

TOWN OF GIBSONVILLE, NORTH CAROLINA

FINANCIAL STATEMENTS

June 30, 2018

**TOWN OF GIBSONVILLE, NORTH CAROLINA
JUNE 30, 2018**

BOARD OF ALDERMEN

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

FINANCE AND ADMINISTRATIVE STAFF

Ben Baxley, Town Manager
Chad Coble, Finance Officer

Town of Gibsonville, North Carolina
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June 30, 2018

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Financial Section



Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Gibsonville, North Carolina, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Town of Gibsonville ABC Board, which represents 100 percent of the assets, net position, and revenues of the discretely presented component units. Those statements were audited by another auditor whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Town of Gibsonville ABC Board, is based solely on the report of another auditor. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of Town of Gibsonville ABC Board were not audited in accordance with *Governmental Auditing Standards*.

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

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

Opinions

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective 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, 2018, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Town of Gibsonville. The combining and individual fund statements, budgetary schedules, and other schedules are presented for purposes 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 relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, and 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 December 7, 2018 on our consideration of Town of Gibsonville's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants 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 Town of Gibsonville's internal control over financial reporting and compliance.

Gibson & Company, P.A.

Winston-Salem, North Carolina
December 7, 2018

Management's Discussion and Analysis

Town of Gibsonville Management's Discussion and Analysis

As management of the Town of Gibsonville, we offer readers of the Town of Gibsonville's financial statements this narrative overview and analysis of the financial activities of the Town of Gibsonville for the fiscal year ended June 30, 2018. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

Financial Highlights

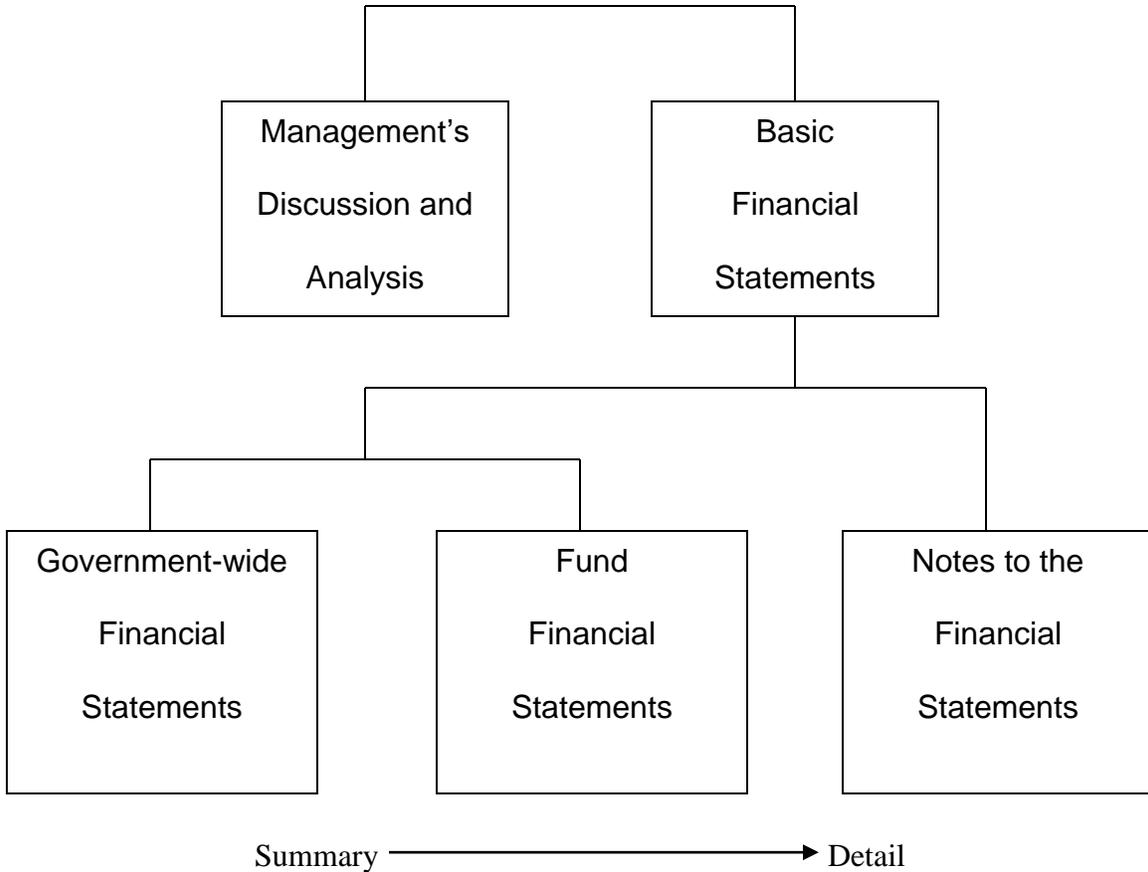
- The assets and deferred outflows of resources of the Town of Gibsonville exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$8,560,776 (*net position*).
- The government's total net position increased by \$990,692, primarily due to an increase in the business-type activities net position.
- As of the close of the current fiscal year, the Town of Gibsonville's governmental funds reported combined ending fund balances of \$3,373,300 with a net decrease of \$113,042 in fund balance. Approximately 52.67 percent of this total amount, or \$1,776,603, is available for spending at the government's discretion (*unassigned fund balance*). Approximately 28.16 percent of this total amount, or \$949,976 is non spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1,753,953 or 30.80 percent of total general fund expenditures for the fiscal year.
- The Town of Gibsonville's total debt decreased by \$534,289 (13.33%) during the current fiscal year.

Overview of the Financial Statements

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

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

The next statements (Exhibits 3 through 9) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than the government-wide statements. There are four parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; 3) the proprietary fund statements; and 4) the fiduciary fund statements.

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

Management Discussion and Analysis Town of Gibsonville

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

The fund financial statements (see Figure 1) provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Gibsonville, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the Town's budget ordinance. All of the funds of Town of Gibsonville can be divided into two categories: governmental funds and proprietary funds.

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

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

Management Discussion and Analysis

Town of Gibsonville

funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the Town complied with the budget ordinance and whether or not the Town succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the board; 2) the final budget as amended by the board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

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

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

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 25 of this report.

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

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

Management Discussion and Analysis
Town of Gibsonville

Government-Wide Financial Analysis

Town of Gibsonville's Net Position

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 3,728,906	\$ 4,198,993	\$ 2,420,343	\$ 1,856,912	\$ 6,149,249	\$ 6,055,905
Capital assets	4,889,427	4,494,092	1,416,029	1,308,141	6,305,456	5,802,233
Deferred outflows of resources	468,739	703,504	36,569	65,018	505,308	768,522
Total assets and deferred outflows of resources	9,087,072	9,396,589	3,872,941	3,230,071	12,960,013	12,626,660
Long-term liabilities outstanding	3,008,805	1,642,769	298,500	339,493	3,307,305	1,982,262
Other liabilities	336,259	2,121,476	135,775	502,205	472,034	2,623,681
Deferred inflows of resources	132,692	55,293	487,206	4,845	619,898	60,138
Total liabilities and deferred inflows of resources	3,477,756	3,819,538	921,481	846,543	4,399,237	4,666,081
Net position:						
Net investment in capital assets	3,255,854	2,676,800	1,198,075	1,059,371	4,453,929	3,736,171
Restricted	878,569	1,032,578	-	-	878,569	1,032,578
Unrestricted	1,474,893	1,867,673	1,753,385	1,324,157	3,228,278	3,191,830
Total net position	\$ 5,609,316	\$ 5,577,051	\$ 2,951,460	\$ 2,383,528	\$ 8,560,776	\$ 7,960,579

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of Town of Gibsonville exceeded liabilities and deferred inflows by \$8,560,776 as of June 30, 2018. The Town's net position increased by \$990,692 for the fiscal year ended June 30, 2018. However, the largest portion (52.03%) reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The Town of Gibsonville uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Gibsonville's net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Gibsonville's net position, \$878,569 represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$3,228,278 is unrestricted.

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

- Continued diligence in the collection of property taxes by maintaining a tax collection rate of 98.61%.

Management Discussion and Analysis
Town of Gibsonville

Town of Gibsonville's Changes in Net Position
Figure 3

	Governmental		Business-type		Total	
	Activities	Activities	Activities	Activities	2018	2017
	2018	2017	2018	2017	2018	2017
Revenues:						
Program revenues:						
Charges for services	\$ 465,940	\$ 433,641	\$ 3,457,858	\$ 3,267,724	\$ 3,923,798	\$ 3,701,365
Operating grants and contributions	233,492	217,974	-	-	233,492	217,974
Capital grant and contributions	315,235	20,429	-	-	315,235	20,429
General revenues						
Property taxes	3,140,871	2,850,375	-	-	3,140,871	2,850,375
Unrestricted intergovernmental	1,751,309	1,666,585	-	-	1,751,309	1,666,585
Other	91,839	64,589	465	273	92,304	64,862
Total revenues	5,998,686	5,253,593	3,458,323	3,267,997	9,457,009	8,521,590
Expenses:						
General government	1,209,870	1,192,517	-	-	1,209,870	1,192,517
Public safety	2,467,109	2,275,235	-	-	2,467,109	2,275,235
Transportation	780,010	785,519	-	-	780,010	785,519
Environmental protection	442,829	453,227	-	-	442,829	453,227
Cultural and recreational	696,475	600,556	-	-	696,475	600,556
Interest on long-term debt	6,968	29,109	-	3,026	6,968	32,135
Water and sewer	-	-	2,705,959	2,670,453	2,705,959	2,670,453
Gibsonville Housing Authority	-	-	157,097	140,183	157,097	140,183
Total expenses	5,603,261	5,336,163	2,863,056	2,813,662	8,466,317	8,149,825
Increase (decrease) in net position before transfers	395,425	(82,570)	595,267	454,335	990,692	371,765
Transfers	-	(73,160)	-	73,160	-	-
Increase (decrease) in net position	395,425	(155,730)	595,267	527,495	990,692	371,765
Net position, July 1 as previously reported	5,577,051	5,955,209	2,383,528	1,856,033	7,960,579	7,811,242
Restatement	(363,160)	(222,428)	(27,335)	-	(390,495)	(222,428)
Net position, July 1 as restated	5,213,891	5,732,781	2,356,193	1,856,033	7,570,084	7,588,814
Net position, June 30	\$ 5,609,316	\$ 5,577,051	\$ 2,951,460	\$ 2,383,528	\$ 8,560,776	\$ 7,960,579

Governmental activities. Governmental activities increased the Town's net position by \$395,425. Key elements of this decrease are as follows:

- Increase in ad valorem taxes revenue due to residential growth, reappraisal, and two cents tax rate increase
- Increase in local option sales taxes
- Decrease in Transportation expenses of \$15,487

Business-type activities: Business-type activities increased the Town of Gibsonville's net position by \$595,267. The key elements of this increase are as follows:

- Increase in Water and Sewer rates

Management Discussion and Analysis
Town of Gibsonville

Financial Analysis of the Town's Funds

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

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

The general fund is the chief operating fund of the Town of Gibsonville. At the end of the current fiscal year, Town of Gibsonville's fund balance available in the General Fund was \$1,753,953 while total fund balance reached \$3,267,188. The Town currently has an available fund balance of 30.80% of general fund expenditures, while total fund balance represents 57.37% of the same amount.

