

***TOWN OF GIBSONVILLE, NORTH CAROLINA***

***FINANCIAL STATEMENTS***

***June 30, 2020***

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**TOWN OF GIBSONVILLE, NORTH CAROLINA**  
**JUNE 30, 2020**

**BOARD OF ALDERMEN**

Leonard Williams, Mayor  
Mark Shepherd, Mayor Pro Tem  
Yvonne Maizland, Alderman  
Shannon O'Toole, Alderman  
Clarence Owen, Alderman  
Ken Pleasants, Alderman

**FINANCE AND ADMINISTRATIVE STAFF**

Ben Baxley, Town Manager  
Chad Coble, Finance Officer

Town of Gibsonville, North Carolina  
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June 30, 2020

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## Financial Section



Independent Auditor's Report

To the Honorable Mayor  
and Members of the Board of Aldermen  
Town of Gibsonville, North Carolina

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Gibsonville, North Carolina 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 did not audit the financial statements of the Town of Gibsonville ABC Board, which represents 100 percent of the assets, net position, and revenues of the discretely presented component units. Those statements were audited by another auditor whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Town of Gibsonville ABC Board, is based solely on the report of another auditor. 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 *Governmental Auditing Standards*, issued by the Comptroller General of the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of Town of Gibsonville ABC Board were not audited in accordance with *Governmental Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to

design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### ***Opinions***

In our opinion, based upon our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Gibsonville, North Carolina as of June 30, 2020, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

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

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 13, Schedule of the Proportionate Share of the Net Pension Liability – Local Government Employees' Retirement System on page 61, Schedule of Contributions – Local Government Employees' Retirement System on page 62, Schedule of the Proportionate Share of the Net Pension Liability – Firefighter's and Rescue Squad Workers' Pension on page 63, Schedule of Changes in Total Pension Liability - Law Enforcement Officers' Special Separation Allowance on page 64, Schedule of Total Pension Liability as a Percentage of Covered Payroll – Law Enforcement Officers' Special Separation Allowance on page 65, Schedule of Changes in the Total OPEB Liability and Related Ratios on page 66, be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and the other auditor have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Town of Gibsonville, North Carolina. The individual fund statements, budgetary schedules, other schedules as well as the accompanying schedule of expenditures of federal and state awards as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the State Single Audit Implementation Act are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The individual fund statements, budgetary schedules, other schedules, and the schedule of federal and state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit and the procedures performed as described above, the individual fund statements, budgetary schedules, other schedules, and the schedule of expenditures of federal and state awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 29, 2021 on our consideration of the Town of Gibsonville'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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Gibsonville's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Gibson & Company, P.A.".

Winston-Salem, North Carolina  
January 29, 2021

## Management's Discussion and Analysis

## **Town of Gibsonville Management's Discussion and Analysis**

As management of the Town of Gibsonville, we offer readers of the Town of Gibsonville's financial statements this narrative overview and analysis of the financial activities of the Town of Gibsonville 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 Town's financial statements, which follow this narrative.

### **Financial Highlights**

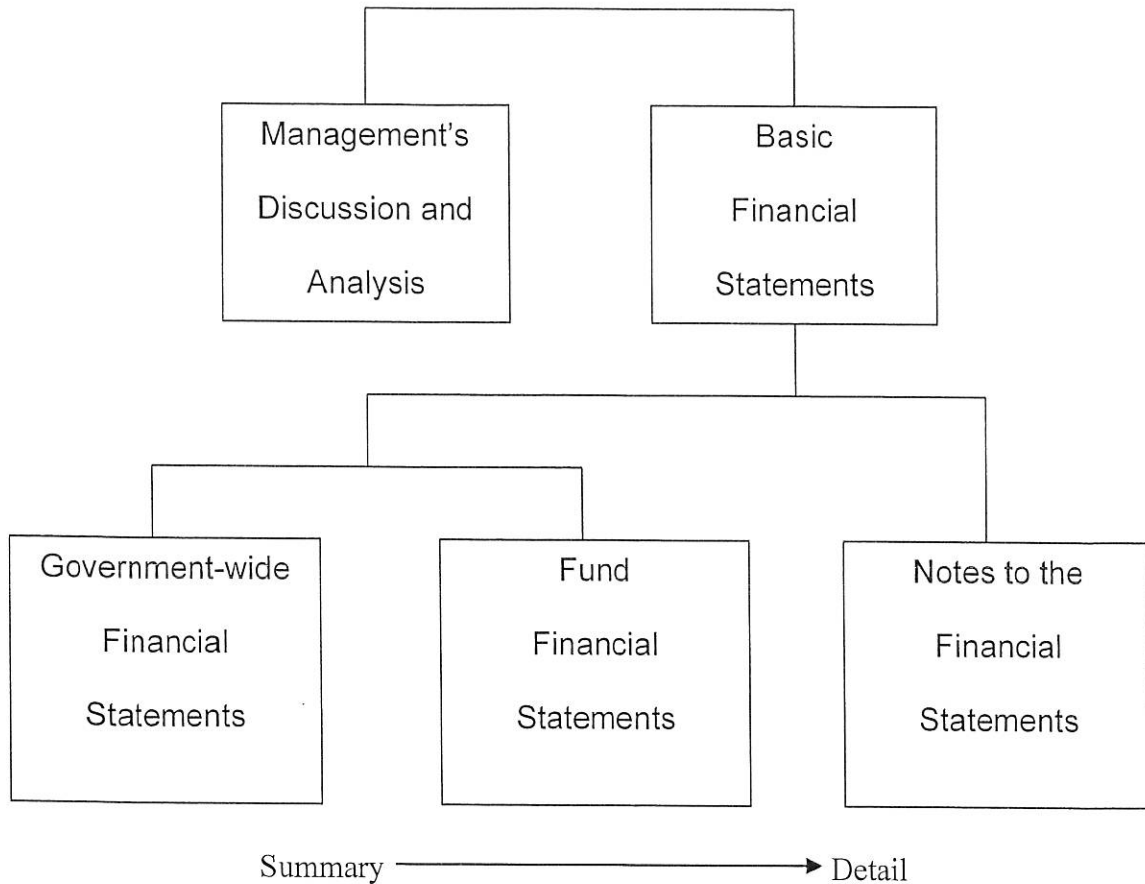
- The assets and deferred outflows of resources of the Town of Gibsonville exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$8,909,618 (*net position*).
- The government's total net position increased by \$356,673, primarily due to an increase in the business-type activities net position.
- As of the close of the current fiscal year, the Town of Gibsonville's governmental funds reported combined ending fund balances of \$2,942,193 with a net increase of \$74,113 in fund balance. Approximately 55.25 percent of this total amount, or \$1,625,689, is available for spending at the government's discretion (*unassigned fund balance*). Approximately 30.78 percent of this total amount, or \$905,671 is non spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1,625,689 or 24.54 percent of total general fund expenditures for the fiscal year.
- The Town of Gibsonville's total debt increased by \$1,973,793 (44.60%) during the current fiscal year.

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

This discussion and analysis are intended to serve as an introduction to the Town of Gibsonville'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 (see Figure 1). 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 of Gibsonville.

## Required Components of Annual Financial Report

Figure 1



### Basic Financial Statements

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

The next statements (Exhibits 3 through 9) 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 four parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; 3) the proprietary fund statements; and 4) 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 also can be found in this part of the statements.

## Management Discussion and Analysis

### Town of Gibsonville

#### 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 the Town's total assets and deferred outflows of resources and total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the Town's financial condition.

The government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) component units. The governmental activities include most of the Town's basic services such as public safety, public works and general administration. Property taxes and State and federal grant funds finance most of these activities. The business-type activities are those that the Town charges customers to provide. These include the water and sewer services offered by the Town as well as the housing services offered through the Gibsonville Housing Authority. The final category is the component unit. The Town has two component units, the Town of Gibsonville ABC Board (discreetly presented) and the Gibsonville Housing Authority (blended). Although legally separate from the Town, the ABC Board is important to the Town. The Town exercises control over the ABC Board by appointing its members and the Board is required to distribute its profits to the Town.

The government-wide financial statements are on Exhibits 1 and 2 of this report.

#### Fund Financial Statements

The fund financial statements (see Figure 1) 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 Gibsonville, 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 of Gibsonville can be divided into two categories: governmental funds and proprietary funds.

**Governmental Funds** – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of 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 (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The Town of Gibsonville adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the Town, the management of the Town, and the decisions of the Commissioners about which services to provide and how to pay for them. It also authorizes the Town to obtain

## Management Discussion and Analysis

### Town of Gibsonville

funds from identified sources to finance these current period activities. 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. The budgetary comparison 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 the board; 2) the final budget as amended by the board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

**Proprietary Fund** – Town of Gibsonville has a proprietary fund. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. Town of Gibsonville uses the enterprise fund to account for its water and sewer activity. This fund is the same as those functions shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

**Fiduciary Funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Town of Gibsonville has one fiduciary fund, which is an agency fund.

**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 begin on page 25 of this report.

**Other Information** – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town of Gibsonville's progress in funding its obligation to provide other postemployment benefits to its employees and the Town's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 61 of this report.

**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 asset values associated with U.S. Treasury Securities because of actions by foreign government and other holders of publicly held U.S. Treasury Securities.

Management Discussion and Analysis  
**Town of Gibsonville**

**Government-Wide Financial Analysis**

**Town of Gibsonville's Net Position**

**Figure 2**

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 3,246,292	\$ 3,563,246	\$ 2,741,108	\$ 2,303,971	\$ 5,987,400	\$ 5,867,217
Capital assets	5,958,873	5,703,232	3,521,579	1,684,560	9,480,452	7,387,792
Deferred outflows of resources	803,873	811,170	58,579	63,486	862,452	874,656
Total assets and deferred outflows of resources	10,009,038	10,077,648	6,321,266	4,052,017	16,330,304	14,129,665
Long-term liabilities outstanding	4,044,243	3,799,974	2,111,575	395,983	6,155,818	4,195,957
Other liabilities	307,537	727,647	620,797	183,643	928,334	911,290
Deferred inflows of resources	133,411	151,442	203,123	318,031	336,534	469,473
Total liabilities and deferred inflows of resources	4,485,191	4,679,063	2,935,495	897,657	7,420,686	5,576,720
Net position:						
Net investment in capital assets	4,102,247	3,677,962	1,435,480	1,361,485	5,537,727	5,039,447
Restricted	880,777	823,510	-	-	880,777	823,510
Unrestricted	540,823	897,113	1,950,291	1,792,875	2,491,114	2,689,988
Total net position	\$ 5,523,847	\$ 5,398,585	\$ 3,385,771	\$ 3,154,360	\$ 8,909,618	\$ 8,552,945

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of Town of Gibsonville exceeded liabilities and deferred inflows by \$8,909,618 as of June 30, 2020. The Town's net position increased by \$356,673 for the fiscal year ended June 30, 2020. However, the largest portion (62.15%) reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The Town of Gibsonville uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Gibsonville's net investment in capital assets is reported net of the 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 the Town of Gibsonville's net position, \$880,777 represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$2,491,114 is unrestricted.

Several particular aspects of the Town of Gibsonville's financial operations influenced the total unrestricted governmental net position:

- Continued diligence in the collection of property taxes by maintaining a tax collection rate of 99.30%.

Management Discussion and Analysis  
**Town of Gibsonville**

**Town of Gibsonville's Changes in Net Position**  
**Figure 3**

	Governmental		Business-type		Total	
	Activities		Activities			
	2020	2019	2020	2019	2020	2019
Revenues:						
Program revenues:						
Charges for services	\$ 503,515	\$ 480,577	\$ 3,947,683	\$ 3,866,085	\$ 4,451,198	\$ 4,346,662
Operating grants and contributions	310,930	214,584	-	-	310,930	214,584
Capital grant and contributions	98,932	74,748	-	-	98,932	74,748
General revenues						
Property taxes	3,405,661	3,343,404	-	-	3,405,661	3,343,404
Unrestricted intergovernmental	1,926,015	1,890,101	-	-	1,926,015	1,890,101
Other	82,371	145,968	1,890	1,361	84,261	147,329
Total revenues	6,327,424	6,149,382	3,949,573	3,867,446	10,276,997	10,016,828
Expenses:						
General government	1,220,110	1,205,349	-	-	1,220,110	1,205,349
Public safety	3,044,656	2,702,216	-	-	3,044,656	2,702,216
Transportation	1,358,678	1,285,629	-	-	1,358,678	1,285,629
Environmental protection	14,661	361,225	-	-	14,661	361,225
Cultural and recreational	870,015	733,440	-	-	870,015	733,440
Interest on long-term debt	53,542	72,254	-	-	53,542	72,254
Water and sewer	-	-	3,224,935	3,506,990	3,224,935	3,506,990
Gibsonville Housing Authority	-	-	133,727	157,556	133,727	157,556
Total expenses	6,561,662	6,360,113	3,358,662	3,664,546	9,920,324	10,024,659
Increase (decrease) in net position before transfers	(234,238)	(210,731)	590,911	202,900	356,673	(7,831)
Transfers	359,500	-	(359,500)	-	-	-
Increase (decrease) in net position	125,262	(210,731)	231,411	202,900	356,673	(7,831)
Net position, July 1	5,398,585	5,609,316	3,154,360	2,951,460	8,552,945	8,560,776
Net position, June 30	\$ 5,523,847	\$ 5,398,585	\$ 3,385,771	\$ 3,154,360	\$ 8,909,618	\$ 8,552,945

**Governmental activities.** Governmental activities increased the Town's net position by \$125,262. Key elements of this increase are as follows:

- Increase in ad valorem taxes revenue due to residential growth.
- Increase in local option sales taxes
- Increase in transfer from Sewer Rehabilitation Capital Project Fund to payback previous transfer from the General Fund.

**Business-type activities:** Business-type activities increased the Town of Gibsonville's net position by \$231,411. The key elements of this increase are as follows:

- Increase in Water and Sewer revenues.

## Management Discussion and Analysis

### Town of Gibsonville

#### Financial Analysis of the Town's Funds

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

**Governmental Funds.** The focus of the Town of Gibsonville's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Town of Gibsonville's financing requirements.

The general fund is the chief operating fund of the Town of Gibsonville. At the end of the current fiscal year, Town of Gibsonville's fund balance available in the General Fund was \$1,625,689 while total fund balance reached \$2,867,437. The Town currently has an available fund balance of 24.54% of general fund expenditures, while total fund balance represents 45.87% of the same amount.

