

TOWN OF GIBSONVILLE
GIBSONVILLE, NORTH CAROLINA
FINANCIAL STATEMENTS
JUNE 30, 2016

Board of Aldermen Members

Leonard Williams, Mayor
Mark Shepherd, Mayor Pro Tem
Paul Dean, Alderman
Clarence Owen, Alderman
Ken Pleasants, Alderman
Veronica Revels, Alderwoman

Finance and Administrative Staff

Ben Baxley, Town Manager
Chad Coble, Finance Officer

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June 30, 2016**

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FINANCIAL SECTION

Winston, Williams, Creech, Evans, & Company, LLP

Certified Public Accountants



America Counts on CPAs

James P. Winston II, CPA
Gary L. Williams, CPA
Carleen P. Evans, CPA

Jennifer T. Reese, CPA
Curtis G. Van Horne, CPA
Cathy E. McKinley, CPA
Tara H. Roberson, CPA

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, 2016, 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 net 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. The financial statements of the Town of Gibsonville ABC Board were not audited in accordance with *Government 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.

102 W. Spring Street • P.O. Box 1366 • Oxford, NC 27565 • (919) 693-5196 • fax (919) 693-7614

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Opinions

In our opinion, based on our audit and the audit of the other auditors, the respective financial statements referred to above present fairly, in all material respects, the financial position 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 June 30, 2016, and respective changes in financial position and cash flows, where appropriate, thereof 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 and the Other Postemployment Benefits' Schedules of Funding and Progress and Schedules of Employer Contributions, on pages 7-14 and 59-60, respectively, the Local Government Employee's Retirement System's Schedules of the Proportionate Share of the Net Pension Liability and Contributions, on pages 61 and 62, respectively, and the Firefighters' and Rescue Squad Workers' Pension Fund's Schedule of the Proportionate Share of Net Pension Liability on page 63 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and the other auditors 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 combining and individual fund statements, budgetary schedules and other schedules are presented for purpose of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund statements, budgetary schedules and other schedules are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and the other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of other auditors, the combining and individual fund statements, budgetary schedules and other schedules 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 26, 2017 on our consideration of the Town of Gibsonville's internal control over financial reporting and 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's internal control over financial reporting and compliance.

Winston, Williams, Creech, Evans & Company, LLP

Certified Public Accountants
Oxford, North Carolina
January 26, 2017

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, 2016. 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

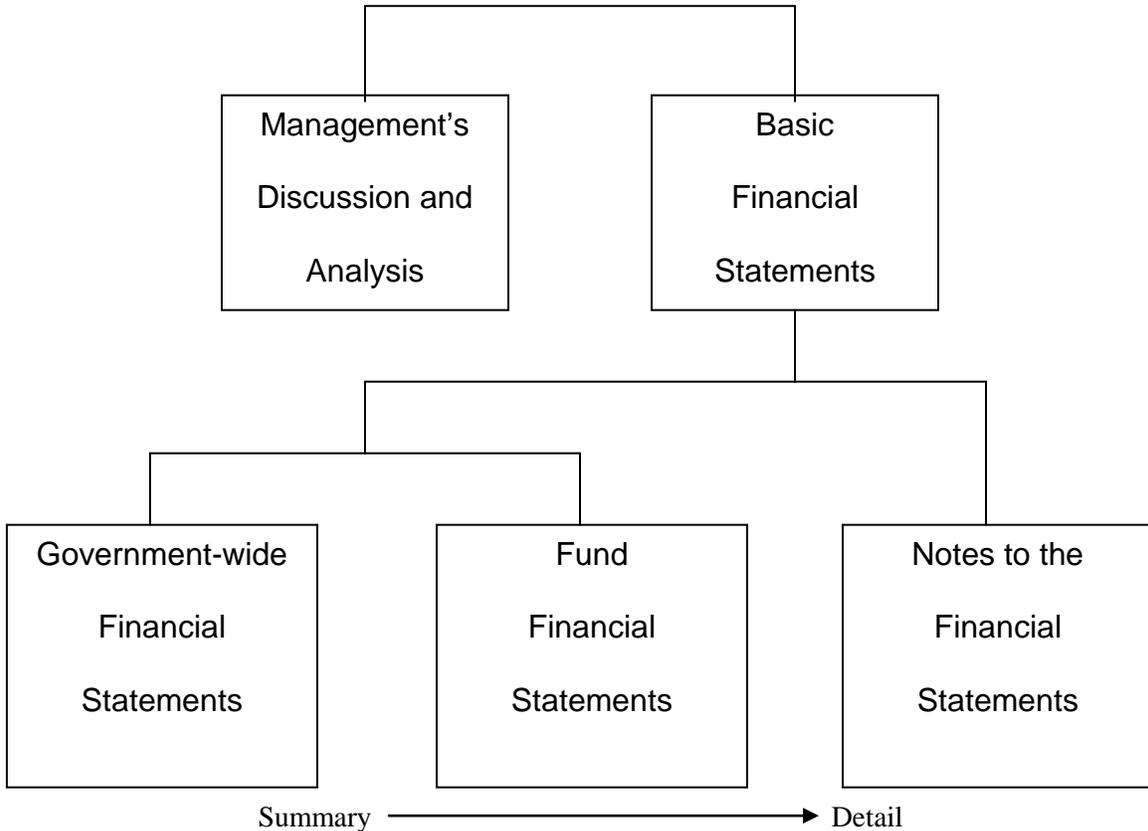
- The assets and deferred outflows of resources of the Town of Gibsonville exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$7,811,242 (*net position*).
- The government's total net position increased by \$123,821, due to an increase in the business-type activities net position; however a restatement totaling (\$123,870) impacted net position netting the change to (\$49).
- As of the close of the current fiscal year, the Town of Gibsonville's governmental funds reported combined ending fund balances of \$3,597,398 with a net change of (\$452,639) in fund balance. Approximately 76.47 percent of this total amount, or \$2,750,874, is available for spending at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$2,091,377, or 39.40 percent of total general fund expenditures for the fiscal year.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to 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 three parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; and 3) the proprietary 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 General Statutes also can be found in this part of the statements.

Government-Wide Financial Statements

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

The two government-wide statements report the Town's net position and how they have 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. Governmental activities include most of the Town's basic services such as public safety, parks and recreation, 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 of Gibsonville charges customers to provide. These include the water and sewer services provided by the Town as well as the housing services offered through the Gibsonville Housing Authority. The final category is the component unit. Although legally separate from the Town of Gibsonville, the Gibsonville ABC Board is important to the Town because the Town exercises control over the Board by appointing its members and because 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 Board about which services to provide and how to pay for them. It also authorizes the Town to obtain funds from identified sources to finance these current period activities. The 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 Funds – The Town has one kind of proprietary fund. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial

statements. The Town uses enterprise funds to account for its water and sewer operations as well as the operations of Gibsonville Housing Authority. These funds are the same as those functions shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

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 28 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 postemployment healthcare benefits to its retired employees. Required supplementary information can be found beginning on page 57 of this report.

**Government-Wide Financial Analysis
Town of Gibsonville’s Net Position**

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 4,005,279	\$ 4,380,973	\$ 1,267,747	\$ 629,194	\$ 5,273,026	\$ 5,010,167
Capital assets	3,157,287	2,965,639	1,293,615	1,337,910	4,450,902	4,303,549
Net pension asset	-	208,182	-	18,103	-	226,285
Deferred outflows of resources	139,188	126,847	11,746	11,004	150,934	137,851
Total Assets	7,301,754	7,681,641	2,573,108	1,996,211	9,874,862	9,677,852
Long-term liabilities outstanding	600,765	448,765	571,411	301,722	1,172,176	750,487
Net pension liability	165,982	-	14,433	-	180,415	-
Other liabilities	476,532	399,751	121,469	151,341	598,001	551,092
Total Liabilities	1,093,279	848,516	707,313	453,063	1,950,592	1,301,579
Deferred inflows of resources						
Pension deferrals	100,296	516,977	8,776	44,954	109,702	561,931
Unearned revenues	2,340	2,340	986	711	3,326	3,051
Total deferred inflows of resources	103,266	519,317	9,762	45,665	113,028	564,982
Net Position						
Net Investment in capital assets	2,616,581	2,569,029	1,014,720	1,029,557	3,631,301	3,598,586
Restricted	523,162	764,287	-	-	523,162	764,287
Unrestricted	2,815,466	2,980,492	841,313	467,926	3,656,779	3,448,418
Total net position	\$ 5,955,209	\$ 6,313,808	\$ 1,856,033	\$ 1,497,483	7,811,242	7,811,291

As noted earlier, net assets may serve over time as one useful indicator of a government’s financial condition. The assets of the Town of Gibsonville exceeded liabilities by \$7,811,242 as of June 30, 2016. The Town’s net position decreased by \$49 for the fiscal year ended June 30, 2016. However, a portion (46.49%) 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 its 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, \$523,162 (6.7%) represents resources that are subject

to external restrictions on how they may be used. The remaining balance of \$3,656,779 is unrestricted.

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

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 97.25%, which is comparable to the statewide average of 97.80%.
- The retirement of debt payments in comparison to prior years.