At June 30, 2018, the governmental funds of the Town of Gibsonville reported a combined fund balance of \$3,370,300 with a net decrease in fund balance of \$113,042. Included in this change in fund balance is an increase in the fund balance for the General Fund and a decrease in the fund balance for the Major Fund.

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

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

Proprietary Funds. The Town of Gibsonville's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to \$1,632,732. The total change in net position for the fund was \$562,356.

Management Discussion and Analysis
Town of Gibsonville

Capital Asset and Debt Administration

Capital assets. The Town of Gibsonville’s investment in capital assets for its governmental and business–type activities as of June 30, 2018, totals \$6,305,456 (net of accumulated depreciation). These assets include land, buildings, sewer lines, equipment, and vehicles.

Major capital asset transactions during the year include the following:

- Community Center Building and Equipment - \$367,280.30
- Purchase three police vehicles and upfit (One 2017 Dodge Durango and Two 2017 Ford Explorers) - \$125,31.13
- Constructed Parks & Recreation Maintenance Building - \$47,627.20
- Tennis Courts Improvements Project - \$35,208
- Purchase eight Motorola Walkie-Talkies - \$30,384.80
- Construction in Progress on Downtown Revitalization Project - \$27,924.60
- Rehabilitated Broad Street Lift Station (W&S) - \$38,476.29

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

Figure 4

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$ 934,818	\$ 934,818	\$ 31,278	\$ 29,847	\$ 966,096	\$ 964,665
Construction in Progress	2,079,932	1,701,400	197,293	80,237	2,277,225	1,781,637
Buildings	632,552	627,669	190,896	198,830	823,448	826,499
Improvements	85,278	25,479	272	2,399	85,550	27,878
Infrastructure	502,128	507,817	-	-	502,128	507,817
Equipment	91,113	263	159,291	114,354	250,404	114,617
Plant and Distribution Systems	-	-	836,998	881,376	836,998	881,376
Vehicles	563,606	696,646	1	1,098	563,607	697,744
Total	\$ 4,889,427	\$ 4,494,092	\$ 1,416,029	\$ 1,308,141	\$ 6,305,456	\$ 5,802,233

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

Management Discussion and Analysis
Town of Gibsonville

Town of Gibsonville’s Outstanding Debt

The Town of Gibsonville’s total debt decreased by \$534,289 during the current fiscal year. The key factor to this decrease was paying off interim financing in the amount of \$1,415,000 for the Community Center Project as well as the decrease of 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 \$47,357,333. The Town has no bonds authorized and un-issued at June 30, 2018.

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

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

Figure 5

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Installment purchases	\$ 261,218	\$ 1,817,292	\$ -	\$ -	\$ 261,218	\$ 1,817,292
USDA Loans	1,372,355	-	181,175	195,223	1,553,530	195,223
ARRA loan	-	-	36,779	53,546	36,779	53,546
Compensated absences	182,189	176,788	10,437	19,913	192,626	196,701
Total OPEB liability	556,315	537,047	41,873	57,304	598,188	594,351
Net pension liability (LEO)	196,811	241,863	-	-	196,811	241,863
Net pension liability (LIGERS)	587,289	831,648	48,091	78,197	635,380	909,845
	<u>\$ 3,156,177</u>	<u>\$ 3,604,638</u>	<u>\$ 318,355</u>	<u>\$ 404,183</u>	<u>\$ 3,474,532</u>	<u>\$ 4,008,821</u>

Economic Factors and Next Year’s Budgets and Rates:

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

- *Unemployment.* Alamance County’s unemployment rate of 4.2 percent as of June 30, 2018, is the same as the state average of 4.2 percent and Guilford County’s unemployment rate of 4.5 percent as of June 30, 2018, is slightly above the state average of 4.2 percent.
- *Water/sewer rate increase.* In the new fiscal year, beginning July 1, 2018, the Town increased the water and sewer rates by 2 percent. The City of Burlington increased their water and sewer rates by 2 percent (the City of Burlington provides water and wastewater treatment services to the Town of Gibsonville).

Management Discussion and Analysis
Town of Gibsonville

Budget Highlights for the Fiscal Year Ending June 30, 2019

Governmental Activities: Property tax revenues are expected to increase when compared to fiscal year 2017-2018 amounts due to there being additional residential development. Budgeted operational expenditures in the General Fund are expected to increase by 8.4 percent to \$6,495,660 over the FY 2017-2018 budget. The largest increments are in personnel, capital outlay, and capital projects. Appropriated fund balance of \$586,721 is recommended to purchase capital items, complete two capital projects, and fund Link Transit. Major acquisitions will include purchasing three police vehicles, 28 sets of turnout gear for the fire department, one mini excavator (funded by both the General Fund and the Water & Sewer Fund), a one ton service truck (funded by both the General Fund and the Water & Sewer Fund), a Celebrite Unit for the police department, and a Toro Z-Master 60” mower. Capital improvements will include street improvements and building renovations at Town Hall Annex and the police department area above Town Hall.

Business – Type Activities: In FY 2018-2019, water and sewer rates will increase 2 percent to cover operational cost increases. Budgeted operational expenditures in the Water & Sewer Fund are increased by 4.0 percent to \$3,383,935 over the FY 2017-2018 budget. The largest increments are in capital projects and debt service.

Requests for Information

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

Basic Financial Statements

Town of Gibsonville, North Carolina
Statement of Net Position
June 30, 2018

	<u>Primary Government</u>			Town of Gibsonville ABC Board
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets:				
Cash and Investments	\$ 2,717,326	\$ 2,000,048	\$ 4,717,374	\$ 371,224
Taxes receivables (net)	164,379	-	164,379	-
Accounts receivable (net)	30,214	274,292	304,506	453
Due from other governments	384,731	-	384,731	-
Prepaid items	71,407	2,059	73,466	-
Inventories	-	-	-	74,170
Restricted cash and cash equivalents	360,849	143,944	504,793	-
Total current assets	<u>3,728,906</u>	<u>2,420,343</u>	<u>6,149,249</u>	<u>445,847</u>
Non-current assets:				
Capital assets:				
Land, non-depreciable improvements, and construction in progress	3,014,750	228,571	3,243,321	20,000
Other capital assets, net of depreciation	1,874,677	1,187,458	3,062,135	379,356
Total capital assets	<u>4,889,427</u>	<u>1,416,029</u>	<u>6,305,456</u>	<u>399,356</u>
Total assets	<u>8,618,333</u>	<u>3,836,372</u>	<u>12,454,705</u>	<u>845,203</u>
DEFERRED OUTFLOWS OF RESOURCES				
Pension deferrals	468,739	36,569	505,308	13,885
OPEB deferrals	-	-	-	-
Total deferred outflows of resources	<u>468,739</u>	<u>36,569</u>	<u>505,308</u>	<u>13,885</u>
LIABILITIES				
Current liabilities:				
Accounts payable	188,887	48,565	237,452	33,101
Accrued interest payable	-	584	584	-
Customer Deposits	-	66,769	66,769	-
Due to other governments	-	-	-	16,260
Current portion of long-term liabilities	147,372	19,857	167,229	22,500
Total current liabilities	<u>336,259</u>	<u>135,775</u>	<u>472,034</u>	<u>71,861</u>
Long-term liabilities:				
Net pension liability (LEOSSA)	196,811	-	196,811	-
Net pension liability (LGRS)	587,289	48,091	635,380	13,597
OPEB liability	556,315	41,873	598,188	-
Due in more than one year	1,668,390	208,536	1,876,926	286,769
Total long-term liabilities	<u>3,008,805</u>	<u>298,500</u>	<u>3,307,305</u>	<u>300,366</u>
Total liabilities	<u>3,345,064</u>	<u>434,275</u>	<u>3,779,339</u>	<u>372,227</u>
DEFERRED INFLOWS OF RESOURCES				
Pension deferrals	103,355	4,137	107,492	385
OPEB deferrals	26,997	2,032	29,029	-
Unearned Revenues	2,340	117	2,457	-
Development fees	-	480,920	480,920	-
Total deferred inflows of resources	<u>132,692</u>	<u>487,206</u>	<u>619,898</u>	<u>385</u>
NET POSITION				
Net investment in capital assets	3,255,854	1,198,075	4,453,929	90,087
Restricted for:				
Cemetery Perpetual Care	74,857	-	74,857	-
Stabilization by State Statute	414,945	-	414,945	-
Streets	205,194	-	205,194	-
Cultural and Recreation	30,033	-	30,033	-
Public Safety	153,540	-	153,540	-
Capital Improvements	-	-	-	76,813
Working Capital	-	-	-	36,832
Unrestricted	1,474,893	1,753,385	3,228,278	282,744
Total net position	<u>\$ 5,609,316</u>	<u>\$ 2,951,460</u>	<u>\$ 8,560,776</u>	<u>\$ 486,476</u>

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

**Town of Gibsonville, North Carolina
Statement of Activities
For the Year Ended June 30, 2018**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position				Town of Gibsonville ABC Board
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total		
Primary Government:									
Governmental Activities:									
General government	\$ 1,209,870	\$ -	\$ -	\$ -	\$ (1,209,870)	\$ -	\$ (1,209,870)	\$ -	
Public safety	2,467,109	25,518	37,099	155,235	(2,249,257)	-	(2,249,257)	-	
Transportation	780,010	-	191,612	-	(588,398)	-	(588,398)	-	
Environmental protection	442,829	296,193	4,781	-	(141,855)	-	(141,855)	-	
Cultural and recreational	696,475	144,229	-	160,000	(392,246)	-	(392,246)	-	
Interest on long-term debt	6,968	-	-	-	(6,968)	-	(6,968)	-	
Total governmental activities	5,603,261	465,940	233,492	315,235	(4,588,594)	-	(4,588,594)	-	
Business-type activities:									
Water and sewer	2,705,959	3,268,276	-	-	-	562,317	562,317	-	
Gibsonville Housing Authority	157,097	189,582	-	-	-	32,485	32,485	-	
Total business-type activity	2,863,056	3,457,858	-	-	-	594,802	594,802	-	
Total primary government	\$ 8,466,317	\$ 3,923,798	\$ 233,492	\$ 315,235	\$ (4,588,594)	\$ 594,802	\$ (3,993,792)	\$ -	
Component units:									
ABC Board	\$ 1,172,957	\$ 1,240,216	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 67,259
Total component units	\$ 1,172,957	\$ 1,240,216	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 67,259