At June 30, 2020, the governmental funds of the Town of Gibsonville reported a combined fund balance of \$2,942,193 with a net increase in fund balance of \$74,113. Included in this change in fund balance is an increase in the fund balance for the General Fund and an increase in the fund balance for the Non-Major Funds.

**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.

Revenues were more than the budgeted amounts primarily because the Town did not expect to receive some of the funds that became available. State collected and disbursed revenues such as sales tax and franchise taxes came in higher than expected as consumer spending continues to improve. On an overall basis, expenditures were held in check to comply with its budgetary requirements.

**Proprietary Funds.** The Town of Gibsonville's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to \$1,744,700. The total change in net position for the fund was \$169,732.

Management Discussion and Analysis  
**Town of Gibsonville**

**Capital Asset and Debt Administration**

**Capital assets.** The Town of Gibsonville's investment in capital assets for its governmental and business-type activities as of June 30, 2020, totals \$9,480,452 (net of accumulated depreciation). These assets include land, buildings, sewer lines, equipment, and vehicles.

Major capital asset transactions during the year include the following:

- Purchased five vehicles - \$261,329
- Purchased a knuckle boom grapple truck - \$151,252
- Installed an emergency generator for Town Hall/Police Department - \$114,325
- Purchased equipment for a fire truck - \$78,207
- Renovated the Police Department - \$52,494

**Town of Gibsonville's Capital Assets  
(net of depreciation)**

**Figure 4**

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land	\$ 934,818	\$ 934,818	\$ 31,278	\$ 31,278	\$ 966,096	\$ 966,096
Construction in Progress	-	2,079,932	2,130,361	247,878	-	2,327,810
Buildings	607,574	604,663	172,836	181,867	780,410	786,530
Improvements	2,585,627	376,482	-	90	2,585,627	376,572
Infrastructure	458,328	480,228	-	-	458,328	480,228
Equipment	174,835	137,581	250,351	265,508	425,186	403,089
Plant and Distribution Systems	-	-	895,800	932,266	895,800	932,266
Vehicles	1,197,691	1,089,528	40,953	25,673	1,238,644	1,115,201
<b>Total</b>	<b>\$ 5,958,873</b>	<b>\$ 5,703,232</b>	<b>\$ 3,521,579</b>	<b>\$ 1,684,560</b>	<b>\$ 9,480,452</b>	<b>\$ 7,387,792</b>

Additional information on the Town's capital assets can be found in Note II.A.4 of the Basic Financial Statements.

Management Discussion and Analysis  
**Town of Gibsonville**

**Town of Gibsonville's Outstanding Debt**

The Town of Gibsonville's total debt increased by \$1,973,793 during the current fiscal year. The key factor to this increase was borrowing \$1,817,981 for the construction of water sewer projects.

North Carolina general statutes limits the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within the government's boundaries. The legal debt margin for the Town is \$51,825,634. The Town has no bonds authorized and un-issued at June 30, 2020.

Additional information regarding the Town's long-term debt can be found in note II.B.5 of this report.

**Town of Gibsonville's Outstanding Debt  
Long-term Debt**

**Figure 5**

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Direct placement installment purchase	\$ 522,591	\$ 671,799	\$ 82,417	\$ 122,367	\$ 605,008	\$ 794,166
USDA Loans	1,334,035	1,353,471	1,558,174	166,994	2,892,209	1,520,465
ARRA loan	-	-	30,649	33,714	30,649	33,714
NC Environmental Quality loan	-	-	414,859	-	414,859	-
Compensated absences	196,039	182,189	13,516	12,257	209,555	194,446
Total OPEB liability	609,209	552,666	54,123	41,598	663,332	594,264
Net pension liability (LEO)	309,783	186,367	-	-	309,783	186,367
Net pension liability (LERS)	1,179,525	1,020,849	94,722	81,578	1,274,247	1,102,427
	<u>\$ 4,151,182</u>	<u>\$ 3,967,341</u>	<u>\$ 2,248,460</u>	<u>\$ 458,508</u>	<u>\$ 6,399,642</u>	<u>\$ 4,425,849</u>

**Economic Factors and Next Year's Budgets and Rates:**

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

- *Unemployment.* Alamance County's unemployment rate of 7.9 percent as of June 30, 2020, is the same as the state average of 7.9 percent and Guilford County's unemployment rate of 9.5 percent as of June 30, 2020, is above the state average of 7.9 percent.
- *Water/sewer rate increase.* In the new fiscal year, beginning July 1, 2020, the Town increased the water and sewer rates by 2 percent. The City of Burlington increased their water and sewer rates by 2 percent (the City of Burlington provides water and wastewater treatment services to the Town of Gibsonville).

Management Discussion and Analysis  
**Town of Gibsonville**

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

**Governmental Activities:** Property tax revenues are expected to increase when compared to fiscal year 2020 amounts due to there being additional residential development. Budgeted operational expenditures in the General Fund are expected to decrease by 10.6 percent to \$6,379,926 under the FY 2020 budget. The largest increment is in capital outlay. Appropriated fund balance of \$410,833 is recommended to purchase capital items, complete one capital project, and fund Link Transit. Major acquisitions will include purchasing two police vehicles and a rear loader refuse truck. The capital improvement project will include the replacement of the front ramp at the fire station.

**Business – Type Activities:** In FY 2021, water and sewer rates will increase 2 percent to cover operational cost increases. Budgeted operational expenditures in the Water & Sewer Fund are expected to increase by 2.5 percent to \$3,566,597 above the FY 2020 budget. The largest increment is in capital projects.

**Requests for Information**

This report is designed to provide an overview of the Town's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Town Manager, Town of Gibsonville, 129 West Main Street Gibsonville, NC 27249.

## Basic Financial Statements

Town of Gibsonville, North Carolina  
Statement of Net Position  
June 30, 2020

	Primary Government			Town of Gibsonville ABC Board
	Governmental Activities	Business-type Activities	Total	
<b>ASSETS</b>				
Current assets:				
Cash and Investments	\$ 2,132,373	\$ 1,862,849	\$ 3,995,222	\$ 202,368
Taxes receivables (net)	124,703	-	124,703	-
Accounts receivable (net)	40,988	649,329	690,317	-
Due from other governments	453,031	-	453,031	-
Prepaid items	24,894	5,796	30,690	-
Inventories	-	-	-	107,375
Restricted cash and cash equivalents	470,303	223,134	693,437	-
Total current assets	3,246,292	2,741,108	5,987,400	309,743
Non-current assets:				
Capital assets:				
Land, non-depreciable improvements, and construction in progress	934,818	2,161,639	3,096,457	20,000
Other capital assets, net of depreciation	5,024,055	1,359,940	6,383,995	886,654
Total capital assets	5,958,873	3,521,579	9,480,452	906,654
Total assets	9,205,165	6,262,687	15,467,852	1,216,397
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pension deferrals	776,629	53,735	830,364	17,795
OPEB deferrals	27,244	4,844	32,088	-
Total deferred outflows of resources	803,873	58,579	862,452	17,795
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	177,056	414,350	591,406	116,937
Accrued interest payable	23,542	-	23,542	-
Customer Deposits	-	69,560	69,560	-
Due to other governments	-	-	-	7,416
Current portion of long-term liabilities	106,939	136,887	243,826	18,679
Total current liabilities	307,537	620,797	928,334	143,032
Long-term liabilities:				
Net pension liability (LEOSSA)	309,783	-	309,783	-
Net pension liability (LGERS)	1,179,525	94,724	1,274,249	23,486
OPEB liability	609,209	54,123	663,332	-
Due in more than one year	1,945,726	1,962,728	3,908,454	452,304
Total long-term liabilities	4,044,243	2,111,575	6,155,818	475,790
Total liabilities	4,351,780	2,732,372	7,084,152	618,822
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Pension deferrals	74,908	2,573	77,481	-
OPEB deferrals	56,163	3,384	59,547	-
Unearned Revenues	2,340	1,166	3,506	-
Development fees	-	196,000	196,000	-
Total deferred inflows of resources	133,411	203,123	336,534	-
<b>NET POSITION</b>				
Net investment in capital assets	4,102,247	1,435,480	5,537,727	435,671
Restricted for:				
Cemetery Perpetual Care	74,756	-	74,756	-
Stabilization by State Statute	494,019	-	494,019	-
Streets	146,110	-	146,110	-
Public Safety	159,867	-	159,867	-
Reserve Accounts	6,025	-	6,025	-
Capital Improvements	-	-	-	-
Working Capital	-	-	-	48,669
Unrestricted	540,823	1,950,291	2,491,114	131,030
Total net position	\$ 5,523,847	\$ 3,385,771	\$ 8,909,618	\$ 615,370

The notes to the financial statements are an integral part of this statement.

Town of Gibsonville, North Carolina  
Statement of Activities  
For the Year Ended June 30, 2020

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position						
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government				Town of Gibsonville ABC Board		
					Governmental Activities	Business-type Activities	Total				
Primary Government:											
Governmental Activities:											
General government	\$ 1,220,110	\$ -	\$ 55,706	\$ -	\$ (1,164,404)	\$ -	\$ (1,164,404)	\$ -			
Public safety	3,044,656	13,851	51,910	98,932	(2,879,963)	-	(2,879,963)	-			
Transportation	1,358,678	-	192,641	-	(1,166,037)	-	(1,166,037)	-			
Environmental protection	14,661	373,200	5,523	-	364,062	-	364,062	-			
Cultural and recreational	870,015	116,464	5,150	-	(748,401)	-	(748,401)	-			
Interest on long-term debt	53,542	-	-	-	(53,542)	-	(53,542)	-			
Total governmental activities	6,561,662	503,515	310,930	98,932	(5,648,285)	-	(5,648,285)	-			
Business-type activities:											
Water and sewer	3,224,935	3,753,789	-	-	-	528,854	528,854	-			
Gibsonville Housing Authority	133,727	193,894	-	-	-	60,167	60,167	-			
Total business-type activity	3,358,662	3,947,683	-	-	-	589,021	589,021	-			
Total primary government	\$ 9,920,324	\$ 4,451,198	\$ 310,930	\$ 98,932	\$ (5,648,285)	\$ 589,021	\$ (5,059,264)	\$ -			
Component units:											
ABC Board	\$ 1,531,869	\$ 1,638,178	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 106,309			
Total component units	\$ 1,531,869	\$ 1,638,178	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 106,309			

## General revenues:

Taxes:			
Property taxes, levied for general purpose	3,405,661	-	3,405,661
Unrestricted intergovernmental revenues	1,926,015	-	1,926,015
Unrestricted investment earnings	30,219	1,890	32,109
Gain on sale of capital assets	11,117	-	11,117
Miscellaneous	41,035	-	41,035
Transfers	359,500	(359,500)	-
Total general revenues and transfers	5,773,547	(357,610)	5,415,937
Change in net position	125,262	231,411	356,673
Net position, beginning	5,398,585	3,154,360	8,552,945
Net position, ending	\$ 5,523,847	\$ 3,385,771	\$ 8,909,618

The notes to the financial statements are an integral part of this statement.

Town of Gibsonville, North Carolina  
Balance Sheet  
Governmental Funds  
June 30, 2020

	Major Funds		Total Non-Major Funds	Total Governmental Funds
	General	Community Center Fund		
ASSETS				
Cash and Investments	\$ 2,057,617	\$ -	\$ 74,756	\$ 2,132,373
Restricted Cash	470,303	-	-	470,303
Taxes Receivable	124,703	-	-	124,703
Accounts Receivable	40,988	-	-	40,988
Prepaid Items	24,894	-	-	24,894
Due from other governments	453,031	-	-	453,031
Total assets	3,171,536	-	74,756	3,246,292
LIABILITIES				
Accounts payable and accrued liabilities	177,056	-	-	177,056
Total liabilities	177,056	-	-	177,056
DEFERRED INFLOWS OF RESOURCES				
Property taxes receivable	124,703	-	-	124,703
Unearned Revenue	2,340	-	-	2,340
Total deferred inflows of resources	127,043	-	-	127,043
FUND BALANCES				
Non Spendable				
Prepays	24,894	-	-	24,894
Perpetual maintenance	-	-	74,756	74,756
Restricted				
Stabilization by State Statute	494,019	-	-	494,019
Streets	146,110	-	-	146,110
Public Safety	159,867	-	-	159,867
Reserve account	6,025	-	-	6,025
Assigned				
Subsequent year's expenditures	410,833	-	-	410,833
Unassigned	1,625,689	-	-	1,625,689
Total fund balances	2,867,437	-	74,756	2,942,193
Total liabilities, deferred inflows of resources and fund balances	\$ 3,171,536	\$ -	\$ 74,756	\$ 3,246,292

The notes to the financial statements are an integral part of this statement.

**Town of Gibsonville, North Carolina**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2020**

Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:

Total fund balance, governmental funds		\$ 2,942,193
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Gross capital assets at historical cost	\$ 12,515,049	
Accumulated depreciation	<u>(6,556,176)</u>	5,958,873
Deferred outflows of resources related to pensions are not reported in the funds		776,629
Deferred outflows of resources related to OPEB are not reported in the funds		27,244
Earned revenues considered deferred inflows of resources in fund statements.		124,703
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds.		
Long-term debt		(2,052,665)
Net pension liability (LGERS)		(1,179,525)
Net pension liability (LEO)		(309,783)
OPEB liability (OPEB)		(609,209)
Deferred inflows of resources related to pensions are not reported in the funds		(74,908)
Deferred inflows of resources related to OPEB are not reported in the funds		(56,163)
Other long-term liabilities (accrued interest) are not due and payable in the current period and therefore not reported in the funds		<u>(23,542)</u>
Net position of governmental activities		<u><u>\$ 5,523,847</u></u>

The notes to the financial statements are an integral part of this statement.

