

TOWN OF GIBSONVILLE, NORTH CAROLINA

FINANCIAL STATEMENTS

June 30, 2021

**TOWN OF GIBSONVILLE, NORTH CAROLINA
JUNE 30, 2021**

BOARD OF ALDERMEN

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

FINANCE AND ADMINISTRATIVE STAFF

Ben Baxley, Town Manager
Chad Coble, Finance Officer

**Town of Gibsonville, North Carolina
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June 30, 2021**

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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, 2021, 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 General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, each major fund, and the aggregate remaining fund information of Town of Gibsonville, North Carolina as of June 30, 2021, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 21, 2022 on our consideration of the Town of Gibsonville's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Gibsonville's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Gibson + Company, P.A." in a cursive, flowing script.

Winston-Salem, North Carolina
February 21, 2022

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, 2021. 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

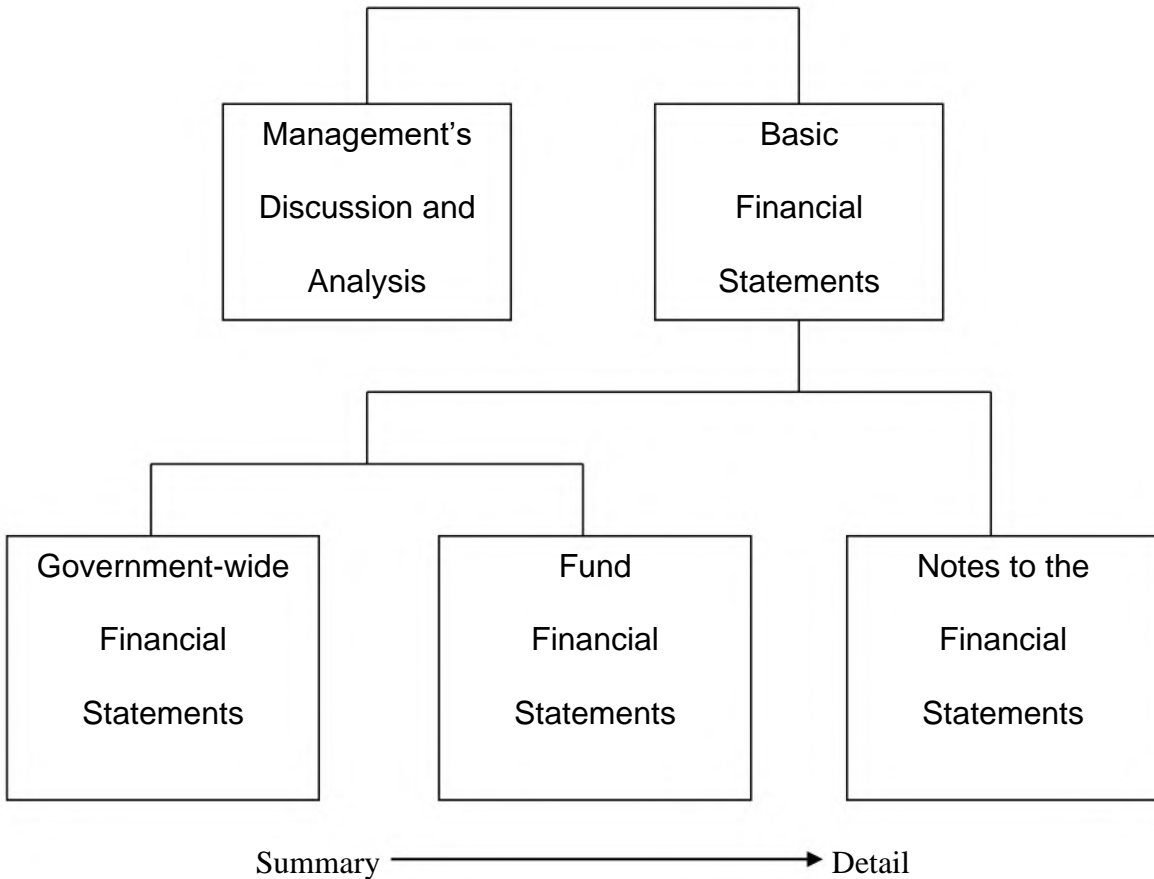
- The assets and deferred outflows of resources of the Town of Gibsonville exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$9,046,117 (*net position*).
- The government's total net position increased by \$136,499, primarily due to an increase in the business-type activities net position.
- As of the close of the current fiscal year, the Town of Gibsonville's governmental funds reported combined ending fund balances of \$2,971,736 with a net increase of \$29,543 in fund balance. Approximately 34.47 percent of this total amount, or \$1,064,498, is available for spending at the government's discretion (*unassigned fund balance*). Approximately 38.66 percent of this total amount, or \$1,148,738 is non spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1,064,498 or 14.91 percent of total general fund expenditures for the fiscal year.
- The Town of Gibsonville's total debt increased by \$1,801,585 (28.15%) during the current fiscal year.

Overview of the Financial Statements

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

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

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

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

Management Discussion and Analysis Town of Gibsonville

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

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

Management Discussion and Analysis

Town of Gibsonville

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

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

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

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 24 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	
	2021	2020	2021	2020	2021	2020
Current and other assets	\$ 3,313,675	\$ 3,246,292	\$ 2,813,179	\$ 2,741,108	\$ 6,126,854	\$ 5,987,400
Capital assets	6,032,634	5,958,873	5,153,726	3,521,579	11,186,360	9,480,452
Deferred outflows of resources	1,095,655	803,873	82,093	58,579	1,177,748	862,452
Total assets and deferred outflows of resources	10,441,964	10,009,038	8,048,998	6,321,266	18,490,962	16,330,304
Long-term liabilities outstanding	4,320,091	4,044,243	3,524,609	2,111,575	7,844,700	6,155,818
Other liabilities	370,009	307,537	897,184	620,797	1,267,193	928,334
Deferred inflows of resources	301,952	133,411	31,000	203,123	332,952	336,534
Total liabilities and deferred inflows of resources	4,992,052	4,485,191	4,452,793	2,935,495	9,444,845	7,420,686
Net position:						
Net investment in capital assets	4,282,871	4,102,247	1,568,385	1,435,480	5,851,256	5,537,727
Restricted	1,052,882	880,777	-	-	1,052,882	880,777
Unrestricted	114,159	540,823	2,027,820	1,950,291	2,141,979	2,491,114
Total net position	\$ 5,449,912	\$ 5,523,847	\$ 3,596,205	\$ 3,385,771	\$ 9,046,117	\$ 8,909,618

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 \$9,046,117 as of June 30, 2021. The Town's net position increased by \$136,499 for the fiscal year ended June 30, 2021. However, the largest portion (64.68%) 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, \$1,052,882 represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$2,141,979 is unrestricted.

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

- Continued diligence in the collection of property taxes by maintaining a tax collection rate of 99.40%.

Management Discussion and Analysis
Town of Gibsonville

Town of Gibsonville's Changes in Net Position
Figure 3

	Governmental		Business-type		Total	
	Activities		Activities			
	2021	2020	2021	2020	2021	2020
Revenues:						
Program revenues:						
Charges for services	\$ 438,622	\$ 503,515	\$ 4,446,525	\$ 3,947,683	\$ 4,885,147	\$ 4,451,198
Operating grants and contributions	629,063	310,930	-	-	629,063	310,930
Capital grant and contributions	-	98,932	-	-	-	98,932
General revenues						
Property taxes	3,544,464	3,405,661	-	-	3,544,464	3,405,661
Unrestricted intergovernmental	2,190,981	1,926,015	-	-	2,190,981	1,926,015
Other	214,565	82,371	420	1,890	214,985	84,261
Total revenues	7,017,695	6,327,424	4,446,945	3,949,573	11,464,640	10,276,997
Expenses:						
General government	1,325,374	1,220,110	-	-	1,325,374	1,220,110
Public safety	3,536,157	3,044,656	-	-	3,536,157	3,044,656
Transportation	1,344,366	1,358,678	-	-	1,344,366	1,358,678
Environmental protection	65,642	14,661	-	-	65,642	14,661
Cultural and recreational	825,653	870,015	-	-	825,653	870,015
Interest on long-term debt	55,420	53,542	-	-	55,420	53,542
Water and sewer	-	-	4,027,388	3,224,935	4,027,388	3,224,935
Gibsonville Housing Authority	-	-	148,141	133,727	148,141	133,727
Total expenses	7,152,612	6,561,662	4,175,529	3,358,662	11,328,141	9,920,324
Increase (decrease) in net position before transfers	(134,917)	(234,238)	271,416	590,911	136,499	356,673
Transfers	60,982	359,500	(60,982)	(359,500)	-	-
Increase (decrease) in net position	(73,935)	125,262	210,434	231,411	136,499	356,673
Net position, July 1	5,523,847	5,398,585	3,385,771	3,154,360	8,909,618	8,552,945
Net position, June 30	\$ 5,449,912	\$ 5,523,847	\$ 3,596,205	\$ 3,385,771	\$ 9,046,117	\$ 8,909,618

Governmental activities. Governmental activities decreased the Town's net position by \$73,935. Key elements of this decrease are as follows:

- Increase in ad valorem taxes revenue due to residential growth.
- Increase in local option sales taxes.
- Depreciation expense

Business-type activities: Business-type activities increased the Town of Gibsonville's net position by \$210,434. The key elements of this increase are as follows:

- Increase in Water and Sewer revenues.

Management Discussion and Analysis
Town of Gibsonville

Financial Analysis of the Town's Funds

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

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

The general fund is the chief operating fund of the Town of Gibsonville. At the end of the current fiscal year, Town of Gibsonville's fund balance available in the General Fund was \$1,064,498 while total fund balance reached \$2,894,147. The Town currently has an available fund balance of 14.91% of general fund expenditures, while total fund balance represents 40.53% of the same amount.

At June 30, 2021, the governmental funds of the Town of Gibsonville reported a combined fund balance of \$2,971,736 with a net increase in fund balance of \$29,543. Included in this change in fund balance is a decrease in the fund balance for the General Fund and an increase in the fund balance for the Non-Major Funds.

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

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

Proprietary Funds. The Town of Gibsonville's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to \$1,778,974. The total change in net position for the fund was \$157,531.

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, 2021, totals \$11,186,360 (net of accumulated depreciation). These assets include land, buildings, sewer lines, equipment, and vehicles.