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

	<u>Governmental</u> <u>Activities</u>		<u>Business-Type</u> <u>Activities</u>		<u>Total</u>	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program Revenues:						
Charges for services	450,410	336,418	3,106,599	2,865,408	3,557,009	3,201,826
Operating grants and contributions	210,662	224,978	-	-	210,662	224,978
Capital grants and contributions	-	-	-	-	-	-
General Revenues:						
Property taxes	2,799,886	2,580,192	-	-	2,799,886	2,580,192
Other taxes	-	43,520	-	-	-	43,520
Grants and contributions not restricted to specific programs	1,598,994	1,518,505	-	-	1,598,994	1,518,505
Other	45,994	48,815	181	283	46,175	49,098
Total revenues	5,105,946	4,752,428	3,106,780	2,865,691	8,212,726	7,618,119
Expenses:						
General government	1,077,902	924,082	-	-	1,077,902	924,082
Public Safety	1,974,056	1,832,859	-	-	1,974,056	1,832,859
Transportation	1,091,855	673,157	-	-	1,091,855	673,157
Environmental protection	331,941	301,485	-	-	331,941	301,485
Culture and recreation	571,807	540,890	-	-	571,807	540,890
Interest on long-term debt	9,824	7,980	3,815	4,153	13,639	12,133
Water and Sewer	-	-	2,868,190	2,561,134	2,868,190	2,561,134
Gibsonville Housing Authority	-	-	156,320	153,476	156,320	153,476
Total expenses	5,057,385	4,280,453	3,028,325	2,718,763	8,085,710	6,999,216
Increase in net assets before transfers	48,561	471,975	78,455	146,928	127,016	618,903
Transfers	(407,160)	(84,503)	407,160	84,503	-	-
Loss on sale of assets	-	-	(3,195)	(6,469)	(3,195)	(6,469)
Increase in net assets	(358,599)	387,472	482,420	224,962	123,821	612,434
Net Assets, July 1	6,313,808	6,224,476	1,497,483	1,298,446	7,811,291	7,522,922
Restatement	-	(298,140)	(123,870)	(25,925)	(123,870)	(324,065)
Net Assets, June 30	\$ 5,955,209	\$ 6,313,808	\$ 1,856,033	\$ 1,497,483	\$ 7,811,242	\$ 7,811,291

Governmental activities. Governmental activities decreased the Town's net position by \$358,599, mainly due to the transfer of monies to the Community Center and Sewer Rehabilitation Capital Projects. Other key elements of this decrease are as follows:

- Increase in Transportation expenses of \$418,698.
- Increase in Public Safety expenses of \$141,197.

Business-type activities. Business-type activities increased the Town's net position by \$358,550. Key elements of this increase are as follows:

- Increase in Water and Sewer rates as well as, the General fund transferred \$409,500 to the Sewer Rehabilitation Capital Project with Board approval.

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. Specifically, unassigned fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of the Town of Gibsonville. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$2,091,377 while total fund balance reached \$2,863,066. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 39.4 percent of total General Fund expenditures, while total fund balance represents 53.94 percent of that same amount.

At June 30, 2016, the governmental funds of Town of Gibsonville reported a combined fund balance of \$3,597,398, with a net decrease in fund balance of \$452,639. Included in this change in fund balance are an decrease in fund balance of the General Fund and an increase in fund balance of the Community Center Capital Project and Cemetery Perpetual Care 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 or improve services.

Capital Asset and Debt Administration

Capital assets. The Town of Gibsonville's net investment in capital assets for its governmental and business-type activities as of June 30, 2016, totals \$3,631,031. These assets include buildings, improvements, land, machinery and equipment, park facilities and vehicles.

Major capital asset transactions during the year include the following additions:

- New Garbage Truck - \$283,000
- Bandit Chipper - \$37,814
- Two 2015 Ford Interceptors – Police cars and Upfit \$65,587
- Fire Dept Parking lot improvements- \$91,792
- 2015 Nissan Frontier \$27,360
- Hatch FL901 Flow Meter WS- \$8,100
- Community Center Construction In Progress - \$76,948
- Sewer Rehabilitation Engineering Construction in Progress- \$25,000

**Town of Gibsonville’s Capital Assets
(Net of Depreciation)
Figure 4**

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$ 1,011,766	\$ 934,818	\$ 54,847	\$ 29,847	\$ 1,066,613	\$ 964,665
Construction in Progress	-	-	-	-	-	-
Buildings	654,015	681,033	207,183	217,219	861,198	898,252
Improvements	19,581	20,573	2,831	6,940	22,412	27,513
Infrastructure	528,920	453,641	-	-	528,920	453,641
Equipment	94,569	179,014	94,014	107,824	188,583	286,838
Plant and Distribution Systems	-	-	929,252	966,203	929,252	966,203
Vehicles	848,436	696,560	5,488	9,877	853,924	706,437
Total	\$ 3,157,287	\$ 2,965,639	\$1,293,615	\$1,337,910	\$4,450,902	\$4,303,549

Additional information on the Town’s capital assets can be found in note III.A.4 of the Basic Financial Statements.

Town of Gibsonville’s Outstanding Debt

The Town of Gibsonville’s total debt increased by \$355,297 during the current fiscal year. The key factor to this increase was new debt of \$283,000 for a Garbage truck as well as the increase of compensated absences, other post-employment benefits, and net pension liabilities.

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 \$42,878,561. The Town has no bonds authorized and un-issued at June 30, 2016.

Additional information regarding the Town’s long-term debt can be found in note III.B.6 of this report.

Economic Factors and Next Year's Budgets and Rates:

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

- *Unemployment.* Guilford County's unemployment rate of 5.4 percent as of June 30, 2016, is above the state average of 4.9 percent and Alamance County's unemployment rate of 5.0 percent as of June 30, 2016, is slightly above the state average of 4.9 percent.
- *Water/sewer rate increase.* In the new fiscal year, beginning July 1, 2016, the Town decreased the water rates by 20 percent and increased the sewer rates by 21.7 percent. The City of Burlington increased their water and sewer rates by 3 percent (the City of Burlington provides water and sewer treatment services to the Town of Gibsonville). The rates changes were necessary to comply with USDA loan requirements.

Budget Highlights for the Fiscal Year Ending June 30, 2017

Governmental Activities: Property tax revenues are expected to be comparable to fiscal year 2015-2016 amounts due to there being no change in the Town's property tax rate of \$0.51 per \$100 valuation and little to no growth. Budgeted operational expenditures in the General Fund are expected to decrease by 0.3 percent to \$5,294,118 over the FY 2015-2016 original budget. The largest increments are in personnel and capital outlay. Appropriated fund balance of \$277,000 is recommended to purchase capital items and complete capital projects. Major acquisitions will include purchasing two police vehicles. Additionally, one compact tractor, a two way radio system, and one field groomer are budgeted. Capital improvements will include sidewalk improvements, construction of a salt storage shelter, replacing floor tiles in various locations in the fire station, and roof and carpet replacement at the Gibsonville Public Library.

Business – Type Activities: In FY 2016-2017, water rates will decrease 20 percent and sewer rates will increase 21.7 percent to cover operational cost increases and to comply with USDA loan requirements. Budgeted operational expenditures in the Water & Sewer Fund are increased by 8.3 percent to \$3,014,000 over the FY 2015-2016 original budget. The largest increment is in personnel and increased costs from the City of Burlington. The Town has budgeted \$105,000 in contingency to build up fund balance and continue to correct sewer inflow and infiltration problems that create increased operational cost.

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Town of Gibsonville, North Carolina
Statement of Net Position
June 30, 2016

	PRIMARY GOVERNMENT			TOWN OF GIBSONVILLE ABC BOARD
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	
ASSETS				
Current Assets:				
Cash and Investments	\$ 3,288,908	\$ 943,658	\$ 4,232,566	\$ 287,228
Taxes Receivable (net)	177,633	-	177,633	-
Accrued Interest Receivable	44,049	-	44,049	-
Accounts Receivable (net)	34,008	287,567	321,575	131
Due from other governments	379,132	-	379,132	-
Prepaid items	46,362	1,965	48,327	8,367
Inventories	-	-	-	97,563
Restricted cash and cash equivalents	35,187	34,557	69,744	-
Total current assets	4,005,279	1,267,747	5,273,026	393,289
Non-Current Assets:				
Capital assets (Note III)				
Land, non-depreciable improvements, and construction in progress	1,011,766	65,055	1,076,821	-
Other capital assets, net of depreciation	2,145,521	1,228,560	3,374,081	7,379
Total capital assets	3,157,287	1,293,615	4,450,902	7,379
Total assets	7,162,566	2,561,362	9,723,928	400,668
DEFERRED OUTFLOWS OF RESOURCES				
Contributions to pension plan in current fiscal year	139,188	11,746	150,934	10,153
	139,188	11,746	150,934	10,153
LIABILITIES				
Current Liabilities:				
Accounts Payable	183,859	11,589	195,448	27,393
Accrued Interest Payable	5,315	721	6,036	-
Customer Deposits	-	63,902	63,902	-
Due to other governments	-	-	-	15,038
Current portion of long-term liabilities	287,358	45,257	332,615	-
Total current liabilities	476,532	121,469	598,001	42,431
Long-term Liabilities:				
Net pension liability	165,982	14,433	180,415	3,680
Due in more than one year	600,765	571,411	1,172,176	-
Total liabilities	1,243,279	707,313	1,950,592	46,111
DEFERRED INFLOWS OF RESOURCES				
Pension deferrals	100,926	8,776	109,702	1,913
Unearned revenues	2,340	986	3,326	-
Total deferred inflows of resources	103,266	9,762	113,028	1,913
NET POSITION				
Net Investment in Capital Assets	2,616,581	1,014,720	3,631,301	7,379
Restricted for:				
Transportation	24,801	-	24,801	-
Public Safety	10,386	-	10,386	-
Cemetery Perpetual Care	74,835	-	74,835	-
Stabilization by State Statute	413,140	-	413,140	-
Capital Improvements	-	-	-	58,272
Working Capital	-	-	-	33,398
Unrestricted	2,815,466	841,313	3,656,779	263,748
Total net position	\$ 5,955,209	\$ 1,856,033	\$ 7,811,242	\$ 362,797

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

Town of Gibsonville, North Carolina
Statement of Activities
For the Year Ended June 30, 2016