Town of Gibsonville, North Carolina  
Statement of Revenues, Expenditures, and Changes in Fund Balance  
Governmental Funds  
For the Year Ended June 30, 2020

	Major Funds		Total Non-Major Funds	Total Governmental Funds
	General Fund	Community Center Fund		
<b>REVENUES</b>				
Ad valorem taxes	\$ 3,437,515	\$ -	\$ -	\$ 3,437,515
Unrestricted intergovernmental	1,926,015	-	-	1,926,015
Restricted intergovernmental	409,862	-	-	409,862
Permits and fees	13,851	-	-	13,851
Sales and services	489,664	-	-	489,664
Investment earnings	29,196	-	1,023	30,219
Miscellaneous	41,035	-	-	41,035
Total revenues	6,347,138	-	1,023	6,348,161
<b>EXPENDITURES</b>				
Current:				
General government	1,268,161	-	-	1,268,161
Public safety	2,989,869	-	-	2,989,869
Transportation	1,380,041	-	-	1,380,041
Cultural and recreational	750,590	18,687	-	769,277
Environmental Protection	14,661	-	-	14,661
Debt service:				
Principal (and adjustments)	168,644	-	-	168,644
Interest and other charges	54,012	-	-	54,012
Total expenditures	6,625,978	18,687	-	6,644,665
Excess (deficiency) of revenues over expenditures	(278,840)	(18,687)	1,023	(296,504)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers to other funds	-	(12,568)	(2,700)	(15,268)
Transfers from other funds	374,768	-	-	374,768
Loan proceeds	-	-	-	-
Proceeds from sale of capital assets	11,117	-	-	11,117
Total other financing sources (uses)	385,885	(12,568)	(2,700)	370,617
Net change in fund balance	107,045	(31,255)	(1,677)	74,113
Fund balance, beginning	2,760,392	31,255	76,433	2,868,080
Fund balances, ending	\$ 2,867,437	\$ -	\$ 74,756	\$ 2,942,193

The notes to the financial statements are an integral part of this statement.

**Town of Gibsonville, North Carolina**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Governmental Funds**  
**For the Year Ended June 30, 2020**

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

Net changes in fund balances - total governmental funds	\$	74,113
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those 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 expenditures which were capitalized	\$ 762,261	
Depreciation expense for governmental activities	<u>(506,620)</u>	255,641

Contributions to the pension plan in the current fiscal year are not included on the statement of activities.	244,255
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Change in unavailable revenue for tax revenues	(31,854)
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The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction 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.

New long term debt issued	-	
Principal payments on long-term debt	168,644	
Decrease in accrued interest payable	<u>469</u>	169,113

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 governmental funds.

Compensated absences	(13,850)	
Pension expense	(540,478)	
OPEB plan expense	<u>(31,678)</u>	(586,006)

Total changes in net position of governmental activities	\$	<u><u>125,262</u></u>
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The notes to the financial statements are an integral part of this statement.

Town of Gibsonville, North Carolina  
General Fund  
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual  
For the Year Ended June 30, 2020

	General Fund			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
Revenues:				
Ad valorem taxes	\$ 3,365,150	\$ 3,365,150	\$ 3,437,515	\$ 72,365
Unrestricted intergovernmental	1,895,000	1,839,500	1,926,015	86,515
Restricted intergovernmental	208,400	240,640	409,862	169,222
Permits and fees	8,000	8,000	13,851	5,851
Sales and services	436,600	489,500	489,664	164
Investment earnings	8,000	8,000	29,196	21,196
Miscellaneous	35,746	41,416	41,035	(381)
Total revenues	5,956,896	5,992,206	6,347,138	354,932
Expenditures:				
Current:				
General government	1,070,820	1,306,820	1,268,161	38,659
Public safety	3,090,458	3,196,684	2,989,869	206,815
Transportation	1,593,714	1,512,479	1,380,041	132,438
Cultural and recreational	886,436	796,180	750,590	45,590
Environmental Protection	17,500	17,500	14,661	2,839
Debt service:				
Principal retirement	-	169,000	168,644	356
Interest and other charges	-	54,500	54,012	488
Total debt service	-	223,500	222,656	844
Contingency	40,000	-	-	-
Total expenditures	6,698,928	7,053,163	6,625,978	427,185
Revenues over (under) expenditures	(742,032)	(1,060,957)	(278,840)	782,117
Other financing sources (uses):				
Transfers from other funds	-	359,500	362,200	2,700
Transfers to other funds-community center	-	12,568	12,568	-
Installment purchase obligation issued	-	-	-	-
Proceeds from sale of capital assets	10,000	10,000	11,117	1,117
Total other financing sources (uses)	10,000	382,068	385,885	3,817
Fund balance appropriated	732,032	678,889	-	(678,889)
Net change in fund balance	\$ -	\$ -	107,045	\$ 107,045
Fund balances, beginning			2,760,392	
Fund balances, ending			\$ 2,867,437	

The notes to the financial statements are an integral part of this statement.

Town of Gibsonville, North Carolina  
Statement of Net Position  
Proprietary Funds  
June 30, 2020

	Major Enterprise Funds		
	Water and Sewer Fund	Gibsonville Housing Authority Fund	Total
<b>ASSETS</b>			
Current Assets:			
Cash and cash equivalents	\$ 1,814,902	\$ 47,947	\$ 1,862,849
Accounts receivable	640,494	8,835	649,329
Prepaid Items	3,518	2,278	5,796
Restricted cash and cash equivalents	64,710	158,424	223,134
Total current assets	2,523,624	217,484	2,741,108
Noncurrent assets:			
Capital Assets:			
Land and construction in progress	2,148,952	12,687	2,161,639
Other capital assets, net of depreciation	1,282,474	77,466	1,359,940
Capital assets	3,431,426	90,153	3,521,579
Total noncurrent assets	3,431,426	90,153	3,521,579
Total assets	5,955,050	307,637	6,262,687
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension deferrals	53,735	-	53,735
OPEB deferrals	4,844	-	4,844
	58,579	-	58,579
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable and accrued liabilities	408,473	5,877	414,350
Accrued interest payable	-	-	-
Customer deposits	64,710	4,850	69,560
Compensated absences - current	5,406	-	5,406
Installment purchases - current	117,034	14,447	131,481
Total current liabilities	595,623	25,174	620,797
Noncurrent liabilities:			
Net pension liability	94,724	-	94,724
Total OPEB liability	54,123	-	54,123
Compensated absences	8,110	-	8,110
Installment purchases - noncurrent	1,814,013	140,605	1,954,618
Total noncurrent liabilities	1,970,970	140,605	2,111,575
Total liabilities	2,566,593	165,779	2,732,372
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension deferrals	2,573	-	2,573
OPEB deferrals	3,384	-	3,384
Unearned Revenue	-	1,166	1,166
Development fee liability	196,000	-	196,000
	201,957	1,166	203,123
<b>NET POSITION</b>			
Net investment in capital assets	1,500,379	(64,899)	1,435,480
Unrestricted	1,744,700	205,591	1,950,291
Total net position	\$ 3,245,079	\$ 140,692	\$ 3,385,771

The notes to the financial statements are an integral part of this statement.

Town of Gibsonville, North Carolina  
Statement of Revenues, Expenses, and Changes in Fund Net Position  
Proprietary Fund  
For the Year Ended June 30, 2020

	Major Enterprise Funds		
	Gibsonville		Total
	Water and Sewer Fund	Housing Authority Fund	
<b>OPERATING REVENUES</b>			
Charges for services - water	\$ 862,544	\$ 193,520	\$ 1,056,064
Charges for services - sewer	2,380,391	-	2,380,391
Water and sewer taps	27,702	-	27,702
Other operating revenues	483,152	374	483,526
<b>Total operating revenues</b>	<b>3,753,789</b>	<b>193,894</b>	<b>3,947,683</b>
<b>OPERATING EXPENSES</b>			
Water and Sewer Administration	3,134,513	-	3,134,513
Housing Administration	-	125,942	125,942
Depreciation	86,946	6,571	93,517
<b>Total operating expenses</b>	<b>3,221,459</b>	<b>132,513</b>	<b>3,353,972</b>
<b>Operating income (loss)</b>	<b>532,330</b>	<b>61,381</b>	<b>593,711</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Investment earnings	378	1,512	1,890
Interest and other charges	(3,476)	(1,214)	(4,690)
Reserve expense	-	-	-
<b>Total nonoperating revenues (expenses)</b>	<b>(3,098)</b>	<b>298</b>	<b>(2,800)</b>
<b>Income (loss) before contributions and transfers</b>	<b>529,232</b>	<b>61,679</b>	<b>590,911</b>
Transfers to other funds	(359,500)	-	(359,500)
	(359,500)	-	(359,500)
<b>Change in net position</b>	<b>169,732</b>	<b>61,679</b>	<b>231,411</b>
<b>Total net position,, beginning</b>	<b>3,075,347</b>	<b>79,013</b>	<b>3,154,360</b>
<b>Total net position, ending</b>	<b>\$ 3,245,079</b>	<b>\$ 140,692</b>	<b>\$ 3,385,771</b>

The notes to the financial statements are an integral part of this statement.

Town of Gibsonville, North Carolina  
Statement of Cash Flows  
Proprietary Funds  
For the Year Ended June 30, 2020

	Major Enterprise Fund		
	Water and Sewer Fund	Gibsonville Housing Authority Fund	Totals
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received from customers	\$ 3,732,795	\$ 194,085	\$ 3,926,880
Cash paid for goods and services	(2,891,430)	(128,948)	(3,020,378)
Cash paid to or on behalf of employees for services	(310,248)	-	(310,248)
Customer deposits received	1,954	-	1,954
Other operating revenues	-	374	374
Net cash provided (used) by operating activities	<u>533,071</u>	<u>65,511</u>	<u>598,582</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Interest Income	378	1,512	1,890
Reserve Expense	-	-	-
Total Cash Flows from Noncapital Financing Activities	<u>378</u>	<u>1,512</u>	<u>1,890</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Principal paid on long-term debt	(43,015)	(11,942)	(54,957)
Interest paid on loans	(3,476)	(1,338)	(4,814)
Loan proceeds	1,817,981	-	1,817,981
Transfer to other funds	(359,500)	-	(359,500)
Acquisition and construction of capital assets	(1,930,537)	-	(1,930,537)
Net cash provided (used) by capital and related financing activities	<u>(518,547)</u>	<u>(13,280)</u>	<u>(531,827)</u>
Net increase (decrease) in cash and cash equivalents	14,902	53,743	68,645
Balances, beginning	<u>1,864,710</u>	<u>152,628</u>	<u>2,017,338</u>
Balance, ending	<u>\$ 1,879,612</u>	<u>\$ 206,371</u>	<u>\$ 2,085,983</u>
Reconciliation of operating income (loss) to net cash provided by operating activities			
Operating income (loss)	\$ 532,330	\$ 61,381	\$ 593,711
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	86,946	6,571	93,517
Changes in assets, deferred outflows of resources, and liabilities:			
(Increase) decrease in accounts receivable	(368,715)	342	(368,373)
(Increase) decrease in prepaid items	-	(119)	(119)
Increase (decrease) in accounts payable and accrued liabilities	365,802	(2,886)	362,916
Increase (decrease) in development fee liability/deferred inflows of resources	(114,090)	-	(114,090)
Increase (decrease) in net pension liability	13,146	-	13,146
(Increase) decrease in deferred outflows of resources - pensions	9,139	-	9,139
(Increase) decrease in deferred outflows of resources - OPEB	(4,231)	-	(4,231)
Increase (decrease) in deferred inflows of resources - unearned income	-	222	222
Increase (decrease) in deferred inflows of resources - pensions	237	-	237
Increase (decrease) in deferred inflows of resources - OPEB	(1,277)	-	(1,277)
Increase (decrease) in OPEB liability	12,525	-	12,525
Increase (decrease) in compensated absences	1,259	-	1,259
Total adjustments	<u>741</u>	<u>4,130</u>	<u>4,871</u>
Net cash provided by operating activities	<u>\$ 533,071</u>	<u>\$ 65,511</u>	<u>\$ 598,582</u>

The notes to the financial statements are an integral part of this statement.

Exhibit 9

Town of Gibsonville, North Carolina  
Statement of Fiduciary Net Position  
Agency Fund  
June 30, 2020

	Agency Fund
<b>ASSETS</b>	
Cash and cash equivalents	\$ 25,946
<b>LIABILITIES</b>	
<b>Liabilities:</b>	
Refundable deposits	25,946
Total liabilities	\$ 25,946

The notes to the financial statements are an integral part of this statement.

## Notes to the Financial Statements

## **Town of Gibsonville, North Carolina**

### **Notes to the Financial Statements**

For the Fiscal Year Ended June 30, 2020

#### **I. Summary of Significant Accounting Policies**

The accounting policies of the Town of Gibsonville and its discretely presented component unit conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

##### **A. Reporting Entity**

The Town of Gibsonville is a municipal corporation that is governed by an elected mayor and a five-member council. As required by generally accepted accounting principles, these financial statements present the Town and its component units, legally separate entities for which the Town is financially accountable. The discretely presented component unit presented below is reported in a separate column in the Town's financial statements in order to emphasize that it is legally separate from the Town.

Blended component unit. The Gibsonville Housing Authority is governed by the Town's Board of Aldermen. The Town is responsible for the day to day operations of the Authority including the approval of its budget and its fiscal affairs. The legal liability for the Authority's debt remains with the Town. The Authority is presented as an enterprise fund.

Discretely presented component unit. The members of the Gibsonville ABC Board's governing board are appointed by the Town. In addition, the ABC Board is required by State statute to distribute its surpluses to the General Fund of the Town. The ABC Board, which has a June 30 year-end, is presented as if it were a proprietary fund (discrete presentation).

Complete financial statements for each of the individual component units may be obtained from the Town's finance office.

##### **B. Basis of Presentation**

*Government-wide Statements:* The statement of net position and the statement of activities display information about the primary government and its component unit. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the Town. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the Town and for each function of the Town's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and

contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

*Fund Financial Statements:* The fund financial statements provide information about the Town's funds. Separate statements for each fund category – *governmental and proprietary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies result from non-exchange transactions. Other non-operating revenues are ancillary activities such as investment earnings.

The Town reports the following major governmental funds:

**General Fund** - The General Fund is the general operating fund of the Town. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, State grants, and various other taxes and licenses. The primary expenditures are for administration, public safety, street maintenance and construction, and sanitation services. The budgetary comparison for this fund has been included in the supplemental information.

**Community Center Capital Project Fund** - The Community Center Capital Project Fund is used to account for the construction of the new community center project activities.

The Town reports the following non-major governmental fund:

**Cemetery Perpetual Care Fund** - This fund is used to account for the perpetual care of the municipal cemetery.

The Town reports the following major enterprise funds:

**Water and Sewer Fund** - The fund is used to account for the Town's water and sewer operations.

**Gibsonville Housing Authority** - This fund is used to account for the activities of the Gibsonville Housing Authority.