Major capital asset transactions during the year include the following:

- Purchased four vehicles - \$188,631
- Purchased a rear loader garbage truck - \$170,235
- Purchased SCBA (Air packs) for Fire Department - \$151,080
- Completed the Eugene Street Waterline Improvements Project - \$140,985

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

Figure 4

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Land	\$ 934,818	\$ 934,818	\$ 31,278	\$ 31,278	\$ 966,096	\$ 966,096
Construction in Progress	-	-	3,720,952	2,130,361	3,720,952	2,130,361
Buildings	613,353	607,574	166,693	172,836	780,046	780,410
Improvements	2,601,185	2,585,627	-	-	2,601,185	2,585,627
Infrastructure	436,428	458,328	-	-	436,428	458,328
Equipment	222,132	174,835	219,270	250,351	441,402	425,186
Plant and Distribution Systems	-	-	985,398	895,800	985,398	895,800
Vehicles	1,224,718	1,197,691	30,135	40,953	1,254,853	1,238,644
Total	\$ 6,032,634	\$ 5,958,873	\$ 5,153,726	\$ 3,521,579	\$ 11,186,360	\$ 9,480,452

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

Management Discussion and Analysis
Town of Gibsonville

Town of Gibsonville’s Outstanding Debt

The Town of Gibsonville’s total debt increased by \$1,801,585 during the current fiscal year. The key factor to this increase was borrowing \$1,629,306 for various Water and Sewer Fund capital projects.

North Carolina general statutes limits the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within the government’s boundaries. The legal debt margin for the Town is \$51,500,278. The Town has no bonds authorized and un-issued at June 30, 2021.

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	
	2021	2020	2021	2020	2021	2020
Direct placement installment purchase	\$ 434,702	\$ 522,591	\$ 578,031	\$ 82,417	\$ 1,012,733	\$ 605,008
USDA Loans	1,315,061	1,334,035	2,368,095	1,558,174	3,683,156	2,892,209
ARRA loan	-	-	27,584	30,649	27,584	30,649
NC Environmental Quality loan			611,631	414,859	611,631	414,859
Compensated absences	211,074	196,039	14,576	13,516	225,650	209,555
Total OPEB liability	618,411	609,209	56,161	54,123	674,572	663,332
Net pension liability (LEO)	416,462	309,783	-	-	416,462	309,783
Net pension liability (LGERS)	1,433,663	1,179,525	115,776	94,722	1,549,439	1,274,247
	<u>\$ 4,429,373</u>	<u>\$ 4,151,182</u>	<u>\$ 3,771,854</u>	<u>\$ 2,248,460</u>	<u>\$ 8,201,227</u>	<u>\$ 6,399,642</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 5.0 percent as of June 30, 2021, is above the state average of 4.6 percent and Guilford County’s unemployment rate of 5.7 percent as of June 30, 2021, is above the state average of 4.6 percent.
- *Water/sewer rate increase.* In the new fiscal year, beginning July 1, 2021, the Town increased the water and sewer rates by 1 percent. The City of Burlington increased their water and sewer rates by 1 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, 2022

Governmental Activities: Property tax revenues are expected to increase when compared to fiscal year 2021 amounts due to there being additional residential development. Budgeted operational expenditures in the General Fund are expected to increase by 3 percent above the FY 2021 budget to \$8,148,044. The largest increment is in capital outlay. Appropriated fund balance of \$758,500 is recommended to complete capital projects, purchase five vehicles, equipment, and complete the Land Development Plan Update. Major acquisitions will include purchasing four police vehicles, a garbage truck, and a dump truck. The capital improvement projects will include street resurfacing and fire station bathroom renovations.

Business – Type Activities: In FY 2022, water and sewer rates will increase 1 percent to cover operational cost increases. Budgeted operational expenditures in the Water & Sewer Fund are expected to decrease by 20 percent below the FY 2021 budget to \$3,726,533. The largest increment decrease is in capital project transfers.

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, 2021

	<u>Primary Government</u>			Town of Gibsonville ABC Board
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets:				
Cash and Investments	\$ 1,971,641	\$ 2,222,094	\$ 4,193,735	\$ 511,687
Taxes receivables (net)	101,958	-	101,958	-
Accounts receivable (net)	42,439	328,617	371,056	-
Due from other governments	479,684	-	479,684	-
Prepaid items	95,856	6,021	101,877	-
Inventories	-	-	-	130,930
Restricted cash and cash equivalents	622,097	256,447	878,544	-
Total current assets	<u>3,313,675</u>	<u>2,813,179</u>	<u>6,126,854</u>	<u>642,617</u>
Non-current assets:				
Capital assets:				
Land, non-depreciable improvements, and construction in progress	934,818	3,752,229	4,687,047	20,000
Other capital assets, net of depreciation	5,097,816	1,401,497	6,499,313	866,597
Total capital assets	<u>6,032,634</u>	<u>5,153,726</u>	<u>11,186,360</u>	<u>886,597</u>
Total assets	<u>9,346,309</u>	<u>7,966,905</u>	<u>17,313,214</u>	<u>1,529,214</u>
DEFERRED OUTFLOWS OF RESOURCES				
Pension deferrals	1,008,084	63,885	1,071,969	24,881
OPEB deferrals	87,571	18,208	105,779	-
Total deferred outflows of resources	<u>1,095,655</u>	<u>82,093</u>	<u>1,177,748</u>	<u>24,881</u>
LIABILITIES				
Current liabilities:				
Accounts payable	237,641	581,066	818,707	150,332
Accrued interest payable	23,086	-	23,086	-
Customer Deposits	-	68,873	68,873	-
Due to other governments	-	-	-	25,423
Current portion of long-term liabilities	109,282	247,245	356,527	22,331
Total current liabilities	<u>370,009</u>	<u>897,184</u>	<u>1,267,193</u>	<u>198,086</u>
Long-term liabilities:				
Net pension liability (LEOSSA)	416,462	-	416,462	-
Net pension liability (LGRS)	1,433,663	115,776	1,549,439	34,662
OPEB liability	618,410	56,161	674,571	-
Due in more than one year	1,851,556	3,352,672	5,204,228	425,960
Total long-term liabilities	<u>4,320,091</u>	<u>3,524,609</u>	<u>7,844,700</u>	<u>460,622</u>
Total liabilities	<u>4,690,100</u>	<u>4,421,793</u>	<u>9,111,893</u>	<u>658,708</u>
DEFERRED INFLOWS OF RESOURCES				
Pension deferrals	151,741	5,450	157,191	-
OPEB deferrals	147,871	23,699	171,570	-
Unearned Revenues	2,340	1,851	4,191	-
Development fees	-	-	-	-
Total deferred inflows of resources	<u>301,952</u>	<u>31,000</u>	<u>332,952</u>	<u>-</u>
NET POSITION				
Net investment in capital assets	4,282,871	1,568,385	5,851,256	438,306
Restricted for:				
Cemetery Perpetual Care	77,589	-	77,589	-
Stabilization by State Statute	522,123	-	522,123	-
Streets	287,278	-	287,278	-
Public Safety	159,867	-	159,867	-
Reserve Accounts	6,025	-	6,025	-
Capital Improvements	-	-	-	-
Working Capital	-	-	-	76,144
Unrestricted	114,159	2,027,820	2,141,979	380,937
Total net position	<u>\$ 5,449,912</u>	<u>\$ 3,596,205</u>	<u>\$ 9,046,117</u>	<u>\$ 895,387</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, 2021

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	\$ 1,325,374	\$ -	\$ 70,240	\$ -	\$ (1,255,134)	\$ -	\$ (1,255,134)	\$ -	
Public safety	3,536,157	-	290,358	-	(3,245,799)	-	(3,245,799)	-	
Transportation	1,344,366	-	185,941	-	(1,158,425)	-	(1,158,425)	-	
Environmental protection	65,642	416,035	-	-	350,393	-	350,393	-	
Cultural and recreational	825,653	22,587	82,524	-	(720,542)	-	(720,542)	-	
Interest on long-term debt	55,420	-	-	-	(55,420)	-	(55,420)	-	
Total governmental activities	7,152,612	438,622	629,063	-	(6,084,927)	-	(6,084,927)	-	
Business-type activities:									
Water and sewer	4,027,388	4,245,895	-	-	-	218,507	218,507	-	
Gibsonville Housing Authority	148,141	200,630	-	-	-	52,489	52,489	-	
Total business-type activity	4,175,529	4,446,525	-	-	-	270,996	270,996	-	
Total primary government	\$ 11,328,141	\$ 4,885,147	\$ 629,063	\$ -	\$ (6,084,927)	\$ 270,996	\$ (5,813,931)	\$ -	
Component units:									
ABC Board	\$ 2,279,167	\$ 2,559,184	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 280,017
Total component units	\$ 2,279,167	\$ 2,559,184	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 280,017

General revenues:				
Taxes:				
Property taxes, levied for general purpose	3,544,464	-	3,544,464	-
Unrestricted intergovernmental revenues	2,190,981	-	2,190,981	-
Unrestricted investment earnings	22,469	420	22,889	-
Gain on sale of capital assets	25,606	-	25,606	-
Miscellaneous	166,490	-	166,490	-
Transfers	60,982	(60,982)	-	-
Total general revenues and transfers	6,010,992	(60,562)	5,950,430	-
Change in net position	(73,935)	210,434	136,499	280,017
Net position, beginning	5,523,847	3,385,771	8,909,618	615,370
Net position, ending	\$ 5,449,912	\$ 3,596,205	\$ 9,046,117	\$ 895,387

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

Town of Gibsonville, North Carolina
Balance Sheet
Governmental Funds
June 30, 2021

	Major Funds		Total Governmental Funds
	General	Total Non-Major Funds	
ASSETS			
Cash and Investments	\$ 1,894,052	\$ 77,589	\$ 1,971,641
Restricted Cash	622,097	-	622,097
Taxes Receivable	101,958	-	101,958
Accounts Receivable	42,439	-	42,439
Prepaid Items	95,856	-	95,856
Due from other governments	479,684	-	479,684
Total assets	3,236,086	77,589	3,313,675
LIABILITIES			
Accounts payable and accrued liabilities	237,641	-	237,641
Total liabilities	237,641	-	237,641
DEFERRED INFLOWS OF RESOURCES			
Property taxes receivable	101,958	-	101,958
Unearned Revenue	2,340	-	2,340
Total deferred inflows of resources	104,298	-	104,298
FUND BALANCES			
Non Spendable			
Prepays	95,856	-	95,856
Perpetual maintenance	-	77,589	77,589
Restricted			
Stabilization by State Statute	522,123	-	522,123
Streets	287,278	-	287,278
Public Safety	159,867	-	159,867
Reserve account	6,025	-	6,025
Assigned			
Subsequent year's expenditures	758,500	-	758,500
Unassigned	1,064,498	-	1,064,498
Total fund balances	2,894,147	77,589	2,971,736
Total liabilities, deferred inflows of resources and fund balances	\$ 3,236,086	\$ 77,589	\$ 3,313,675

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

Town of Gibsonville, North Carolina
Balance Sheet
Governmental Funds
June 30, 2021