EXHIBIT 2

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	Town of Gibsonville ABC Board
Primary government:								
Governmental Activities:								
General government	\$ 1,077,902	\$ -	\$ -	\$ -	\$ (1,077,902)	\$ -	\$ (1,077,902)	\$ -
Public Safety	1,974,056	36,052	17,236	-	(1,920,768)	-	(1,920,768)	-
Transportation	1,091,855	-	189,008	-	(902,847)	-	(902,847)	-
Environmental protection	331,941	270,372	4,418	-	(57,151)	-	(57,151)	-
Cultural and recreation	571,807	143,986	-	-	(427,821)	-	(427,821)	-
Interest on Long-term debt	9,824	-	-	-	(9,824)	(3,815)	(13,639)	-
Total governmental activities	5,057,385	450,410	210,662	-	(4,396,313)	(3,815)	(4,400,128)	-
Business-type activities:								
Water and sewer	2,868,190	2,935,085	-	-	-	66,895	66,895	-
Gibsonville Housing Authority	156,320	171,514	-	-	-	15,194	15,194	-
Total business-type activities	3,024,510	3,106,599	-	-	-	82,089	82,089	-
Total primary government	\$ 8,081,895	\$ 3,557,009	\$ 210,662	\$ -	(4,396,313)	78,274	(4,318,039)	-
Component unit:								
ABC Board	1,070,083	1,124,646	-	-	-	-	-	54,563
Total component unit	\$ 1,070,083	\$ 1,124,646	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 54,563
General revenues:								
Taxes:								
Property taxes, levied for general purpose					2,799,886	-	2,799,886	-
Grants and contributions not restricted to specific programs					1,598,994	-	1,598,994	-
Unrestricted investment earnings					13,163	181	13,344	-
Miscellaneous					32,831	(3,195)	29,636	6,521
Total general revenues not including transfers					4,444,874	(3,014)	4,441,860	6,521
Transfers					(407,160)	407,160	-	-
Total general revenues and transfers					4,037,714	404,146	4,441,860	6,521
Change in net position					(358,599)	482,420	123,821	61,084
Net position - beginning, previously reported					6,313,808	1,497,483	7,811,291	301,713
Restatement					-	(123,870)	(123,870)	-
Net position - beginning, restated					6,313,808	1,373,613	7,687,421	301,713
Net position - ending					\$ 5,955,209	\$ 1,856,033	\$ 7,811,242	\$ 362,797

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

FUND FINANCIAL STATEMENTS

**Town of Gibsonville
Balance Sheet
Governmental Funds
June 30, 2016**

	MAJOR FUNDS			TOTAL GOVERNMENTAL FUNDS
	GENERAL	COMMUNITY CENTER FUND	NON-MAJOR FUND	
ASSETS				
Cash and Investments	\$ 2,541,163	672,910	\$ 74,835	\$ 3,288,908
Restricted cash	35,187	-	-	35,187
Taxes Receivable	177,633	-	-	177,633
Accounts Receivable	34,008	-	-	34,008
Prepaid items	46,362	-	-	46,362
Due from Other Governments	379,132	-	-	379,132
Total Assets	<u>3,213,485</u>	<u>672,910</u>	<u>74,835</u>	<u>3,961,230</u>
LIABILITIES				
Accounts Payable and Accrued Liabilities	170,446	13,413	-	183,859
Total Liabilities	<u>170,446</u>	<u>13,413</u>	<u>-</u>	<u>183,859</u>
DEFERRED INFLOWS OF RESOURCES				
Property taxes receivable	177,633	-	-	177,633
Unearned revenue	2,340	-	-	2,340
Total deferred inflows of resources	<u>179,973</u>	<u>-</u>	<u>-</u>	<u>179,973</u>
FUND BALANCES				
Non Spendable				
Prepays	46,362	-	-	46,362
Perpetual maintenance	-	-	74,835	74,835
Restricted				
Stabilization by State Statute	413,140	-	-	413,140
Transportation	24,801	-	-	24,801
Public Safety	10,386	-	-	10,386
Assigned				
Designated for subsequent year's expenditures	277,000	-	-	277,000
Unassigned	2,091,377	659,497	-	2,750,874
Total fund balances	<u>2,863,066</u>	<u>659,497</u>	<u>74,835</u>	<u>3,597,398</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 3,033,512</u>	<u>\$ 672,910</u>	<u>\$ 74,835</u>	

Amounts reported for governmental activities in the Statement of Net Position
(Exhibit 1) are different because:

Capital assets used in governmental activities are not financial resources
and therefore are not reported in the funds.

Gross capital assets at historical cost	8,398,779	
Accumulated depreciation	<u>(5,241,492)</u>	3,157,287

Deferred outflows of resources related to pensions are not reported in the funds: 139,188

Other long-term assets (accrued interest receivable from taxes) are not
available to pay for current-period expenditures and therefore are inflows
of resources in the funds. 44,049

Liabilities for earned revenues considered deferred inflows of resources in the funds: 177,633

Net pension liability (165,982)

Deferred inflows of resources related to pensions are not reported in the funds: (100,926)

Some liabilities, including bonds payable and accrued interest, are not due
and payable in the current period and therefore are not reported in the
governmental funds (893,438)

Net position of governmental activities \$ 5,955,209

Town of Gibsonville
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2016

	MAJOR FUNDS			NON-MAJOR FUND	TOTAL GOVERNMENTAL FUNDS
	GENERAL FUND	COMMUNITY CENTER FUND			
REVENUES					
Ad Valorem Taxes	\$ 2,754,268	\$ -	\$ -	\$ -	\$ 2,754,268
Unrestricted Intergovernmental	1,598,994	-	-	-	1,598,994
Restricted Intergovernmental	208,503	-	-	-	208,503
Permits and Fees	36,052	-	-	-	36,052
Sales and Services	414,358	-	5,980	-	420,338
Investment Earnings	13,009	-	154	-	13,163
Miscellaneous	12,783	-	-	-	12,783
Total Revenues	5,037,967		6,134		5,044,101
EXPENDITURES					
Current:					
General Government	1,036,300	-	-	-	1,036,300
Public Safety	1,933,101	-	-	-	1,933,101
Transportation	1,088,775	-	-	-	1,088,775
Cultural and Recreation	560,101	78,503	-	-	638,604
Environmental Protection	541,674	-	-	-	541,674
Debt service:					
Principal	138,905	-	-	-	138,905
Interest and other charges	9,289	-	-	-	9,289
Total Expenditures	5,308,145	78,503	-	-	5,386,648
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(270,178)	(78,503)	6,134		(342,547)
OTHER FINANCING SOURCES (USES)					
Transfers from other funds	5,040	-	-	-	5,040
Transfers to other funds	(1,147,500)	738,000	(2,700)	-	(412,200)
Installment purchase obligation proceeds	283,000	-	-	-	283,000
Sale of capital assets	14,068	-	-	-	14,068
Total Other Financing Sources (Uses)	(845,392)	738,000	(2,700)	-	(110,092)
NET CHANGE IN FUND BALANCE	(1,115,570)	659,497	3,434		(452,639)
FUND BALANCES, BEGINNING	3,978,636	-	71,401		4,050,037
FUND BALANCES, ENDING	\$ 2,863,066	\$ 659,497	\$ 74,835	\$ -	\$ 3,597,398

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

Town of Gibsonville
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2016

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

Net changes in fund balances - total governmental funds \$ (452,639)

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 outlay's exceeded depreciation in the current period.

Capital outlay expenditures which were capitalized	\$ 602,300	
Depreciation expense for governmental assets	<u>(410,652)</u>	191,648

Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		139,188
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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		33,877
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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	(283,000)	
Principal payments on long-term debt	138,905	
Decrease in accrued interest payable	<u>535</u>	(143,560)

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	(23,386)	
Pension expense	(74,290)	
Other postemployment benefits	<u>(29,437)</u>	(127,113)

Total changes in net position of governmental activities		<u><u>\$ (358,599)</u></u>
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Town of Gibsonville, North Carolina
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2016

	GENERAL FUND			VARIANCE WITH FINAL BUDGET- POSITIVE (NEGATIVE)
	ORIGINAL	FINAL	ACTUAL	
REVENUES				
Ad Valorem Taxes	\$ 2,678,132	\$ 2,771,132	\$ 2,754,268	\$ (16,864)
Unrestricted Intergovernmental	1,398,800	1,416,500	1,598,994	182,494
Restricted Intergovernmental	203,300	203,300	208,503	5,203
Permits and Fees	8,000	8,000	36,052	28,052
Sales and Services	372,500	372,500	414,358	41,858
Investment Earnings	7,500	7,500	13,009	5,509
Miscellaneous	10,000	12,906	12,783	(123)
Total Revenues	<u>4,678,232</u>	<u>4,791,838</u>	<u>5,037,967</u>	<u>246,129</u>
EXPENDITURES				
Current:				
General Government	1,060,058	1,125,058	1,036,300	88,758
Public Safety	1,957,552	2,088,858	1,933,101	155,757
Transportation	962,658	1,192,658	1,088,775	103,883
Cultural and Recreation	593,391	619,691	560,101	59,590
Environmental Protection	536,890	564,890	541,674	23,216
Debt service:				
Principal retirement			138,905	
Interest and other charges			9,289	
Total debt service	<u>149,323</u>	<u>149,323</u>	<u>148,194</u>	<u>1,129</u>
Contingency	<u>50,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>5,309,872</u>	<u>5,740,478</u>	<u>5,308,145</u>	<u>432,333</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(631,640)</u>	<u>(948,640)</u>	<u>(270,178)</u>	<u>678,462</u>
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	5,040	5,040	5,040	-
Transfers to other funds	-	(1,147,500)	(1,147,500)	-
Installment obligation proceeds	275,000	283,000	283,000	-
Sale of capital assets	3,000	3,000	14,068	11,068
Total Other Financing Sources (Uses)	<u>283,040</u>	<u>(856,460)</u>	<u>(845,392)</u>	<u>11,068</u>
FUND BALANCE APPROPRIATED	348,600	1,805,100	-	1,805,100
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>(1,115,570)</u>	<u>\$ (1,115,570)</u>
FUND BALANCES, BEGINNING			<u>3,978,636</u>	
FUND BALANCES, ENDING			<u>\$ 2,863,066</u>	