The Town reports the following fund types:

**Agency Fund** - Agency funds are custodial in nature and do not involve the measurement of operating results. An agency fund is used to account for assets the Town holds on behalf of others. The Town maintains the Refundable Construction Performance Fund, which accounts for funds held for a construction project.

#### C. Measurement Focus and Basis of Accounting

In accordance with North Carolina General Statutes, all funds of the Town are maintained during the year using the modified accrual basis of accounting.

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town enterprise funds are charges to customers for sales and services. The Town also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water and sewer system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

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

Sales taxes and certain intergovernmental revenues, such as the beer and wine tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Sales taxes are considered a shared revenue for the Town of Gibsonville because the tax is levied by Alamance and Guilford counties and then remitted to and distributed by the State. Most intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. All taxes, including those dedicated for specific purposes are reported as general revenues rather than program

revenues. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

#### D. Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund, the Cemetery Perpetual Care Special Revenue Fund and Enterprise Fund. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the Community Center Capital Project Fund, Sewer Rehabilitation Capital Project Fund and the Waterline Capital Project Fund. The enterprise fund projects are consolidated with their respective operating fund for reporting purposes. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the project level for the multi-year funds. All amendments must be approved by the governing board.

The Budget Officer is authorized by the budget ordinance to reallocate departmental appropriations among various projects of expenditures, as deemed necessary. In addition, the Budget Officer is authorized to effect intergovernmental transfers, in the same fund, not to exceed ten percent of the appropriated monies for the department whose allocations are reduced. Notation of all such transfers is required to be made to the governing board on the next succeeding Financial Report. The Budget Officer has the authority to make interfund loans for a period of not more than 60 days. Interfund transfer of monies not previously established in the budget ordinance as well as the utilization of any contingency appropriations, must both be approved by the governing board. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

#### E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity

##### 1. Deposits and Investments

All deposits of the Town, the ABC Board, and the Housing Authority are made in board-designated official depositories and are secured as required by State law [G.S. 159-31]. The Town, the ABC Board, and the Housing Authority may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the Town, the ABC Board, and the Housing Authority may establish time deposit accounts, such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

State Law [G.S. 159-30(c)] authorizes the Town, the ABC Board, and the Housing Authority 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, the ABC Board, and the Housing Authority's investments are reported at fair value. Non-participating interest earning investment contracts are accounted for at cost. The NCCMT Government Portfolio, a SEC-registered (2a-7) external investment pool, is measured at amortized cost, which is the NCCMT's share price. The NCCMT-Term Portfolio's securities are valued at fair value.

## 2. Cash and Cash Equivalents

The Town pools money from several funds to facilitate disbursement and investment and to maximize investment income and consider all cash and investments to be cash and cash equivalents. The ABC Board and Housing Authority consider all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash and cash equivalents.

## 3. Restricted Assets

Powell Bill funds are classified as restricted cash because they can be expended only for the purposes outlined in G.S. 136-41.1 through 136-41.4. State authorized substance tax funds are classified as restricted cash because it can be expended only for activities to enhance the Town's police department's ability to deter and investigate crimes, especially drug offenses per G.S. 105-113.105 through 105-113.113.

### Town of Gibsonville Restricted Cash

#### Governmental Activities

General Fund	Transportation	\$ 146,110
	Public Safety	324,193
Total governmental activities		<u>\$ 470,303</u>

#### Business-type Activities

Water and sewer fund	Customer deposits	64,710
Gibsonville Housing Authority	Tenant deposits	4,850
	Reserve replacement	153,574
Total business-type activities		<u>\$ 223,134</u>
Total restricted cash		<u><u>\$ 693,437</u></u>

## 4. Ad Valorem Taxes Receivable

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 1<sup>st</sup>, the beginning of the fiscal year. The taxes are due on September 1<sup>st</sup> (lien date); however, interest does not accrue until the following January 6<sup>th</sup>. These taxes are based on the assessed values as of January 1, 2019.

## 5. Allowances for Doubtful Accounts

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.

## 6. Inventory and Prepaid Items

The inventories of the ABC Board are valued at lower of cost (first-in, first-out) or market. The Town's General Fund inventory consists of expendable supplies that are recorded as expenditures as used rather than when purchased.

The inventories of the ABC Board consist of materials and supplies held for subsequent use. The cost of these inventories is expensed when consumed rather than when purchased.

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

## 7. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are as follows: land, \$10,000; buildings, improvements, substations, lines and other plant and distribution systems, \$15,000; infrastructure, \$20,000; furniture and equipment, \$5,000; vehicles and motorized equipment, \$10,000. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets received prior to June 30, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 30, 2015 are recorded at acquisition value. General infrastructure assets acquired prior to July 1, 2003, consist of the road network and water and sewer system assets that were acquired or that received substantial improvements subsequent to July 1, 1980, and are reported at estimated historical cost using deflated replacement cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

Asset Class	Estimated Useful Lives
Infrastructure	30
Buildings	50
Improvements	25
Vehicles	5
Furniture and Equipment	5 to 15

Property and equipment of the ABC Board are depreciated over their useful lives on a straight-line basis as follows:

Asset Class	Estimated Useful Lives
Furniture and equipment	5 to 10

Property, plant, and equipment of the Gibsonville Housing Authority are depreciated over their useful lives on a straight-line basis as follows:

Asset Class	Estimated Useful Lives
Land improvements	15
Buildings	25
Furnishing and equipment	5-10

#### 8. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has one item that meets this criterion, pension deferrals for the 2020 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has four items that meet the criterion for this category - property taxes receivable, pension deferrals, unearned revenue and development fees.

#### 9. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discount. Bond issuance costs, except for prepaid insurance costs, are expensed in the reporting period in which they are incurred. Prepaid insurance costs are expensed over the life of the debt.

In fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of 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.

#### 10. Compensated Absences

The vacation policy of the Town provides for the accumulation of up to thirty days earned vacation leave with such leave being fully vested when earned. The vacation policy of the ABC Board does not allow the accumulation of vacation leave. The Town has assumed a first-in, first-out method of using accumulated compensated time. The portion that time is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

Both the Town and the ABC Board's sick leave policies provide 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 neither the Town

nor the ABC Board has any obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

## 11. Net Position/Fund Balances

### **Net Position**

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

### **Fund Balances**

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

The governmental fund types classify fund balances as follows:

**Nonspendable Fund Balance** – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

**Prepays** – portion of fund balance that is not available resource because it represents the year-end balance of prepaid expenses, which are not spendable resources.

**Perpetual maintenance** – Cemetery resources that are required to be retained in perpetuity for maintenance of the Town of Gibsonville Cemetery.

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

**Restricted for Stabilization by State statute** - North Carolina G.S. 159-8 prohibits units of government from budgeting or spending a portion of their fund balance. This is one of several statutes enacted by the North Carolina State Legislature in the 1930's that were designed to improve and maintain the fiscal health of local government units. Restricted by State statute (RSS), is calculated at the end of each fiscal year for all annually budgeted funds. The calculation in G.S. 159-8(a) provides a formula for determining what portion of fund balance is available for appropriation. The amount of fund balance not available for appropriation is what is known as "restricted by State statute". *Appropriated fund balance in any fund shall not exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts, as those figures stand at the close of the fiscal year next preceding the budget.* Per GASB guidance, RSS is considered a resource upon which a restriction is "imposed by law through constitutional provisions or enabling legislation." RSS is reduced by inventories and prepaids as they are classified as nonspendable. Outstanding Encumbrances are included within RSS. RSS is included as a component of Restricted Net position and Restricted fund balance on the face of the balance sheet.

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

Restricted for Public Safety – portion of fund balance that is restricted by revenue source for law enforcement activities expenditures.

Restricted for Cultural and Recreation – portion of fund balance that is restricted by revenue source for cultural and recreational expenditures.

Restricted for Reserve Account - portion of fund balance that is restricted by revenue source for a loan agreement.

Committed Fund Balance – portion of fund balance that can be used for specific purposes imposed by majority vote by quorum of the Town of Gibsonville’s governing body (highest level of decision-making authority). Any changes or removal of specific purpose requires majority action by the governing body.

Assigned Fund Balance – portion of fund balance that Town of Gibsonville intends to use for specific purposes.

Subsequent year’s expenditures – portion of fund balance that is appropriated in the next year’s budget that is not already classified in restricted or committed. The governing body approves the appropriation; however, the budget ordinance authorizes the Budget Officer to reallocate departmental appropriations among various projects of expenditures, as deemed necessary.

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

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

## 12. Defined Benefit Cost-Sharing Plan

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

For purposes of measuring the net pension expense, information about the fiduciary net position of the Firefighters’ and Rescue Squad Workers’ Pension Fund (FRSWPF) and additions to/deductions from FRSWPF’s fiduciary net position have been determined on the same basis as they are reported by FRSWPF. 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.

## **II. Detail Notes on All Funds**

### **A. Assets**

#### **1. Deposits**

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

At June 30, 2020, the Town's deposits had a carrying amount of \$2,407,486 and a bank balance of \$2,715,774. Of the bank balance, \$750,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. The carrying amount of deposits for the ABC Board was \$201,168 and the bank balance was \$186,723. All of the bank balance was covered by federal depository insurance. The carrying amount of deposits for the Housing Authority was \$206,371 and the bank balance was \$213,580. All of the bank balance was covered by federal depository insurance. At June 30, 2020 the Town's petty cash fund totaled \$465. The ABC Board had cash on hand in the amount of \$1,200. The carrying amount of deposits for the Agency Fund was \$25,964 and the bank balance was \$25,964.

#### **2. Investments**

At June 30, 2020, The Town's investment balances are as follows:

Investments by Type	Valuation Measurement Method	Book Value at 6/30/20	Maturity	Rating
NC Capital Management Trust- Government Portfolio	Fair Value Level 1	\$ 1,556,320	N/A	AAAm
NC Capital Management Trust- Term Portfolio	Fair Value Level 1	518,017	.15 years a	Unrated
Total:		\$ 2,074,337		

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.

a This is the duration for the Term Portfolio.

Interest Rate Risk. The Town has no formal investment policy regarding interest rate risk.

Credit risk. The Town has no formal policy regarding credit risk, but has internal management procedures that limits the Town's investments to the provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. The Town's investment in the NC Capital Management Trust Government Portfolio carried a credit rating of AAAM by Standard & Poor's as of June 30, 2020. The Town's investment in the NC Capital Management Trust Term Portfolio is unrated. The Term Portfolio is authorized to invest in obligations of the U.S. government and agencies, and in high grade money market instruments as permitted under North Carolina General Statutes 159-30 as amended.

### 3. Receivables – Allowances for Doubtful Accounts

The amounts presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2020 is net of the following allowances for doubtful accounts:

General Fund:	
Sanitation	\$ 7,016
Total General Fund	<u>7,016</u>
Enterprise Fund:	
Water and Sewer	151,099
Total enterprise Fund	<u>151,099</u>
Total	<u><u>\$ 158,115</u></u>

#### 4. Capital Assets

##### Primary Government

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

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Governmental activities:</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 934,818	\$ -	\$ -	\$ 934,818
Construction in progress	2,079,932	18,687	2,098,619	-
Total capital assets not being depreciated	3,014,750	18,687	2,098,619	934,818
<b>Capital assets being depreciated:</b>				
Buildings	1,922,822	60,944	-	1,983,766
Improvements	396,503	2,235,130	-	2,631,633
Infrastructure	603,140	-	-	603,140
Equipment	1,992,114	153,543	-	2,145,657
Vehicles	3,874,219	392,576	50,760	4,216,035
Total capital assets being depreciated	8,788,798	2,842,193	50,760	11,580,231
<b>Less accumulated depreciation for:</b>				
Buildings	1,318,159	58,033	-	1,376,192
Improvements	20,021	25,985	-	46,006
Infrastructure	122,912	21,900	-	144,812
Equipment	1,854,533	116,289	-	1,970,822
Vehicles	2,784,691	284,413	50,760	3,018,344
Total accumulated depreciation	6,100,316	506,620	50,760	6,556,176
Total capital assets being depreciated, net	2,688,482			5,024,055
<b>Governmental activity capital assets, net</b>	<b>\$ 5,703,232</b>			<b>\$ 5,958,873</b>

Depreciation expense was charged to functions/programs of the primary government as follows:

General government	\$ 24,582
Public safety	264,391
Transportation	8,331
Environmental protection	153,472
Recreational and cultural	55,844
Total depreciation expense	<u>\$ 506,620</u>

Activity for the Water and Sewer Fund for the year ended June 30, 2020, was as follows:

<b>Capital assets not being depreciated:</b>				
Land	\$ 18,591	\$ -	\$ -	\$ 18,591
Construction in progress	247,878	1,882,483	-	2,130,361
Total capital assets not being depreciated	266,469	1,882,483	-	2,148,952
<b>Capital assets being depreciated:</b>				
Buildings	129,875	-	-	129,875
Water and Sewer System	2,923,448	7,442	-	2,930,890
Equipment	454,167	16,144	-	470,311
Vehicles	60,347	24,467	-	84,814
Total capital assets being depreciated	3,567,837	48,053	-	3,615,890
<b>Less accumulated depreciation for:</b>				
Buildings	31,955	2,550	-	34,505
Water and Sewer System	1,991,182	43,908	-	2,035,090
Equipment	188,659	31,301	-	219,960
Vehicles	34,674	9,187	-	43,861
Total accumulated depreciation	2,246,470	86,946	-	2,333,416
Total capital assets being depreciated, net	1,321,367			1,282,474
<b>Business-type activity capital assets, net</b>	<b>\$ 1,587,836</b>			<b>\$ 3,431,426</b>

Activity for the Gibsonville Housing Authority for the year ended June 30, 2020, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Capital assets not being depreciated:</b>				
Land	\$ 12,687	\$ -	\$ -	\$ 12,687
Total capital assets not being depreciated	12,687	-	-	12,687
<b>Capital assets being depreciated:</b>				
Land Improvements	10,209	-	-	10,209
Buildings	884,053	-	-	884,053
Furniture and equipment	11,319	-	-	11,319
Total capital assets being depreciated	905,581	-	-	905,581
<b>Less accumulated depreciation for:</b>				
Land Improvements	10,119	90	-	10,209
Buildings	800,106	6,481	-	806,587
Furniture and equipment	11,319	-	-	11,319
Total accumulated depreciation	821,544	6,571	-	828,115
Total capital assets being depreciated, net	84,037			77,466
<b>Housing Authority Fund capital assets, net</b>	<b>\$ 96,724</b>			<b>\$ 90,153</b>
Total Enterprise Funds capital assets, net	<b>\$ 1,684,560</b>			<b>\$ 3,521,579</b>

## Construction Commitments

The government has active construction projects as of June 30, 2020. At year-end, the government's commitments with contractors are as follows:

Projects	Spent-to-date	Remaining Commitment
Sewer rehabilitation project	\$ 1,445,169	\$ 876,831
Waterline project	469,021	21,479
Highway 61 & Highway 70 Water & Sewer Extension project	216,173	125,827
	<u>\$ 2,130,363</u>	<u>\$ 1,024,137</u>

## Discretely presented component unit

Activity for the ABC Board for the year ended June 30, 2020, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Capital assets not being depreciated:</b>				
Land	\$ 20,000	\$ -	\$ -	\$ 20,000
Total capital assets not being depreciated	20,000	-	-	20,000
<b>Capital assets being depreciated:</b>				
Building	400,527	440,183	-	840,710
Store equipment and fixtures	40,704	63,999	23,603	81,100
Computer equipment	44,822	-	-	44,822
Total capital assets being depreciated	486,053	504,182	23,603	966,632
<b>Less accumulated depreciation for:</b>				
Building	19,400	15,913	-	35,313
Store equipment and fixtures	31,277	6,858	23,603	14,532
Computer equipment	26,078	4,055	-	30,133
Total accumulated depreciation	76,755	26,826	23,603	79,978
Total capital assets being depreciated, net	409,298			886,654
<b>ABC Board capital assets, net</b>	<u>\$ 429,298</u>			<u>\$ 906,654</u>

## B. Liabilities

### 1. Pension Plan and Postemployment Obligations

#### a. Local Governmental Employees' Retirement System

*Plan Description.* The Town of Gibsonville 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 post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

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

*Contributions.* Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Gibsonville 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 Gibsonville'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 Gibsonville were \$264,500 for the year ended June 30, 2020.

