for Fiscal Year 2020

|   |                       |
|---|-----------------------|
| Assessed Value                                    | \$ 3,717,603,429      |
| Debt Limit (8% of total assessed value)           | 297,408,274           |
| Debt applicable to limit:                         |                       |
| Outstanding General Bonded Debt                   | <u>\$ 38,169,319</u>  |
| Subtotal  | 38,169,319            |
| Authorized and unissued debt                      | <u>-</u>              |
| Total Gross Debt                                  | 38,169,319            |
| Less: Statutory deductions                        |                       |
| Authorized and unissued debt                      | <u>-</u>              |
| <br>Total amount of debt applicable to debt limit | <br><u>38,169,319</u> |
| Legal debt margin                                 | <u>\$ 259,238,955</u> |

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

Table 15

| Fiscal Year | Population <sup>(1)</sup> | Per Capita<br>Personal<br>Income <sup>(2)</sup> | Unemployment<br>Rate <sup>(3)</sup> | Personal Income<br>(Thousands of<br>Dollars) |
|-------------|---------------------------|---|-------------------------------------|--|
| 2011        | 25,891                    | \$ 28,139                                       | 8.0%                                | \$ 728,547                                   |
| 2012        | 25,999                    | 25,256  | 6.9%                                | 656,631                                      |
| 2013        | 26,124                    | 28,734  | 6.3%                                | 750,647                                      |
| 2014        | 26,253                    | 28,829  | 4.7%                                | 756,848                                      |
| 2015        | 27,060                    | 27,436  | 4.9%                                | 742,418                                      |
| 2016        | 28,766                    | 27,926  | 4.6%                                | 803,319                                      |
| 2017        | 28,999                    | 26,779  | 3.7%                                | 776,564                                      |
| 2018        | 31,317                    | 29,436  | 3.6%                                | 921,847                                      |
| 2019        | 32,069                    | 31,583  | 4.0%                                | 1,012,835                                    |
| 2020        | 33,562                    | 33,071  | 7.6%                                | 1,059,989                                    |

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

(2) From US Census Bureau, American Community Survey for Town of Garner for previous year.

(3) From North Carolina Employment Security Commission for June of each year.

**Town of Garner, North Carolina**  
Principal Employers  
Fiscal Year 2020 and Ten Year Comparison  
(Unaudited)

Table 16

| Employer                   | 2020         |      |                                     | 2010         |      |                                     |
|----------------------------|--------------|------|-------------------------------------|--------------|------|-------------------------------------|
|                            | Employees    | Rank | Percentage of Total Town Employment | Employees    | Rank | Percentage of Total Town Employment |
| Wake County Public Schools | 1,280        | 1    | 7.8%                                | 1,040        | 1    | 7.3%                                |
| Pepsi Bottling Ventures    | 400          | 2    | 2.5%                                |              |      |                                     |
| Wal-Mart                   | 350          | 3    | 2.1%                                | 212          | 5    | 1.5%                                |
| Lowe's Home Improvement    | 335          | 4    | 2.1%                                |              |      |                                     |
| Sigma Electric Mfg Corp    | 300          | 5    | 1.8%                                |              |      |                                     |
| Target                     | 290          | 6    | 1.8%                                | 140          | 10   |                                     |
| Hamlin Company             | 250          | 7    | 1.5%                                | 250          | 4    | 2.0%                                |
| Food Lion                  | 220          | 8    | 1.3%                                |              |      |                                     |
| Ameri Gas                  | 198          | 9    | 1.2%                                |              |      |                                     |
| Town of Garner             | 170          | 10   | 1.0%                                |              |      |                                     |
| Con Agra Foods             |              |      |                                     | 600          | 2    | 4.2%                                |
| Pergo, Inc.                |              |      |                                     | 280          | 3    | 2.0%                                |
| Lowe's Food                |              |      |                                     | 200          | 6    | 1.4%                                |
| LL Vann Electric           |              |      |                                     | 200          | 6    | 1.4%                                |
| Laurel's of Forest Glen    |              |      |                                     | 160          | 7    | 1.1%                                |
| Town of Garner             |              |      |                                     | 158          | 8    | 1.1%                                |
| Ultratech                  |              |      |                                     | 150          | 9    | 1.0%                                |
| Home Depot                 |              |      |                                     | 150          | 9    | 1.0%                                |
| <b>Totals</b>              | <u>3,793</u> |      | <u>23.10%</u>                       | <u>3,540</u> |      | <u>24.00%</u>                       |

Data from the NC Department of Commerce.