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

Total fund balance, governmental funds		\$ 2,971,736
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Gross capital assets at historical cost	\$ 12,689,727	
Accumulated depreciation	<u>(6,657,093)</u>	6,032,634
Deferred outflows of resources related to pensions are not reported in the funds		1,008,084
Deferred outflows of resources related to OPEB are not reported in the funds		87,571
Earned revenues considered deferred inflows of resources in fund statements.		101,958
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds.		
Long-term debt		(1,960,838)
Net pension liability (LGERS)		(1,433,663)
Net pension liability (LEO)		(416,462)
OPEB liability (OPEB)		(618,410)
Deferred inflows of resources related to pensions are not reported in the funds		(151,741)
Deferred inflows of resources related to OPEB are not reported in the funds		(147,871)
Other long-term liabilities (accrued interest) are not due and payable in the current period and therefore not reported in the funds		<u>(23,086)</u>
Net position of governmental activities		<u><u>\$ 5,449,912</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, 2021

	Major Funds		
	General Fund	Total Non-Major Funds	Total Governmental Funds
REVENUES			
Ad valorem taxes	\$ 3,567,210	\$ -	\$ 3,567,210
Unrestricted intergovernmental	2,190,981	-	2,190,981
Restricted intergovernmental	575,276	-	575,276
Permits and fees	21,770	-	21,770
Sales and services	470,638	5,517	476,155
Investment earnings	22,453	16	22,469
Miscellaneous	166,490	-	166,490
Total revenues	7,014,818	5,533	7,020,351
EXPENDITURES			
Current:			
General government	1,310,408	-	1,310,408
Public safety	3,482,163	-	3,482,163
Transportation	1,348,144	-	1,348,144
Cultural and recreational	756,317	-	756,317
Environmental Protection	18,080	-	18,080
Debt service:			
Principal (and adjustments)	106,939	-	106,939
Interest and other charges	55,345	-	55,345
Total expenditures	7,077,396	-	7,077,396
Excess (deficiency) of revenues over expenditures	(62,578)	5,533	(57,045)
OTHER FINANCING SOURCES (USES)			
Transfers to other funds	-	(2,700)	(2,700)
Transfers from other funds	63,682	-	63,682
Loan proceeds	-	-	-
Proceeds from sale of capital assets	25,606	-	25,606
Total other financing sources (uses)	89,288	(2,700)	86,588
Net change in fund balance	26,710	2,833	29,543
Fund balance, beginning	2,867,437	74,756	2,942,193
Fund balances, ending	\$ 2,894,147	\$ 77,589	\$ 2,971,736

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, 2021

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

Net changes in fund balances - total governmental funds	\$	29,543
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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	\$ 668,064	
Depreciation expense for governmental activities	<u>(594,303)</u>	73,761

Contributions to the pension plan in the current fiscal year are not included on the statement of activities.		310,910
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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		(22,745)

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

New long term debt issued	-	
Principal payments on long-term debt	106,863	
Decrease in accrued interest payable	<u>455</u>	107,318

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	(15,035)	
Pension expense	(508,115)	
OPEB plan expense	<u>(49,572)</u>	(572,722)

Total changes in net position of governmental activities	\$	<u><u>(73,935)</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, 2021

	General Fund			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
Revenues:				
Ad valorem taxes	\$ 3,472,000	\$ 3,572,000	\$ 3,567,210	\$ (4,790)
Unrestricted intergovernmental	1,785,500	2,017,000	2,190,981	173,981
Restricted intergovernmental	203,400	504,404	575,276	70,872
Permits and fees	10,000	10,000	21,770	11,770
Sales and services	443,000	501,500	470,638	(30,862)
Investment earnings	8,000	8,000	22,453	14,453
Miscellaneous	37,193	58,768	166,490	107,722
Total revenues	<u>5,959,093</u>	<u>6,671,672</u>	<u>7,014,818</u>	<u>343,146</u>
Expenditures:				
Current:				
General government	1,092,039	1,329,039	1,310,408	18,631
Public safety	3,064,509	3,778,962	3,482,163	296,799
Transportation	1,226,314	1,746,314	1,348,144	398,170
Cultural and recreational	773,564	838,091	756,317	81,774
Environmental Protection	17,500	22,500	18,080	4,420
Debt service:				
Principal retirement	110,000	110,000	106,939	3,061
Interest and other charges	56,000	56,000	55,345	655
Total debt service	<u>166,000</u>	<u>166,000</u>	<u>162,284</u>	<u>3,716</u>
Contingency	40,000	-	-	-
Total expenditures	<u>6,379,926</u>	<u>7,880,906</u>	<u>7,077,396</u>	<u>803,510</u>
Revenues over (under) expenditures	<u>(420,833)</u>	<u>(1,209,234)</u>	<u>(62,578)</u>	<u>1,146,656</u>
Other financing sources (uses):				
Transfers from other funds	-	59,475	63,682	4,207
Transfers to other funds-community center	-	-	-	-
Installment purchase obligation issued	-	315,000	-	(315,000)
Proceeds from sale of capital assets	10,000	10,000	25,606	15,606
Total other financing sources (uses)	<u>10,000</u>	<u>384,475</u>	<u>89,288</u>	<u>(295,187)</u>
Fund balance appropriated	410,833	824,759	-	(824,759)
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	26,710	<u>\$ 26,710</u>
Fund balances, beginning			<u>2,867,437</u>	
Fund balances, ending			<u>\$ 2,894,147</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, 2021

	Major Enterprise Funds		
	Water and Sewer Fund	Housing Authority Fund	Total
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 2,157,726	\$ 64,368	\$ 2,222,094
Accounts receivable	317,306	11,311	328,617
Prepaid items	3,518	2,503	6,021
Restricted cash and cash equivalents	64,023	192,424	256,447
Total current assets	<u>2,542,573</u>	<u>270,606</u>	<u>2,813,179</u>
Noncurrent assets:			
Capital Assets:			
Land and construction in progress	3,739,542	12,687	3,752,229
Other capital assets, net of depreciation	1,327,624	73,873	1,401,497
Capital assets	<u>5,067,166</u>	<u>86,560</u>	<u>5,153,726</u>
Total noncurrent assets	<u>5,067,166</u>	<u>86,560</u>	<u>5,153,726</u>
Total assets	<u>7,609,739</u>	<u>357,166</u>	<u>7,966,905</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension deferrals	63,885	-	63,885
OPEB deferrals	18,208	-	18,208
	<u>82,093</u>	<u>-</u>	<u>82,093</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	566,007	15,059	581,066
Accrued interest payable	-	-	-
Customer deposits	64,023	4,850	68,873
Compensated absences - current	5,406	-	5,406
Installment purchases - current	227,259	14,580	241,839
Total current liabilities	<u>862,695</u>	<u>34,489</u>	<u>897,184</u>
Noncurrent liabilities:			
Net pension liability	115,776	-	115,776
Total OPEB liability	56,161	-	56,161
Compensated absences	9,170	-	9,170
Installment purchases - noncurrent	3,216,271	127,231	3,343,502
Total noncurrent liabilities	<u>3,397,378</u>	<u>127,231</u>	<u>3,524,609</u>
Total liabilities	<u>4,260,073</u>	<u>161,720</u>	<u>4,421,793</u>
DEFERRED INFLOWS OF RESOURCES			
Pension deferrals	5,450	-	5,450
OPEB deferrals	23,699	-	23,699
Unearned Revenue	-	1,851	1,851
Development fee liability	-	-	-
	<u>29,149</u>	<u>1,851</u>	<u>31,000</u>
NET POSITION			
Net investment in capital assets	1,623,636	(55,251)	1,568,385
Unrestricted	1,778,974	248,846	2,027,820
Total net position	<u>\$ 3,402,610</u>	<u>\$ 193,595</u>	<u>\$ 3,596,205</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, 2021

	Major Enterprise Funds		
	Gibsonville		
	Water and Sewer Fund	Housing Authority Fund	Total
OPERATING REVENUES			
Charges for services - water	\$ 924,735	\$ -	\$ 924,735
Charges for services - sewer	2,575,162	-	2,575,162
Charges for services - rent	-	200,062	200,062
Water and sewer taps	18,500	-	18,500
Other operating revenues	727,498	568	728,066
Total operating revenues	4,245,895	200,630	4,446,525
OPERATING EXPENSES			
Water and Sewer Administration	3,838,685	-	3,838,685
Housing Administration	-	137,939	137,939
Depreciation	95,836	6,480	102,316
Total operating expenses	3,934,521	144,419	4,078,940
Operating income (loss)	311,374	56,211	367,585
NONOPERATING REVENUES (EXPENSES)			
Investment earnings	6	414	420
Interest and other charges	(92,867)	(1,485)	(94,352)
Loss on disposal of capital assets	-	(2,237)	(2,237)
Total nonoperating revenues (expenses)	(92,861)	(3,308)	(96,169)
Income (loss) before contributions and transfers	218,513	52,903	271,416
Transfers to other funds	(60,982)	-	(60,982)
	(60,982)	-	(60,982)
Change in net position	157,531	52,903	210,434
Total net position, beginning	3,245,079	140,692	3,385,771
Total net position, ending	\$ 3,402,610	\$ 193,595	\$ 3,596,205

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, 2021

	Major Enterprise Fund		
	Water and Sewer Fund	Gibsonville Housing Authority Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 4,245,895	\$ 198,271	\$ 4,444,166
Cash paid for goods and services	(3,210,418)	(129,100)	(3,339,518)
Cash paid to or on behalf of employees for services	(321,094)	-	(321,094)
Customer deposits received	687	-	687
Other operating revenues	-	568	568
Net cash provided (used) by operating activities	<u>715,070</u>	<u>69,739</u>	<u>784,809</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Interest Income	6	414	420
Reserve Expense	-	-	-
Total Cash Flows from Noncapital Financing Activities	<u>6</u>	<u>414</u>	<u>420</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Principal paid on long-term debt	(116,823)	(13,241)	(130,064)
Interest paid on loans	(92,868)	(1,367)	(94,235)
Loan proceeds	1,629,306	-	1,629,306
Transfer to other funds	(60,982)	-	(60,982)
Acquisition and construction of capital assets	(1,731,572)	(5,124)	(1,736,696)
Net cash provided (used) by capital and related financing activities	<u>(372,939)</u>	<u>(19,732)</u>	<u>(392,671)</u>
Net increase (decrease) in cash and cash equivalents	342,137	50,421	392,558
Balances, beginning	1,879,612	206,371	2,085,983
Balance, ending	<u>\$ 2,221,749</u>	<u>\$ 256,792</u>	<u>\$ 2,478,541</u>
Reconciliation of operating income (loss) to net cash provided by operating activities			
Operating income (loss)	\$ 311,374	\$ 56,211	\$ 367,585
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	95,836	6,480	102,316
Changes in assets, deferred outflows of resources, and liabilities:			
(Increase) decrease in accounts receivable	323,188	(2,476)	320,712
(Increase) decrease in prepaid items	-	(225)	(225)
Increase (decrease) in accounts payable and accrued liabilities	156,844	9,064	165,908
Increase (decrease) in development fee liability/deferred inflows of resources	(196,000)	-	(196,000)
Increase (decrease) in net pension liability	21,052	-	21,052
(Increase) decrease in deferred outflows of resources - pensions	(10,150)	-	(10,150)
(Increase) decrease in deferred outflows of resources - OPEB	(13,364)	-	(13,364)
Increase (decrease) in deferred inflows of resources - unearned income	-	685	685
Increase (decrease) in deferred inflows of resources - pensions	2,877	-	2,877
Increase (decrease) in deferred inflows of resources - OPEB	20,315	-	20,315
Increase (decrease) in OPEB liability	2,039	-	2,039
Increase (decrease) in compensated absences	1,059	-	1,059
Total adjustments	<u>403,696</u>	<u>13,528</u>	<u>417,224</u>
Net cash provided by operating activities	<u>\$ 715,070</u>	<u>\$ 69,739</u>	<u>\$ 784,809</u>
SUPPLEMENTAL DISCLOSURE ON CASH FLOW INFORMATION			
Loss on disposal of capital assets	<u>\$ -</u>	<u>\$ (2,237)</u>	<u>\$ (2,237)</u>

Notes to the Financial Statements

Town of Gibsonville, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2021

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.