*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 \$1,274,248 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, the Town's proportion was .04666% which was an increase of .00019% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the Town recognized pension expense of \$558,876. At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 218,184	\$ -
Changes of assumptions	207,681	-
Net difference between projected and actual earnings on pension plan investments	31,081	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	9,104	32,628
Town contributions subsequent to the measurement date	264,500	-
Total	<u>\$ 730,550</u>	<u>\$ 32,628</u>

\$264,500 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net pension asset in the year ended June 30, 2021. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year ended June 30:**

2021	\$ 218,216
2022	62,683
2023	121,893
2024	30,630
2025	-

*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	3.5 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:

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

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

*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 asset to changes in the discount rate.* The following presents the Town's proportionate share of the net pension asset calculated using the discount rate of 7.00 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 (6.00%)</b>	<b>Discount Rate (7.00%)</b>	<b>1% Increase (8.00%)</b>
Town's proportionate share of the net pension liability (asset)	\$ 2,914,439	\$ 1,274,248	\$ (89,082)

*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

##### 1. *Plan Description.*

The Town of Gibsonville administers a public employee retirement system (the "Separation Allowance"), a single-employer defined benefit pension plan that provides retirement benefits to the Town's qualified sworn law enforcement officers under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have complete five or more years of creditable service. 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.

All full time law enforcement officers of the Town are covered by the Separation Allowance. At December 31, 2019, the Separation Allowance's membership consisted of:

Retirees receiving benefits	3
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>18</u>
Total	21

## *2. Summary of Significant Accounting Policies:*

*Basis of Accounting.* The Town has chosen to fund the Separation Allowance on a pay as you go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

The Separation Allowance has no assets accumulated in a trust that meets the following criteria which are outlined in GASB Statement 73.

## *3. Actuarial Assumptions.*

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

Inflation	2.5 percent
Salary increases	3.50 to 7.35 percent, including inflation and productivity factor
Discount rate	3.26 percent

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2019.

Mortality rates are based on the RP-2014 Mortality tables with adjustments for mortality improvements based on Scale AA.

## *4. 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. There were no contributions made by employees. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The Town paid \$6,328 in benefit payments during the fiscal year ended June 30, 2020.

## ***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 \$309,783. The total pension liability was measured as of December 31, 2019 based on a December 31, 2018 actuarial valuation. The total pension liability was rolled forward to December 31, 2019 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2020, the Town recognized pension expense of \$24,368.

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 76,383	\$ 34,961
Changes of assumption	17,102	9,891
Town benefit payments and plan administrative expense made subsequent to the measurement date	6,328	-
	<u>\$ 99,813</u>	<u>\$ 44,852</u>

\$6,328 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2021. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year Ended June 30**

2021	\$ 5,562
2022	5,562
2023	8,788
2024	14,604
2025	14,117
Thereafter	-

*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:

	1% Decrease 2.26%	Discount Rate 3.26%	1% Increase 4.26%
Total Pension Liability	\$ 344,447	\$ 309,783	\$ 278,622

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

	2020
Beginning Balance	\$ 186,367
Service Cost	24,118
Interest on the total pension liability	6,568
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	92,363
Changes of assumptions or other inputs	12,239
Benefit payments	(11,872)
Other changes	-
Ending balance of the total pension liability	<u>\$ 309,783</u>

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.

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

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

	LGERS	LEOSSA	Total
Pension Expense	\$ 558,876	\$ 24,368	\$ 583,244
Pension Liability	1,274,248	309,783	1,584,031
Proportionate share of the net pension liability	0.04666%	n/a	
Deferred of Outflows of Resources			
Differences between expected and actual experience	218,184	76,383	294,567
Changes of assumptions	207,681	17,102	224,783
Net difference between projected and actual earnings on plan investments	31,081	-	31,081
Changes in proportion and differences between contributions and proportionate share of contributions	9,104	-	9,104
Benefit payments and administrative costs paid subsequent to the measurement date	264,500	6,328	270,828
Deferred of Inflows of Resources			
Differences between expected and actual experience	-	34,961	34,961
Changes of assumptions	-	9,891	9,891
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	32,628	-	32,628

c. Supplemental Retirement Income Plan for Law Enforcement Officers and All Other Full-Time Employees

*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 and employees not engaged in law enforcement 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 and all other employees not engaged in law enforcement. 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 and employee'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 \$58,746, which consisted of \$41,836 from the Town and \$16,910 from the law enforcement officers.

The Town has also elected to have all of its other employees who are members of the Local Governmental Employees' Retirement System participate in the Supplemental Retirement Income Plan. The Town contributes five percent of each general employee's salary, and employees may make voluntary contributions to the plan. Contributions for general employees for the year ended June 30, 2020 were \$172,028, which consisted of \$126,723 from the Town and \$45,305 from the employees.

d. Firefighter's and Rescue Squad Workers' Pension Fund

*Plan Description.* The State of North Carolina contributes, on behalf of the Town of Gibsonville, to the Firefighter's and Rescue Squad Workers' Pension Fund (FRSWPF), a cost-sharing multiple-employer defined benefit pension plan with a special funding situation administered by the State North Carolina. The Fund provides pension benefits for eligible fire and rescue squad workers that have elected to become members of the fund. Article 86 of G.S. Chapter 58 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 Firefighter's and Rescue Squad Workers' Pension Fund is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for the Firefighter's and Rescue Squad Workers' Pension Fund. 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.* FRSWPF provides retirement and survivor benefits. The present retirement benefit is \$170 per month. Plan members are eligible to receive the monthly benefit at age 55 with 20 years of creditable service as a firefighter or rescue squad worker, and have terminated duties as a firefighter or rescue squad worker. Eligible beneficiaries of members who die before beginning to receive the benefit will receive the amount paid by the member and contributions paid on the member's behalf into the plan. Eligible beneficiaries of members who die after beginning to receive benefits will be paid the amount the member contributed minus the benefits collected.

*Contributions.* Plan members are required to contribute \$10 per month to the Fund. The State, a non-employer contributor, funds the plan through appropriations. The Town has elected to contribute the required \$10 per month to the Fund on behalf of each plan member. Total contributions from the Town for the year ended June 30, 2020 were \$1,200. Contribution provisions are established by General Statue 58-86 and may be amended only by the North Carolina General Assembly. For the fiscal year ending June 30, 2019, the State contributed \$18,302,000 to the plan. The Town of Gibsonville's proportionate share of the State's contribution is \$9,245.

*Refunds of Contributions.* Plan members who are no longer eligible or choose not to participate in the plan may file an application for a refund of their contributions. Refunds include the member's contributions and contributions paid by others on the member's behalf. No interest will be paid on the amount of the refund. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by FRSWPF.

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

At June 30, 2020, the Town reported no liability for its proportionate share of the net pension liability, as the State provides 100% pension support to the Town through its appropriations to the FRSWPF. The

total portion of the net pension liability that was associated with the Town and supported by the State was \$7,465. 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 contributions to the pension plan relative to the projected contributions of all participating employers. As the Town is not projected to make any future contributions to the plan, its proportionate share at June 30, 2020 was 0%.

For the year ended June 30, 2020, the Town recognized pension expense of \$4,867 and revenue of \$4,867 for support provided by the State. At June 30, 2020, the Town reported no deferred outflows of resources and no deferred inflows of resources related to pensions.

*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	Not applicable
Investment rate of return	7.20 percent, net of pension plan investment expense, including inflation

For more information regarding actuarial assumptions, including mortality tables, the actuarial experience study, the consideration of future ad hoc COLA amounts, the development of the projected long-term investment returns, and the asset allocation policy, refer to the discussion of actuarial assumptions for the LGERS plan in Section a. of this note.

*Discount rate.* The discount rate used to measure the total pension liability was 7.20%. 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.

*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.

#### e. Other Postemployment Benefit

##### Healthcare Benefits

*Plan Description.* Under the terms of a Town resolution, the Town administers a single-employer defined benefit Healthcare Benefits Plan (the HCB Plan). The Town Board has the authority to establish and amend the benefit terms and financing requirements. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

*Benefits Provided.* This plan provides postemployment healthcare benefits to retirees of the Town, provided they retired under the provisions of the North Carolina Local Government Employees'

Retirement System (NCLGERS) and have at least fifteen (15) years of service with the Town at retirement are eligible to received partial reimbursement for health insurance from the Town. A retired, former employee who is not receiving Medicare benefits is entitled to receive:

- For employees hired prior to January 1, 2011: former employee who retires completing at least 15 years of service with the Town is eligible to receive reimbursement not to exceed 50% of the premium expense the Town pays for a current employee's premium.
- For employees hired after January 1, 2011 and after: former employee who retires completing at least 15 years of service with the Town is eligible to receive reimbursement not to exceed 20% of the premium expense the Town pays for a current employee's premium.
- For employees hired after January 1, 2011 and after: former employee who retires completing at least 20 years of service with the Town is eligible to receive reimbursement not to exceed 35% of the premium expense the Town pays for a current employee's premium.
- For employees hired after January 1, 2011 and after: former employee who retires completing at least 25 years of service with the Town is eligible to receive reimbursement not to exceed 50% of the premium expense the Town pays for a current employee's premium.

A separate report was not issued for the plan.

Membership of the HCB Plan consisted of the following at December 31, 2019, the date of the latest actuarial valuation:

	General Employees	Law Enforcement Officers
Retirees and dependents receiving benefits	3	-
Terminated plan members entitled to but not yet receiving benefits	-	-
Active plan members	36	17
Total	39	17

### ***Total OPEB Liability***

The Town's total OPEB liability of \$663,332 was measured as of December 31, 2019 and was determined by an actuarial valuation as of that date.

*Actuarial assumptions and other inputs.* The total OPEB liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.5 percent
Salary increases	3.50-7.75 percent, average, including inflation
Discount rate	3.50 percent
Healthcare cost trend rates	Pre-Medicare - 7.25% for 2018 decreasing to an ultimate rate of 4.75% by 2028

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of the measurement date.

***Changes in the Total OPEB Liability***

	<b>Total OPEB Liability</b>
<b>Balance at July 1, 2019</b>	\$ 594,264
<b>Changes for the year</b>	
Service cost	50,807
Interest	22,548
Changes of benefit terms	-
Differences between expected and actual experience	(2,063)
Changes in assumptions or other inputs	27,314
Benefit payments	(29,538)
Net changes	<u>69,068</u>
<b>Balance at 6/30/2020</b>	<u><u>\$ 663,332</u></u>

Changes in assumptions and other inputs reflect a change in the discount rate from 3.89% to 3.50%. Mortality rates were based on the RP-2014 Total Data Set for Healthy Annuitants Mortality Table.

The actuarial assumptions used in the December 31, 2019 valuation were based on the results of an actuarial experience study for the period January 2010 through December 2014.

*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:

	1% Decrease	Discount Rate (3.50%)	1% Increase
Total OPEB liability	\$ 739,507	\$ 663,332	\$ 595,827

*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:

	1% decrease	Current	1% increase
Total OPEB liability	\$ 566,292	\$ 663,332	\$ 782,999

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

For the year ended June 30, 2020, the Town recognized OPEB expense of \$38,695. At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 39,168
Changes of assumptions	32,088	20,379
Benefit payments and administrative costs made subsequent to the measurement date	-	-
Total	<u>\$ 32,088</u>	<u>\$ 59,547</u>

\$0 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2021. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year ended June 30:**

2021	\$ (5,122)
2022	(5,122)
2023	(5,122)
2024	(5,122)
2025	(5,122)
Thereafter	(1,849)

**2. Other Employment Benefits**

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

### 3. Deferred Outflows and Inflows of Resources

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

Source	Amount
Benefit payment and administrative expenses for LEOSSA made subsequent to measurement date	\$ 6,328
Benefit payment and administrative expenses for OPEB made subsequent to measurement date	-
Differences between expected and actual experience	294,567
Changes of assumptions	256,872
Net difference between projected and actual	31,081
Changes in proportion and differences between employer contributions and proportionate share of contributions	9,104
Employer contributions subsequent to measurement date	264,500
Total	<u>\$ 862,452</u>

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

	Statement of Net Position	General Fund Balance Sheet
Taxes Receivable, less penalties (General Fund)	\$ -	\$ 124,703
Unearned revenues	3,506	2,340
Development fees	196,000	-
Changes in assumptions	30,270	-
Differences between expected and actual experience	74,129	-
Changes in proportion and differences between employer contributions and proportionate share	32,629	-
Total	<u>\$ 336,534</u>	<u>\$ 127,043</u>

### 4. 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 three self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability and auto liability coverage of \$1 million per occurrence, property coverage up to the total insured values of the property policy, workers' compensation coverage up to statutory limits, and employee health coverage. The liability and property exposures are reinsured through commercial carriers for claims in excess of retentions as selected by the Board of Trustees each year. Excess insurance coverage is purchased by the Board of Trustees to protect against large workers' compensation claims that exceed certain dollar cost levels. Medical 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 limits of the reinsurance, excess and 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. The pools are audited annually by certified public accountants, and the audited financial statements are available to the Town upon request.