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

**Town of Gibsonville
Statement of Net Position
Proprietary Funds
For the Year Ended June 30, 2016**

	MAJOR ENTERPRISE FUNDS		
	WATER AND SEWER FUND	GIBSONVILLE HOUSING AUTHORITY FUND	TOTAL
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	\$ 914,341	\$ 29,317	\$ 943,658
Accounts receivable	279,145	8,422	287,567
Prepaid items	-	1,965	1,965
Restricted cash and cash equivalents	-	34,557	34,557
Total Current Assets	1,193,486	74,261	1,267,747
NONCURRENT ASSETS:			
Capital Assets:			
Land and Construction in progress	43,591	21,464	65,055
Other capital assets, net of depreciation	1,132,894	95,666	1,228,560
Capital assets	1,176,485	117,130	1,293,615
Total Noncurrent Assets	1,176,485	117,130	1,293,615
Total Assets	\$ 2,369,971	\$ 191,391	\$ 2,561,362
DEFERRED OUTFLOWS OF RESOURCES			
Contributions to pension plan	11,746	-	11,746
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities	8,741	2,848	11,589
Accrued interest payable	561	160	721
Development fee liability	293,700	-	293,700
Unearned revenue	-	986	986
Customer deposits	59,352	4,550	63,902
Compensated absences - current	15,132	-	15,132
Installment purchases - current	16,217	13,908	30,125
Total Current Liabilities	393,703	22,452	416,155
NONCURRENT LIABILITIES			
Other postemployment benefits	23,897	-	23,897
Net pension liability	14,433	-	14,433
Compensated absences	5,044	-	5,044
Installment purchases - noncurrent	53,546	195,224	248,770
Total Noncurrent Liabilities	96,920	195,224	292,144
Total Liabilities	490,623	217,676	708,299
DEFERRED INFLOWS OF RESOURCES			
Pension deferrals	8,776	-	8,776
NET POSITION			
Net investment in capital assets	1,106,722	(92,002)	1,014,720
Unrestricted	775,596	65,717	841,313
Total Net Position	\$ 1,882,318	\$ (26,285)	\$ 1,856,033

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

Town of Gibsonville
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2016

	MAJOR ENTERPRISE FUNDS		
	WATER AND SEWER FUND	GIBSONVILLE HOUSING AUTHORITY FUND	TOTAL
OPERATING REVENUES			
Charges for services	\$ 2,767,029	\$ 171,514	\$ 2,938,543
Water and sewer taps	950	-	950
Other operating revenues	167,106	-	167,106
Total operating revenues	<u>2,935,085</u>	<u>171,514</u>	<u>3,106,599</u>
OPERATING EXPENSES			
Water and Sewer Administration	2,802,392	-	2,802,392
Housing Administration	-	147,919	147,919
Depreciation	65,798	8,401	74,199
Total operating expenses	<u>2,868,190</u>	<u>156,320</u>	<u>3,024,510</u>
OPERATING INCOME (LOSS)	<u>66,895</u>	<u>15,194</u>	<u>82,089</u>
NONOPERATING REVENUES (EXPENSES)			
Investment Earnings	60	121	181
Interest and other charges	(1,665)	(2,150)	(3,815)
Total nonoperating revenues (expenses)	<u>(1,605)</u>	<u>(2,029)</u>	<u>(3,634)</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	65,290	13,165	78,455
Loss on disposal of fixed assets	-	(3,195)	(3,195)
Transfers from other funds	409,500	-	409,500
Transfers to other funds	-	(2,340)	(2,340)
Change in Net Position	474,790	7,630	482,420
Total Net Position, previously reported	1,531,398	(33,915)	1,497,483
Restatement	(123,870)	-	(123,870)
Total Net Position, restated	<u>1,407,528</u>	<u>(33,915)</u>	<u>1,373,613</u>
Total Net Position, ending	<u>\$ 1,882,318</u>	<u>\$ (26,285)</u>	<u>\$ 1,856,033</u>

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

Town of Gibsonville
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2016

	MAJOR ENTERPRISE FUNDS		
	WATER AND SEWER FUND	GIBSONVILLE HOUSING AUTHORITY FUND	TOTAL
Cash Flows from Operating Activities			
Cash received from customers	\$ 2,772,388	\$ 171,904	\$ 2,944,292
Cash paid for goods and services	(2,394,864)	146,338	(2,248,526)
Cash paid to or on behalf of employees for services	(246,859)	-	(246,859)
Customer deposits returned	(863)	-	(863)
Other operating revenues	167,106	-	167,106
Net Cash Provided (Used) By Operating Activities	296,908	22,287	319,195
Cash Flows from Noncapital Financing Activities			
Transfers from other funds	409,500	-	409,500
Transfers to other funds	-	(2,340)	(2,340)
Total Cash Flows from Noncapital Financing Activities	409,500	(2,340)	407,160
Cash Flows from Capital and Related Financing Activities			
Installment purchase obligations issued	34,824	-	34,824
Principal paid on bond maturities and equipment contracts	(50,513)	(13,769)	(64,282)
Interest paid on bond maturities and equipment contracts	(2,067)	(2,150)	(4,217)
Acquisition and Construction of Capital Assets	(33,100)	-	(33,100)
Capital contributions - grants	-	-	-
Net Cash Provided (Used) for Capital and Related Financing Activities	(50,856)	(15,919)	(66,776)
Cash Flows from Investing Activities			
Interest on Investments	60	121	181
Net Increase (Decrease) in Cash and Cash Equivalents	655,612	4,149	659,761
Balances, beginning	258,729	59,725	318,454
Balances, ending	\$ 914,341	\$ 63,874	\$ 978,215
Reconciliation of Operating Income to Net Cash Provided by Operating Activities			
Operating Income (Loss)	\$ 66,895	\$ 15,194	\$ 82,089
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation	65,798	8,401	74,199
Changes in assets, deferred outflows/inflows of resources, and liabilities:			
(Increase) Decrease in Accounts Receivable	4,409	115	4,524
(Increase) Decrease in prepaid items	-	(117)	(117)
Increase (Decrease) in Accounts Payable and accrued liabilities	157,632	(1,581)	156,051
(Increase) Decrease in net pension asset	18,103	-	18,103
(Increase) Decrease in deferred outflows of resources- pensions	(742)	-	(742)
Increase (Decrease) in deferred inflows of resources- pensions	(36,178)	-	(36,178)
Increase (Decrease) in net pension liability	14,433	-	14,433
Increase in unearned revenue	-	275	275
Increase (decrease) in Customer Deposits	(863)	-	(863)
Increase in accrued vacation pay	4,028	-	4,028
Increase in accrued OPEB liability	3,393	-	3,393
Total adjustments	230,013	7,093	237,106
Net Cash Provided (Used) By Operating Activities	\$ 296,908	\$ 22,287	\$ 319,195

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

NOTES TO THE FINANCIAL STATEMENTS

Town of Gibsonville
For fiscal year ended June 30, 2016
Notes to the Financial Statements

NOTE 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 primary government and its component units. 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 fund:

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 public safety, street maintenance and construction, and sanitation services.

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 – This fund is used to account for the Town's water and sewer operations.

Sewer Rehabilitation Fund – This fund is used to account for the Town's Sewer Rehab project activities.

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

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 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. Nonexchange 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 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's 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 the 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 utilities franchise tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Sales taxes are considered 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. Grant revenues which are unearned at year-end are recorded as unearned 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 are both restricted and unrestricted net assets 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. 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 object level for the multi-year funds.

The Budget Officer is authorized by the budget ordinance to reallocate departmental appropriations among various objects 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 with a maturity of more than one year at acquisition and non-money market investments are reported at fair value as determined by quoted market prices. The securities of the NCCMT Cash Portfolio, a SEC-registered (2a-7) money market mutual fund, are valued at fair value, which is the NCCMT's share price. The NCCMT Term Portfolio's securities are valued at fair value. Money market investments that have a remaining maturity at the time of purchase of one year or less are reported at amortized cost.

In accordance with State law, the Town has invested in securities which are callable and which provide for periodic interest rate increases in specific increments until maturity. These investments are reported at fair value as determined by quoted market prices.

2. Cash and Cash Equivalents

The Town pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered 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 also classified as restricted cash because it can be expended only for the purposes of maintaining, repairing, constructing, reconstructing or widening of local streets per G.S. 136-41.1 through 136-41.4. 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.

<u>Town of Gibsonville Restricted Cash</u>			
		<u>Governmental</u>	<u>Business-type</u>
General Fund	Transportation	\$ 24,801	\$ -
	Public Safety	10,386	-
Gibsonville Housing Authority		-	34,557
Total Restricted Cash		<u>\$ 35,187</u>	<u>\$ 34,557</u>

4. Ad Valorem Taxes Receivables

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, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2015.

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 Town and the ABC Board are valued at cost (first-in, first-out), which approximates 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 Town's enterprise funds and those 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 are recorded at their estimated fair value at the date of donation. 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 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:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	30
Buildings	50
Improvements	25
Vehicles	5
Furniture and equipment	5-15

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Furniture and equipment	5-10
Improvements	20

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	25
Equipment	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, contributions made to the pension plan in the 2015 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 only has two items that meet the criterion for this category - property taxes receivable and deferrals of pension expense that result from the implementation of GASB Statement 68.

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 that 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.

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 - portion of fund balance that is restricted by State Statute [G.S. 159-8(a)].

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 as well as restricted money from contractor for paving.

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

Committed Fund Balance –portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of 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 objects 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. Pensions

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

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.

NOTE II.

STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Deficit in Fund Balance or Net Position of Individual Funds

The Gibsonville Housing Authority Fund had a deficit in Net Position of \$26,285 for the fiscal year ended June 30, 2016. While this is a significant deficit in this fund's Net Position, it should be noted that it is very common for housing authorities to operate with a deficit in Net Position due to the large magnitude of debt often required to fund the initial construction of the housing units. The Housing Authority's management remains committed to reducing the Authority's deficit in Net Position going forward.

NOTE III.

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 policy regarding custodial credit risk for deposits.

At June 30, 2016, the Town's deposits had a carrying amount of \$3,544,791 and a bank balance of \$3,608,099. Of the bank balance, \$999,211 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 \$227,356 and the bank balance was \$229,630. All of the bank balance was covered by federal depository insurance. The carrying amount of deposits for the Housing Authority was \$63,874 and the bank balance was \$66,708. All of the bank balance was covered by federal depository insurance. At June 30, 2016, the Town's petty cash fund totaled \$465. The ABC Board had cash on hand in the amount of \$1,600.

2. Investments

At June 30, 2016, the Town of Gibsonville had \$693,645 invested with the North Carolina Capital Management Trust's Cash Portfolio which carried a credit rating of AAAM by Standard and Poor's. The Town has no policy regarding credit risk.