General revenues:				
Taxes:				
Property taxes, levied for general purpose		3,140,871	-	3,140,871
Unrestricted intergovernmental revenues		1,751,309	-	1,751,309
Unrestricted investment earnings		24,817	465	25,282
Miscellaneous		67,022	-	67,022
Transfers		-	-	-
Total general revenues and transfers		4,984,019	465	4,984,484
Change in net position		395,425	595,267	990,692
Net position, beginning, previously reported		5,577,051	2,383,528	7,960,579
Restatement		(363,160)	(27,335)	(390,495)
Net position, beginning, restated		5,213,891	2,356,193	7,570,084
Net position, ending	\$	5,609,316	\$ 2,951,460	\$ 8,560,776

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

Town of Gibsonville, North Carolina
Balance Sheet
Governmental Funds
June 30, 2018

	Major Funds		Total Non-Major Funds	Total Governmental Funds
	General	Community Center Fund		
ASSETS				
Cash and Investments	\$ 2,619,819	\$ 22,650	\$ 74,857	\$ 2,717,326
Restricted Cash	360,849	-	-	360,849
Taxes Receivable	164,379	-	-	164,379
Accounts Receivable	21,609	8,605	-	30,214
Prepaid Items	71,407	-	-	71,407
Due from other governments	384,731	-	-	384,731
Total assets	3,622,794	31,255	74,857	3,728,906
LIABILITIES				
Accounts payable and accrued liabilities	188,887	-	-	188,887
Total liabilities	188,887	-	-	188,887
DEFERRED INFLOWS OF RESOURCES				
Property taxes receivable	164,379	-	-	164,379
Unearned Revenue	2,340	-	-	2,340
Total deferred inflows of resources	166,719	-	-	166,719
FUND BALANCES				
Non Spendable				
Prepays	71,407	-	-	71,407
Perpetual maintenance	-	-	74,857	74,857
Restricted				
Stabilization by State Statute	406,340	8,605	-	414,945
Streets	205,194	-	-	205,194
Cultural and Recreation	30,033	-	-	30,033
Public Safety	153,540	-	-	153,540
Assigned				
Subsequent year's expenditures	646,721	-	-	646,721
Unassigned	1,753,953	22,650	-	1,776,603
Total fund balances	3,267,188	31,255	74,857	3,373,300
Total liabilities, deferred inflows of resources and fund balances	\$ 3,622,794	\$ 31,255	\$ 74,857	\$ 3,728,906

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

Town of Gibsonville, North Carolina
Balance Sheet
Governmental Funds
June 30, 2018

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

Total fund balance, governmental funds		\$ 3,373,300
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Gross capital assets at historical cost	\$ 10,578,996	
Accumulated depreciation	<u>(5,689,569)</u>	4,889,427
Deferred outflows of resources related to pensions are not reported in the funds		468,739
Deferred outflows of resources related to OPEB are not reported in the funds		-
Earned revenues considered deferred inflows of resources in fund statements.		164,379
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds.		
Long-term debt		(1,815,762)
Net pension liability (LGERS)		(587,289)
Net pension liability (LEO)		(196,811)
OPEB liability (OPEB)		(556,315)
Deferred inflows of resources related to pensions are not reported in the funds		<u>(130,352)</u>
Net position of governmental activities		<u><u>\$ 5,609,316</u></u>

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

Town of Gibsonville, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2018

	Major Funds		Total Non-Major Funds	Total Governmental Funds
	General Fund	Community Center Fund		
REVENUES				
Ad valorem taxes	\$ 3,143,022	\$ -	\$ -	\$ 3,143,022
Unrestricted intergovernmental	1,751,309	-	-	1,751,309
Restricted intergovernmental	548,727	-	-	548,727
Permits and fees	25,519	-	-	25,519
Sales and services	439,081	-	1,341	440,422
Investment earnings	23,986	-	831	24,817
Miscellaneous	67,021	-	-	67,021
Total revenues	5,998,665	-	2,172	6,000,837
EXPENDITURES				
Current:				
General government	1,165,085	-	-	1,165,085
Public safety	2,463,870	-	-	2,463,870
Transportation	787,965	-	-	787,965
Cultural and recreational	838,386	344,574	-	1,182,960
Environmental Protection	289,352	-	-	289,352
Debt service:				
Principal (and adjustments)	141,074	1,415,000	-	1,556,074
Interest and other charges	6,968	33,960	-	40,928
Total expenditures	5,692,700	1,793,534	-	7,486,234
Excess (deficiency) of revenues over expenditures	305,965	(1,793,534)	2,172	(1,485,397)
OTHER FINANCING SOURCES (USES)				
Transfers to other funds	(2,268)	-	(2,700)	(4,968)
Transfers from other funds	2,700	2,268	-	4,968
USDA loan proceeds	-	1,372,355	-	1,372,355
Sale of capital assets	-	-	-	-
Total other financing sources (uses)	432	1,374,623	(2,700)	1,372,355
Net change in fund balance	306,397	(418,911)	(528)	(113,042)
Fund balance, beginning	2,960,791	450,166	75,385	3,486,342
Fund balances, ending	\$ 3,267,188	\$ 31,255	\$ 74,857	\$ 3,373,300

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

Town of Gibsonville, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2018

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

Net changes in fund balances - total governmental funds	\$ (113,042)
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlay expenditures which were capitalized	\$ 817,349	
Depreciation expense for governmental activities	<u>(422,013)</u>	395,336

Contributions to the pension plan in the current fiscal year are not included on the statement of activities.	201,534
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Benefit payments paid and administrative expense for the LEOSSA are not included on the Statement of Activities	-
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OPEB benefit payments and administrative costs made in the current fiscal year are not included in the Statement of Activities	-
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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	2,151

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	(1,372,355)	
Principal payments on long-term debt	1,556,074	
Decrease in accrued interest payable	<u>(24,644)</u>	159,075

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	(5,402)	
Pension expense	(202,310)	
OPEB plan expense	<u>(41,917)</u>	(249,629)

Total changes in net position of governmental activities	<u><u>\$ 395,425</u></u>
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The notes to the financial statements are an integral part of this statement.

Town of Gibsonville, North Carolina
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2018

	General Fund			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
Revenues:				
Ad valorem taxes	\$ 3,060,622	\$ 3,141,622	\$ 3,143,022	\$ 1,400
Unrestricted intergovernmental	1,657,000	1,657,000	1,751,309	94,309
Restricted intergovernmental	205,500	496,999	548,727	51,728
Permits and fees	8,000	8,000	25,519	17,519
Sales and services	416,500	427,780	439,081	11,301
Investment earnings	7,500	7,500	23,986	16,486
Miscellaneous	15,394	48,460	67,021	18,561
Total revenues	<u>5,370,516</u>	<u>5,787,361</u>	<u>5,998,665</u>	<u>211,304</u>
Expenditures:				
Current:				
General government	1,128,809	1,334,757	1,165,085	169,672
Public safety	2,535,141	2,651,092	2,463,870	187,222
Transportation	854,069	869,946	787,965	81,981
Cultural and recreational	811,926	887,659	838,386	49,273
Environmental Protection	328,611	300,275	289,352	10,923
Contingency	50,000	-	-	-
Debt service:				
Principal retirement	-	141,074	141,074	-
Interest and other charges	-	6,968	6,968	-
Total debt service	<u>-</u>	<u>148,042</u>	<u>148,042</u>	<u>-</u>
Total expenditures	<u>5,708,556</u>	<u>6,191,771</u>	<u>5,692,700</u>	<u>499,071</u>
Revenues over (under) expenditures	<u>(338,040)</u>	<u>(404,410)</u>	<u>305,965</u>	<u>710,375</u>
Other financing sources (uses):				
Transfers from other funds	5,040	-	2,700	2,700
Transfers to other funds-community center	-	-	(2,268)	(2,268)
Installment purchase obligation issued	-	-	-	-
Sale of capital assets	5,000	10,000	-	(10,000)
Total other financing sources (uses)	<u>10,040</u>	<u>10,000</u>	<u>432</u>	<u>(9,568)</u>
Fund balance appropriated	328,000	394,410	-	(394,410)
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>306,397</u>	<u>\$ 306,397</u>
Fund balances, beginning			<u>2,960,791</u>	
Fund balances, ending			<u>\$ 3,267,188</u>	

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

Town of Gibsonville, North Carolina
Statement of Net Position
Proprietary Funds
June 30, 2018

	Major Enterprise Funds		
	Water and Sewer Fund	Gibsonville Housing Authority Fund	Total
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 1,962,828	\$ 37,220	\$ 2,000,048
Accounts receivable	264,121	10,171	274,292
Prepaid Items	-	2,059	2,059
Restricted cash and cash equivalents	61,919	82,025	143,944
Total current assets	<u>2,288,868</u>	<u>131,475</u>	<u>2,420,343</u>
Noncurrent assets:			
Capital Assets:			
Land and construction in progress	215,884	22,896	238,780
Other capital assets, net of depreciation	1,096,760	80,489	1,177,249
Capital assets	<u>1,312,644</u>	<u>103,385</u>	<u>1,416,029</u>
Total noncurrent assets	<u>1,312,644</u>	<u>103,385</u>	<u>1,416,029</u>
Total assets	<u>3,601,512</u>	<u>234,860</u>	<u>3,836,372</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension deferrals	36,569	-	36,569
OPEB deferrals	-	-	-
	<u>36,569</u>	<u>-</u>	<u>36,569</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	42,823	5,742	48,565
Accrued interest payable	441	143	584
Customer deposits	61,919	4,850	66,769
Compensated absences - current	2,609	-	2,609
Installment purchases - current	3,065	14,181	17,246
Total current liabilities	<u>110,857</u>	<u>24,916</u>	<u>135,773</u>
Noncurrent liabilities:			
Net pension liability	48,091	-	48,091
Total OPEB liability	41,873	-	41,873
Compensated absences	7,828	-	7,828
Installment purchases - noncurrent	33,714	166,994	200,708
Total noncurrent liabilities	<u>131,506</u>	<u>166,994</u>	<u>298,500</u>
Total liabilities	<u>242,363</u>	<u>191,910</u>	<u>434,273</u>
DEFERRED INFLOWS OF RESOURCES			
Pension deferrals	4,137	-	4,137
OPEB deferrals	2,032	-	2,032
Unearned Revenue	-	117	117
Development fee liability	480,922	-	480,922
	<u>487,091</u>	<u>117</u>	<u>487,208</u>
NET POSITION			
Net investment in capital assets	1,275,865	(77,790)	1,198,075
Unrestricted	1,632,762	120,623	1,753,385
Total net position	<u>\$ 2,908,627</u>	<u>\$ 42,833</u>	<u>\$ 2,951,460</u>