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.

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.

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	\$ 287,278
	Public Safety	334,819
Total governmental activities		<u>622,097</u>

Business-type Activities

Water and sewer fund	Customer deposits	64,023
Gibsonville Housing Authority	Tenant deposits	4,850
	Reserve replacement	187,574
Total business-type activities		<u>256,447</u>
Total restricted cash		<u>\$ 878,544</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, 2020.

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 2021 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 three items that meet the criterion for this category - property taxes receivable, pension deferrals, and unearned revenue.

9. Long-Term Obligations

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

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

10. Compensated Absences

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

Both the Town and the ABC Board's sick leave policies provide for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since neither the Town nor the ABC Board has any obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

11. Net Position/Fund Balances

Net Position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

12. Defined Benefit Cost-Sharing Plan

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

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

II. Detail Notes on All Funds

A. Assets

1. Deposits

All the deposits of the Town and the ABC Board are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town’s or the ABC Board’s agents in these units’ names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer’s agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town and the ABC Board, these deposits are considered to be held by the Town’s and the ABC Board’s agents in their names. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual

current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town or the ABC Board under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town has no formal policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Town complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured. The ABC Board has no formal policy regarding custodial credit risk for deposits.

At June 30, 2021, the Town's deposits had a carrying amount of \$3,314,341 and a bank balance of \$3,195,662. Of the bank balance, \$750,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. The carrying amount of deposits for the ABC Board was \$510,687 and the bank balance was \$509,295. All of the bank balance was covered by federal depository insurance. The carrying amount of deposits for the Housing Authority was \$256,792 and the bank balance was \$257,568. \$250,000 of the bank balance was covered by federal depository insurance. At June 30, 2021 the Town's petty cash fund totaled \$465. The ABC Board had cash on hand in the amount of \$1,000.

2. Investments

At June 30, 2021, The Town's investment balances are as follows:

Investments by Type	Valuation Measurement Method	Book Value at 6/30/21	Maturity	Rating
NC Capital Management Trust-Government Portfolio	Fair Value Level 1	\$ 1,757,473	N/A	AAAm
Total:		\$ 1,757,473		

All investments are measured using the market approach: using prices and other relevant information generated by market transactions involving identical or comparable assets or a group of assets. Level of fair value hierarchy: Level 1 debt securities are valued using directly observable, quoted prices (unadjusted) in active markets for identical assets. Level 2 debt securities are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' benchmark quoted prices.

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

Credit risk. The Town has no formal policy regarding credit risk, but has internal management procedures that limits the Town's investments to the provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. The Town's investment in the NC Capital Management Trust Government Portfolio carried a credit rating of AAAm by Standard & Poor's as of June 30, 2021.

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, 2021 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	<u>170,054</u>
Total enterprise Fund	<u>170,054</u>
Total	<u><u>\$ 177,070</u></u>

4. Capital Assets

Primary Government

Capital asset activity for the Primary Government for the year ended June 30, 2021, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 934,818	\$ -	\$ -	\$ 934,818
Construction in progress	-	-	-	-
Total capital assets not being depreciated	934,818	-	-	934,818
Capital assets being depreciated:				
Buildings	1,983,766	79,930	-	2,063,696
Improvements	2,631,633	47,009	-	2,678,642
Infrastructure	603,140	-	-	603,140
Equipment	2,145,657	177,393	133,948	2,189,102
Vehicles	4,216,035	363,732	359,438	4,220,329
Total capital assets being depreciated	11,580,231	668,064	493,386	11,754,909
Less accumulated depreciation for:				
Buildings	1,376,192	74,151	-	1,450,343
Improvements	46,006	31,451	-	77,457
Infrastructure	144,812	21,900	-	166,712
Equipment	1,970,822	130,096	133,948	1,966,970
Vehicles	3,018,344	336,705	359,438	2,995,611
Total accumulated depreciation	6,556,176	594,303	493,386	6,657,093
Total capital assets being depreciated, net	5,024,055			5,097,816
Governmental activity capital assets, net	\$ 5,958,873			\$ 6,032,634

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

General government	\$ 26,873
Public safety	319,212
Transportation	8,872
Environmental protection	165,977
Recreational and cultural	73,369
Total depreciation expense	<u>\$ 594,303</u>

Activity for the Water and Sewer Fund for the year ended June 30, 2021, was as follows:

Capital assets not being depreciated:				
Land	\$ 18,591	\$ -	\$ -	\$ 18,591
Construction in progress	2,130,361	1,590,591	-	3,720,952
Total capital assets not being depreciated	<u>2,148,952</u>	<u>1,590,591</u>	<u>-</u>	<u>3,739,543</u>
Capital assets being depreciated:				
Buildings	129,875	-	-	129,875
Water and Sewer System	2,930,890	140,985	-	3,071,875
Equipment	470,311	-	-	470,311
Vehicles	84,814	-	-	84,814
Total capital assets being depreciated	<u>3,615,890</u>	<u>140,985</u>	<u>-</u>	<u>3,756,875</u>
Less accumulated depreciation for:				
Buildings	34,505	2,550	-	37,055
Water and Sewer System	2,035,090	51,387	-	2,086,477
Equipment	219,960	31,081	-	251,041
Vehicles	43,861	10,818	-	54,679
Total accumulated depreciation	<u>2,333,416</u>	<u>95,836</u>	<u>-</u>	<u>2,429,252</u>
Total capital assets being depreciated, net	<u>1,282,474</u>			<u>1,327,623</u>
Business-type activity capital assets, net	<u>\$ 3,431,426</u>			<u>\$ 5,067,166</u>

Activity for the Gibsonville Housing Authority for the year ended June 30, 2021, 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	<u>12,687</u>	<u>-</u>	<u>-</u>	<u>12,687</u>
Capital assets being depreciated:				
Land Improvements	10,209	-	-	10,209
Buildings	884,053	5,124	3,450	885,727
Furniture and equipment	11,319	-	-	11,319
Total capital assets being depreciated	<u>905,581</u>	<u>5,124</u>	<u>3,450</u>	<u>907,255</u>
Less accumulated depreciation for:				
Land Improvements	10,209	-	-	10,209
Buildings	806,587	6,480	1,213	811,854
Furniture and equipment	11,319	-	-	11,319
Total accumulated depreciation	<u>828,115</u>	<u>6,480</u>	<u>1,213</u>	<u>833,382</u>
Total capital assets being depreciated, net	<u>77,466</u>			<u>73,873</u>
Housing Authority Fund capital assets, net	<u>\$ 90,153</u>			<u>\$ 86,560</u>
Total Enterprise Funds capital assets, net	<u>\$ 3,521,579</u>			<u>\$ 5,153,726</u>

Construction Commitments

The government has active construction projects as of June 30, 2021. At year-end, the government's commitments with contractors are as follows:

Projects	Spent-to-date	Remaining Commitment
Highway 61 & Highway 70 Water & Sewer Extension project	\$ 753,354	\$ 2,176,796
	<u>\$ 753,354</u>	<u>\$ 2,176,796</u>

Discretely presented component unit

Activity for the ABC Board for the year ended June 30, 2021, 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	<u>20,000</u>	<u>-</u>	<u>-</u>	<u>20,000</u>
Capital assets being depreciated:				
Building	840,710	-	-	840,710
Store equipment and fixtures	81,100	-	-	81,100
Computer equipment	44,822	17,902	-	62,724
Total capital assets being depreciated	<u>966,632</u>	<u>17,902</u>	<u>-</u>	<u>984,534</u>
Less accumulated depreciation for:				
Building	35,313	21,557	-	56,870
Store equipment and fixtures	14,532	10,639	-	25,171
Computer equipment	30,133	5,763	-	35,896
Total accumulated depreciation	<u>79,978</u>	<u>37,959</u>	<u>-</u>	<u>117,937</u>
Total capital assets being depreciated, net	<u>886,654</u>			<u>866,597</u>
ABC Board capital assets, net	<u>\$ 906,654</u>			<u>\$ 886,597</u>

B. Liabilities

1. Pension Plan and Postemployment Obligations

a. Local Governmental Employees' Retirement System

Plan Description. The Town of Gibsonville is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North

Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at www.osc.nc.gov.

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, 2021, was 10.90% of compensation for law enforcement officers and 10.15% 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 \$328,141 for the year ended June 30, 2021.

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, 2021, the Town reported a liability of \$1,549,439 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020. The total pension liability

used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019. The total pension liability was then rolled forward to the measurement date of June 30, 2020 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, 2020, the Town's proportion was .04336% which was a decrease of .00330% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the Town recognized pension expense of \$508,263. At June 30, 2021, 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	\$ 195,667	\$ -
Changes of assumptions	115,309	-
Net difference between projected and actual earnings on pension plan investments	218,041	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	6,070	70,239
Town contributions subsequent to the measurement date	328,141	-
Total	<u>\$ 863,228</u>	<u>\$ 70,239</u>

\$328,141 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, 2022. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2022	\$ 124,811
2023	180,263
2024	95,243
2025	64,531
2026	-

Actuarial Assumptions. The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.5 to 8.10 percent, including inflation and productivity factor
Investment rate of return	7.00 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2019 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, 2020 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
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 2019 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

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

Sensitivity of the Town’s proportionate share of the net pension asset to changes in the discount rate. The following presents the Town’s proportionate share of the net pension asset calculated using the discount rate of 7.00 percent, as well as what the Town’s proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent) or one percentage point higher (8.00 percent) than the current rate:

	<u>1% Decrease</u> <u>(6.00%)</u>	<u>Discount Rate</u> <u>(7.00%)</u>	<u>1% Increase</u> <u>(8.00%)</u>
Town's proportionate share of the net pension liability (asset)	\$ 3,143,640	\$ 1,549,439	\$ 224,543

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, 2020, the Separation Allowance’s membership consisted of:

Retirees receiving benefits	2
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>16</u>
Total	18

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, 2019 actuarial valuation. The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary increases	3.25 to 7.75 percent, including inflation and productivity factor
Discount rate	1.93 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, 2020.