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 has made the decision not to purchase flood insurance at this time. The Town does not deem the risk of flooding to outweigh the costs of insurance.

In accordance with G.S. 159-29, the Town's employees that have access to \$100 or more at any given time of the Town's funds are performance bonded through a commercial surety bond. The finance officer is individually bonded for \$50,000 as of June 30, 2020. The Town Clerk, Utility billing specialist, and tax collector are individually bonded for \$10,000 each as well.

The Gibsonville Housing Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Housing Authority maintains \$1,200,000 of property insurance coverage on its buildings. Claims have not exceeded coverage in any of the past three fiscal years and there have been no significant reductions in insurance coverage in the prior year.

## 5. Long-term Obligations

### a. Installment Purchase

In October 2015, the Town entered into a \$283,000 installment purchase agreement with an interest rate of 1.78 percent to finance a 2015 Autocar Garbage Truck. The financing contract required five annual payments of \$59,006 beginning January 2016. The Town paid the loan off during the June 30, 2020 year.

b. USDA Loan

In December 2017, the Town entered into a loan for \$1,170,355 with an interest rate of 3.125 percent to pay off interim financing for the construction of a community center. The loan requires yearly payments of \$51,671 beginning in December 2018.

Annual debt service requirements to maturity for the loan agreement are as follows:

Year Ending June 30	Principal	Interest
2021	\$ 16,056	\$ 35,615
2022	16,557	35,114
2023	17,075	34,596
2024	17,609	34,062
2025	18,159	33,512
2026-2030	99,669	158,686
2031-2035	116,246	142,109
2036-2040	135,848	122,507
2041-2045	158,132	100,223
2046-2050	184,433	73,922
2051-2055	215,109	43,246
2056-2058	142,736	9,403
	<u>\$ 1,137,629</u>	<u>\$ 822,995</u>

c. USDA Loan

In December 2017, the Town entered into a loan for \$202,000 with an interest rate of 2.875 percent to pay off interim financing for the construction of a community center. The loan requires yearly payments of \$8,565 beginning in December 2018.

Year Ending June 30	Principal	Interest
2021	\$ 2,918	\$ 5,647
2022	3,002	5,563
2023	3,089	5,476
2024	3,177	5,388
2025	3,269	5,296
2026-2030	17,808	25,017
2031-2035	20,521	22,304
2036-2040	23,645	19,180
2041-2045	27,243	15,582
2046-2050	31,392	11,433
2051-2055	36,172	6,653
2056-2058	24,170	1,401
	<u>\$ 196,406</u>	<u>\$ 128,940</u>

d. ARRA Loan

In April 2010, the Town entered into a \$122,596 Federal Revolving Loan to finance water improvements. As part of the American Recovery and Reinvestment Act of 2009 (ARRA), the unpaid principal sum was immediately reduced by one half of the loan amount as "Principal Forgiveness". Interest will accrue at the rate of zero percent on the unpaid principal sum from the Drinking Water State Revolving Fund. The loan requires the remaining principal sum of \$61,298 to be repaid in twenty annual installments from the Water and Sewer Fund of \$3,065 beginning in May 2011.

Annual debt service requirements to maturity for the loan agreement are as follows:

Year Ending June 30	Principal	Interest
2021	\$ 3,065	\$ -
2022	3,065	-
2023	3,065	-
2024	3,065	-
2025	3,065	-
2026-2030	15,324	-
	<u>\$ 30,649</u>	<u>\$ -</u>

e. Installment Purchase

In June 2019, the Town entered into a \$586,083 direct placement contract to finance the purchase of a fire truck. The vehicle is pledged as collateral for the debt while the debt is outstanding. The financing contract requires annual principal payments beginning in fiscal year 2020 with an interest rate of 2.69%.

Annual debt service requirements to maturity for the loan agreement are as follows:

Year Ending June 30	Principal	Interest
2021	\$ 78,558	\$ 13,564
2022	80,672	11,450
2023	82,842	9,280
2024	85,070	7,052
2025	87,359	4,763
2026	89,708	2,412
	<u>\$ 504,209</u>	<u>\$ 48,521</u>

f. Installment Purchase

In October 2018, the Town entered into a \$205,000 direct placement contract to finance the purchase of a vehicles and equipment for the general fund and water and sewer fund. The vehicles and equipment are pledged as collateral for the debt while the debt is outstanding. The financing contract requires annual principal payments beginning in fiscal year 2020 with an interest rate of 3.22%.

Annual debt service requirements to maturity for the loan agreement are as follows:

Year Ending June 30	Principal	Interest
2021	\$ 50,898	\$ 3,246
2022	49,901	1,607
	<u>\$ 100,799</u>	<u>\$ 4,853</u>

g. NC Environmental Quality Loan

In April, 2020, the Town entered into North Carolina Drinking Water State Revolving Fund loan in the amount of \$649,550 to finance the construction of a waterline. The loan requires annual payments of \$32,478. The financing contract requires annual principal payments beginning in fiscal year 2021 with an interest rate of 1.53%. As of June 30, 2020, the Town had received \$414,859 in loan proceeds.

Annual debt service requirements to maturity for the loan agreement are as follows:

Year Ending June 30	Principal	Interest
2021	\$ 32,478	\$ 8,196
2022	32,478	9,442
2023	32,478	8,944
2024	32,478	8,448
2025	32,478	7,950
2026-2030	162,390	32,298
2031-2035	162,390	19,878
2036-2040	162,380	7,452
	<u>\$ 649,550</u>	<u>\$ 102,608</u>

h. Interim Financing and USDA Loan

In August, 2019, the Town entered into a loan for \$2,272,000 with an interest rate of 2.51 percent to pay interim financing for sewer rehabilitation. The loan requires repayment by August 2020. The project was subsequently refinanced in October, 2020 by a USDA loan in the amount of \$2,272,000 at an interest rate of 1.875% with annual payments until June 2060 and is presented in these financial statements in this manner. As of June 30, 2020, the Town had expended \$1,251,646 on the project and received loan proceeds of \$1,403,122.

Annual debt service requirements to maturity for the loan agreement are as follows:

Year Ending June 30	Principal	Interest
2021	\$ 40,000	\$ 33,496
2022	40,000	41,850
2023	40,000	41,100
2024	41,000	40,350
2025	42,000	39,581
2026-2030	220,000	185,906
2031-2035	241,000	164,456
2036-2040	265,000	141,000
2041-2045	290,000	115,219
2046-2050	320,000	86,906
2051-2055	351,000	55,781
2056-2060	382,000	21,695
	<u>\$ 2,272,000</u>	<u>\$ 967,340</u>

i. USDA Loan – Gibsonville Housing Authority

In March 1981, the Gibsonville Housing Authority entered into a \$614,400 installment purchase agreement with the USDA to finance the construction of a 25-unit apartment community located in Gibsonville, North Carolina. The financing agreement is secured by the buildings and equipment that makes up the Authority. The stated rate of the loan is 11.5 percent; however due to a reduction of the interest rate, the effective rate of the loan is 1% per annum. These payments are serviced by the Gibsonville Housing Authority.

Annual debt service requirements to maturity for the loan agreement are as follows:

Year Ending June 30	Principal	Interest
2021	\$ 14,447	\$ 1,453
2022	14,580	1,320
2023	14,713	1,187
2024	14,846	1,054
2025	14,979	921
2026-2030	76,890	2,610
2031	4,597	709
	<u>\$ 155,052</u>	<u>\$ 9,254</u>

j. Changes in Long-Term Liabilities

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

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion of Balance
Governmental activities:					
Direct placement installment purchase	\$ 671,799	\$ -	\$ 149,208	\$ 522,591	\$ 87,966
USDA loans	1,353,471	-	19,436	1,334,035	18,973
Compensated absences	182,189	13,850	-	196,039	-
Total OPEB liability	552,666	56,543	-	609,209	-
Net pension liability (LEOSSA)	186,367	123,416	-	309,783	-
Net pension liability (LGERs)	1,020,849	158,676	-	1,179,525	-
Governmental activity long-term liabilities	<u>\$ 3,967,341</u>	<u>\$ 352,485</u>	<u>\$ 168,644</u>	<u>\$ 4,151,182</u>	<u>\$ 106,939</u>

Business-type activities:

Water and Sewer Fund

Direct placement installment purchase	\$ 122,367	\$ -	\$ 39,950	\$ 82,417	\$ 41,491
ARRA loan	33,714	-	3,065	30,649	3,065
USDA loan - interim	-	1,403,122	-	1,403,122	40,000
NC Environmental Quality Loan	-	414,859	-	414,859	32,478
Compensated absences	12,257	1,259	-	13,516	5,406
Total OPEB liability	41,598	12,525	-	54,123	-
Net pension liability (LGERs)	81,578	13,144	-	94,722	-
Water and Sewer Fund long-term liabilities	<u>291,514</u>	<u>1,844,909</u>	<u>43,015</u>	<u>2,093,408</u>	<u>122,440</u>

Gibsonville Housing Authority

USDA loan	166,994	-	11,942	155,052	14,447
Business-type activity long-term liabilities	<u>\$ 458,508</u>	<u>\$ -</u>	<u>\$ 54,957</u>	<u>\$ 2,248,460</u>	<u>\$ 136,887</u>

At June 30, 2020, the Town of Gibsonville had a legal debt margin of \$51,825,634.

### C. Interfund Balances and Activity

The interfund balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Transfers to/from other funds at June 30, 2020 consist of the following:

From the Perpetual Care Fund to the General Fund- reimbursement for services provided:	\$ 2,700
From the Sewer Rehabilitation Capital Project to the General Fund- reimbursement of funds previously transferred:	359,500
From the Community Center Capital Project to the General Fund-to close the project:	<u>12,568</u>
	<u>\$ 374,768</u>
From the Water & Sewer Fund to the Highway 61 & Highway 70 Water and Sewer Extension Capital Projects Fund-to fund the project:	<u>\$ 216,173</u>

Transfers are made to move unrestricted revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided matching funds for various grant programs.

### D. Net Investment in Capital Assets

	<u>Governmental</u>	<u>Business-type</u>
Capital assets	\$ 5,958,873	\$ 3,521,579
Less: long-term debt	<u>1,856,626</u>	<u>2,086,099</u>
Net investment in capital assets	<u>\$ 4,102,247</u>	<u>\$ 1,435,480</u>

#### E. Fund Balance

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

Total fund balance - General Fund	\$ 2,867,437
Less:	
Prepays	24,894
Stabilization by State Statute	494,019
Streets - Powell Bill	146,110
Cultural and recreation	-
Public safety	159,867
Reserve account	6,025
Appropriated fund balance in 2020-2021 budget	410,833
Remaining Fund Balance	1,625,689

#### III. Jointly Governed Organizations

The Town, in conjunction with twelve counties and sixty municipalities established the Piedmont Triad Regional Council. The participating governments established the Council to coordinate various funding received from federal and State agencies. Each participating government appoints one member to the Council's governing board. The Town paid membership fees of \$1,525 to the Council during the fiscal year ended June 30, 2020.

#### IV. Commitments

The Town has an agreement with another municipality for the purchase of water and for wastewater treatment. The cost is approximately \$2,500,000 per year.

#### V. Summary Disclosure of Significant Contingencies

##### Federal and State Assisted Programs

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

#### VI. Subsequent Events

Subsequent events have been evaluated through January 29, 2021, which is the date the financial statements were available to be issued.

Required Supplementary Financial Data

Town of Gibsonville, North Carolina  
Town of Gibsonville's Proportionate Share of Net Pension Liability (Asset)  
Required Supplementary Information  
Last Seven Fiscal Years\*

Local Governmental Employees' Retirement System

	2020	2019	2018	2017	2016	2015	2014
Gibsonville's proportion of the net pension liability (asset) (%)	0.04666%	0.04647%	0.04159%	0.04%	0.04%	-0.04%	0.04%
Gibsonville's proportion of the net pension liability (asset) (\$)	\$ 1,274,248	\$ 1,102,427	\$ 635,380	\$ 909,845	\$ 180,415	\$ (226,286)	\$ 459,251
Gibsonville's covered-employee payroll	\$ 2,784,165	\$ 2,609,355	\$ 2,304,233	\$ 2,188,586	\$ 1,921,014	\$ 1,894,380	\$ 2,073,158
Gibsonville's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	45.77%	42.25%	27.57%	41.57%	9.39%	-11.95%	22.15%
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.