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

Table 17

| Fiscal Year | Property Value   | Construction <sup>(1)</sup> |                    |
|-------------|------------------|-----------------------------|--------------------|
|             |                  | Number of Permits           | Construction Value |
| 2011        | \$ 2,981,303,353 | 875                         | \$ 18,816,144      |
| 2012        | 3,004,964,357    | 1,023                       | 38,680,248         |
| 2013        | 3,012,517,567    | 833                         | 34,770,509         |
| 2014        | 3,103,111,862    | 995                         | 73,351,752         |
| 2015        | 3,081,432,283    | 1,297                       | 46,549,862         |
| 2016        | 3,195,322,605    | 1,207                       | 77,561,649         |
| 2017        | 3,264,526,830    | 1,324                       | 90,196,870         |
| 2018        | 3,375,884,965    | 1,531                       | 97,306,018         |
| 2019        | 3,530,720,543    | 1,547                       | 107,095,626        |
| 2020        | 3,717,603,430    | 1,622                       | 165,994,656        |

(1) From Town of Garner Inspections Department.

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

Table 18

|                            | <u>2011</u>   | <u>2012</u>   | <u>2013</u>   | <u>2014</u>   | <u>2015</u>   | <u>2016</u>   | <u>2017</u>   | <u>2018</u>   | <u>2019</u>   | <u>2020</u>   |
|----------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| General Government         | 40.00         | 42.00         | 41.50         | 40.50         | 42.50         | 46.00         | 46.00         | 48.62         | 49.62         | 53.62         |
| Public Safety              | 75.00         | 77.00         | 77.50         | 77.50         | 78.00         | 78.50         | 81.50         | 83.50         | 86.50         | 89.50         |
| Streets and Transportation | 11.00         | 12.00         | 12.00         | 12.00         | 13.00         | 14.00         | 14.00         | 14.00         | 16.00         | 16.00         |
| Cultural & Recreation      | 22.00         | 25.50         | 25.00         | 25.00         | 25.00         | 25.50         | 25.50         | 26.00         | 28.00         | 29.00         |
| Total                      | <u>148.00</u> | <u>156.50</u> | <u>156.00</u> | <u>155.00</u> | <u>158.50</u> | <u>164.00</u> | <u>167.00</u> | <u>172.12</u> | <u>180.12</u> | <u>188.12</u> |