3. Receivables – Allowances for Doubtful Accounts

The amount presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2016 is net of the following allowance for doubtful accounts:

Water and Sewer Fund	\$ 42,841
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4. Capital Assets

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

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<u>Governmental activities</u>				
Capital assets not being depreciated:				
Land	\$ 934,818	\$ -	\$ -	\$ 934,818
Construction in Progress	-	76,948	-	76,948
Total capital assets not being depreciated	934,818	76,948	-	1,011,766
Capital Assets being depreciated:				
Buildings	1,899,576	-	-	1,899,576
Improvements	24,785	-	-	24,785
Infrastructure	495,402	91,792	-	587,194
Equipment	1,776,881	57,900	-	1,834,781
Vehicles	2,665,017	375,660	-	3,040,677
Total capital assets being depreciated	6,861,661	525,352	-	7,387,013
Less accumulated depreciation for:				
Buildings	1,218,543	27,018	-	1,245,561
Improvements	4,212	992	-	5,204
Infrastructure	41,761	16,513	-	58,274
Equipment	1,597,867	142,345	-	1,740,212
Vehicles	1,968,457	223,784	-	2,192,241
Total accumulated depreciation	4,830,840	\$ 410,652	\$ -	5,241,492
Total capital assets being depreciated, net	2,030,821			2,145,521
Government activity capital assets, net	\$ 2,965,639			\$ 3,157,287

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

General government	\$ 11,952
Public safety	219,227
Transportation	97,752
Environmental protection	70,515
Cultural and recreation	<u>11,206</u>
Total depreciation expense	<u>\$ 410,652</u>

Activity for the Water and Sewer Fund for the year ended June 30, 2016, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<u>Business-type activities</u>				
Enterprise Fund:				
Capital assets not being depreciated:				
Land	\$ 18,591	\$ -	\$ -	\$ 18,591
Construction in Progress	-	25,000	-	25,000
Total capital assets not being depreciated	<u>18,591</u>	<u>25,000</u>	<u>-</u>	<u>43,591</u>
Capital Assets being depreciated:				
Buildings	129,875	-	-	129,875
Water and Sewer System	2,861,344	8,100	-	2,869,444
Equipment	299,521	-	-	299,521
Vehicles	42,324	-	-	42,324
Total capital assets being depreciated	<u>3,333,064</u>	<u>8,100</u>	<u>-</u>	<u>3,341,164</u>
Less accumulated depreciation for:				
Buildings	21,755	2,550	-	24,305
Water and Sewer System	1,895,141	45,049	-	1,940,190
Equipment	193,129	13,810	-	206,939
Vehicles	32,447	4,389	-	36,836
Total accumulated depreciation	<u>2,142,472</u>	<u>\$ 65,798</u>	<u>\$ -</u>	<u>2,208,270</u>
Total capital assets being depreciated, net	<u>1,190,592</u>			<u>1,132,894</u>
Water and Sewer Fund Capital assets, net	<u>\$1,209,183</u>			<u>\$ 1,176,485</u>

Activity for the Gibsonville Housing Authority for the year ended June 30, 2016, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land	\$ 11,256	\$ -	\$ -	\$ 11,256
Capital Assets being depreciated:				
Land Improvements	32,518	-	22,310	10,208
Buildings	887,359	-	427	886,932
Equipment	13,665	-	-	13,665
Total capital assets being depreciated	933,542	-	22,737	910,805
Less accumulated depreciation for:				
Land Improvements	25,578	1,213	19,414	7,377
Buildings	778,260	7,188	129	785,317
Equipment	12,233	-	-	12,233
Total accumulated depreciation	816,071	\$ 8,401	\$ 19,543	804,929
Total capital assets being depreciated, net	117,471			105,876
Housing Authority Fund capital assets, net	\$ 128,727			\$ 117,130
Total Enterprise Funds capital assets, net	\$1,337,910			\$ 1,293,615

Discretely presented component unit:

Activity for the Gibsonville ABC Board for the year ended June 30, 2016, was as follows:

	Cost	Accumulated Depreciation	Net Amount
Capital Assets being depreciated:			
Leasehold Improvements	\$ 33,574	\$ 28,396	\$ 5,178
Furniture and Equipment	21,992	19,791	2,201
Totals	\$ 55,566	\$ 48,187	\$ 7,379

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 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, 2016, was 7.15% of compensation for law enforcement officers and 6.78% 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 \$150,934 for the year ended June 30, 2016.

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

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

At June 30, 2016, the Town reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2014. The total pension liability was then rolled forward to the measurement date of June 30, 2015 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension asset was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2015, the Town's proportion was 0.040%, which was an increase of 0.001% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the Town recognized pension expense of \$92,326. At June 30, 2016, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 42,408
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	51,364
Changes in proportion and differences between Town contributions and proportionate share of contributions	-	15,931
Town contributions subsequent to the measurement date	150,934	-
TOTAL	<u>\$ 150,934</u>	<u>\$ 109,702</u>

\$150,934 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2017. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2017	\$ (64,585)
2018	(64,585)
2019	(64,494)
2020	<u>83,962</u>
Total	<u><u>\$(109,702)</u></u>

Actuarial Assumptions. The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the December 31, 2014 valuation were based on the results of an actuarial experience study for the period January 1, 2005 through December 31, 2009.

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

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

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

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

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

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

	1% Decrease (6.25%)	Discount Rate (7.25%)	1% Increase (8.25%)
Town's proportionate share of the net pension liability (asset)	\$ 1,258,059	\$ 180,415	\$ (727,476)

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 Officer's 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. 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, 2015, the Separation Allowance's membership consisted of:

Retirees receiving benefits	3
Terminated plan members entitled to but not yet receiving benefits	0
Active plan members	<u>12</u>
Total	<u>15</u>

A separate report was not issued for the plan.

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 67 and 68.

- Contributions to the pension plan and earnings to those contributions are irrevocable
- Pension plan assets are dedicated to providing benefits to plan members
- Pension plan assets are legally protected from the creditors or employers, nonemployer contributing entities, the plan administrator, and plan members

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

3. *Contributions:*

The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the benefit payments on a pay as you go basis through appropriations made in the General Fund operating budget. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. There were no contributions made by employees.

Annual Pension Cost and Net Pension Obligation. The Town has chosen not to have an actuarial study performed. The Town paid a total of \$32,374 in benefit payments during the fiscal year ended June 30, 2016.

c. Supplemental Retirement Income Plan for Law Enforcement Officers

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

Funding Policy: Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2016 were \$34,311, which consisted of \$23,827 from the Town and \$10,484 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, 2016 were \$108,299, which consisted of \$72,416 from the Town and \$35,883 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.

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, 2016 were \$1,150. Contribution provisions are established by General Statute 58-86 and may be amended only by the North Carolina General Assembly. For the fiscal year ending June 30, 2015, the State contributed \$13,900,000 to the plan. The town of Gibsonville's proportionate share of the State's contribution is \$10,312.

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, 2016, 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 \$26,974. The net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014. The total pension liability was then rolled forward to the measurement date of June 30, 2015 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of 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, 2015 and at June 30, 2014 was 0%.

For the year ended June 30, 2016, the Town recognized pension expense of \$2,159 and revenue of \$2,159 for support provided by the State. At June 30, 2016, 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, 2013 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		7.25 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 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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 Post-employment Benefits

Healthcare Benefits

Plan Description. According to a Town resolution, employees who retire under the provisions of the North Carolina Local Government Employees’ Retirement System (NCLGERS) and who have fifteen (15) years of service with the Town at retirement are eligible to received paid health insurance from the Town. A retired, former employee who is not receiving Medicare benefits and who retires completing at least fifteen (15) years of service with the Town of Gibsonville is eligible to received reimbursement for their actual cost of health insurance premiums not to exceed one-half (50%) of the premium expense the Town of Gibsonville pays for a current employee’s premium. Coverage will continue until the retiree reaches age 65, at which time group health and dental insurance benefits end. Health care, prescription drug, and dental insurance are offered in the Town’s health care plan until the retiree becomes eligible for Medicare. The retiree may continue dependent coverage (and pay the difference between the cost of dependent coverage and employee only coverage) if enrolled in dependent coverage at the time of retirement. Dependent coverage terminates whenever the retiree or dependent becomes eligible for Medicare. The Town’s Board of Aldermen may amend the benefit provisions. A separate report was not issued for the plan.

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

	General Employees:	Law Enforcement Officers:
Retirees and dependents receiving benefits	2	1
Terminated plan members entitled to but not yet receiving benefits	-	-
Active plan members	33	13
Total	35	14

Funding Policy. The Town reimburses qualified retirees for their actual cost of health insurance premiums not to exceed one-half (50%) of the premium expense the Town pays for a current employee's premium full cost of coverage for the healthcare benefits paid to qualified retirees under a Town resolution that can be amended by Town's Board of Aldermen. The Town has chosen to fund the healthcare benefits on a pay as you go basis.

The current ARC rate is 2.18% of annual covered payroll. For the current year, the Town contributed \$11,074 or 1.0% of annual covered payroll. The Town obtains healthcare coverage through private insurers. The Town's contributions totaled \$11,074 for the fiscal year 2016. There were no contributions by the employees. The Town's obligation to contribute to HCB Plan is established and may be amended by the Town council.

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

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

Employer annual required contribution	\$ 41,815
Interest on net OPEB obligation	5,702
Adjustment to annual required contribution	<u>(3,613)</u>
Annual OPEB cost (expense)	43,904
Contributions made	<u>11,074</u>
Increase (decrease) in net OPEB obligation	<u>32,830</u>
Net OPEB obligation, beginning of year	<u>142,558</u>
Net OPEB obligation, end of year	<u>\$ 175,388</u>

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

For Year Ended	Annual	Percentage of Annual	Net OPEB
<u>June 30</u>	<u>OPEB Cost</u>	<u>Contributed</u>	<u>Obligation</u>
2016	\$ 40,766	27.17%	\$ 175,388
2015	\$ 40,766	36.29%	\$ 142,558
2014	\$ 40,766	46.00%	\$ 116,588
2013	\$ 34,839	29.73%	\$ 94,557
2012	\$ 34,454	30.66%	\$ 70,075
2011	\$ 34,202	27.24%	\$ 24,885

Funded Status and Funding Progress. As of December 31, 2013, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and, thus, the unfunded actuarial accrued liability (UAAL) was \$382,477. The covered payroll (annual payroll of active employees covered by the plan) was \$1,861,881, and the ratio of the UAAL to the covered payroll was 20.5 percent. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

In the December 31, 2013 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.00 percent investment rate of return (net of administrative expenses), which is the expected long-term investment returns on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual medical cost trend increase of 7.75 to 5.00 percent annually. The investment rate included a 4 percent inflation assumption. The actuarial value of assets, if any, was determined using techniques that spread the effects of short-term volatility in the market value of investments over a 5 year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2013, was 30 years.