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

Town of Gibsonville, North Carolina  
Town of Gibsonville's Contributions  
Required Supplementary Information  
Last Seven Fiscal Years

Local Governmental Employees' Retirement System

	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 264,500	\$ 223,913	\$ 201,533	\$ 174,069	\$ 150,934	\$ 137,851	\$ 135,185
Contributions in relation to the contractually required contribution	264,500	223,913	201,533	174,069	150,934	137,851	135,185
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Gibsonville's covered-employee payroll	\$ 2,860,993	\$ 2,784,165	\$ 2,609,355	\$ 2,304,233	\$ 2,188,586	\$ 1,921,014	\$ 1,894,380
Contributions as a percentage of covered-employee payroll	9.25%	8.04%	7.72%	7.55%	6.90%	7.18%	7.14%

Town of Gibsonville, North Carolina  
Town of Gibsonville's Proportionate Share of Net Pension Liability (Asset)  
Required Supplementary Information  
Last Six Fiscal Years\*

Firefighters and Rescue Squad Workers' Pension

	2020	2019	2018	2017	2016	2015
Gibsonville's proportion of the net pension liability (asset) (%)	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%
Gibsonville's proportion of the net pension liability (asset) (\$)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability associated with the Town of Gibsonville	9,245	12,785	20,573	22,076	26,974	20,768
	<u>\$ 9,245</u>	<u>\$ 12,785</u>	<u>\$ 20,573</u>	<u>\$ 22,076</u>	<u>\$ 26,974</u>	<u>\$ 20,768</u>
Gibsonville's covered-employee payroll	\$ 454,281	\$ 450,543	\$ 430,129	\$ 347,374	\$ 315,440	\$ 255,791
Gibsonville's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	2.04%	2.84%	4.78%	6.36%	8.55%	8.12%
Plan fiduciary net position as a percentage of the total pension liability**	92.58%	89.69%	89.35%	84.94%	91.40%	93.42%

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

Town of Gibsonville, North Carolina  
Schedule of Changes in Total Pension Liability  
Law Enforcement Officers' Special Separation Allowance  
June 30, 2020

	2020	2019	2018	2017
Beginning balance	\$ 186,367	\$ 196,811	\$ 241,863	\$ 246,456
Service Cost	24,118	21,790	13,224	18,587
Interest on the total pension liability	6,568	5,968	8,872	8,370
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience in the measurement of the total pension liability	92,363	(11,461)	(57,885)	-
Changes of assumptions or other inputs	12,239	(10,817)	14,765	(7,522)
Benefit payments	(11,872)	(15,924)	(24,028)	(24,028)
Other changes	-	-	-	-
Ending balance of the total pension liability	<u>\$ 309,783</u>	<u>\$ 186,367</u>	<u>\$ 196,811</u>	<u>\$ 241,863</u>

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

Town of Gibsonville, North Carolina  
Schedule of Total Pension Liability as a Percentage of Covered Payroll  
Law Enforcement Officers' Special Separation Allowance  
June 30, 2020

	2020	2019	2018	2017
Total pension liability	\$ 309,783	\$ 186,367	\$ 196,811	\$ 241,863
Covered payroll	991,169	859,901	701,838	737,986
Total pension liability as a percentage of covered payroll	31.25%	21.67%	28.04%	32.77%

Notes to the schedules:

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

Town of Gibsonville, North Carolina  
Schedule of Changes in the Total OPEB Liability and Related Ratios  
June 30, 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>Total OPEB Liability</b>			
Service Cost	\$ 50,807	\$ 39,696	\$ 42,544
Interest	22,548	20,805	17,541
Changes of benefit terms	-	-	-
Differences between expected and actual experience	(2,063)	(46,446)	(1,314)
Changes of assumptions	27,314	9,811	(31,617)
Benefit payments	<u>(29,538)</u>	<u>(27,790)</u>	<u>(23,318)</u>
Net change in total OPEB liability	69,068	(3,924)	3,836
Total OPEB liability - beginning	594,264	598,188	594,351
Total OPEB liability - ending	<u><u>\$ 663,332</u></u>	<u><u>\$ 594,264</u></u>	<u><u>\$ 598,187</u></u>
 <b>Covered payroll</b>	 \$ 2,366,655	 \$ 2,366,655	 \$ 2,047,220
<b>Total OPEB liability as a percentage of covered payroll</b>	28.03%	25.11%	29.22%

**Notes to schedule:**

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

<u>Fiscal Year</u>	<u>Rate</u>
2020	3.50%
2019	3.89%
2018	3.56%

## Individual Fund Schedules

Town of Gibsonville, North Carolina  
General Fund  
Schedule of Revenues, Expenditures, and  
Changes in Fund Balance - Budget and Actual  
For the Year Ended June 30, 2020

	Budget	Actual	Variance Positive (Negative)
<b>Revenues:</b>			
Ad valorem taxes:			
Taxes	\$ 3,353,150	\$ 3,437,416	\$
Interest	12,000	99	
Total	<u>3,365,150</u>	<u>3,437,515</u>	<u>72,365</u>
Unrestricted intergovernmental:			
Local option sales taxes	1,409,500	1,496,490	
Utilities franchise tax	400,000	398,218	
Beer and wine tax	30,000	31,307	
Total	<u>1,839,500</u>	<u>1,926,015</u>	<u>86,515</u>
Restricted intergovernmental:			
Powell Bill allocation	192,000	192,641	
Controlled substance tax	-	-	
Solid waste disposal tax	4,600	5,523	
Federal drug proceeds	-	98,932	
State drug proceeds	-	4,805	
Police department grant	24,490	24,490	
Alamance County grant	-	55,706	
Library State Aid grant	5,150	5,150	
Guilford County Fire District tax	14,400	22,615	
Total	<u>240,640</u>	<u>409,862</u>	<u>169,222</u>
Permits and fees:			
Court facilities fees	-	3,201	
Code enforcement	8,000	10,650	
Development fees	-	-	
Total	<u>8,000</u>	<u>13,851</u>	<u>5,851</u>
Sales and services:			
Recreation Department fees	82,000	57,059	
Library fees	57,500	59,405	
Sanitation fees	306,000	314,215	
Brush pickup fees	2,000	3,825	
Stormwater fees	32,000	33,105	
Cemetery fees	10,000	22,055	
Total	<u>489,500</u>	<u>489,664</u>	<u>164</u>
Investment earnings	<u>8,000</u>	<u>29,196</u>	<u>21,196</u>
Miscellaneous:	<u>41,416</u>	<u>41,035</u>	<u>(381)</u>
Total revenues	<u>5,992,206</u>	<u>6,347,138</u>	<u>354,932</u>

cont.

Town of Gibsonville, North Carolina  
General Fund  
Schedule of Revenues, Expenditures, and  
Changes in Fund Balance - Budget and Actual  
For the Year Ended June 30, 2020

	Budget	Actual	Variance Positive (Negative)
<b>Expenditures:</b>			
General government:			
Governing body:			
Salaries and benefits		18,516	
Professional services		30,257	
Membership dues		11,582	
Operating expenses		5,806	
Total	68,346	66,161	2,185
Administration:			
Salaries and employee benefits		641,846	
Other operating expenditures		439,029	
Capital outlay		121,125	
Total	1,238,474	1,202,000	36,474
Elections:			
Operating expenditures	-	-	-
Total	-	-	-
Total General Government	1,306,820	1,268,161	38,659
Public safety:			
Police department:			
Salaries and employee benefits		1,386,240	
Vehicle Maintenance		15,384	
Operating Expenditures		318,422	
Capital outlay		317,135	
Total	2,124,065	2,037,181	86,884
Fire:			
Salaries and employee benefits		730,933	
Vehicle Maintenance		3,730	
Operating expenditures		121,761	
Capital outlay		96,264	
Total	1,072,619	952,688	119,931
Total public safety	3,196,684	2,989,869	206,815
Transportation:			
Garage:			
Salaries and employee benefits		-	
Other operating expenditures		-	
Capital Outlay		-	
Total	-	-	-

cont.

Town of Gibsonville, North Carolina  
General Fund  
Schedule of Revenues, Expenditures, and  
Changes in Fund Balance - Budget and Actual  
For the Year Ended June 30, 2020

	Budget	Actual	Variance Positive (Negative)
Streets and highways:			
Salaries and employee benefits		632,105	
Vehicle Maintenance		31,312	
Other operating expenditures		412,083	
Capital outlay		163,769	
Total	1,367,714	1,239,269	128,445
Powell Bill:			
Sidewalk Construction		4,617	
Maintenance		85,463	
Other Operating Expenditures		44,192	
Capital Outlay		6,500	
Total	144,765	140,772	3,993
Total transportation	1,512,479	1,380,041	132,438
Culture and Recreation:			
Parks and Recreation			
Salaries and Employee Benefits		361,013	
Vehicle Maintenance		26	
Contracted Services		18,193	
Operating Expenditures		156,524	
Capital Outlay		38,781	
Total	614,265	574,537	39,728
Libraries:			
Salaries and employee benefits		138,424	
Operating expenditures		37,629	
Capital Outlay		-	
Total	181,915	176,053	5,862
Total Culture and Recreation	796,180	750,590	45,590
Environmental protection:			
Sanitation:			
Salaries and employee benefits		-	
Vehicle Maintenance		-	
Contracted services		-	
Operating expenditures		-	
Total	-	-	-
Cemetery:			
Operating Expenditures		14,661	
Total	17,500	14,661	2,839
Total Environmental Protection	17,500	14,661	2,839

cont.

Town of Gibsonville, North Carolina  
General Fund  
Schedule of Revenues, Expenditures, and  
Changes in Fund Balance - Budget and Actual  
For the Year Ended June 30, 2020

	Budget	Actual	Variance Positive (Negative)
Debt service:			
Principal retirement	169,000	168,644	
Interest and other charges	54,500	54,012	
Total debt service	<u>223,500</u>	<u>222,656</u>	<u>844</u>
Contingency	-	-	-
Total expenditures	<u>7,053,163</u>	<u>6,625,978</u>	<u>427,185</u>
Revenues over (under) expenditures	<u>(1,060,957)</u>	<u>(278,840)</u>	<u>782,117</u>
Other financing sources (uses):			
Transfers from other funds:			
Cemetery Perpetual Care Fund	-	2,700	2,700
Water Sewer	-	-	-
Transfers from other funds:			
Waterline Capital Project Fund	-	-	-
Sewer Rehabilitation Capital Project Fund	359,500	359,500	-
Community Center Project	12,568	12,568	-
Installment purchase obligation issued	-	-	-
Proceeds from sale of capital assets	<u>10,000</u>	<u>11,117</u>	<u>1,117</u>
Total other financing sources (uses)	<u>382,068</u>	<u>385,885</u>	<u>3,817</u>
Fund balance appropriated	678,889	-	(678,889)
Net change in fund balance	<u>\$ -</u>	<u>107,045</u>	<u>\$ 107,045</u>
Fund balances, beginning		<u>2,760,392</u>	
Fund balances, ending		<u>\$ 2,867,437</u>	

Town of Gibsonville, North Carolina  
Schedule of Revenues, Expenditures, and Changes in Fund Balance  
Capital Project Fund - Community Center Capital Project  
From Inception and For the Fiscal Year Ended June 30, 2020

	Project Author - ization	Prior Year	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Investment earnings	\$ -	\$ 122	\$ -	\$ 122	\$ 122
Total revenues	-	122	-	122	122
Expenditures:					
Construction	1,786,000	1,859,042	-	1,859,042	(73,042)
Furnishings	10,000	6,978	-	6,978	3,022
Legal Fees	-	7,628	-	7,628	(7,628)
Equipment	100,000	15,312	18,687	33,999	66,001
Interest	40,000	33,960	-	33,960	6,040
Project contingency	84,000	-	-	-	84,000
Engineering	133,000	158,570	-	158,570	(25,570)
Total expenditures	2,153,000	2,081,490	18,687	2,100,177	52,823
Other financing sources (uses)					
Loan proceeds (interim, USDA refinance, and adjustments)	1,415,000	1,372,355	-	1,372,355	(42,645)
Transfer in from General Fund	738,000	740,268	-	740,268	2,268
Transfer to the General Fund	-	-	(12,568)	(12,568)	(12,568)
Total other financing sources (uses)	2,153,000	2,112,623	(12,568)	2,100,055	(52,945)
Revenues over (under) expenditures	\$ -	\$ 31,255	(31,255)	\$ -	\$ -
Fund balance, beginning			31,255		
Fund balance, ending			\$ -		

**Town of Gibsonville, North Carolina**  
**Balance Sheet**  
**Nonmajor Governmental Fund - Cemetery Perpetual Care Fund**  
**For the Year Ended June 30, 2020**

**ASSETS**

Cash and cash equivalents	<u>\$ 74,756</u>
Total Assets	<u><u>74,756</u></u>

**LIABILITIES AND FUND BALANCES**

Liabilities:	
Due to other fund	\$ -
Fund balances:	
Nonspendable - Perpetual Maintenance	<u>74,756</u>
Total Liabilities and fund balances	<u><u>\$ 74,756</u></u>

**Town of Gibsonville, North Carolina**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Nonmajor Governmental Fund - Cemetery Perpetual Care Fund**  
**For the Year Ended June 30, 2020**

<b>Revenues:</b>	
Sales and services	\$ -
Investment earnings	<u>1,023</u>
Total Revenues	1,023
Expenditures	<u>-</u>
Revenues over expenditures	1,023
Other financing sources (uses):	
Transfer to General Fund	<u>(2,700)</u>
Net change in fund balance	(1,677)
Fund balance, beginning	<u>76,433</u>
Fund balance, ending	<u><u>\$ 74,756</u></u>

Town of Gibsonville, North Carolina  
Water and Sewer Fund  
Schedule of Revenues and Expenditures  
Budget and Actual (Non - GAAP)  
For the Year Ended June 30, 2020

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Charges for Services:			
Water	\$ 910,651	\$ 862,544	\$ (48,107)
Sewer	2,338,000	2,380,391	42,391
Taps:			
Water	1,000	13,851	12,851
Sewer	1,000	13,851	12,851
Total operating revenues	<u>3,250,651</u>	<u>3,270,637</u>	<u>19,986</u>
Other operating revenues:			
Meter Setting Fees			
Water	13,000	17,468	4,468
Sewer	13,000	17,468	4,468
Reconnection Fees			
Water	45,000	47,443	2,443
Sewer	45,000	47,443	2,443
Assessments/Development Fees			
Water	57,045	146,195	89,150
Sewer	57,045	146,195	89,150
Other	-	60,940	60,940
Total Other Operating Revenues	<u>230,090</u>	<u>483,152</u>	<u>253,062</u>
Total operating revenues	<u>3,480,741</u>	<u>3,753,789</u>	<u>273,048</u>
Nonoperating revenues:			
Interest earnings	-	378	378
Total revenues	<u>3,480,741</u>	<u>3,754,167</u>	<u>273,426</u>
Expenditures:			
Water Administration:			
Salaries and employee benefits		128,376	
Supplies		24,690	
Contracted Services		77,923	
Maintenance		23,875	
Purchases - Water and Sewer		653,537	
Utilities		695	
Other operating expenditures		29,069	
Capital Outlay		35,571	
Debt service - Interest		(441)	
Debt service - Principal retirement		3,065	
Total	<u>1,026,696</u>	<u>976,360</u>	<u>50,336</u>
Sewer Administration:			
Salaries and employee benefits		185,409	
Supplies		15,335	
Contracted Services		93,228	
Maintenance		3,304	
Purchases - Water and Sewer		1,819,854	
Utilities		25,602	
Other operating expenditures		22,818	
Capital Outlay		12,482	
Debt service - Interest		3,917	
Debt service - Principal retirement		39,950	
Total	<u>2,454,045</u>	<u>2,221,899</u>	<u>232,146</u>

cont.