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

Table 19

Page 1 of 2

| Function  | 2011          | 2012          | 2013          | 2014          | 2015          |
|---|---------------|---------------|---------------|---------------|---------------|
| <b>Community Development Services</b>                   |               |               |               |               |               |
| Inspections:  |               |               |               |               |               |
| Permits issued (all trade types)                        | 875           | 876           | 833           | 995           | 1,297         |
| Building inspections conducted                          | 4,584         | 3,519         | 3,856         | 5,971         | 6,303         |
| <b>Public Works</b>                                     |               |               |               |               |               |
| Miles of streets maintained                             | 98            | 99            | 99            | 99            | 100           |
| Traffic control signs repaired/replaced                 | 411           | 210           | 240           | 133           | 140           |
| Town parks maintained                                   | 12            | 12            | 12            | 12            | 14            |
| Town athletic fields/courts maintained                  | 30            | 30            | 30            | 30            | 36            |
| Town building/grounds maintained                        | 42            | 44            | 44            | 55            | 56            |
| <b>Police</b>   |               |               |               |               |               |
| Calls for service                                       | 27,518        | 27,272        | 31,959        | 31,913        | 35,963        |
| Accidents investigated                                  | 1,073         | 1,125         | 1,147         | 1,249         | 1,260         |
| Arrests   | 936           | 826           | 1,062         | 1,304         | 1,330         |
| <b>Fire/Rescue (1)</b>                                  |               |               |               |               |               |
| Fire call answered                                      | 4,733         | 4,737         | 4,743         | 4,725         | 4,875         |
| EMS calls answered                                      | Not Available | Not Available | Not Available | Not Available | Not Available |
| <b>Solid Waste</b>                                      |               |               |               |               |               |
| Sanitation customers                                    | 8,595         | 8,700         | 8,802         | 8,852         | 8,952         |
| % of solid waste stream reduction reported to the state | 40%           | 40%           | 40%           | 40%           | 52%           |
| Spring and fall cleanups - tons collected               | 400           | 360           | 320           | 401           | 423           |
| <b>Leisure Services</b>                                 |               |               |               |               |               |
| Parks & Recreation program registrations                | 1,750         | 3,220         | 4,512         | 3,634         | 4,200         |
| Picnic shelter reservations                             | 410           | 475           | 652           | 708           | 600           |
| Auditorium event attendance                             | 30,000        | 30,000        | 37,642        | 35,844        | 31,395        |
| Independence day attendance                             | 20,000        | 20,000        | 17,000        | 17,000        | 10,000        |

Source:

Departmental performance indicators in the Town of Garner Budget Document, and Departmental staff.

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

Table 19

Page 2 of 2

| Function  | 2016   | 2017   | 2018   | 2019   | 2020    |
|---|--------|--------|--------|--------|---------|
| <b>Community Development Services</b>                   |        |        |        |        |         |
| Inspections:  |        |        |        |        |         |
| Permits issued (all trade types)                        | 1,207  | 1,324  | 1,531  | 1,547  | 1,622   |
| Building inspections conducted                          | 5,244  | 7,619  | 11,608 | 13,547 | 18,755  |
| <b>Public Works</b>                                     |        |        |        |        |         |
| Miles of streets maintained                             | 101    | 102    | 105    | 105    | 109     |
| Traffic control signs repaired/replaced                 | 142    | 122    | 113    | 134    | 123     |
| Town parks maintained                                   | 14     | 11     | 11     | 11     | 11      |
| Town athletic fields/courts maintained                  | 36     | 14     | 19     | 19     | 20      |
| Town building/grounds maintained                        | 56     | 53     | 55     | 55     | 56      |
| <b>Police</b>   |        |        |        |        |         |
| Calls for service                                       | 33,132 | 36,611 | 35,968 | 36,684 | 35,474  |
| Accidents investigated                                  | 1,371  | 1,342  | 1,469  | 1,391  | 1,620   |
| Arrests   | 1,082  | 1,156  | 1,122  | 1,170  | 1,140   |
| <b>Fire/Rescue (1)</b>                                  |        |        |        |        |         |
| Fire call answered                                      | 1,922  | 2,078  | 2,438  | 2,472  | 2,678   |
| EMS calls answered                                      | 3,198  | 1,835  | 2,761  | 2,860  | 2,890   |
| <b>Solid Waste</b>                                      |        |        |        |        |         |
| Sanitation customers                                    | 8,957  | 9,023  | 9,186  | 9,434  | 9,642   |
| % of solid waste stream reduction reported to the state | 50%    | 61%    | 61%    | 62%    | 62%     |
| Spring and fall cleanups - tons collected               | 486    | 711    | 414    | 1,350  | 1,200   |
| <b>Leisure Services *</b>                               |        |        |        |        |         |
| Parks & Recreation program registrations                | 4,025  | 4,011  | 4,312  | 4,339  | * 1,878 |
| Picnic shelter reservations                             | 700    | 582    | 582    | 572    | * 264   |
| Auditorium event attendance                             | 31,869 | 33,458 | 31,923 | 40,798 | * 6,400 |
| Independence day attendance                             | 8,500  | 15,000 | 14,000 | 9,000  | * 0     |

\* These activities were significantly impacted by the COVID-19 pandemic and related closures and restrictions.