2. Other Employment Benefits

The Town has also 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 service in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months' salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000 or be less than \$25,000. All death benefit payments are made from the Death Benefit Plan. The Town has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. 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 is comprised of the following:

<u>Source</u>	<u>Amount</u>
Contributions to pension plan in current fiscal year	\$ 150,934
Total	\$ 150,934

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

<u>Source</u>	<u>Amount</u>
Pension deferrals	\$ 109,702
Unearned revenues	3,326
Total	\$ 113,028

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 carries commercial coverage for these risks of loss. Through this coverage, the Town obtains general liability and auto liability coverage of \$1 million per occurrence and \$2 million in the aggregate, property coverage up to the total insurance values of the property policy, workers' compensation coverage up to the statutory limits. The policies are reinsured through commercial companies for single occurrence claims against general liability, auto liability and property of \$1 million per occurrence. The policies are reinsured through commercial companies for employer liability coverage of \$1 million each accident; \$1 million per employee for the policy that provides for employer liability disease coverage. Additional \$1 million umbrella coverage over general liability, auto and workers' compensation.

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, 2016. The Town Clerk, Utility billing clerk, and tax collector are individually bonded for \$10,000 each as well.

Town of Gibsonville ABC Board 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 ABC Board has property, general liability, auto liability, workmen's compensation, and employee health coverage. The ABC Board also has liquor legal liability coverage. 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. In accordance with G.S. 18B-700(i), each ABC Board member is bonded in the amount of \$5,000, secured by a corporate surety. Also, in accordance with G.S. 18B-803(b) and (c), the store manager is bonded for \$50,000. All other employees who have access to funds are bonded under a blanket bond for \$25,000.

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. Claims, Judgments and Contingent Liabilities

At June 30, 2016, the Town had no threatened or pending lawsuits.

6. Long-Term Obligations

a. Installment Purchases

Serviced by the General Fund:

In November 2007, the Town entered into a \$229,500 installment purchase agreement with an interest rate of 4.18% to finance the purchase of a public works building. The financing contract requires ten annual payments of \$28,549 beginning November 2008. One-half of each of these payments is paid from the General Fund, with the other half being paid from the Water and Sewer Fund.

In April 2013, the Town entered into a \$495,964 installment purchase agreement with an interest rate of 1.61 percent to finance a 2013 Pierce Arrow XT Pumper Fire Truck. The financing contract requires seven annual payments of \$74,913 beginning November 2013.

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 requires five annual payments of \$59,006 beginning January 2016.

Serviced by the Water and Sewer Fund:

In October 2015, the Town entered into a \$350,000 installment purchase agreement to finance the Springwood/Cedar Water Sewer Project. Only \$34,824 was disbursed to the Town before the Town Board decided to not move forward with the contractor on the project. Therefore, the \$34,824 was paid to cover the debt disbursed for engineering fees.

In November 2007, the Town entered into a \$229,500 installment purchase agreement with an interest rate of 4.18% to finance the purchase of a public works building. The financing contract requires ten annual payments of \$28,549 beginning November 2008. One-half of each of these payments is paid from the General Fund, with the other half being paid from the Water and Sewer Fund.

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 of \$3,065 beginning in May 2011.

Serviced by the Gibsonville Housing Authority Fund:

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.

Annual debt service payments of these installment purchase agreements as of June 30, 2016, including \$25,214 of interest, are as follows:

Year Ending June 30	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2017	138,414	9,780	30,125	1,122
2018	141,074	7,120	30,808	573
2019	129,518	4,401	17,239	-
2020	131,701	2,219	17,372	-
2021	-	-	17,505	-
2022-2026	-	-	89,520	-
2027-2030	-	-	76,327	-
Total	<u>\$ 540,707</u>	<u>\$ 23,519</u>	<u>\$ 278,895</u>	<u>\$ 1,695</u>

At June 30, 2016, the Town of Gibsonville had a legal debt margin of \$42,878,561.

d. Changes in Long-Term Liabilities

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
Governmental activities:					
Compensated absences	\$ 172,540	\$ 23,386	\$ -	\$ 195,926	\$ 148,944
OPEB obligation	122,054	29,437	-	151,491	-
Installment purchases	396,610	283,000	138,904	540,706	138,414
Net Pension Liability (LGERS)	-	165,982	-	165,982	-
Governmental activity long-term liabilities	\$ 691,204	\$ 501,805	\$ 138,904	\$1,054,105	\$ 287,358
Business-type activities:					
<u>Water and Sewer Fund</u>					
Compensated absences	\$ 16,149	\$ 4,028	\$ -	\$ 20,177	\$ 15,132
OPEB obligation	20,504	3,393	-	23,897	-
Installment purchases	85,452	34,824	50,513	69,763	16,217
Net Pension Liability (LGERS)	-	14,433	-	14,433	-
Water and Sewer Fund long-term liabilities	122,105	56,678	50,513	128,270	31,349
<u>Gibsonville Housing Authority Fund</u>					
Notes payable	222,901	-	13,769	209,132	13,908
Gibsonville Housing Authority Fund long-term liabilities	222,901	-	13,769	209,132	13,908
Business-type activity long-term liabilities	\$ 345,006	\$ 56,678	\$ 64,282	\$ 337,402	\$ 45,257

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, 2016, consist of the following:

From the Gibsonville Housing Authority Fund to the General Fund – management fee	\$ 2,340
From the Perpetual Care Fund to the General Fund - reimbursement for services provided	\$ 2,700
From the General Fund to the Community Center Capital Project- to fund construction of new community center.	\$ 738,000

From the General Fund to the Sewer Capital Project Fund-
to fund rehabilitation of the sewer system. \$ 409,500

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.

During the 2016 fiscal year, the Town made a transfer from the Gibsonville Housing Authority Fund to the General Fund for reimbursement of management fees. The Town made a transfer during the year from the Perpetual Care Fund to the General Fund for \$2,700 to reimbursement of services provided. The Town also transferred money to the Water and Sewer fund for \$409,500 to fund a Sewer Rehabilitation project. Furthermore, the Town also transferred \$738,000 to the Community Center Fund to construct a new community center for the Town.

D. Prior Period Adjustment

In light of the recent North Carolina Supreme Court decision in *Quality Built Homes v. Town of Carthage*, 789 S.E.2d 454 (2016), the Town of Gibsonville has decided to accrue the liability of development fees received over the last three years. Therefore, the Water and Sewer fund had a prior period adjustment of \$123,870 which was the amount of revenue collected in the last three years. The current year revenue from development fees will be accrued as well.

E. Net Investment in Capital Assets

	<u>Governmental</u>	<u>Business-type</u>
Capital Assets	\$ 3,157,287	\$ 1,293,615
Less: long-term debt	(540,706)	(278,895)
Add: unexpended debt proceeds		
Net Investment in Capital Assets	\$ 2,616,581	\$ 1,014,720

F. Fund Balance

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

<i>Total fund balance-General Fund</i>	<i>\$2,863,066</i>
Less:	
Prepays	46,362
Stabilization by State Statute	413,140
Transportation	24,801
Public Safety	10,386
Appropriated Fund Balance in 2017 budget	277,000
Remaining Fund Balance	2,091,377

NOTE IV. **JOINTLY GOVERNED ORGANIZATION**

The Town, in conjunction with twelve counties and fifty-nine other 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 \$1,408 to the Council during the fiscal year ended June 30, 2016.

NOTE 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.

NOTE VI. **SIGNIFICANT EFFECTS OF SUBSEQUENT EVENTS**

The Town has evaluated events and transactions that occurred between June 30, 2016 and January 26, 2017, which is the date that they financial statements were available to be issued, for possible recognition or disclosure in the financial statements. As mentioned in the Prior Period Restatement footnote, in light of the recent North Carolina Supreme Court decision in *Quality Built Homes v. Town of Carthage*, 789 S.E.2d 454 (2016), the Town of Gibsonville has decided to accrue the liability of development fees received over the last three years plus the current year revenues. This case has been appealed to the North Carolina Court of Appeals. Based on the decision of the court of appeals, the Town of Gibsonville may have to return the development fees paid to the Town for up to ten years. The Town has currently accrued a total of four years but understand that amount could increase based on the amounts collected for up to ten years.