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 \$11,872 in benefit payments during the fiscal year ended June 30, 2021.

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

At June 30, 2021, the Town reported a total pension liability of \$416,462. The total pension liability was measured as of December 31, 2020 based on a December 31, 2019 actuarial valuation. The total pension liability was rolled forward to December 31, 2020 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2021, the Town recognized pension expense of \$50,158.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 60,403	\$ 80,085
Changes of assumption	143,575	6,867
Town benefit payments and plan administrative expense made subsequent to the measurement date	4,763	-
	<u>\$ 208,741</u>	<u>\$ 86,952</u>

\$4,763 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, 2022. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30

2022	\$ 18,863
2023	22,089
2024	27,905
2025	27,418
2026	13,301
Thereafter	7,450

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 1.93 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 (0.93 percent) or 1-percentage-point higher (2.93 percent) than the current rate:

	1% Decrease 0.93%	Discount Rate 1.93%	1% Increase 2.93%
Total Pension Liability	\$ 464,604	\$ 416,462	\$ 372,870

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

	2021
Beginning Balance	\$ 309,783
Service Cost	21,390
Interest on the total pension liability	9,905
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	(67,523)
Changes of assumptions or other inputs	154,779
Benefit payments	(11,872)
Other changes	-
Ending balance of the total pension liability	\$ 416,462

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, 2019 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	\$ 508,263	\$ 50,158	\$ 558,421
Pension Liability	1,549,439	416,462	1,965,901
Proportionate share of the net pension liability	0.04336%	n/a	
Deferred of Outflows of Resources			
Differences between expected and actual experience	195,667	60,403	256,070
Changes of assumptions	115,309	143,575	258,884
Net difference between projected and actual earnings on plan investments	218,041	-	218,041
Changes in proportion and differences between contributions and proportionate share of contributions	6,070	-	6,070
Benefit payments and administrative costs paid subsequent to the measurement date	328,141	4,763	332,904
Deferred of Inflows of Resources			
Differences between expected and actual experience	-	80,085	80,085
Changes of assumptions	-	6,867	6,867
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	70,239	-	70,239

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, 2021 were \$76,860, which consisted of \$54,736 from the Town and \$22,124 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, 2021 were \$138,983, which consisted of \$102,381 from the Town and \$36,602 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, 2021 were \$1,320. 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, 2020, the State contributed \$18,652,000 to the plan. The Town of Gibsonville's proportionate share of the State's contribution is \$9,897.

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, 2021, 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 \$9,897. The net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019. The total pension liability was then rolled forward to the measurement date of June 30, 2020 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, 2021 was 0%.

For the year ended June 30, 2021, the Town recognized pension expense of \$3,962 and revenue of \$3,962 for support provided by the State. At June 30, 2021, 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, 2019 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, 2020, the date of the latest actuarial valuation:

	General Employees	Law Enforcement Officers
Retirees and dependents receiving benefits	2	-
Terminated plan members entitled to but not yet receiving benefits	-	-
Active plan members	38	19
Total	<u>40</u>	<u>19</u>

Total OPEB Liability

The Town's total OPEB liability of \$674,572 was measured as of December 31, 2020 and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs. The total OPEB liability in the December 31, 2020 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	2.21 percent
Healthcare cost trend rates	Pre-Medicare - 7.00% for 2020 decreasing to an ultimate rate of 4.50% by 2030

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, 2020	\$ 663,332
Changes for the year	
Service cost	54,920
Interest	24,798
Changes of benefit terms	-
Differences between expected and actual experience	(136,028)
Changes in assumptions or other inputs	87,229
Benefit payments	<u>(19,679)</u>
Net changes	<u>11,240</u>
Balance at 6/30/2021	<u><u>\$ 674,572</u></u>

Changes in assumptions and other inputs reflect a change in the discount rate from 3.50% to 2.21%. Mortality rates were based on the RP-2014 Total Data Set for Healthy Annuitants Mortality Table.

The actuarial assumptions used in the December 31, 2020 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 (1.21 percent) or 1-percentage-point higher (3.21 percent) than the current discount rate:

	<u>1% Decrease</u>	<u>Discount Rate (2.21%)</u>	<u>1% Increase</u>
Total OPEB liability	\$ 752,428	\$ 674,572	\$ 604,963

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	\$ 574,537	\$ 674,572	\$ 797,684

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

For the year ended June 30, 2021, the Town recognized OPEB expense of \$69,251. At June 30, 2021, 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	\$ -	\$ 154,937
Changes of assumptions	105,779	16,633
Benefit payments and administrative costs made subsequent to the measurement date	-	-
Total	<u>\$ 105,779</u>	<u>\$ 171,570</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, 2022. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2022	\$ (10,467)
2023	(10,467)
2024	(10,467)
2025	(10,467)
2026	(8,280)
Thereafter	(15,643)

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	\$ 4,763
Benefit payment and administrative expenses for OPEB made subsequent to measurement date	-
Differences between expected and actual experience	256,070
Changes of assumptions	364,663
Net difference between projected and actual	218,041
Changes in proportion and differences between employer contributions and proportionate share of contributions	6,070
Employer contributions subsequent to measurement date	328,141
Total	<u>\$ 1,177,748</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)	\$ -	\$ 101,958
Unearned revenues	4,191	2,340
Development fees	-	-
Changes in assumptions	6,867	-
Differences between expected and actual experience	235,022	-
Changes in proportion and differences between employer contributions and proportionate share	86,872	-
Total	<u>\$ 332,952</u>	<u>\$ 104,298</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 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 from various insurance companies. Medical stop loss insurance is purchased 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 can be obtained by contacting the Town of Gibsonville.

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, 2021.

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

5. Long-term Obligations

a. 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
2022	\$ 16,557	\$ 35,114
2023	17,075	34,596
2024	17,609	34,062
2025	18,159	33,512
2026	18,726	32,945
2027-2031	102,783	155,572
2032-2036	120,149	138,206
2037-2041	139,815	118,540
2042-2046	163,073	95,282
2047-2051	190,196	68,159
2052-2056	221,831	36,524
2057-2058	95,600	4,868
	<u>\$ 1,121,573</u>	<u>\$ 787,380</u>

b. 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.

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

Year Ending June 30	Principal	Interest
2022	\$ 3,002	\$ 5,563
2023	3,089	5,476
2024	3,177	5,388
2025	3,269	5,296
2026	3,363	5,202
2027-2031	18,320	24,505
2032-2036	21,111	21,714
2037-2041	24,324	18,501
2042-2046	28,027	14,798
2047-2051	32,294	10,531
2052-2056	37,212	5,613
2057-2058	16,300	706
	<u>\$ 193,488</u>	<u>\$ 123,293</u>

c. 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
2022	\$ 3,065	\$ -
2023	3,065	-
2024	3,065	-
2025	3,065	-
2026	3,065	-
2027-2030	12,259	-
	<u>\$ 27,584</u>	<u>\$ -</u>

d. Installment Purchase

In June 2019, the Town entered into a \$586,083 direct placement contract to finance the purchase of a fire truck. The vehicle is pledged as collateral for the debt while the debt is outstanding. The financing contract requires annual principal payments beginning in fiscal year 2021 with an interest rate of 2.69%.

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

Year Ending		
June 30	Principal	Interest
2022	\$ 80,672	\$ 11,450
2023	82,842	9,280
2024	85,070	7,052
2025	87,359	4,763
2026	89,708	2,413
	<u>\$ 425,651</u>	<u>\$ 34,958</u>

e. Installment Purchase

In October 2018, the Town entered into a \$205,000 direct placement contract to finance the purchase of a vehicles and equipment for the general fund and water and sewer fund. The vehicles and equipment are pledged as collateral for the debt while the debt is outstanding. The financing contract requires annual principal payments beginning in fiscal year 2021 with an interest rate of 3.22%.

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

Year Ending		
June 30	Principal	Interest
2022	\$ 49,901	\$ 1,607
	<u>\$ 49,901</u>	<u>\$ 1,607</u>

f. NC Environmental Quality Loan

In April, 2020, the Town entered into North Carolina Drinking Water State Revolving Fund loan in the amount of \$649,550 to finance the construction of a waterline. The loan requires annual payments of \$32,191. The financing contract requires annual principal payments beginning in fiscal year 2021 with an interest rate of 1.53%. As of June 30, 2021, the Town had received \$643,822 in loan proceeds and repaid \$32,191 during the year leaving an outstanding balance at June 30, 2021 of \$611,631.

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

Year Ending June 30	Principal	Interest
2022	\$ 32,191	\$ 9,442
2023	32,191	8,944
2024	32,191	8,448
2025	32,191	7,950
2026	32,191	7,454
2027-2031	160,956	29,814
2032-2036	160,956	17,392
2037-2040	128,764	4,968
	<u>\$ 611,631</u>	<u>\$ 94,412</u>

g. USDA Loan

In August, 2019, the Town entered into a loan for \$2,272,000 with an interest rate of 2.51 percent to pay interim financing for sewer rehabilitation. The loan requires repayment by August 2020. The project was subsequently refinanced in October, 2021 by a USDA loan in the amount of \$2,272,000 at an interest rate of 1.875% with annual payments until June 2060 and is presented in these financial statements in this manner. As of June 30, 2021, the Town had expended \$2,259,257 on the project, received loan proceeds of \$2,266,284 and repaid \$40,000 during the year leaving an outstanding balance at June 30, 2021 of \$2,226,284.

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

Year Ending June 30	Principal	Interest
2022	\$ 40,000	\$ 41,850
2023	40,000	41,100
2024	41,000	40,350
2025	42,000	39,581
2026	42,000	38,794
2027-2031	225,000	181,781
2032-2036	245,000	159,937
2037-2041	270,000	136,031
2042-2046	296,000	109,782
2047-2051	326,000	80,906
2052-2056	357,000	49,199
2057-2060	308,000	14,533
	<u>\$ 2,232,000</u>	<u>\$ 933,844</u>

h. Water and Sewer Infrastructure loan

In March, 2021, the Town entered into a loan for \$1,465,075 with an interest rate of 1.69 percent to pay for water and sewer infrastructure. As of June 30, 2021, the Town had expended \$753,354 on the project and received loan proceeds of \$537,181 leaving an unpaid balance at June 30, 2022 of \$537,181.