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

Table 20

Page 1 of 2

| Function                       | 2011    | 2012    | 2013    | 2014    | 2015    |
|--------------------------------|---------|---------|---------|---------|---------|
| <b>Public Safety</b>           |         |         |         |         |         |
| Police stations                | 2       | 3       | 3       | 3       | 3       |
| Patrol and investigative units | 2       | 3       | 3       | 3       | 3       |
| K-9 Units                      | 4       | 4       | 4       | 4       | 4       |
| Fire stations                  | 3       | 4       | 4       | 4       | 4       |
| Fire apparatus                 | 14      | 14      | 15      | 15      | 15      |
| <b>Highways and Streets</b>    |         |         |         |         |         |
| Streets (miles)                | 99.07   | 99.07   | 99.07   | 99.78   | 100.00  |
| Sidewalks (feet)               | 274,967 | 277,207 | 309,921 | 318,892 | 332,640 |
| <b>Leisure Services</b>        |         |         |         |         |         |
| Number of major parks          | 13      | 13      | 13      | 13      | 14      |
| Total park acreage             | 350     | 350     | 350     | 350     | 350     |
| Baseball fields                | 7       | 7       | 7       | 7       | 7       |
| Tennis courts                  | 6       | 6       | 6       | 6       | 6       |
| Basketball courts              | 2       | 2       | 2       | 2       | 2       |

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

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

Table 20

Page 2 of 2

| Function                       | 2016    | 2017    | 2018    | 2019    | 2020    |
|--------------------------------|---------|---------|---------|---------|---------|
| <b>Public Safety</b>           |         |         |         |         |         |
| Police stations                | 1       | 1       | 1       | 1       | 1       |
| Patrol and investigative units | 1       | 1       | 1       | 1       | 1       |
| K-9 Units                      | 4       | 4       | 4       | 4       | 4       |
| Fire stations                  | 4       | 4       | 4       | 4       | 4       |
| Fire apparatus                 | 15      | 15      | 15      | 15      | 15      |
| <b>Highways and Streets</b>    |         |         |         |         |         |
| Streets (miles)                | 101.43  | 102.30  | 104.71  | 106.85  | 109.08  |
| Sidewalks (feet)               | 323,180 | 355,208 | 361,385 | 361,385 | 387,719 |
| <b>Leisure Services</b>        |         |         |         |         |         |
| Number of major parks          | 14      | 14      | 14      | 14      | 14      |
| Total park acreage             | 350     | 350     | 375     | 375     | 375     |
| Baseball fields                | 7       | 7       | 7       | 7       | 7       |
| Tennis courts                  | 6       | 6       | 6       | 6       | 6       |
| Basketball courts              | 2       | 2       | 2       | 2       | 2       |

**COMPLIANCE SECTION**

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**INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the remaining fund information of the **Town of Garner, North Carolina** (the “Town”) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town’s basic financial statements, and have issued our report thereon dated December 18, 2020.

**Internal Control over Financial Reporting**

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

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

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

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**Compliance and Other Matters**

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

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

A handwritten signature in black ink that reads "Mauldin & Jenkins, LLC". The signature is written in a cursive, flowing style.

Columbia, South Carolina  
December 18, 2020



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

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

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

We have audited the Town of Garner, North Carolina's (the "Town") compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the Town's major state programs for the year ended June 30, 2020. The Town's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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



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***Opinion on Each Major State Program***

In our opinion, the Town complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2020.