REQUIRED SUPPLEMENTAL FINANCIAL DATA

**Town of Gibsonville, North Carolina
Other Postemployment Benefits
Required Supplementary Information
Schedule of Funding Progress**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b - a)/c)
12/31/09	-	\$325,793	\$325,793	0.00%	\$2,112,128	15.4%
12/31/13	-	\$382,477	\$382,477	0.00%	\$1,861,881	20.5%

**Town of Gibsonville, North Carolina
Other Postemployment Benefits
Required Supplementary Information
Schedule of Employer Contributions**

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2014	\$40,766	46.0%
2015	\$40,766	36.3%
2016	\$41,815	26.4%

Notes to the Required Schedules:

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation date	12/31/2013
Actuarial cost method	Projected unit credit
Amortization method	Level percentage of Pay, open
Remaining amortization period	30 years
Asset valuation method	Market Value of Assets
Actuarial assumptions	
Investment Rate of Return*	4.00%
Medical cost trend rate	7.75% - 5.00%
Year of Ultimate trend rate	2019
*Includes inflation at	3.00%

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

Local Government Employees' Retirement System

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Gibsonville's proportion of the net pension liability (asset) (%)	-0.04%	-0.04%	0.04%
Gibsonville's proportion of the net pension liability (asset) (\$)	\$ 180,415	\$ (226,286)	\$ 459,251
Gibsonville's covered-employee payroll	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	9.39%	-11.95%	22.15%
Plan fiduciary net position as a percentage of the total pension liability **	102.64%	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 Three Fiscal Years**

Local Government Employees' Retirement System

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 150,934	\$ 137,851	\$ 135,185
Contributions in relation to the contractually required contribution	<u>150,934</u>	<u>137,851</u>	<u>135,185</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Gibsonville's covered-employee payroll	2,188,586	1,921,014	1,894,380
Contributions as a percentage of covered-employee payroll	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 Two Fiscal Years*

Firefighters' and Rescue Squad Workers' Pension

	<u>2016</u>	<u>2015</u>
Gibsonville's proportion of the net pension liability (asset) (%)	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	26,974	20,768
	<u>\$ 26,974</u>	<u>\$ 20,768</u>
Gibsonville's covered-employee payroll	\$ 315,440	\$ 255,791
Gibsonville's proportionate share of the net pension liability as percentage of its covered-employee payroll	8.55%	8.12%
Plan fiduciary net position as a percentage of the total pension liability	93.42%	93.42%

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

INDIVIDUAL FUND STATEMENTS AND SCHEDULES

SCHEDULE 6

Town of Gibsonville, North Carolina
 General Fund
 Schedule of Revenues, Expenditures, and
 Changes in Fund Balances - Budget and Actual
 For the Year Ended June 30, 2016

	2016		VARIANCE POSITIVE (NEGATIVE)
	BUDGET	ACTUAL	
REVENUES			
Ad valorem taxes:			
Current Year	\$ 2,725,432	\$ 2,713,979	\$ (11,453)
Prior Years	30,700	26,942	(3,758)
Penalties and interest	15,000	13,347	(1,653)
Total	<u>2,771,132</u>	<u>2,754,268</u>	<u>(16,864)</u>
Unrestricted intergovernmental:			
Local option sales taxes	1,057,800	1,155,588	97,788
Utility franchise tax	327,700	413,423	85,723
Beer and wine tax	31,000	29,983	(1,017)
Total	<u>1,416,500</u>	<u>1,598,994</u>	<u>182,494</u>
Restricted intergovernmental:			
Powell Bill allocation	185,000	189,008	4,008
Controlled substance tax	-	2,395	2,395
Solid waste disposal tax	4,300	4,418	118
Guilford County Fire District tax	14,000	12,682	(1,318)
Total	<u>203,300</u>	<u>208,503</u>	<u>5,203</u>
Permits and fees:			
Court facilities fees	-	1,557	1,557
Code Enforcement	8,000	34,495	26,495
Development fees	-	-	-
Total	<u>8,000</u>	<u>36,052</u>	<u>28,052</u>
Sales and Services:			
Recreation department fees	66,000	68,359	2,359
Library fees	56,000	57,687	1,687
Sanitation fees	210,000	236,338	26,338
Brush pickup fees	1,500	4,175	2,675
Stormwater fees	26,000	29,859	3,859
Cemetery fees	13,000	17,940	4,940
Total	<u>372,500</u>	<u>414,358</u>	<u>41,858</u>
Investment earnings	<u>7,500</u>	<u>13,009</u>	<u>5,509</u>
Miscellaneous	<u>12,906</u>	<u>12,783</u>	<u>(123)</u>
Total Revenues	<u>4,791,838</u>	<u>5,037,967</u>	<u>246,129</u>

Town of Gibsonville, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2016

	2016		VARIANCE POSITIVE (NEGATIVE)
	BUDGET	ACTUAL	
EXPENDITURES			
General Government:			
Governing Body			
Salaries and Employee Benefits	18,516	18,516	
Professional Services	29,670	31,807	
Membership Dues	10,500	10,047	
Operating Expenditures	21,000	7,060	
Capital Outlay	-	-	
Total	79,686	67,430	12,256
Administration			
Salaries and Employee Benefits	578,075	572,492	
Operating Expenditures	461,297	390,059	
Capital Outlay	6,000	6,319	
Total	1,045,372	968,870	76,502
Elections			
Operating Expenditures	-	-	-
Total General Government	1,125,058	1,036,300	88,758
Public Safety:			
Police			
Salaries and Employee Benefits	1,041,230	980,290	
Vehicle Maintenance	16,000	13,315	
Operating Expenditures	251,106	200,212	
Capital Outlay	98,000	96,021	
Total	1,406,336	1,289,838	116,498
Fire			
Salaries and Employee Benefits	453,033	448,381	
Vehicle Maintenance	5,000	2,266	
Operating Expenditures	126,489	92,584	
Capital Outlay	98,000	100,032	
Total	682,522	643,263	39,259
Total Public Safety	2,088,858	1,933,101	155,757

SCHEDULE 6

**Town of Gibsonville, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2016**

	2016		VARIANCE POSITIVE (NEGATIVE)
	BUDGET	ACTUAL	
Transportation:			
Garage			
Salaries and Employee Benefits	147,421	147,801	
Other Operating Expenditures	35,500	18,316	
Capital Outlay	0	0	
Total	182,921	166,117	16,804
Streets and Highways			
Salaries and Employee Benefits	305,487	302,982	
Vehicle Maintenance	7,500	4,816	
Other Operating Expenditures	176,150	135,760	
Capital Outlay	76,000	104,021	
Total	565,137	547,579	17,558
Powell Bill			
Sidewalk Construction	40,000	7,306	
Maintenance	61,600	34,392	
Other Operating Expenditures	28,000	42,596	
Capital Outlay	315,000	290,785	
Total	444,600	375,079	69,521
Total Transportation	1,192,658	1,088,775	103,883
Culture and Recreation:			
Parks and Recreation			
Salaries and Employee Benefits	295,911	279,035	
Vehicle Maintenance	500	-	
Contracted Services	15,000	23,099	
Operating Expenditures	151,998	132,437	
Capital Outlay	22,000	13,520	
Total	485,409	448,091	37,318
Libraries			
Salaries and Employee Benefits	88,383	79,876	
Operating Expenditures	40,399	25,455	
Capital Outlay	5,500	6,679	
Total	134,282	112,010	22,272
Total Culture and Recreation	619,691	560,101	59,590

SCHEDULE 6

Town of Gibsonville, North Carolina
 General Fund
 Schedule of Revenues, Expenditures, and
 Changes in Fund Balances - Budget and Actual
 For the Year Ended June 30, 2016

	2016		VARIANCE POSITIVE (NEGATIVE)
	BUDGET	ACTUAL	
Environmental Protection:			
Sanitation			
Salaries and Employee Benefits	50,990	50,630	
Vehicle Maintenance	20,500	18,203	
Contracted Services	140,000	150,241	
Operating Expenditures	50,400	24,137	
Capital Outlay	283,000	282,713	
Total	<u>544,890</u>	<u>525,924</u>	18,966
Cemetery			
Operating Expenditures	<u>20,000</u>	<u>15,750</u>	4,250
Total Environmental Protection	<u>564,890</u>	<u>541,674</u>	23,216
Debt service:			
Principal retirement	140,034	138,905	
Interest and other charges	9,289	9,289	
Total Debt Service	<u>149,323</u>	<u>148,194</u>	1,129
Contingency	-	-	-
Total Expenditures	<u>5,740,478</u>	<u>5,308,145</u>	432,333
Revenues over (under) Expenditures	<u>(948,640)</u>	<u>(270,178)</u>	678,462
Other Financing Sources (Uses)			
Transfers from other funds:			
Perpetual Care Fund	2,700	2,700	-
Gibsonville Housing Authority Fund	2,340	2,340	-
Transfers to other funds:			
Sewer Rehabilitation Capital Project	(409,500)	(409,500)	-
Community Center Project	(738,000)	(738,000)	-
Installment obligation proceeds	283,000	283,000	-
Sale of capital assets	3,000	14,068	11,068
Totals other financing sources (uses)	<u>(856,460)</u>	<u>(845,392)</u>	11,068
Fund balance appropriated	1,805,100	-	1,805,100
Net change in fund balance	<u>\$ -</u>	<u>(1,115,570)</u>	<u>\$ (1,115,570)</u>
Fund balances, beginning		3,978,636	
Fund balances, ending		<u>\$ 2,863,066</u>	

Town of Gibsonville, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balances
Capital Project Fund - Community Center Capital Project
For the Year Ended June 30, 2016

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues- Community					
Center Project					
Investment earnings	\$ -	\$ -	-	\$ -	\$ -
Total	-	-	-	-	-
Expenditures- Community					
Center Project					
Construction	1,774,000	-	-	-	1,774,000
Furnishings	10,000	-	-	-	10,000
Legal Fees	12,000	-	1,555	1,555	10,445
Equipment	100,000	-	-	-	100,000
Interest	40,000	-	-	-	40,000
Project contingency	84,000	-	-	-	84,000
Engineering	133,000	-	76,948	76,948	56,052
Total	2,153,000	-	78,503	78,503	2,074,497
Other financing sources (uses):					
Loan proceeds	1,415,000	-	-	-	(1,415,000)
Transfer from General Fund	738,000	-	738,000	738,000	-
Total	2,153,000	-	738,000	738,000	(1,415,000)
Revenues over expenditures	\$ -	\$ -	659,497	\$ 659,497	\$ 659,497
Fund balance, beginning			-		
Fund balance, ending			<u>\$ 659,497</u>		

Town of Gibsonville, North Carolina
Balance Sheet
Nonmajor Governmental Fund - Cemetery Perpetual Care Fund
For the Year Ended June 30, 2016

ASSETS	
Cash and cash equivalents	\$ 74,835
Total assets	74,835
LIABILITIES AND FUND BALANCES	
Liabilities:	
Due to other fund	\$ -
Fund balances:	
Nonspendable-Perpetual Maintenance	74,835
Total liabilities and fund balances	\$ 74,835

SCHEDULE 9

Town of Gibsonville, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Fund - Cemetery Perpetual Care Fund
For the Year Ended June 30, 2016

Revenues:		
Sales and services	\$	5,980
Investment earnings		<u>154</u>
Total revenues		6,134
Expenditures		<u>-</u>
Revenues over expenditures		6,134
Other financing sources (uses):		
Transfer to General Fund		<u>(2,700)</u>
Net change in fund balance		3,434
Fund balance, beginning		<u>71,401</u>
Fund balance, ending	\$	<u><u>74,835</u></u>