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

Town of Gibsonville, North Carolina
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Fund
For the Year Ended June 30, 2018

	Major Enterprise Funds		
	Gibsonville		
	Water and Sewer	Housing	
	Fund	Authority Fund	Total
OPERATING REVENUES			
Charges for services - water	\$ 2,203,029	\$ 189,148	\$ 2,392,177
Charges for services - sewer	794,644	-	794,644
Water and sewer taps	2,150	-	2,150
Other operating revenues	268,453	434	268,887
Total operating revenues	3,268,276	189,582	3,457,858
OPERATING EXPENSES			
Water and Sewer Administration	2,640,029	-	2,640,029
Housing Administration	-	139,157	139,157
Depreciation	65,509	6,661	72,170
Total operating expenses	2,705,538	145,818	2,851,356
Operating income (loss)	562,738	43,764	606,502
NONOPERATING REVENUES (EXPENSES)			
Investment earnings	219	246	465
Interest and other charges	(421)	(1,876)	(2,297)
Reserve expense	-	(9,403)	(9,403)
Total nonoperating revenues (expenses)	(202)	(11,033)	(11,235)
Income (loss) before contributions and transfers	562,536	32,731	595,267
Transfers from other funds	-	-	-
Change in net position	562,536	32,731	595,267
Total net position, previously reported	2,373,426	10,102	2,383,528
Restatement	(27,335)	-	(27,335)
Beginning net position, restated	2,346,091	10,102	2,356,193
Total net position, ending	\$ 2,908,627	\$ 42,833	\$ 2,951,460

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

Town of Gibsonville, North Carolina
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2018

	Major Enterprise Fund		
	Water and Sewer Fund	Gibsonville Housing Authority Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 3,268,276	\$ 189,148	\$ 3,457,424
Cash paid for goods and services	(2,251,349)	(135,413)	(2,386,762)
Cash paid to or on behalf of employees for services	(282,869)	-	(282,869)
Customer deposits received	821	-	821
Other operating revenues	-	434	434
Net cash provided (used) by operating activities	<u>734,879</u>	<u>54,169</u>	<u>789,048</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Interest Income	219	246	465
Reserve Expense	-	(9,403)	(9,403)
Total Cash Flows from Noncapital Financing Activities	<u>219</u>	<u>(9,157)</u>	<u>(8,938)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Principal paid on long-term debt	(16,767)	(14,048)	(30,815)
Interest paid on loans	(421)	(1,887)	(2,308)
Acquisition and construction of capital assets	(180,059)	-	(180,059)
Net cash provided (used) by capital and related financing activities	<u>(197,247)</u>	<u>(15,935)</u>	<u>(213,182)</u>
Net increase (decrease) in cash and cash equivalents	537,851	29,077	566,928
Balances, beginning	<u>1,486,896</u>	<u>90,168</u>	<u>1,577,064</u>
Balance, ending	<u>\$ 2,024,747</u>	<u>\$ 119,245</u>	<u>\$ 2,143,992</u>
Reconciliation of operating income (loss) to net cash provided by operating activities			
Operating income (loss)	\$ 562,738	\$ 43,764	\$ 606,502
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	65,508	6,661	72,169
Changes in assets, deferred outflows of resources, and liabilities:			
(Increase) decrease in accounts receivable	4,083	(509)	3,574
(Increase) decrease in prepaid items	-	(76)	(76)
Increase (decrease) in accounts payable and accrued liabilities	4,814	4,373	9,187
Increase (decrease) in development fee liability/deferred inflows of resources	120,132	-	120,132
Increase (decrease) in net pension liability	(30,106)	-	(30,106)
(Increase) decrease in deferred outflows of resources - pensions	28,449	-	28,449
Increase (decrease) in customer deposits	821	300	1,121
Increase (decrease) in deferred inflows of resources - unearned income	-	(344)	(344)
Increase (decrease) in deferred inflows of resources - pensions	(247)	-	(247)
Increase (decrease) in deferred inflows of resources - OPEB	2,032	-	2,032
Increase (decrease) in OPEB liability	(13,869)	-	(13,869)
Increase (decrease) in compensated absences	(9,476)	-	(9,476)
Total adjustments	<u>172,141</u>	<u>10,405</u>	<u>182,546</u>
Net cash provided by operating activities	<u>\$ 734,879</u>	<u>\$ 54,169</u>	<u>\$ 789,048</u>

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

Exhibit 9

**Town of Gibsonville, North Carolina
Statement of Fiduciary Net Position
Agency Fund
June 30, 2018**

	Agency Fund
ASSETS	
Cash and cash equivalents	\$ <u>104,393</u>
LIABILITIES	
Liabilities:	
Refundable deposits	<u>104,393</u>
Total liabilities	\$ <u>104,393</u>

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

Notes to the Financial Statements

Town of Gibsonville, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2018

I. Summary of Significant Accounting Policies

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

A. Reporting Entity

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

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

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

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

B. Basis of Presentation

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

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

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

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

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

The Town reports the following major governmental funds:

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

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

The Town reports the following non-major governmental fund:

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

The Town reports the following major enterprise funds:

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

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

The Town reports the following fund types:

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

Sales taxes and certain intergovernmental revenues, such as the beer and wine tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Sales taxes are considered a shared

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

D. Budgetary Data

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

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

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

1. Deposits and Investments

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

State Law [G.S. 159-30(c)] authorizes the Town, the ABC Board, and the Housing Authority to invest in obligations of the United States, or obligations fully guaranteed both as to principal and interest by the United States, obligations of the State of North Carolina, bonds and notes of any North Carolina local government or public authority, obligations of certain non-guaranteed federal agencies, certain high quality issues of commercial paper and bankers' acceptances, and the North Carolina Capital Management Trust (NCCMT). The Town, the ABC Board, and the Housing Authority's investments are reported at fair value. Non-participating interest earning investment contracts are accounted

for at cost. The NCCMT Government Portfolio, a SEC-registered (2a-7) external investment pool, is measured at amortized cost, which is the NCCMT's share price. The NCCMT-Term Portfolio's securities are valued at fair value.

2. Cash and Cash Equivalents

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

3. Restricted Assets

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

Town of Gibsonville Restricted Cash

Governmental Activities		
General Fund	Transportation	\$ 207,309
	Public Safety	153,540
Total governmental activities		<u>\$ 360,849</u>
Business-type Activities		
Water and sewer fund	Customer deposits	61,919
Gibsonville Housing Authority	Tenant deposits	4,850
	Reserve replacement	77,175
Total business-type activities		<u>\$ 143,944</u>
Total restricted cash		<u><u>\$ 504,793</u></u>

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2017.

5. Allowances for Doubtful Accounts

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

6. Inventory and Prepaid Items

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

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

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

7. Capital Assets

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

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

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

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

Asset Class	Estimated Useful Lives
Furniture and equipment	5 to 10

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

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

8. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has one item that meets this criterion, pension deferrals for the 2018 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has four items that meet the criterion for this category - property taxes receivable, pension deferrals, unearned revenue and development fees.

9. Long-Term Obligations

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

In fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

10. Compensated Absences

The vacation policy of the Town provides for the accumulation of up to thirty days earned vacation leave with such leave being fully vested when earned. The vacation policy of the ABC Board does not allow the accumulation of vacation leave. The Town has assumed a first-in, first-out method of using accumulated compensated time. The portion that time 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.

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

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

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

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

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

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

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

12. Defined Benefit Cost-Sharing Plan

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

For purposes of measuring the net pension expense, information about the fiduciary net position of the Firefighters’ and Rescue Squad Workers’ Pension Fund (FRSWPF) and additions to/deductions from FRSWPF’s fiduciary net position have been determined on the same basis as they are reported by FRSWPF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

II. Detail Notes on All Funds

A. Assets

1. Deposits

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

At June 30, 2018, the Town's deposits had a carrying amount of \$3,671,886 and a bank balance of \$3,756,361. Of the bank balance, \$1,000,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. The carrying amount of deposits for the ABC Board was \$322,830 and the bank balance was \$351,751. All of the bank balance was covered by federal depository insurance. The carrying amount of deposits for the Housing Authority was \$119,245 and the bank balance was \$124,354. All of the bank balance was covered by federal depository insurance. At June 30, 2018 the Town's petty cash fund totaled \$465. The ABC Board had cash on hand in the amount of \$800. The carrying amount of deposits for the Agency Fund was \$104,393 and the bank balance was \$104,393.

2. Investments

At June 30, 2018, the Town of Gibsonville had \$1,430,571 invested with the North Carolina Capital Management Trust's Government 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 amounts presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2018 is net of the following allowances for doubtful accounts:

General Fund:	
Sanitation	\$ 7,016
Total General Fund	<u>7,016</u>
Enterprise Fund:	
Water and Sewer	42,290
Total enterprise Fund	<u>42,290</u>
Total	<u><u>\$ 49,306</u></u>

4. Capital Assets

Primary Government

Capital asset activity for the Primary Government for the year ended June 30, 2018, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 934,818	\$ -	\$ -	\$ 934,818
Construction in progress	1,701,400	378,532	-	2,079,932
Total capital assets not being depreciated	<u>2,636,218</u>	<u>378,532</u>	<u>-</u>	<u>3,014,750</u>
Capital assets being depreciated:				
Buildings	1,899,576	32,246	9,000	1,922,822
Improvements	32,080	63,826	-	95,906
Infrastructure	587,194	15,946	-	603,140
Equipment	1,789,030	201,757	170,466	1,820,321
Vehicles	2,997,536	125,041	520	3,122,057
Total capital assets being depreciated	<u>7,305,416</u>	<u>438,816</u>	<u>179,986</u>	<u>7,564,246</u>
Less accumulated depreciation for:				
Buildings	1,271,907	27,363	9,000	1,290,270
Improvements	6,601	4,027	-	10,628
Infrastructure	79,377	21,635	-	101,012
Equipment	1,788,767	110,907	170,466	1,729,208
Vehicles	2,300,890	258,081	520	2,558,451
Total accumulated depreciation	<u>5,447,542</u>	<u>422,013</u>	<u>179,986</u>	<u>5,689,569</u>
Total capital assets being depreciated, net	<u>1,857,874</u>			<u>1,874,677</u>
Governmental activity capital assets, net	<u><u>\$ 4,494,092</u></u>			<u><u>\$ 4,889,427</u></u>