**Report on Internal Control Over Compliance**

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

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

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

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

*Mauldin & Jenkins, LLC*

Columbia, South Carolina  
December 18, 2020

**TOWN OF GARNER, NORTH CAROLINA**

**SCHEDULE OF EXPENDITURES OF FEDERAL  
AND STATE AWARDS  
JUNE 30, 2020**

| Awarding Agency   | CFDA Number | Pass-through Number     | Federal           | State               |
|---|-------------|-------------------------|-------------------|---------------------|
| <b>FEDERAL AWARDS</b>   |             |                         |                   |                     |
| <u>U.S. Department of Justice</u>   |             |                         |                   |                     |
| Bulletproof Vest Partnership Program  | 16.607      | n/a                     | \$ 3,857          | \$ -                |
| <u>U.S. Department of Housing and Urban Development</u>                           |             |                         |                   |                     |
| Passed through N.C. Department of Commerce,<br>Planning and Community Development |             |                         |                   |                     |
| Community Development Block Grant   | 14.218      | 83-041-7742             | 155,389           | -                   |
| <u>U.S. Department of Transportation</u>  |             |                         |                   |                     |
| Passed through N.C. Governor's Highway Safety Program                             |             |                         |                   |                     |
| National Highway Traffic Safety Administration                                    | 20.600      | PT-20-06-29             | 38,513            | -                   |
| Passed through N.C. Department of Transportation                                  |             |                         |                   |                     |
| Highway Planning and Construction   | 20.205      | CMAQ-0508(009)          | 18,563            | -                   |
| Total U.S. Department of Transportation   |             |                         | 57,076            | -                   |
| <u>U.S. Department of Treasury</u>  |             |                         |                   |                     |
| Passed through Wake County, North Carolina  |             |                         |                   |                     |
| COVID-19 Coronavirus Relief Funds (CARES Act)                                     | 21.019      | n/a                     | 56,778            | -                   |
| <b>TOTAL FEDERAL AWARDS</b>   |             |                         | <b>273,100</b>    | <b>-</b>            |
| <b>STATE AWARDS</b>   |             |                         |                   |                     |
| <u>N.C. Department of Health and Human Services</u>                               |             |                         |                   |                     |
| Senior Center Development Grant   |             | M5HVE-2017-15-03        | -                 | 10,574              |
| <u>N.C. Department of Health and Human Services</u>                               |             |                         |                   |                     |
| Town of Garner Recreation Center  |             | PARTF CONTRACT 2016-814 | -                 | 217,500             |
| <u>N.C. Department of Transportation</u>  |             |                         |                   |                     |
| Powell Bill   |             | DOT-4                   | -                 | 896,906             |
| <b>TOTAL STATE AWARDS</b>   |             |                         | <b>-</b>          | <b>1,124,980</b>    |
| <b>TOTAL FEDERAL AND STATE AWARDS</b>   |             |                         | <b>\$ 273,100</b> | <b>\$ 1,124,980</b> |

**Note 1. Basis of Presentation**

The accompanying schedule of expenditures of federal and state awards (the "SEFSA") includes the federal and state award activity of the Town of Garner, North Carolina (the "Town") under programs of the federal government and the state of North Carolina for the year ended June 30, 2020. The information in this SEFSA is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State Single Audit Implementation Act. Because the SEFSA presents only a selected portion of the operations of the Town, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Town.

**Note 2. Summary of Significant Accounting Policies**

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

**Note 3. Indirect Cost Rate**

The Town did not utilize the 10% de Minimis indirect cost rate permitted by the Uniform Guidance.

**TOWN OF GARNER, NORTH CAROLINA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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

**Financial Statements**

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

Unmodified

Internal control over financial reporting:  
Material weaknesses identified?

\_\_\_ yes X no

Significant deficiencies identified?

\_\_\_ yes X none reported

Noncompliance material to financial statements noted?

\_\_\_ yes X no

**Federal Awards**

There was not an audit of major federal award programs for the year ended June 30, 2020 due to the total amount expended being less than \$750,000.

**State Awards**

Internal control over major state programs:  
Material weaknesses identified:

\_\_\_ yes X no

Significant deficiencies identified:

\_\_\_ yes X none reported

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

Unmodified

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

\_\_\_ yes X no

Identification of major state program:

**Program Name**

Powell Bill

**TOWN OF GARNER, NORTH CAROLINA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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**SECTION II**

**FINANCIAL STATEMENT FINDINGS AND RESPONSES**

None noted

**TOWN OF GARNER, NORTH CAROLINA**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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None reported