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

Year Ending June 30	Principal	Interest
2022	\$ 111,153	\$ 24,760
2023	113,032	22,881
2024	114,942	20,971
2025	116,884	19,029
2026	118,860	17,053
2027-2031	625,117	54,447
2032-2036	265,087	6,739
	<u>\$ 1,465,075</u>	<u>\$ 165,880</u>

i. USDA Loan – Gibsonville Housing Authority

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

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

Year Ending June 30	Principal	Interest
2022	\$ 14,580	\$ 1,320
2023	14,713	1,187
2024	14,846	1,054
2025	14,979	921
2026	15,112	788
2027-2031	67,581	2,531
	<u>\$ 141,811</u>	<u>\$ 7,801</u>

j. Changes in Long-Term Liabilities

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

	Beginning			Ending	Current Portion
	Balance	Increases	Decreases	Balance	of Balance
Governmental activities:					
Direct placement installment purchase	\$ 522,591	\$ -	\$ 87,889	\$ 434,702	\$ 89,723
USDA loans	1,334,035	-	18,974	1,315,061	19,559
Compensated absences	196,039	15,035	-	211,074	-
Total OPEB liability	609,209	9,202	-	618,411	-
Net pension liability (LEOSSA)	309,783	106,679	-	416,462	-
Net pension liability (LGRS)	1,179,525	254,138	-	1,433,663	-
Governmental activity long-term liabilities	<u>\$ 4,151,182</u>	<u>\$ 385,054</u>	<u>\$ 106,863</u>	<u>\$ 4,429,373</u>	<u>\$ 109,282</u>

Business-type activities:

Water and Sewer Fund

Direct placement installment purchase	\$ 82,417	\$ 537,181	\$ 41,567	\$ 578,031	\$ 152,003
ARRA loan	30,649	-	3,065	27,584	3,065
USDA loan	1,403,122	863,162	40,000	2,226,284	40,000
NC Environmental Quality Loan	414,859	228,963	32,191	611,631	32,191
Compensated absences	13,516	1,060	-	14,576	5,406
Total OPEB liability	54,123	2,038	-	56,161	-
Net pension liability (LGRS)	94,722	21,054	-	115,776	-
Water and Sewer Fund long-term liabilities	<u>2,093,408</u>	<u>1,653,458</u>	<u>116,823</u>	<u>3,630,043</u>	<u>232,665</u>

Gibsonville Housing Authority

USDA loan	155,052	-	13,241	141,811	14,580
Business-type activity long-term liabilities	<u>\$ 2,248,460</u>	<u>\$ -</u>	<u>\$ 130,064</u>	<u>\$ 3,771,854</u>	<u>\$ 247,245</u>

At June 30, 2021, the Town of Gibsonville had a legal debt margin of \$51,500,278.

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, 2021 consist of the following:

From the Water/Sewer fund to Highway 61 North Water and Sewer Extension Capital Project Fund	<u>\$ 50,000</u>
From the Waterline Capital Project Fund to the General Fund	<u>\$ 60,982</u>
From the Perpetual Care Fund to the General Fund- reimbursement for services provided:	<u>\$ 2,700</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	\$ 6,032,634	\$ 5,153,726
Less: long-term debt	<u>1,749,763</u>	<u>3,585,341</u>
Net investment in capital assets	<u>\$ 4,282,871</u>	<u>\$ 1,568,385</u>

E. Fund Balance

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

Total fund balance - General Fund	\$ 2,894,147
Less:	
Prepays	95,856
Stabilization by State Statute	522,123
Streets - Powell Bill	287,278
Cultural and recreation	-
Public safety	159,867
Reserve account	6,025
Appropriated fund balance in 2021-2022 budget	758,500
Remaining Fund Balance	1,064,498

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 \$1,750 to the Council during the fiscal year ended June 30, 2021.

IV. Commitments

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

V. Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

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

VI. Subsequent Events

Subsequent events have been evaluated through February 21, 2022, which is the date the financial statements were available to be issued.

VII. Restatements

Change in Accounting Principles

The Town implemented Governmental Accounting Standards Board (GASB) Statement No. 84, Fiduciary Activities, effective July 1, 2020. The statement establishes criteria for identifying fiduciary activities of all state and local governments and provides guidance on how to report fiduciary activities within the financial statements. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The statement also describes four fiduciary funds that should be reported if criteria outlined in the statement are met: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. The use of agency funds was eliminated. The statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources.

As part of implementing the statement, the Town performed a comprehensive review of its fiduciary relationships and applied the criteria within the guidance. As a result, fund balance and net position were restated as of the beginning of the fiscal year. Cash from the Refundable Construction Performance Agency Fund net of liabilities were reclassified out of the Agency Fund into the General Fund. The net effect was \$-0- to Governmental activities beginning net position and \$-0- to the beginning fund balance in the General Fund.

Required Supplementary Financial Data

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

Local Governmental Employees' Retirement System

	2021	2020	2019	2018	2017	2016	2015	2014
Gibsonville's proportion of the net pension liability (asset) (%)	0.04336%	0.04666%	0.04647%	0.04159%	0.04%	0.04%	-0.04%	0.04%
Gibsonville's proportion of the net pension liability (asset) (\$)	\$ 1,549,438	\$ 1,274,248	\$ 1,102,427	\$ 635,380	\$ 909,845	\$ 180,415	\$ (226,286)	\$ 459,251
Gibsonville's covered-employee payroll	\$ 2,860,993	\$ 2,784,165	\$ 2,609,355	\$ 2,304,233	\$ 2,188,586	\$ 1,921,014	\$ 1,894,380	\$ 2,073,158
Gibsonville's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	54.16%	45.77%	42.25%	27.57%	41.57%	9.39%	-11.95%	22.15%
Plan fiduciary net position as a percentage of the total pension liability**	88.61%	90.86%	91.63%	94.18%	91.47%	98.09%	102.64%	94.35%

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

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

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

Local Governmental Employees' Retirement System

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 328,141	\$ 264,500	\$ 223,913	\$ 201,533	\$ 174,069	\$ 150,934	\$ 137,851	\$ 135,185
Contributions in relation to the contractually required contribution	<u>328,141</u>	<u>264,500</u>	<u>223,913</u>	<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>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Gibsonville's covered-employee payroll	\$ 3,142,354	\$ 2,860,993	\$ 2,784,165	\$ 2,609,355	\$ 2,304,233	\$ 2,188,586	\$ 1,921,014	\$ 1,894,380
Contributions as a percentage of covered-employee payroll	10.44%	9.25%	8.04%	7.72%	7.55%	6.90%	7.18%	7.14%

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

Firefighters and Rescue Squad Workers' Pension

	2021	2020	2019	2018	2017	2016	2015
Gibsonville's proportion of the net pension liability (asset) (%)	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%
Gibsonville's proportion of the net pension liability (asset) (\$)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability associated with the Town of Gibsonville	9,897	9,245	12,785	20,573	22,076	26,974	20,768
	<u>\$ 9,897</u>	<u>\$ 9,245</u>	<u>\$ 12,785</u>	<u>\$ 20,573</u>	<u>\$ 22,076</u>	<u>\$ 26,974</u>	<u>\$ 20,768</u>
Gibsonville's covered-employee payroll	\$ 485,661	\$ 454,281	\$ 450,543	\$ 430,129	\$ 347,374	\$ 315,440	\$ 255,791
Gibsonville's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	2.04%	2.04%	2.84%	4.78%	6.36%	8.55%	8.12%
Plan fiduciary net position as a percentage of the total pension liability**	89.69%	92.58%	89.69%	89.35%	84.94%	91.40%	93.42%

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

Town of Gibsonville, North Carolina
Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance
June 30, 2021

	2021	2020	2019	2018	2017
Beginning balance	\$ 309,783	\$ 186,367	\$ 196,811	\$ 241,863	\$ 246,456
Service Cost	21,390	24,118	21,790	13,224	18,587
Interest on the total pension liability	9,905	6,568	5,968	8,872	8,370
Changes of benefit terms	-	-	-	-	-
Differences between expected and actual experience in the measurement of the total pension liability	(67,523)	92,363	(11,461)	(57,885)	-
Changes of assumptions or other inputs	154,779	12,239	(10,817)	14,765	(7,522)
Benefit payments	(11,872)	(11,872)	(15,924)	(24,028)	(24,028)
Other changes	-	-	-	-	-
Ending balance of the total pension liability	<u>\$ 416,462</u>	<u>\$ 309,783</u>	<u>\$ 186,367</u>	<u>\$ 196,811</u>	<u>\$ 241,863</u>

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

Town of Gibsonville, North Carolina
Schedule of Total Pension Liability as a Percentage of Covered Payroll
Law Enforcement Officers' Special Separation Allowance
June 30, 2021

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total pension liability	\$ 416,462	\$ 309,783	\$ 186,367	\$ 196,811	\$ 241,863
Covered payroll	897,470	991,169	859,901	701,838	737,986
Total pension liability as a percentage of covered payroll	46.40%	31.25%	21.67%	28.04%	32.77%

Notes to the schedules:

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

Town of Gibsonville, North Carolina
Schedule of Changes in the Total OPEB Liability and Related Ratios
June 30, 2021

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability				
Service Cost	\$ 54,920	\$ 50,807	\$ 39,696	\$ 42,544
Interest	24,798	22,548	20,805	17,541
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience	(136,028)	(2,063)	(46,446)	(1,314)
Changes of assumptions	87,229	27,314	9,811	(31,617)
Benefit payments	<u>(19,679)</u>	<u>(29,538)</u>	<u>(27,790)</u>	<u>(23,318)</u>
Net change in total OPEB liability	11,240	69,068	(3,924)	3,836
Total OPEB liability - beginning	663,332	594,264	598,188	594,351
Total OPEB liability - ending	<u>\$ 674,572</u>	<u>\$ 663,332</u>	<u>\$ 594,264</u>	<u>\$ 598,187</u>
Covered payroll	\$ 2,725,987	\$ 2,366,655	\$ 2,366,655	\$ 2,047,220
Total OPEB liability as a percentage of covered payroll	24.75%	28.03%	25.11%	29.22%

Notes to schedule:

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

<u>Fiscal Year</u>	<u>Rate</u>
2021	2.21%
2020	3.50%
2019	3.89%
2018	3.56%

Individual Fund Schedules

Town of Gibsonville, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2021

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Ad valorem taxes:			
Taxes	\$ 3,560,000	\$ 3,567,210	\$
Interest	12,000	-	
Total	<u>3,572,000</u>	<u>3,567,210</u>	<u>(4,790)</u>
Unrestricted intergovernmental:			
Local option sales taxes	1,567,000	1,761,256	
Utilities franchise tax	420,000	398,885	
Beer and wine tax	30,000	30,840	
Total	<u>2,017,000</u>	<u>2,190,981</u>	<u>173,981</u>
Restricted intergovernmental:			
Powell Bill allocation	192,000	185,941	
Controlled substance tax	-	-	
Solid waste disposal tax	4,900	5,472	
Federal drug proceeds	-	-	
State drug proceeds	-	707	
Police department grant	-	-	
Guilford County grant	-	70,240	
Library State Aid grant	5,210	5,210	
Library grants	18,653	18,055	
FEMA grant	280,141	280,141	
Guilford County Fire District tax	3,500	9,510	
Total	<u>504,404</u>	<u>575,276</u>	<u>70,872</u>
Permits and fees:			
Court facilities fees	-	3,515	
Code enforcement	10,000	18,255	
Development fees	-	-	
Total	<u>10,000</u>	<u>21,770</u>	<u>11,770</u>
Sales and services:			
Recreation Department fees	82,000	22,587	
Library fees	58,500	59,259	
Sanitation fees	310,000	331,474	
Brush pickup fees	3,000	6,200	
Stormwater fees	33,000	34,569	
Cemetery fees	15,000	16,549	
Total	<u>501,500</u>	<u>470,638</u>	<u>(30,862)</u>
Investment earnings	<u>8,000</u>	<u>22,453</u>	<u>14,453</u>
Miscellaneous:	<u>58,768</u>	<u>166,490</u>	<u>107,722</u>
Total revenues	<u>6,671,672</u>	<u>7,014,818</u>	<u>343,146</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, 2021

	Budget	Actual	Variance Positive (Negative)
Expenditures:			
General government:			
Governing body:			
Salaries and benefits		18,516	
Professional services		40,670	
Membership dues		11,794	
Operating expenses		1,708	
Total	87,191	72,688	14,503
Administration:			
Salaries and employee benefits		696,013	
Other operating expenditures		504,659	
Capital outlay		37,048	
Total	1,241,848	1,237,720	4,128
Elections:			
Operating expenditures	-	-	-
Total	-	-	-
Total General Government	1,329,039	1,310,408	18,631
Public safety:			
Police department:			
Salaries and employee benefits		1,575,256	
Vehicle Maintenance		15,351	
Operating Expenditures		377,486	
Capital outlay		193,497	
Total	2,373,654	2,161,590	212,064
Fire:			
Salaries and employee benefits		830,906	
Vehicle Maintenance		172	
Operating expenditures		252,172	
Capital outlay		237,323	
Total	1,405,308	1,320,573	84,735
Total public safety	3,778,962	3,482,163	296,799
Transportation:			
Garage:			
Salaries and employee benefits		-	
Other operating expenditures		-	
Capital Outlay		-	
Total	-	-	-

cont.

Town of Gibsonville, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2021

	Budget	Actual	Variance Positive (Negative)
Streets and highways:			
Salaries and employee benefits		652,102	
Vehicle Maintenance		22,209	
Other operating expenditures		458,825	
Capital outlay		170,235	
Total	1,651,814	1,303,371	348,443
Powell Bill:			
Sidewalk Construction		5,205	
Maintenance		27,379	
Other Operating Expenditures		12,189	
Capital Outlay		-	
Total	94,500	44,773	49,727
Total transportation	1,746,314	1,348,144	398,170
Culture and Recreation:			
Parks and Recreation			
Salaries and Employee Benefits		358,121	
Vehicle Maintenance		-	
Contracted Services		29,290	
Operating Expenditures		125,263	
Capital Outlay		29,961	
Total	612,091	542,635	69,456
Libraries:			
Salaries and employee benefits		158,576	
Operating expenditures		55,106	
Capital Outlay		-	
Total	226,000	213,682	12,318
Total Culture and Recreation	838,091	756,317	81,774
Environmental protection:			
Sanitation:			
Salaries and employee benefits		-	
Vehicle Maintenance		-	
Contracted services		-	
Operating expenditures		-	
Total	-	-	-
Cemetery:			
Operating Expenditures		18,080	
Total	22,500	18,080	4,420
Total Environmental Protection	22,500	18,080	4,420

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, 2021

	Budget	Actual	Variance Positive (Negative)
Debt service:			
Principal retirement	110,000	106,939	
Interest and other charges	56,000	55,345	
Total debt service	<u>166,000</u>	<u>162,284</u>	<u>3,716</u>
Contingency	-	-	-
Total expenditures	<u>7,880,906</u>	<u>7,077,396</u>	<u>803,510</u>
Revenues over (under) expenditures	<u>(1,209,234)</u>	<u>(62,578)</u>	<u>1,146,656</u>
Other financing sources (uses):			
Transfers from other funds:			
Cemetery Perpetual Care Fund	-	2,700	2,700
Water Sewer	-	-	-
Transfers from other funds:			
Capital Project Fund	59,475	60,982	1,507
Sewer Rehabilitation Capital Project Fund	-	-	-
Community Center Project	-	-	-
Installment purchase obligation issued	315,000	-	(315,000)
Proceeds from sale of capital assets	10,000	25,606	15,606
Total other financing sources (uses)	<u>384,475</u>	<u>89,288</u>	<u>(295,187)</u>
Fund balance appropriated	824,759	-	(824,759)
Net change in fund balance	<u>\$ -</u>	26,710	<u>\$ 26,710</u>
Fund balances, beginning		<u>2,867,437</u>	
Fund balances, ending		<u>\$ 2,894,147</u>	

Town of Gibsonville, North Carolina
Balance Sheet
Nonmajor Governmental Fund - Cemetery Perpetual Care Fund
For the Year Ended June 30, 2021

ASSETS

Cash and cash equivalents	<u>\$ 77,589</u>
Total Assets	<u><u>77,589</u></u>

LIABILITIES AND FUND BALANCES

Liabilities:	
Due to other fund	\$ -
Fund balances:	
Nonspendable - Perpetual Maintenance	<u>77,589</u>
Total Liabilities and fund balances	<u><u>\$ 77,589</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, 2021

Revenues:	
Sales and services	\$ 5,517
Investment earnings	<u>16</u>
Total Revenues	5,533
Expenditures	<u>-</u>
Revenues over expenditures	5,533
Other financing sources (uses):	
Transfer to General Fund	<u>(2,700)</u>
Net change in fund balance	2,833
Fund balance, beginning	<u>74,756</u>
Fund balance, ending	<u><u>\$ 77,589</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, 2021

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Charges for Services:			
Water	\$ 907,000	\$ 930,891	\$ 23,891
Sewer	2,571,000	2,575,162	4,162
Taps:			
Water	5,000	9,250	4,250
Sewer	5,000	9,250	4,250
Total operating revenues	<u>3,488,000</u>	<u>3,524,553</u>	<u>36,553</u>
Other operating revenues:			
Meter Setting Fees			
Water	15,000	25,480	10,480
Sewer	15,000	25,480	10,480
Reconnection Fees			
Water	40,000	33,173	(6,827)
Sewer	40,000	33,173	(6,827)
Assessments/Development Fees			
Water	98,000	288,500	190,500
Sewer	98,000	288,500	190,500
Other	22,000	27,036	5,036
Total Other Operating Revenues	<u>328,000</u>	<u>721,342</u>	<u>393,342</u>
Total operating revenues	<u>3,816,000</u>	<u>4,245,895</u>	<u>429,895</u>
Nonoperating revenues:			
Interest earnings	-	6	6
Total revenues	<u>3,816,000</u>	<u>4,245,901</u>	<u>429,901</u>
Expenditures:			
Water Administration:			
Salaries and employee benefits		137,967	
Supplies		29,722	
Contracted Services		77,653	
Maintenance		23,235	
Purchases - Water and Sewer		764,995	
Utilities		683	
Other operating expenditures		29,676	
Capital Outlay		140,985	
Debt service - Interest		58,163	
Debt service - Principal retirement		52,169	
Total	<u>1,613,215</u>	<u>1,315,248</u>	<u>297,967</u>
Sewer Administration:			
Salaries and employee benefits		179,768	
Supplies		23,229	
Contracted Services		74,232	
Maintenance		24,221	
Purchases - Water and Sewer		2,352,942	
Utilities		28,313	
Other operating expenditures		27,085	
Capital Outlay		-	
Debt service - Interest		75,840	
Debt service - Principal retirement		32,463	
Total	<u>3,071,007</u>	<u>2,818,093</u>	<u>252,914</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, 2021**

	Budget	Actual	Variance Positive (Negative)
Contingency	-	-	-
Total expenditures	4,684,222	4,133,341	550,881
Revenues over (under) expenditures	(868,222)	112,560	980,782
Other financing sources (uses):			
Transfer to Highway 61 North Water and Sewer Extension Capital Project	(50,000)	(50,000)	-
Transfer from Highway 61 North Water and Sewer Extension Capital Project	200,000	-	(200,000)
Transfer to General Fund	(59,475)	(60,982)	(1,507)
Total other financing sources (uses)	90,525	(110,982)	(201,507)
Fund balance appropriated	777,697	-	(777,697)
Revenues and other sources over expenditures and other uses	\$ -	1,578	\$ 1,578
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Revenue and other sources over expenditures and other uses		1,578	
Reconciling items:			
Principal retirement		84,632	
Capital outlay		140,985	
Increase in accrued compensated absences		(1,059)	
Increase in deferred outflow of resources - pension		10,150	
Increase in net pension liability		(21,052)	
Decrease in deferred inflows of resources- pensions		(2,877)	
Decrease in deferred outflows of resources - OPEB		13,364	
Increase in deferred inflows of resources - OPEB		(20,315)	
Decrease in accrued interest payable		-	
Increase in OPEB liability		(2,039)	
Depreciation		(95,836)	
Transfer to General Fund		-	
Transfer to Capital Project Fund		50,000	
Change in net position		\$ 157,531	

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, 2021

	Project Author - ization	Actual		Total to Date	Variance Positive (Negative)
		Prior Year	Current Year		
Revenues:					
Investment earnings	\$ -	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-	-
Expenditures:					
Construction	2,322,000	1,445,169	814,088	2,259,257	62,743
Total expenditures	2,322,000	1,445,169	814,088	2,259,257	62,743
Revenues over (under) expenditures	(2,322,000)	(1,445,169)	(814,088)	(2,259,257)	62,743
Other financing sources (uses)					
Transfer from General Fund	409,500	409,500	-	409,500	-
Transfer to General Fund	(359,500)	(359,500)	-	(359,500)	-
Loan proceeds	2,272,000	1,403,122	863,162	2,266,284	(5,716)
Total other financing sources (uses)	2,322,000	1,453,122	863,162	2,316,284	(5,716)
Revenues and other sources over (under) expenditures	\$ -	\$ 7,953	\$ 49,074	\$ 57,027	\$ 57,027

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, 2021

	Project Author - ization	Actual		Total to Date	Variance Positive (Negative)
		Prior Year	Current Year		
Revenues:					
Investment earnings	\$ -	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-	-
Expenditures:					
Engineering	659,847	469,021	189,319	658,340	1,507
Total expenditures	659,847	469,021	189,319	658,340	1,507
Other financing sources (uses)					
Transfer from General Fund	75,500	75,500	-	75,500	-
Transfer to General Fund	(59,475)		(60,982)	(60,982)	(1,507)
Loan proceeds	643,822	414,859	228,963	643,822	-
Total other financing sources (uses)	659,847	490,359	167,981	658,340	(1,507)
Revenues and other sources over (under) expenditures	\$ -	\$ 21,338	\$ (21,338)	\$ -	\$ -