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

General government	\$ 12,762
Public safety	233,632
Transportation	5,530
Environmental protection	152,632
Recreational and cultural	17,457
Total depreciation expense	<u>\$ 422,013</u>

Activity for the Water and Sewer Fund for the year ended June 30, 2018, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
<i>Water and Sewer Fund</i>				
Capital assets not being depreciated:				
Land	\$ 18,591	\$ -	\$ -	\$ 18,591
Construction in progress	80,237	117,056	-	197,293
Total capital assets not being depreciated	<u>98,828</u>	<u>117,056</u>	<u>-</u>	<u>215,884</u>
Capital assets being depreciated:				
Buildings	129,875	-	-	129,875
Water and Sewer System	2,862,404	-	75,406	2,786,998
Equipment	303,064	63,003	47,483	318,584
Vehicles	42,324	-	11,598	30,726
Total capital assets being depreciated	<u>3,337,667</u>	<u>63,003</u>	<u>134,487</u>	<u>3,266,183</u>
Less accumulated depreciation for:				
Buildings	26,855	2,550	-	29,405
Water and Sewer System	1,981,028	44,378	75,406	1,950,000
Equipment	189,292	17,484	47,483	159,293
Vehicles	41,226	1,097	11,598	30,725
Total accumulated depreciation	<u>2,238,401</u>	<u>65,509</u>	<u>134,487</u>	<u>2,169,423</u>
Total capital assets being depreciated, net	<u>1,099,266</u>			<u>1,096,760</u>
Business-type activity capital assets, net	<u>\$ 1,198,094</u>			<u>\$ 1,312,644</u>

Construction Commitments

The government has active construction projects as of June 30, 2018. At year-end, the government's commitments with contractors are as follows:

Projects	Spent-to-date	Remaining Commitment
Restroom renovations	\$ -	\$ 73,674
Library renovations	-	63,974
Sewer rehabilitation project	173,518	260,982
Waterline project	34,159	41,341
	\$ 207,677	\$ 439,971

Activity for the Gibsonville Housing Authority for the year ended June 30, 2018, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land	\$ 12,687	\$ -	\$ -	\$ 12,687
Total capital assets not being depreciated	12,687	-	-	12,687
Capital assets being depreciated:				
Land Improvements	10,209	-	-	10,209
Buildings	885,776	-	1,723	884,053
Furniture and equipment	12,541	-	-	12,541
Total capital assets being depreciated	908,526	-	1,723	906,803
Less accumulated depreciation for:				
Land Improvements	9,755	182	-	9,937
Buildings	788,871	6,479	1,723	793,627
Furniture and equipment	12,541	-	-	12,541
Total accumulated depreciation	811,167	6,661	1,723	816,105
Total capital assets being depreciated, net	97,359			90,698
Housing Authority Fund capital assets, net	\$ 110,046			\$ 103,385
Total Enterprise Funds capital assets, net	\$ 1,308,140			\$ 1,416,029

Discretely presented component unit

Activity for the ABC Board for the year ended June 30, 2018, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land	\$ 20,000	\$ -	\$ -	\$ 20,000
Total capital assets not being depreciated	20,000	-	-	20,000
Capital assets being depreciated:				
Building	181,273	188,638	-	369,911
Store equipment and fixtures	35,840	2,008	-	37,848
Computer equipment	21,992	12,022	-	34,014
Total capital assets being depreciated	239,105	202,668	-	441,773
Less accumulated depreciation for:				
Building	2,324	7,061	-	9,385
Store equipment and fixtures	29,558	860	-	30,418
Computer equipment	20,495	2,119	-	22,614
Total accumulated depreciation	52,377	10,040	-	62,417
Total capital assets being depreciated, net	186,728			379,356
ABC Board capital assets, net	\$ 206,728			\$ 399,356

B. Liabilities

1. Pension Plan and Postemployment Obligations

a. Local Governmental Employees' Retirement System

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

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, 2018, was 8.25% of compensation for law enforcement officers and 7.50% 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 \$201,534 for the year ended June 30, 2018.

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, 2018, the Town reported a liability of \$635,380 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016. The total pension liability was then rolled forward to the measurement date of June 30, 2017 utilizing update procedures incorporating the actuarial assumptions. The Town’s proportion of the net pension liability was based on a projection of the Town’s long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2017, the Town’s proportion was .04159% which was a decrease of .00128% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the Town recognized pension expense of \$206,605. At June 30, 2018, 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
	<u> </u>	<u> </u>
Differences between expected and actual experience	\$ 36,604	\$ 17,986
Changes of assumptions	90,741	-
Net difference between projected and actual earnings on pension plan investments	154,271	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	-	36,672
Town contributions subsequent to the measurement date	201,534	-
Total	<u>\$ 483,150</u>	<u>\$ 54,658</u>

\$201,534 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net pension asset in the year ended June 30, 2019. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2019	\$	20,950
2020		174,436
2021		85,006
2022		(53,434)
2023		-

Actuarial Assumptions. The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.5 to 8.10 percent, including inflation and productivity factor
Investment rate of return	7.20 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, 2016 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2017 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%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	6.0%	4.0%
Total	100%	

The information above is based on 30 year expectations developed with the consulting actuary for the 2016 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 7.20%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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 7.20 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 (6.20 percent) or one percentage point higher (8.20 percent) than the current rate:

	<u>1% Decrease (6.20%)</u>	<u>Discount Rate (7.20%)</u>	<u>1% Increase (8.20%)</u>
Town's proportionate share of the net pension liability (asset)	\$ 1,907,425	\$ 635,380	\$ (426,376)

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

b. Law Enforcement Officers Special Separation Allowance

1. *Plan Description.*

The Town of Gibsonville administers a public employee retirement system (the “Separation Allowance”), a single-employer defined benefit pension plan that provides retirement benefits to the Town’s qualified sworn law enforcement officers under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have complete five or more years of creditable service. The Separation Allowance is equal to .85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full time law enforcement officers of the Town are covered by the Separation Allowance. At December 31, 2016, the Separation Allowance’s membership consisted of:

Retirees receiving benefits	3
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	14
Total	<u>17</u>

2. *Summary of Significant Accounting Policies:*

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

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

3. *Actuarial Assumptions.*

The entry age actuarial cost method was used in the December 31, 2016 actuarial valuation. The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	3.50 to 7.35 percent, including inflation and productivity factor
Discount rate	3.16 percent

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2017.

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

4. Contributions.

The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the benefit payments on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The Town paid \$24,028 in benefit payments during the fiscal year ended June 30, 2018.

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

At June 30, 2018, the Town reported a total pension liability of \$196,811. The total pension liability was measured as of December 31, 2017 based on a December 31, 2016 actuarial valuation. The total pension liability was rolled forward to December 31, 2017 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2018, the Town recognized pension expense of \$8,684.

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 47,712
Changes of assumption	12,170	5,122
Town benefit payments and plan administrative expense made subsequent to the measurement date	9,988	-
	<u>\$ 22,158</u>	<u>\$ 52,834</u>

\$9,988 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2019. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30	
2019	\$ (8,778)
2020	(8,778)
2021	(8,778)
2022	(8,778)
2023	(5,552)
Thereafter	-

Sensitivity of the Town's total pension liability to changes in the discount rate.

The following presents the Town's total pension liability calculated using the discount rate of 3.16 percent, as well as what the Town's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.16 percent) or 1-percentage-point higher (4.16 percent) than the current rate:

	1% Decrease 2.16%	Discount Rate 3.16%	1% Increase 4.16%
Total Pension Liability	\$ 218,641	\$ 196,811	\$ 177,120

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

	2018
Beginning Balance	\$ 241,863
Service Cost	13,224
Interest on the total pension liability	8,872
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	(57,885)
Changes of assumptions or other inputs	14,765
Benefit payments	(24,028)
Other changes	-
Ending balance of the total pension liability	<u>\$ 196,811</u>

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

The actuarial assumptions used in the December 31, 2016 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

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

	LGERS	LEOSSA	Total
Pension Expense	\$ 206,605	\$ 8,684	\$ 215,289
Pension Liability	635,380	196,811	832,191
Proportionate share of the net pension liability	0.04159%	n/a	
Deferred of Outflows of Resources			
Differences between expected and actual experience	36,604	-	36,604
Changes of assumptions	90,741	12,170	102,911
Net difference between projected and actual earnings on plan investments	154,271	-	154,271
Changes in proportion and differences between contributions and proportionate share of contributions	-	-	-
Benefit payments and administrative costs paid subsequent to the measurement date	201,534	9,988	211,522
Deferred of Inflows of Resources			
Differences between expected and actual experience	17,986	47,712	65,698
Changes of assumptions	-	5,122	5,122
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	36,672	-	36,672

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

Plan Description. The Town contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers and employees not engaged in law enforcement employed by the Town. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for law enforcement officers is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for law enforcement officers and all other employees not engaged in law enforcement. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy. Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officer's and employee's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2018 were \$45,525, which consisted of \$40,039 from the Town and \$5,486 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, 2018 were \$125,841, which consisted of \$83,603 from the Town and \$42,238 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, 2018 were \$2,160. 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, 2017, the State contributed \$17,602,000 to the plan. The Town of Gibsonville's proportionate share of the State's contribution is \$20,573.

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, 2018, the Town reported no liability for its proportionate share of the net pension liability, as the State provides 100% pension support to the Town through its appropriations to the FRSWPF. The total portion of the net pension liability that was associated with the Town and supported by the State was \$7,465. The net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016. The total pension liability was then rolled forward to the measurement date of June 30, 2017 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, 2018 was 0%.

For the year ended June 30, 2018, the Town recognized pension expense of \$4,502 and revenue of \$4,502 for support provided by the State. At June 30, 2018, 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, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary Increases	Not applicable
Investment rate of return	7.20 percent, net of pension plan investment expense, including inflation

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

Discount rate. The discount rate used to measure the total pension liability was 7.20%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

e. Other Postemployment Benefit

Healthcare Benefits

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

Benefits Provided. This plan provides postemployment healthcare benefits to retirees of the Town, provided they retired under the provisions of the North Carolina Local Government Employees' Retirement System (NCLGERS) and have at least fifteen (15) years of service with the Town at retirement are eligible to received partial reimbursement for health insurance from the Town. A retired, former employee who is not receiving Medicare benefits is entitled to receive:

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

A separate report was not issued for the plan.