Town of Gibsonville, North Carolina  
Water and Sewer Fund  
Schedule of Revenues and Expenditures  
Budget and Actual (Non - GAAP)  
For the Year Ended June 30, 2020

	Budget	Actual	Variance Positive (Negative)
Contingency	-	-	-
Total expenditures	3,480,741	3,198,259	282,482
Revenues over (under) expenditures	-	555,908	555,908
Other financing sources:			
Transfer to Highway 61 & Highway 70 Water and Sewer Extension Capital Project	(230,000)	(216,173)	13,827
Transfer to General Fund	(359,500)	-	359,500
Total other financing sources	(589,500)	(216,173)	373,327
Fund balance appropriated	589,500	-	(589,500)
Revenues and other sources over expenditures and other uses	\$ -	339,735	\$ 339,735
<b>Reconciliation from budgetary basis (modified accrual) to full accrual:</b>			
Revenue and other sources over expenditures and other uses		339,735	
Reconciling items:			
Principal retirement		43,015	
Capital outlay		48,053	
Decrease in accrued compensated absences		(1,259)	
Increase in deferred outflow of resources - pension		(9,139)	
Increase in net pension liability		(13,146)	
Decrease in deferred inflows of resources- pensions		(237)	
Increase in deferred outflows of resources - OPEB		4,231	
Increase in deferred inflows of resources - OPEB		1,277	
Decrease in accrued interest payable		-	
Decrease in OPEB liability		(12,525)	
Depreciation		(86,946)	
Transfer to General Fund		(359,500)	
Transfer to Capital Project Fund		216,173	
Change in net position		\$ 169,732	

Town of Gibsonville, North Carolina  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Capital Project Fund - Sewer Rehabilitation Capital Project  
From Inception and For the Fiscal Year Ended June 30, 2020

	Project Author - ization	Prior Year	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Investment earnings	\$ -	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-	-
Expenditures:					
Contruction	2,322,000	193,523	1,251,646	1,445,169	876,831
Total expenditures	2,322,000	193,523	1,251,646	1,445,169	876,831
Revenues over (under) expenditures	(2,322,000)	(193,523)	(1,251,646)	(1,445,169)	876,831
Other financing sources (uses)					
Transfer from General Fund	409,500	409,500	-	409,500	-
Transfer to General Fund	(359,500)	-	(359,500)	(359,500)	-
Loan proceeds	2,272,000	-	1,403,122	1,403,122	868,878
Total other financing sources (uses)	2,322,000	409,500	1,043,622	1,453,122	868,878
Revenues and other sources over (under) expenditures	\$ -	\$ 215,977	\$ (208,024)	\$ 7,953	\$ 7,953

Town of Gibsonville, North Carolina  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Capital Project Fund - Waterline Capital Project  
From Inception and For the Fiscal Year Ended June 30, 2020

	Project Author - ization	Prior Year	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Investment earnings	\$ -	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-	-
Expenditures:					
Engineering	725,050	53,831	415,190	469,021	256,029
Total expenditures	725,050	53,831	415,190	469,021	256,029
Other financing sources (uses)					
Transfer from General Fund	75,500	75,500	-	75,500	-
Loan proceeds	649,550	-	414,859	414,859	234,691
Total other financing sources (uses)	725,050	75,500	414,859	490,359	234,691
Revenues and other sources over (under) expenditures	\$ -	\$ 21,669	\$ (331)	\$ 21,338	\$ 21,338

Town of Gibsonville, North Carolina  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Capital Project Fund - Highway 61 & Highway 70 Water and Sewer Extension Capital Project  
From Inception and For the Fiscal Year Ended June 30, 2020

	Project Author - ization	Prior Year	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Investment earnings	\$ -	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-	-
Expenditures:					
Design Services	342,000	526	215,647	216,173	125,827
Total expenditures	342,000	526	215,647	216,173	125,827
Other financing sources (uses)					
Transfer from Water & Sewer Fund	342,000	-	216,173	216,173	125,827
Total other financing sources (uses)	342,000	-	216,173	216,173	125,827
Revenues and other sources over (under) expenditures	\$ -	\$ (526)	\$ 526	\$ -	\$ -

Town of Gibsonville, North Carolina  
Gibsonville Housing Authority  
Schedule of Revenues and Expenditures  
Budget and Actual (Non - GAAP)  
For the Year Ended June 30, 2020

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Operating revenues			
Charges for services	\$ 191,041	\$ 193,520	\$ (2,479)
Misceallaneous	-	374	(374)
Total operating revenues	191,041	193,894	(2,853)
Nonoperating revenues:			
Interest earnings	382	1,512	1,130
Total revenues	191,423	195,406	3,983
Expenditures:			
Housing Administration:			
General Operating Expenses	40,291	36,959	3,332
Repairs and Maintenance/Grounds Maintenance	57,724	46,986	10,738
Management Fees	16,152	14,775	1,377
Administrative Expenses	18,600	18,900	(300)
Reserve Expenses	34,000	-	34,000
Taxes and Insurance	8,720	8,322	398
Total Housing Administration	175,487	125,942	49,545
Debt Service			
Interest and other charges		1,338	
Principal retirement		11,942	
Total debt service	15,936	13,280	2,656
Contingency	-	-	-
Total expenditures	191,423	139,222	52,201
Revenues over (under) expenditures	-	56,184	56,184
Other financing sources (uses):			
Transfer to other fund	-	-	-
Revenues and other sources over expenditures and other uses	\$ -	56,184	\$ 56,184

**Reconciliation from budgetary basis  
(modified accrual) to full accrual:**

Revenue and other sources over  
expenditures and other uses 56,184

Reconciling items:

Principal retirement	11,942
Decrease in accrued interest payable	124
Depreciation	(6,571)
Change in net position	<u>\$ 61,679</u>

Town of Gibsonville, North Carolina  
Refundable Construction Performance Agency Fund  
Statement of Changes in Assets and Liabilities  
For the Year Ended June 30, 2020

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	Beginning Balance	Additions	Deductions	Ending Balance
Assets:				
Cash and cash equivalents	\$ 25,946	\$ -	\$ -	\$ 25,946
Liabilities:				
Refundable deposit	\$ 25,946	\$ -	\$ -	\$ 25,946

## Other Schedules

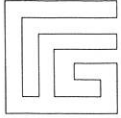
**Town of Gibsonville, North Carolina**  
**Schedule of Ad Valorem Taxes Receivable**  
**June 30, 2020**

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2019</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Uncollected Balance June 30, 2020</u>
2019-2020	\$ -	\$ 3,473,530	\$ 3,449,251	\$ 24,279
2018-2019	55,855	-	21,158	34,697
2017-2018	23,047	-	9,336	13,711
2016-2017	23,082	-	7,082	16,000
2015-2016	14,821	-	6,125	8,696
2014-2015	6,459	-	2,042	4,417
2013-2014	7,355	-	257	7,098
2012-2013	8,285	-	159	8,126
2011-2012	6,935	744	-	7,679
2010-2011	10,718	-	10,718	-
2009-2010	<u>\$ 156,557</u>	<u>\$ 3,474,274</u>	<u>\$ 3,506,128</u>	<u>\$ 124,703</u>
Less: allowance for uncollectible accounts:				
General Fund				<u>-</u>
Ad valorem taxes receivable - net				<u>\$ 124,703</u>
<u>Reconcilement to revenues:</u>				
Ad valorem taxes - General Fund				\$ 3,437,515
Reconciling items:				
Interest collected				(99)
Adjustments				57,994
Taxes written off				10,718
Subtotal				<u>68,613</u>
Total collections and credits				<u>\$ 3,506,128</u>

Town of Gibsonville, North Carolina  
Analysis of Current Tax Levy  
Town - Wide Levy  
June 30, 2020

	Town - Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current rate	\$ 656,210,377	0.53	\$3,477,915	\$3,054,157	\$ 423,758
Discoveries - current and prior years	589,057	0.53	3,122	3,122	-
Releases	(1,416,415)	0.53	(7,507)	(7,507)	-
Total property valuation	<u>\$ 655,383,019</u>				
Net levy			3,473,530	3,049,772	423,758
Unpaid (by taxpayer) taxes at June 30, 2020			(24,279)	(24,279)	-
Current year's taxes collected			<u>\$3,449,251</u>	<u>\$3,025,493</u>	<u>\$ 423,758</u>
Current levy collection percentage			<u>99.30%</u>	<u>99.20%</u>	<u>100.00%</u>

## Compliance Section



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

Independent Auditor's Report

To the Honorable Mayor  
and Members of the Board of Aldermen  
Town of Gibsonville, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Gibsonville, North Carolina, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprises the Town of Gibsonville's basic financial statements, and have issued our report thereon dated January 29, 2021. Our report includes a reference to other auditors who audited the financial statements of the Town of Gibsonville ABC Board, as described in our report on the Town of Gibsonville's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported separately by those auditors. The Town of Gibsonville ABC Board were not audited in accordance with Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Gibsonville's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Gibsonville'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 material weaknesses. However, material weaknesses may exist that have not been identified.

#### Compliance and Other Matters

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

#### Purpose of this Report

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

A handwritten signature in black ink that reads "Gibson + Company, P.A." The signature is written in a cursive, flowing style.

Winston-Salem, North Carolina  
January 29, 2021



**Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; With OMB Uniform Guidance and the State Single Audit Implementation Act**

**Independent Auditor's Report**

To the Honorable Mayor  
and Members of the Board of Aldermen  
Town of Gibsonville, North Carolina

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

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

**Management's Responsibility**

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the Town of Gibsonville's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) 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 federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Gibsonville's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

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

### **Opinion on Each Major Federal Program**

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

### **Report on Internal Control Over Compliance**

Management of the Town of Gibsonville is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town of Gibsonville's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal 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 federal 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 federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be 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.

A handwritten signature in dark ink that reads "Johnson & Company, P.A." The signature is written in a cursive, flowing style.

Winston-Salem, North Carolina  
January 29, 2021

**TOWN OF GIBSONVILLE, NORTH CAROLINA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**For the Year Ended June 30, 2020**

Grantor/Pass-through Grantor/Program Title 1(a)	Federal CFDA Number 1(a)(b)	State/ Pass-through Grantor's Number 1(c)	Fed. (Direct & Pass-through) Expenditures 1(c),2	State Expenditures 1(d)	Pass-through to subrecipients 1(e)	Local Expenditures 1(d)
<b>Federal Grants:</b>						
<b>U.S. Department of Treasury</b>						
Passed-through the Office of State Budget and Management:						
NC Pandemic Recovery Office						
Passed-through Alamance County:						
Corona Virus Relief Fund	12.019		\$ 55,706	\$ -	\$ -	\$ -
<b>Noncash Programs:</b>						
<u>U.S. Environmental Protection Agency</u>						
Passed-through N.C. Department of Environmental Quality:						
Capitalization Grants for Clean Water State						
Revolving Funds	66.458	H-SRP-D-17-0017	414,859	\$ -	\$ -	\$ -
<u>U.S. Department of Agriculture</u>						
Passed-through N.C. Department of Agriculture -						
Rural Development						
Community Facilities Loan/Grant Program	10.760	RD Grant	1,251,646	-	-	-
Total assistance - federal programs			<u>1,722,211</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>State Grants:</b>						
<b>Cash Assistance:</b>						
<u>N.C. Department of Transportation:</u>						
Powell Bill		38570	-	140,772	-	-
<u>N.C. Department of Natural and Cultural Resources:</u>						
State Aid to Public Libraries		2020-273		5,150		
<u>N.C. Department of Insurance</u>						
State Fire Protection		G.S. 58-85A-1	-	24,490	-	-
Total assistance - State programs			<u>-</u>	<u>170,412</u>	<u>-</u>	<u>-</u>
Total assistance			<u>\$ 1,722,211</u>	<u>\$ 170,412</u>	<u>\$ -</u>	<u>\$ -</u>

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

**Note 1: Basis of Presentation**

The accompanying schedule of expenditures of federal and State awards (SEFSA) includes the federal and State grant activity of the Town of Gibsonville under the 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 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of the Town of Gibsonville, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Town of Gibsonville.

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

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

**Note 3: Indirect Cost Rate**

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

**Note 4: Loans Outstanding**

The Town of Gibsonville had the following loan balances outstanding at June 30, 2020 for loans that the grantor/pass-through grantor has still imposed continuing compliance requirements. Loans outstanding at the beginning of the year and loans made during the year are included in the SEFSA. The balance of loans outstanding at June 30, 2020 consist of:

Program Title	CFDA Number	Pass-through Grantor's Number	Amount Outstanding
Community Facilities Loan/Grant Program	10.760	RD Grant	\$ 1,403,122
Capitalization Grants for Clean Water State	66.458	H-SRP-D-17-0017	414,859

**Note 5: Coronavirus Relief Funds**

Gibsonville received \$55,706 of funding from the Coronavirus Relief Fund (21.019) from Alamance County in accordance with HB 1043 and HB 1023. Gibsonville has a plan to spend these funds approved by OSBM. According to the Office of State Budget and Management, the State's pass-through agency, municipalities are considered subrecipients of the Counties; however, municipalities are not liable to the County for any misused or misspent funds. CRF must be spent during the period March 1, 2020 to December 30, 2020.

Town of Gibsonville  
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**

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Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?      ☐ yes      ☒ no
- Significant Deficiency(s)      ☐ yes      ☒ none reported

Noncompliance material to financial  
statements noted

☐ yes      ☒ no

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified?      ☐ yes      ☒ no
- Significant Deficiency(s) identified      ☐ yes      ☒ none reported

Type of auditor's report issued on compliance for major federal programs: Unmodified.

Any audit findings disclosed that are  
required to be reported in accordance  
with 2 CFR 200.516(a)?

☐ yes      ☒ no

Identification of major federal programs:

<u>CFDA Number</u>	<u>Names of Federal Program or Cluster</u>
10.760	Community Facilities Loan/Grant Program

Dollar threshold used to distinguish

between Type A and Type B Programs      \$ 750,000

Auditee qualified as low-risk auditee?

☐ yes      ☒ no

Town of Gibsonville  
Schedule of Findings and Questioned Costs  
For the Fiscal Year Ended June 30, 2020

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**Section II – Financial Statement Findings**

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None reported.

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**Section III - Federal Award Findings & Questioned Costs**

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None reported.

Town of Gibsonville  
Corrective Action Plan  
For the Fiscal Year Ended June 30, 2020

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**Section II – Financial Statement Findings**

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None reported.

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**Section III - Federal Award Findings & Questioned Costs**

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None reported.

Town of Gibsonville  
Summary Schedule of Prior Audit Findings  
For the Fiscal Year Ended June 30, 2020

**Finding:** None reported.