**Town of Gibsonville, North Carolina
Water and Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Fiscal Year Ended June 30, 2016**

	2016		VARIANCE POSITIVE (NEGATIVE)
	BUDGET	ACTUAL	
REVENUES			
Charges for Services	\$ 2,631,288	\$ 2,767,029	\$ 135,741
Water and Sewer Taps	1,000	950	(50)
Other Operating Revenues:			
Meter Setting Fees	20,000	34,600	14,600
Reconnection Fees	70,000	92,986	22,986
Assessments/Development Fees	40,000	-	(40,000)
Other	19,789	39,520	19,731
Total Other Operating Revenues	149,789	167,106	17,317
Total Operating Revenues	2,782,077	2,935,085	153,008
Nonoperating revenues			
Interest earnings	-	60	60
TOTAL REVENUES	2,782,077	2,935,145	153,068
EXPENDITURES			
Water and Sewer Administration:			
Salaries and Employee Benefits		232,017	
Supplies		43,427	
Contracted Services		73,374	
Maintenance		33,735	
Purchases - Water and Sewer		2,323,830	
Utilities		24,025	
Other Operating Expenditures		51,318	
Capital Outlay		50,730	
Debt service - Interest		2,066	
Debt service - Principal retirement		50,513	
Total	3,000,987	2,885,035	115,952
Contingency	131,090	-	131,090
TOTAL EXPENDITURES	3,132,077	2,885,035	247,042
REVENUES OVER (UNDER) EXPENDITURES	(350,000)	50,110	400,110
OTHER FINANCING SOURCES (USES):			
Installment purchase obligations issued	350,000	34,824	(315,176)
FUND BALANCE APPROPRIATED	-	-	-
REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	\$ -	84,934	\$ 84,934

Town of Gibsonville, North Carolina
 Water and Sewer Fund
 Schedule of Revenues and Expenditures
 Budget and Actual (Non - GAAP)
 For the Fiscal Year Ended June 30, 2016

	2016		VARIANCE POSITIVE (NEGATIVE)
	BUDGET	ACTUAL	
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Revenues and other sources over expenditures and other uses		\$ 84,934	
Reconciling items:			
Principal retirement		50,513	
Capital outlay		33,100	
Decrease in installment purchase interest accrued		402	
Increase in accrued vacation payable		(4,028)	
Increase in accrued OPEB liability		(3,393)	
Decrease in net pension asset		(18,103)	
Increase in deferred outflow of resources - pensions		742	
Increase in net pension liability		(14,433)	
Decrease deferred inflows of resources -pension		36,178	
Installment purchase proceeds		(34,824)	
Depreciation		(65,798)	
Transfer in from General Fund to Water Sewer Capital Projects Fund		409,500	
Change in net position		\$ 474,790	

Town of Gibsonville, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balances
Capital Project Fund - Sewer Rehabilitation Capital Project
For the Year Ended June 30, 2016

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues- Sewer Rehabilitation Project Investment earnings Total	\$ -	\$ -	-	\$ -	\$ -
Expenditures- Sewer Rehabilitation Project Engineering Total	409,500	-	25,000	25,000	384,500
Other financing sources (uses): Transfer from General Fund Total	409,500	-	409,500	409,500	-
Net change in fund balance	\$ -	\$ -	384,500	\$ 384,500	\$ 384,500
Fund balance, beginning			-		
Fund balance, ending			\$ 384,500		

**Town of Gibsonville, North Carolina
Gibsonville Housing Authority Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Fiscal Year Ended June 30, 2016**

	2016		VARIANCE POSITIVE (NEGATIVE)
	BUDGET	ACTUAL	
REVENUES			
Operating revenues			
Charges for services	\$ 171,840	\$ 171,514	\$ (326)
Total operating revenues	171,840	171,514	(326)
Nonoperating revenues			
Interest earnings	59	121	62
TOTAL REVENUES	171,899	171,635	(264)
EXPENDITURES			
Housing Administration:			
General Operating Expenses	42,691	34,463	8,228
Repairs and Maintenance/Grounds Maintenance	53,301	51,822	1,479
Management Fees	16,500	16,485	15
Administrative Expenses	8,334	16,406	(8,072)
Reserve Expenses	22,000	21,252	748
Taxes and Insurance	7,360	7,491	(131)
Total Housing Administration	150,186	147,919	2,267
Debt service:			
Interest and other charges		2,150	
Principal retirement		13,769	
Total debt service	15,936	15,919	17
Contingency	3,437	-	3,437
TOTAL EXPENDITURES	169,559	163,838	5,721
REVENUES OVER (UNDER) EXPENDITURES	2,340	7,797	5,457
OTHER FINANCING SOURCES (USES):			
Transfer to other fund:			
General Fund	(2,340)	(2,340)	-
REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	\$ -	5,457	\$ 5,457

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

Revenues and other sources over expenditures and other uses	\$ 5,457
Reconciling items:	
Gain on disposal of fixed assets	(3,195)
Principal retirement	13,769
Depreciation	(8,401)
Change in net position	<u>\$ 7,630</u>

Other Schedules

This section contains additional information required on property taxes.

- Schedule of Ad Valorem Taxes Receivable
- Analysis of Current Tax Levy

**Town of Gibsonville, North Carolina
General Fund
Schedule of Ad Valorem Taxes Receivable
June 30, 2016**

Fiscal Year	Uncollected Balance June 30, 2015	Additions	Collections And Credits	Uncollected Balance June 30, 2016
2015-2016	\$ -	\$ 2,785,757	\$ 2,709,191	\$ 76,566
2014-2015	36,700		15,538	21,162
2013-2014	23,234		6,631	16,603
2012-2013	18,742		4,869	13,873
2011-2012	12,713		1,524	11,189
2010-2011	14,338		771	13,567
2009-2010	13,129		1,427	11,702
2008-2009	7,171		561	6,610
2007-2008	6,770		409	6,361
2006-2007	4,488		4,488	-
	<u>\$ 137,285</u>	<u>\$ 2,785,757</u>	<u>\$ 2,745,409</u>	<u>177,633</u>

Reconciliation with Revenues:

Ad Valorem Tax - General Fund	\$ 2,754,268
Reconciling items:	
Interest collected	(13,347)
Taxes written off	4,488
Subtotal	<u>(8,859)</u>
Total collections and credits	<u>\$ 2,745,409</u>

**Town of Gibsonville, North Carolina
 Analysis of Current Tax Levy
 Town - Wide Levy
 For the Fiscal Year Ended June 30, 2016**

	Town - Wide			Total Levy	
	Property Valuation	Rate per \$100	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy:					
Property taxed at current	\$ 547,781,443	0.51	\$ 2,793,685	\$ 2,489,022	\$ 304,664
Less: Releases	(1,554,425)	0.51	(7,928)	(7,928)	-
Total Property Valuation	<u>\$ 546,227,018</u>				
Net levy			2,785,758	2,481,094	304,664
Uncollected taxes at June 30, 2016			<u>76,566</u>	<u>75,777</u>	<u>789</u>
Current year's taxes collected			<u>\$ 2,709,192</u>	<u>\$ 2,405,317</u>	<u>\$ 303,875</u>
Current levy collection percentage			<u>97.25%</u>	<u>96.95%</u>	<u>99.74%</u>

COMPLIANCE SECTION

Winston, Williams, Creech, Evans, & Company, LLP

Certified Public Accountants



America Counts on CPAs

James P. Winston II, CPA
Gary L. Williams, CPA
Carleen P. Evans, CPA

Jennifer T. Reese, CPA
Curtis G. Van Horne, CPA
Cathy E. McKinley, CPA
Tara H. Roberson, CPA

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 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, discretely presented component unit, each major fund, and the aggregated remaining fund information of the Town of Gibsonville, North Carolina as of and for the year ended June 30, 2016, 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 26, 2017. 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 financial statements of 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.

Our consideration of internal control was for limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements

102 W. Spring Street • P.O. Box 1366 • Oxford, NC 27565 • (919) 693-5196 • fax (919) 693-7614

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will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses. [16-1]

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*.

Town of Gibsonville's Response to Findings

The Town of Gibsonville's response to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report 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.

Winston, Williams, Creech, Evans & Company, LLP

Winston, Williams, Creech, Evans & Company, LLP
Certified Public Accountants
Oxford, North Carolina
January 26, 2017

**TOWN OF GIBSONVILLE, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? yes no

Significant Deficiency(s) identified that are not considered
to be material weakness(es)? yes none reported

Noncompliance material to financial statements noted yes no

Section II - Financial Statement Findings

16-1 Deficit in Blended Component Unit's Net Position

Material Weakness

Criteria: The net position of the blended component unit should be a positive dollar amount.

Condition: Net position of Gibsonville Housing Authority had a deficit balance for the fiscal year ended June 30, 2016.

Effect: The Gibsonville Housing Authority's obligations outstanding exceeded its assets as of June 30, 2016.

Cause: The balance due on the note payable that was initially needed to fund the construction of the housing units exceeds the Housing Authority's assets.

Recommendation: While significant in magnitude, a deficit in net position for a housing authority is fairly common due to the large amount of debt carried on the balance sheet that is needed to finance the construction of housing units. Management should continue to monitor this deficit and strive to reduce it in future years through positive operating results.

Views of responsible officials and planned corrective action: The Town agrees with this finding and have projected the issue to be resolved within two years based on the rate of net position increase in the last few years of operations.

**TOWN OF GIBSONVILLE, NORTH CAROLINA
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2016**

Section II - Financial Statement Findings

Material Weakness

16-1 Deficit in Blended Component Unit's Net Position

Name of contact person: Ben Baxley, Town Manager

Corrective Action: The Town will continue to closely monitor the activities of the Housing Authority to ensure that the deficit in net position continues to be reduced in future years.

Proposed Completion Date: Ongoing

**TOWN OF GIBSONVILLE, NORTH CAROLINA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Finding: 15-1

Name of contact person: Ben Baxley, Town Manager

Corrective Action: The Town will continue to closely monitor the activities of the Housing Authority to ensure that the deficit in net position continues to be reduced in future years.

Proposed Completion Date: Ongoing