Membership of the HCB Plan consisted of the following at December 31, 2017, the date of the latest actuarial valuation:

	General Employees	Law Enforcement Officers
Retirees and dependents receiving benefits	3	-
Terminated plan members entitled to but not yet receiving benefits	-	-
Active plan members	32	15
Total	<u>35</u>	<u>15</u>

Total OPEB Liability

The Town’s total OPEB liability of \$598,188 was measured as of December 31, 2017 and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs. The total OPEB liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.5 percent
Salary increases	3.50-7.75 percent, average, including inflation
Discount rate	3.56 percent
Healthcare cost trend rates	Pre-Medicare - 7.75% of 2016 decreasing to an ultimate rate of 5.00% by 2022

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

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at July 1, 2017	\$ 594,351
Changes for the year	
Service cost	42,544
Interest	17,542
Changes of benefit terms	-
Differences between expected and actual experience	(1,314)
Changes in assumptions or other inputs	(31,617)
Benefit payments	(23,318)
Net changes	<u>3,837</u>
Balance at 6/30/2018	<u>\$ 598,188</u>

Changes in assumptions and other inputs reflect a change in the discount rate from 3.01% to 3.56%.

Mortality rates were based on the RP-2014 Total Data Set for Healthy Annuitants Mortality Table.

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study for the period January 2010 through December 2014.

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.56 percent) or 1-percentage-point higher (4.56 percent) than the current discount rate:

	1% Decrease	Discount Rate (3.56%)	1% Increase
Total OPEB liability	\$ 657,042	\$ 598,188	\$ 545,224

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

	1% decrease	Current	1% increase
Total OPEB liability	\$ 521,434	\$ 598,188	\$ 691,147

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

For the year ended June 30, 2018, the Town recognized OPEB expense of \$44,703. At June 30, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ (1,158)
Changes of assumptions	-	(27,871)
Benefit payments and administrative costs made subsequent to the measurement date	-	-
Total	<u>\$ -</u>	<u>\$ (29,029)</u>

\$0 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2019. Other

amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2019	\$	(3,902)
2020		(3,902)
2021		(3,902)
2022		(3,902)
2023		(3,902)
Thereafter		(9,519)

2. Other Employment Benefits

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

3. Deferred Outflows and Inflows of Resources

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

<u>Source</u>	<u>Amount</u>
Benefit payment and administrative expenses for LEOSSA made subsequent to measurement date	\$ 9,988
Benefit payment and administrative expenses for OPEB made subsequent to measurement date	-
Differences between expected and actual experience	36,604
Changes of assumptions	102,911
Net difference between projected and actual	154,271
Changes in proportion and differences between employer contributions and proportionate share of contributions	-
Employer contributions subsequent to measurement date	201,534
Total	<u>\$ 505,308</u>

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

	Statement of Net Position	General Fund Balance Sheet
Taxes Receivable, less penalties (General Fund)	\$ -	\$ 164,379
Unearned revenues	2,457	2,340
Development fees	480,920	-
Changes in assumptions	32,993	-
Differences between expected and actual experience	66,856	-
Changes in proportion and differences between employer contributions and proportionate share	36,672	-
Total	<u>\$ 619,898</u>	<u>\$ 166,719</u>

4. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in three self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability and auto liability coverage of \$1 million per occurrence, property coverage up to the total insured values of the property policy, workers' compensation coverage up to statutory limits, and employee health coverage. The liability and property exposures are reinsured through commercial carriers for claims in excess of retentions as selected by the Board of Trustees each year. Excess insurance coverage is purchased by the Board of Trustees to protect against large workers' compensation claims that exceed certain dollar cost levels. Medical stop loss insurance is purchased by the Board of Trustees to protect against large medical claims that exceed certain dollar

cost levels. Specific information on the limits of the reinsurance, excess and stop loss policies purchased by the Board of Trustees can be obtained by contacting the Risk Management Services Department of the NC League of Municipalities. The pools are audited annually by certified public accountants, and the audited financial statements are available to the Town upon request.

There have been no significant reductions in insurance coverage in the prior year, and settled claims have not exceeded coverage in any of the past three fiscal years. The Town has made the decision not to purchase flood insurance at this time. The Town does not deem the risk of flooding to outweigh the costs of insurance.

In accordance with G.S. 159-29, the Town's employees that have access to \$100 or more at any given time of the Town's funds are performance bonded through a commercial surety bond. The finance officer is individually bonded for \$50,000 as of June 30, 2018. The Town Clerk, Utility billing specialist, 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. Long-term Obligations – Governmental Activities

a. Installment Purchase

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 required 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. The installment purchase agreement was paid off during the current year.

b. Installment Purchase

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.

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

Year Ending June 30	Principal	Interest
2019	\$ 72,558	\$ 2,355
2020	73,726	1,187
	<u>\$ 146,284</u>	<u>\$ 3,542</u>

c. Installment Purchase

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

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

Year Ending June 30	Principal	Interest
2019	\$ 56,960	\$ 2,046
2020	57,974	1,032
	<u>\$ 114,934</u>	<u>\$ 3,078</u>

d. Installment Purchase

In July 2016, the Town entered into an interim financing agreement for \$1,415,000 to construct a community center. The interim financing obtained was paid off with a USDA loan. The interim financing contract required an interest payment of \$33,960 and a full principal payment by January 21, 2018.

e. USDA Loan

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

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

Year Ending June 30	Principal	Interest
2019	\$ 15,097	\$ 36,574
2020	15,569	36,102
2021	16,056	35,615
2022	16,557	35,114
2023	17,075	34,596
2024-2028	93,720	164,635
2029-2033	109,307	149,048
2034-2038	127,490	130,865
2039-2043	148,693	109,663
2044-2048	173,425	84,930
2049-2053	202,270	56,085
2054-2058	235,096	22,443
	<u>\$ 1,170,355</u>	<u>\$ 895,670</u>

f. USDA Loan

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

Year Ending June 30	Principal	Interest
2019	\$ 2,757	\$ 5,808
2020	2,837	5,728
2021	2,918	5,647
2022	3,002	5,563
2023	3,089	5,476
2024-2028	16,827	25,998
2029-2033	19,389	23,436
2034-2038	22,342	20,483
2039-2043	25,742	17,083
2044-2048	29,662	13,163
2049-2053	34,179	8,646
2054-2058	39,256	3,444
	<u>\$ 202,000</u>	<u>\$ 140,475</u>

g. ARRA Loan

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

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

Year Ending June 30	Principal	Interest
2019	\$ 3,065	\$ -
2020	3,065	-
2021	3,065	-
2022	3,065	-
2023	3,065	-
2024-2028	15,324	-
2029-2030	6,130	-
	<u>\$ 36,779</u>	<u>\$ -</u>

h. USDA Loan – Gibsonville Housing Authority

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

Year Ending June 30	Principal	Interest
2019	\$ 14,181	\$ 1,719
2020	14,314	1,586
2021	14,447	1,453
2022	14,580	1,320
2023	14,716	1,184
2024-2028	75,030	4,470
2029-2031	33,907	543
	<u>\$ 181,175</u>	<u>\$ 12,275</u>

i. Changes in Long-Term Liabilities

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

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion of Balance
Governmental activities:					
Installment purchases	\$ 1,817,292	\$ -	\$ 1,556,074	\$ 261,218	\$ 129,518
USDA loans	-	1,372,355	-	1,372,355	17,854
Compensated absences	176,788	5,401	-	182,189	-
Total OPEB liability	537,047	19,268	-	556,315	-
Net pension liability (LEOSSA)	241,863	-	45,052	196,811	-
Net pension liability (LGERS)	831,648	-	244,359	587,289	-
Governmental activity long-term liabilities	<u>\$ 3,604,638</u>	<u>\$ 1,397,024</u>	<u>\$ 1,845,485</u>	<u>\$ 3,156,177</u>	<u>\$ 147,372</u>
Business-type activities:					
<u>Water and Sewer Fund</u>					
ARRA loan	\$ 53,546	\$ -	\$ 16,767	\$ 36,779	\$ 3,065
Compensated absences	19,913	-	9,476	10,437	2,609
Total OPEB liability	57,304	-	15,431	41,873	-
Net pension liability (LGERS)	78,197	-	30,106	48,091	-
Water and Sewer Fund long-term liabilities	<u>208,960</u>	<u>-</u>	<u>71,780</u>	<u>137,180</u>	<u>5,674</u>
<u>Gibsonville Housing Authority</u>					
USDA loan	195,223	-	14,048	181,175	14,181
Business-type activity long-term liabilities	<u>\$ 404,183</u>	<u>\$ -</u>	<u>\$ 85,828</u>	<u>\$ 318,355</u>	<u>\$ 19,855</u>

At June 30, 2018, the Town of Gibsonville had a legal debt margin of \$47,357,333.

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, 2018 consist of the following:

From the Perpetual Care Fund to the General Fund- reimbursement for services provided:	<u>\$ 2,700</u>
From the General Fund to the Community Center Capital Project-reimbursement for expenditures	<u>\$ 2,268</u>

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

D. Net Investment in Capital Assets

	<u>Governmental</u>	<u>Business-type</u>
Capital assets	\$ 4,889,427	\$ 1,416,029
Less: long-term debt	<u>1,633,573</u>	<u>217,954</u>
Net investment in capital assets	<u>\$ 3,255,854</u>	<u>\$ 1,198,075</u>

E. Fund Balance

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

Total fund balance - General Fund	\$ 3,267,188
Less:	
Prepays	71,407
Stabilization by State Statute	406,340
Streets - Powell Bill	205,194
Cultural and recreation	30,033
Public safety	153,540
Appropriated fund balance in 2018-2019 budget	646,721
Remaining Fund Balance	1,753,953

III. Jointly Governed Organizations

The Town, in conjunction with twelve counties and sixty municipalities established the Piedmont Triad Regional Council. The participating governments established the Council to coordinate various funding received from federal and State agencies. Each participating government appoints one member to the Council's governing board. The Town paid membership fees of \$1,457 to the Council during the fiscal year ended June 30, 2018.

IV. 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.

V. Restatements

Change in Accounting Principle

The Town implemented Governmental Accounting Standards Board (GASB) No. Statement 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, in the fiscal year ending June 30, 2018. The implementation of the statement required the Town to record beginning total OPEB liability and the effects on net position of benefit payments and administrative expenses paid by the Town related to OPEB during the measurement period (fiscal year ending December 31, 2017). Beginning deferred outflows and inflows of resources associated with the implementation were excluded from the restatement. As a result, net position for the governmental activities decreased \$363,160 and \$27,335 for the business-type activities.

VI. Subsequent Events

Subsequent events have been evaluated through December 7, 2018, which is the date the financial statements were available to be issued.

Required Supplementary Financial Data

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

Local Governmental Employees' Retirement System

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Gibsonville's proportion of the net pension liability (asset) (%)	0.04159%	0.04%	0.04%	-0.04%	0.04%
Gibsonville's proportion of the net pension liability (asset) (\$)	\$ 635,380	\$ 909,845	\$ 180,415	\$ (226,286)	\$ 459,251
Gibsonville's covered-employee payroll	\$ 2,304,233	\$ 2,188,586	\$ 1,921,014	\$ 1,894,380	\$ 2,073,158
Gibsonville's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	27.57%	41.57%	9.39%	-11.95%	22.15%
Plan fiduciary net position as a percentage of the total pension liability**	94.18%	91.47%	98.09%	102.64%	94.35%

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

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

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

Local Governmental Employees' Retirement System

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 201,533	\$ 174,069	\$ 150,934	\$ 137,851	\$ 135,185
Contributions in relation to the contractually required contribution	<u>201,533</u>	<u>174,069</u>	<u>150,934</u>	<u>137,851</u>	<u>135,185</u>
Contribution deficiency (excess)	<u><u>\$ -</u></u>				
Gibsonville's covered-employee payroll	\$ 2,609,355	\$ 2,304,233	\$ 2,188,586	\$ 1,921,014	\$ 1,894,380
Contributions as a percentage of covered-employee payroll	7.72%	7.55%	6.90%	7.18%	7.14%

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

Firefighters and Rescue Squad Workers' Pension

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

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

Town of Gibsonville, North Carolina
Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance
June 30, 2018

	2018	2017
Beginning balance	\$ 241,863	\$ 246,456
Service Cost	13,224	18,587
Interest on the total pension liability	8,872	8,370
Changes of benefit terms	-	-
Differences between expected and actual experience in the measurement of the total pension liability	(57,885)	-
Changes of assumptions or other inputs	14,765	(7,522)
Benefit payments	(24,028)	(24,028)
Other changes	-	-
Ending balance of the total pension liability	<u>\$ 196,811</u>	<u>\$ 241,863</u>

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

Town of Gibsonville, North Carolina
Schedule of Total Pension Liability as a Percentage of Covered Payroll
Law Enforcement Officers' Special Separation Allowance
June 30, 2018

	2018	2017
Total pension liability	\$ 196,811	\$ 241,863
Covered payroll	701,838	737,986
Total pension liability as a percentage of covered payroll	28.04%	32.77%

Notes to the schedules:

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

Town of Gibsonville, North Carolina
Schedule of Changes in the Total OPEB Liability and Related Ratios
June 30, 2018

	2018
Total OPEB Liability	
Service Cost	\$ 42,544
Interest	17,542
Changes of benefit terms	-
Differences between expected and actual experience	(1,314)
Changes of assumptions	(31,617)
Benefit payments	(23,318)
Net change in total OPEB liability	3,837
Total OPEB liability - beginning	594,351
Total OPEB liability - ending	\$ 598,188
 Covered payroll	 \$ 2,047,220
Total OPEB liability as a percentage of covered payroll	29.22%

Notes to schedule:

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

Fiscal Year	Rate
2018	3.56%

Individual Fund Schedules

Town of Gibsonville, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2018

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Ad valorem taxes:			
Taxes	\$ 3,129,622	\$ 3,130,440	\$
Interest	12,000	12,582	
Total	<u>3,141,622</u>	<u>3,143,022</u>	<u>1,400</u>
Unrestricted intergovernmental:			
Local option sales taxes	1,247,000	1,315,747	
Utilities franchise tax	380,000	405,143	
Beer and wine tax	30,000	30,419	
Total	<u>1,657,000</u>	<u>1,751,309</u>	<u>94,309</u>
Restricted intergovernmental:			
Downtown Revitalization Grant	160,000	160,000	
Powell Bill allocation	189,000	191,612	
Controlled substance tax	-	3,074	
Solid waste disposal tax	4,500	4,781	
Federal drug proceeds	111,849	155,235	
Police Department Grant	19,650	19,650	
Guilford County Fire District tax	12,000	14,375	
Total	<u>496,999</u>	<u>548,727</u>	<u>51,728</u>
Permits and fees:			
Court facilities fees	-	2,439	
Code enforcement	8,000	23,080	
Development fees	-	-	
Total	<u>8,000</u>	<u>25,519</u>	<u>17,519</u>
Sales and services:			
Recreation Department fees	76,000	79,431	
Library fees	57,580	59,433	
Sanitation fees	248,000	260,723	
Brush pickup fees	1,500	4,000	
Stormwater fees	29,000	31,470	
Cemetery fees	15,700	4,024	
Total	<u>427,780</u>	<u>439,081</u>	<u>11,301</u>
Investment earnings	<u>7,500</u>	<u>23,986</u>	<u>16,486</u>
Miscellaneous:	<u>48,460</u>	<u>67,021</u>	<u>18,561</u>
Total revenues	<u>5,787,361</u>	<u>5,998,665</u>	<u>211,304</u>

cont.

Town of Gibsonville, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2018

	Budget	Actual	Variance Positive (Negative)
Expenditures:			
General government:			
Governing body:			
Salaries and benefits		18,516	
Professional services		30,930	
Membership dues		11,307	
Operating expenses		8,397	
Total	78,116	69,150	8,966
Administration:			
Salaries and employee benefits		614,791	
Other operating expenditures		481,144	
Capital outlay		-	
Total	1,256,641	1,095,935	160,706
Elections:			
Operating expenditures	-	-	-
Total	-	-	-
Total General Government	1,334,757	1,165,085	169,672
Public safety:			
Police department:			
Salaries and employee benefits		1,231,203	
Vehicle Maintenance		17,732	
Operating Expenditures		192,300	
Capital outlay		244,999	
Total	1,860,136	1,686,234	173,902
Fire:			
Salaries and employee benefits		639,468	
Vehicle Maintenance		1,242	
Operating expenditures		131,253	
Capital outlay		5,673	
Total	790,956	777,636	13,320
Total public safety	2,651,092	2,463,870	187,222
Transportation:			
Garage:			
Salaries and employee benefits		162,745	
Other operating expenditures		26,547	
Capital Outlay		10,000	
Total	211,793	199,292	12,501

cont.

Town of Gibsonville, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2018

	Budget	Actual	Variance Positive (Negative)
Streets and highways:			
Salaries and employee benefits		367,217	
Vehicle Maintenance		9,036	
Other operating expenditures		131,831	
Capital outlay		-	
Total	521,553	508,084	13,469
Powell Bill:			
Sidewalk Construction		3,996	
Maintenance		33,248	
Other Operating Expenditures		31,540	
Capital Outlay		11,805	
Total	136,600	80,589	56,011
Total transportation	869,946	787,965	81,981
Culture and Recreation:			
Parks and Recreation			
Salaries and Employee Benefits		325,867	
Vehicle Maintenance		905	
Contracted Services		19,549	
Operating Expenditures		190,514	
Capital Outlay		166,340	
Total	742,859	703,175	39,684
Libraries:			
Salaries and employee benefits		99,984	
Operating expenditures		35,227	
Capital Outlay		-	
Total	144,800	135,211	9,589
Total Culture and Recreation	887,659	838,386	49,273
Environmental protection:			
Sanitation:			
Salaries and employee benefits		53,854	
Vehicle Maintenance		30,350	
Contracted services		159,823	
Operating expenditures		30,110	
Total	282,105	274,137	7,968
Cemetery:			
Operating Expenditures		15,215	
Total	18,170	15,215	2,955
Total Environmental Protection	300,275	289,352	10,923

cont.

Town of Gibsonville, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2018

	Budget	Actual	Variance Positive (Negative)
Debt service:			
Principal retirement	141,074	141,074	
Interest and other charges	6,968	6,968	
Total debt service	<u>148,042</u>	<u>148,042</u>	-
Contingency	-	-	-
Total expenditures	<u>6,191,771</u>	<u>5,692,700</u>	499,071
Revenues over (under) expenditures	<u>(404,410)</u>	<u>305,965</u>	710,375
Other financing sources (uses):			
Transfers from other funds:			
Perpetual Care Fund	-	2,700	2,700
Gibsonville Housing Authority Fund	-	-	-
Transfers to other funds:			
Waterline Capital Project Fund	-	-	-
Sewer Rehabilitation Capital Project Fund	-	-	-
Community Center Project	-	(2,268)	(2,268)
Installment purchase obligation issued		-	-
Sale of capital assets	10,000	-	(10,000)
Total other financing sources (uses)	<u>10,000</u>	<u>432</u>	<u>(9,568)</u>
Fund balance appropriated	394,410	-	(394,410)
Net change in fund balance	<u>\$ -</u>	306,397	<u>\$ 306,397</u>
Fund balances, beginning		2,960,791	
Fund balances, ending		<u>\$ 3,267,188</u>	

Town of Gibsonville, North Carolina
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Capital Project Fund - Community Center Capital Project
From Inception and For the Fiscal Year Ended June 30, 2018

	Project Author - ization	Actual		Total to Date	Variance Positive (Negative)
		Prior Year	Current Year		
Revenues:					
Investment earnings	\$ -	\$ 122	\$ -	\$ 122	\$ 122
Total revenues	-	122	-	122	122
Expenditures:					
Construction	1,786,000	1,555,798	303,244	1,859,042	(73,042)
Furnishings	10,000	-	6,978	6,978	3,022
Legal Fees	-	6,128	1,500	7,628	(7,628)
Equipment	100,000	-	15,312	15,312	84,688
Interest	40,000	-	33,960	33,960	6,040
Project contingency	84,000	-	-	-	84,000
Engineering	133,000	141,030	17,540	158,570	(25,570)
Total expenditures	2,153,000	1,702,956	378,534	2,081,490	71,510
Other financing sources (uses)					
Loan proceeds (interim, USDA refinance, and adjustments)	1,415,000	1,415,000	(42,645)	1,372,355	(42,645)
Transfer in from General Fund	738,000	738,000	2,268	740,268	2,268
Total other financing sources (uses)	2,153,000	2,153,000	(40,377)	2,112,623	(40,377)
Revenues over (under) expenditures	\$ -	\$ 450,166	(418,911)	\$ 31,255	\$ 31,255
Fund balance, beginning			450,166		
Fund balance, ending			\$ 31,255		

Town of Gibsonville, North Carolina
Balance Sheet
Nonmajor Governmental Fund - Cemetery Perpetual Care Fund
For the Year Ended June 30, 2018

ASSETS

Cash and cash equivalents	<u>\$ 74,857</u>
Total Assets	<u><u>74,857</u></u>

LIABILITIES AND FUND BALANCES

Liabilities:	
Due to other fund	\$ -
Fund balances:	
Nonspendable - Perpetual Maintenance	<u>74,857</u>
Total Liabilities and fund balances	<u><u>\$ 74,857</u></u>

Town of Gibsonville, North Carolina
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Fund - Cemetery Perpetual Care Fund
For the Year Ended June 30, 2018

Revenues:	
Sales and services	\$ 1,341
Investment earnings	<u>831</u>
Total Revenues	\$ 2,172
Expenditures	<u>-</u>
Revenues over expenditures	\$ 2,172
Other financing sources (uses):	
Transfer to General Fund	<u>(2,700)</u>
Net change in fund balance	(528)
Fund balance, beginning	<u>75,385</u>
Fund balance, ending	<u><u>\$ 74,857</u></u>

Town of Gibsonville, North Carolina
Water and Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Year Ended June 30, 2018

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Charges for Services:			
Water	\$ 824,263	\$ 794,644	\$ (29,619)
Sewer	2,061,797	2,203,029	141,232
Taps:			
Water	450	2,150	1,700
Sewer	550	-	(550)
Total operating revenues	<u>2,887,060</u>	<u>2,999,823</u>	<u>112,763</u>
Other operating revenues:			
Meter Setting Fees			
Water	10,000	24,415	14,415
Sewer	10,000	24,415	14,415
Reconnection Fees			
Water	40,000	47,169	7,169
Sewer	40,000	47,168	7,168
Assessments/Development Fees			
Water	36,000	98,000	62,000
Sewer	44,000	98,000	54,000
Other	36,000	49,417	13,417
Total Other Operating Revenues	<u>216,000</u>	<u>388,584</u>	<u>172,584</u>
Total operating revenues	<u>3,103,060</u>	<u>3,388,407</u>	<u>285,347</u>
Nonoperating revenues:			
Interest earnings	-	219	219
Total revenues	<u>3,103,060</u>	<u>3,388,626</u>	<u>285,566</u>
Expenditures:			
Water Administration:			
Salaries and employee benefits		109,055	
Supplies		29,319	
Contracted Services		55,854	
Maintenance		21,631	
Purchases - Water and Sewer		587,451	
Utilities		676	
Other operating expenditures		29,225	
Capital Outlay		14,983	
Debt service - Interest		185	
Debt service - Principal retirement		9,235	
Total	<u>1,078,913</u>	<u>857,614</u>	<u>221,299</u>

cont.

Town of Gibsonville, North Carolina
Water and Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Year Ended June 30, 2018

	Budget	Actual	Variance Positive (Negative)
Sewer Administration:			
Salaries and employee benefits		172,853	
Supplies		19,318	
Contracted Services		43,196	
Maintenance		11,374	
Purchases - Water and Sewer		1,541,677	
Utilities		18,942	
Other operating expenditures		22,678	
Capital Outlay		48,018	
Debt service - Interest		236	
Debt service - Principal retirement		7,532	
Total	<u>2,176,147</u>	<u>1,885,824</u>	<u>290,323</u>
Contingency	-	-	-
Total expenditures	<u>3,255,060</u>	<u>2,743,438</u>	<u>511,622</u>
Revenues over (under) expenditures	(152,000)	645,188	797,188
Other financing sources:			
Loan proceeds	<u>152,000</u>	-	<u>152,000</u>
Total other financing sources	<u>152,000</u>	<u>-</u>	<u>152,000</u>
Revenues and other sources over expenditures and other uses	<u>\$ -</u>	<u>645,188</u>	<u>\$ 645,188</u>
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Revenue and other sources over expenditures and other uses		645,188	
Reconciling items:			
Principal retirement		16,767	
Capital outlay		63,001	
Decrease in accrued compensated absences		9,478	
Decrease in deferred outflow of resources - pension		(28,449)	
Decrease in net pension liability		30,107	
Decrease in deferred inflows of resources- pensions		248	
Increase in deferred outflows of resources - OPEB		-	
Decrease in deferred inflows of resources - OPEB		(2,032)	
Increase in deferred inflows of resources-development fee		(120,130)	
Decrease in OPEB liability		13,867	
Depreciation		(65,509)	
Change in net position		<u>562,536</u>	

Town of Gibsonville, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balances
Capital Project Fund - Sewer Rehabilitation Capital Project
From Inception and For the Fiscal Year Ended June 30, 2018

	Project Author - ization	Prior Year	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Investment earnings	\$ -		\$ -	\$ -	\$ -
Total revenues	-	-	-	-	-
Expenditures:					
Engineering	409,500	74,886	88,249	163,135	246,365
Total expenditures	409,500	74,886	88,249	163,135	246,365
Revenues over (under) expenditures	(409,500)	(74,886)	(88,249)	(163,135)	246,365
Other financing sources (uses)					
Transfer from General Fund	409,500	409,500	-	409,500	-
Total other financing sources (uses)	409,500	409,500	-	409,500	-
Revenues and other sources over (under) expenditures	<u>\$ -</u>	<u>\$ 334,614</u>	<u>\$ (88,249)</u>	<u>\$ 246,365</u>	<u>\$ 246,365</u>

Town of Gibsonville, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balances
Capital Project Fund - Waterline Capital Project
From Inception and For the Fiscal Year Ended June 30, 2018

	Project Author - ization	Actual		Total to Date	Variance Positive (Negative)
		Prior Year	Current Year		
Revenues:					
Investment earnings	\$ -	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-	-
Expenditures:					
Engineering	75,500	5,352	28,807	34,159	41,341
Total expenditures	75,500	5,352	28,807	34,159	41,341
Other financing sources (uses)					
Transfer from General Fund	75,500	75,500	-	75,500	-
Total other financing sources (uses)	75,500	75,500	-	75,500	-
Revenues and other sources over (under) expenditures	\$ -	\$ 70,148	\$ (28,807)	\$ 41,341	\$ 41,341

**Town of Gibsonville, North Carolina
Gibsonville Housing Authority
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Year Ended June 30, 2018**

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Operating revenues			
Charges for services	\$ 186,631	\$ 189,582	\$ (2,951)
Total operating revenues	<u>186,631</u>	<u>189,582</u>	<u>2,951</u>
Nonoperating revenues:			
Interest earnings	189	246	57
Total revenues	<u>186,820</u>	<u>189,828</u>	<u>3,008</u>
Expenditures:			
Housing Administration:			
General Operating Expenses	38,018	37,379	639
Repairs and Maintenance/Grounds Maintenance	58,849	59,428	(579)
Management Fees	17,400	17,700	(300)
Administrative Expenses	30,197	16,614	13,583
Reserve Expenses	18,650	9,403	9,247
Taxes and Insurance	7,770	8,036	(266)
Total Housing Administration	<u>170,884</u>	<u>148,560</u>	<u>22,324</u>
Debt Service			
Interest and other charges		1,887	
Principal retirement		14,048	
Total debt service	<u>15,936</u>	<u>15,935</u>	<u>1</u>
Contingency	-	-	-
Total expenditures	<u>186,820</u>	<u>164,495</u>	<u>22,325</u>
Revenues over (under) expenditures	<u>-</u>	<u>25,333</u>	<u>25,333</u>
Other financing sources (uses):			
Transfer to other fund	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other sources over expenditures and other uses	<u>\$ -</u>	<u>25,333</u>	<u>\$ 25,333</u>
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Revenue and other sources over expenditures and other uses		25,333	
Reconciling items:			
Principal retirement		14,048	
Decrease in accrued interest payable		11	
Depreciation		(6,661)	
Change in net position		<u>\$ 32,731</u>	

Town of Gibsonville, North Carolina
Refundable Construction Performance Agency Fund
Statement of Changes in Assets and Liabilities
For the Year Ended June 30, 2018

	Beginning Balance	Additions	Deductions	Ending Balance
Assets:				
Cash and cash equivalents	\$ -	\$ 104,393	\$ -	\$ 104,393
	-	104,393	-	104,393
Liabilities:				
Refundable deposit	\$ -	\$ 104,393	\$ -	\$ 104,393
	-	104,393	-	104,393

Other Schedules

Town of Gibsonville, North Carolina
Schedule of Ad Valorem Taxes Receivable
June 30, 2018

<u>Fiscal Year</u>	Uncollected Balance <u>June 30, 2017</u>	<u>Additions</u>	<u>Collections And Credits</u>	Uncollected Balance <u>June 30, 2018</u>
2017-2018	\$ -	\$ 3,154,729	\$ 3,110,743	\$ 43,986
2016-2017	50,679	-	19,815	30,864
2015-2016	33,572	-	12,505	21,067
2014-2015	15,277	-	6,028	9,249
2013-2014	11,952	-	701	11,251
2012-2013	12,662	-	359	12,303
2011-2012	11,037	-	46	10,991
2010-2011	13,456	-	213	13,243
2009-2010	11,425	-	-	11,425
2008-2009	6,470	-	6,470	-
	<u>\$ 166,530</u>	<u>\$ 3,154,729</u>	<u>\$ 3,156,880</u>	<u>\$ 164,379</u>
Less: allowance for uncollectible accounts:				
General Fund				<u>-</u>
Ad valorem taxes receivable - net				<u>\$ 164,379</u>
<u>Reconciliation to revenues:</u>				
Ad valorem taxes - General Fund				\$ 3,143,022
Reconciling items:				
Interest collected				(12,582)
Adjustments				19,970
Taxes written off				6,470
Subtotal				<u>13,858</u>
Total collections and credits				<u>\$ 3,156,880</u>

Town of Gibsonville, North Carolina
Analysis of Current Tax Levy
Town - Wide Levy
June 30, 2018

	Town - Wide		Total Levy		
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current rate	\$ 585,860,566	0.53	\$3,105,061	\$2,765,454	\$ 339,607
Discoveries - current and prior years	12,417,358	0.53	65,812	65,812	-
Releases	(3,046,038)	0.53	(16,144)	(16,144)	-
Total property valuation	<u>\$ 595,231,886</u>				
Net levy			3,154,729	2,815,122	339,607
Unpaid (by taxpayer) taxes at June 30, 2018			<u>(43,986)</u>	<u>(43,986)</u>	<u>-</u>
Current year's taxes collected			<u>\$3,110,743</u>	<u>\$2,771,136</u>	<u>\$ 339,607</u>
Current levy collection percentage			<u>98.61%</u>	<u>98.44%</u>	<u>100.00%</u>

Compliance Section



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

Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Gibsonville, North Carolina, as of and for the year ended June 30, 2018, 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 December 7, 2018. Our report includes a reference to other auditors who audited the financial statements of the Town of Gibsonville ABC Board, as described in our report on the Town of Gibsonville's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported separately by those auditors. The Town of Gibsonville ABC Board were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

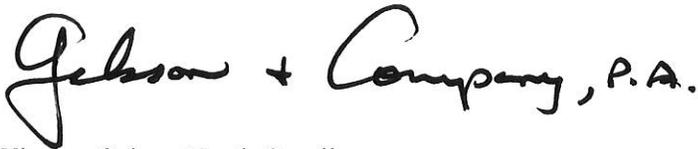
Our consideration of the internal control over financial reporting was for limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Gibsonville's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 matter that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

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

Winston-Salem, North Carolina
December 7, 2018