Town of Gibsonville, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balances
Capital Project Fund - Highway 61 & Highway 70 Water and Sewer Extension Capital Project
From Inception and For the Fiscal Year Ended June 30, 2021

	Project Author - ization	Actual		Total to Date	Variance Positive (Negative)
		Prior Year	Current Year		
Revenues:					
Investment earnings	\$ -	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-	-
Expenditures:					
Design Services	2,930,150	216,173	537,181	753,354	2,176,796
Total expenditures	2,930,150	216,173	537,181	753,354	2,176,796
Other financing sources (uses)					
Transfer from Water & Sewer Fund	1,465,075	216,173	-	216,173	(1,248,902)
Loan proceeds	1,465,075	-	537,181	537,181	(927,894)
Total other financing sources (uses)	2,930,150	216,173	537,181	753,354	(2,176,796)
Revenues and other sources over (under) expenditures	\$ -	\$ -	\$ -	\$ -	\$ -

Town of Gibsonville, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balances
Capital Project Fund - Highway 61 North Water and Sewer Extension Capital Project
From Inception and For the Fiscal Year Ended June 30, 2021

	Project Author - ization	Actual		Total to Date	Variance Positive (Negative)
		Prior Year	Current Year		
Revenues:					
Investment earnings	\$ -	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-	-
Expenditures:					
Design Services	50,000	-	50,000	50,000	-
Total expenditures	50,000	-	50,000	50,000	-
Other financing sources (uses)					
Transfer from Water & Sewer Fund	50,000	-	50,000	50,000	-
Loan proceeds	-	-	-	-	-
Total other financing sources (uses)	50,000	-	50,000	50,000	-
Revenues and other sources over (under) expenditures	\$ -	\$ -	\$ -	\$ -	\$ -

Town of Gibsonville, North Carolina
Gibsonville Housing Authority
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Year Ended June 30, 2021

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Operating revenues			
Charges for services	\$ 196,921	\$ 200,062	\$ 3,141
Miscellaneous	-	568	568
Total operating revenues	<u>196,921</u>	<u>200,630</u>	<u>3,709</u>
Nonoperating revenues:			
Interest earnings	382	414	32
Total revenues	<u>197,303</u>	<u>201,044</u>	<u>3,741</u>
Expenditures:			
Housing Administration:			
General Operating Expenses	40,291	32,499	7,792
Repairs and Maintenance/Grounds Maintenance	55,710	59,367	(3,657)
Management Fees	19,200	19,500	(300)
Administrative Expenses	15,552	16,419	(867)
Reserve Expenses	34,000	-	34,000
Capital Outlay	7,894	5,124	2,770
Taxes and Insurance	8,720	10,154	(1,434)
Total Housing Administration	<u>181,367</u>	<u>143,063</u>	<u>38,304</u>
Debt Service			
Interest and other charges		1,367	
Principal retirement		13,241	
Total debt service	<u>15,936</u>	<u>14,608</u>	<u>1,328</u>
Contingency	-	-	-
Total expenditures	<u>197,303</u>	<u>157,671</u>	<u>39,632</u>
Revenues over (under) expenditures	<u>-</u>	<u>43,373</u>	<u>43,373</u>
Other financing sources (uses):			
Transfer to other fund	-	-	-
Revenues and other sources over expenditures and other uses	<u>\$ -</u>	<u>43,373</u>	<u>\$ 43,373</u>

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

Revenue and other sources over expenditures and other uses	43,373
Reconciling items:	
Depreciation	(6,480)
Purchase of capital assets	5,124
Loss on disposal of assets	(2,237)
Principal retirement	13,241
Decrease in accrued interest payable	(118)
Change in net position	<u>\$ 52,903</u>

Other Schedules

Town of Gibsonville, North Carolina
Schedule of Ad Valorem Taxes Receivable
June 30, 2021

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2020</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Uncollected Balance June 30, 2021</u>
2020-2021	\$	\$ 3,478,987	\$ 3,457,979	\$ 21,008
2019-2020	24,279		13,145	11,134
2018-2019	34,697		10,922	23,775
2017-2018	13,711		5,470	8,241
2016-2017	16,000		3,150	12,850
2015-2016	8,696		2,452	6,244
2014-2015	4,417		358	4,059
2013-2014	7,098		432	6,666
2012-2013	8,126		145	7,981
2011-2012	7,679		7,679	-
	<u>\$ 124,703</u>	<u>\$ 3,478,987</u>	<u>\$ 3,501,732</u>	<u>\$ 101,958</u>
Less: allowance for uncollectible accounts:				
General Fund				<u>-</u>
Ad valorem taxes receivable - net				<u>\$ 101,958</u>
<u>Reconciliation to revenues:</u>				
Ad valorem taxes - General Fund				\$ 3,567,210
Reconciling items:				
Interest collected				(562)
Adjustments				(72,595)
Taxes written off				7,679
Subtotal				<u>(65,478)</u>
Total collections and credits				<u>\$ 3,501,732</u>

Town of Gibsonville, North Carolina
Analysis of Current Tax Levy
Town - Wide Levy
June 30, 2021

	Town - Wide		Total Levy		
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current rate	\$ 657,779,811	0.53	\$3,486,233	\$3,131,226	\$ 355,007
Discoveries - current and prior years	35,660	0.53	189	189	-
Releases	(1,402,830)	0.53	(7,435)	(7,435)	-
Total property valuation	<u>\$ 656,412,641</u>				
Net levy			3,478,987	3,123,980	355,007
Unpaid (by taxpayer) taxes at June 30, 2021			<u>(21,008)</u>	<u>(21,008)</u>	<u>-</u>
Current year's taxes collected			<u>\$3,457,979</u>	<u>\$3,102,972</u>	<u>\$ 355,007</u>
Current levy collection percentage			<u>99.40%</u>	<u>99.33%</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, 2021, 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 February 21, 2022. 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.

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

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 misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses as item 2021-1 to be a material weakness.

Compliance and Other Matters

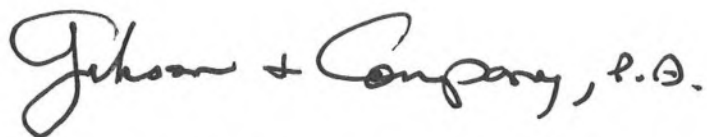
As part of obtaining reasonable assurance about whether the Town of Gibsonville's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and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

Town of Gibsonville's Response to Findings

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

Purpose of this Report

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

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
February 21, 2022



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

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

We have audited the Town of Gibsonville, North Carolina, compliance with the types of compliance requirements described in the OMB *Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the Town of Gibsonville's major federal programs for the year ended June 30, 2021. The Town of Gibsonville's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the Town of Gibsonville complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control Over Compliance

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

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

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

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



Winston-Salem, North Carolina
February 21, 2022

TOWN OF GIBSONVILLE, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2021

Grantor/Pass-through Grantor/Program Title 1(a)	Federal CFDA Number 1(a)(b)	State/ Pass-through Grantor's Number 1(c)	Fed. (Direct & Pass-through) Expenditures 1(c),2	State Expenditures 1(d)	Pass-through to subrecipients 1(e)	Local Expenditures 1(d)
Federal Grants:						
U.S. Department of Treasury						
Passed-through the Office of State Budget and Management:						
NC Pandemic Recovery Office						
Passed-through Alamance County:						
Corona Virus Relief Fund	21.019		\$ 70,240	\$ -	\$ -	\$ -
Institute for Museum and Library Sciences						
Passed through the N.C. Department of Natural and Cultural Resources						
IMLS CARES Act Grants for Museums and Libraries and Libraries	45.312		18,653	-	-	-
Department of Homeland Security						
Assistance to Firefighters Grant	97.044		280,586	-	-	-
Noncash Programs:						
<u>U.S. Environmental Protection Agency</u>						
Passed-through N.C. Department of Environmental Quality:						
Capitalization Grants for Clean Water State Revolving Funds (Note 4)	66.458	H-SRP-D-17-0017	189,319	-	-	-
<u>U. S. Department of Agriculture</u>						
Passed-through N.C. Department of Agriculture - Rural Development						
Water and Waste Disposal Systems for Rural Communities (Note 4)	10.760	RD Grant	814,088	-	-	-
Total assistance - federal programs			<u>1,372,886</u>	<u>-</u>	<u>-</u>	<u>-</u>
State Grants:						
Cash Assistance:						
<u>N.C. Department of Transportation:</u>						
Powell Bill		38570	-	44,773	-	-
<u>N.C. Department of Natural and Cultural Resources:</u>						
State Aid to Public Libraries		2021-273	-	5,210	-	-
<u>N.C. Department of Insurance</u>						
State Fire Protection		G.S. 58-85A-1	-	24,490	-	-
Total assistance - State programs			<u>-</u>	<u>74,473</u>	<u>-</u>	<u>-</u>
Total assistance			<u>\$ 1,372,886</u>	<u>\$ 74,473</u>	<u>\$ -</u>	<u>\$ -</u>

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

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal and State awards (SEFSA) includes the federal and State grant activity of the Town of Gibsonville under the programs of the federal government and the State of North Alamanca for the year ended June 30, 2021. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of the Town of Gibsonville, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Town of Gibsonville.

Note 2: Summary of Significant Accounting Policies

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

Note 3: Indirect Cost Rate

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

TOWN OF GIBSONVILLE, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2021

Note 4: Loans Outstanding

The Town of Gibsonville had the following loan balances outstanding at June 30, 2021 for loans that the grantor/pass-through grantor has still imposed continuing compliance requirements . Loans outstanding at the beginning of the year and loans made during the year are included in the SEFSA. The balance of loans outstanding at June 30, 2021 consist of:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Pass-through Grantor's Number</u>	<u>Amount Outstanding</u>
Water and Waste Disposal Systems for Rural Communities	10.760	RD Grant	\$ 2,226,284
Capitalization Grants for Clean Water State	66.458	H-SRP-D-17-0017	611,631

Note 5: Coronavirus Relief Funds

Gibsonville received \$70,240 of funding from the Coronavirus Relief Fund (21.019) from Guilford County in accordance with HB 1043 and HB 1023. Gibsonville has a plan to spend these funds approved by OSBM. According to the Office of State Budget and Management, the State's pass-through agency, municipalities are considered subrecipients of the Counties; however, municipalities are not liable to the County for any misused or misspent funds. CRF must be spent during the period March 1, 2021 to December 30, 2021.

Town of Gibsonville
 Schedule of Findings and Questioned Costs
 For the Fiscal Year Ended June 30, 2021

Section I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted

 yes X no

Federal Awards

Internal control over major federal programs:

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

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

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

 yes X no

Identification of major federal programs:

CFDA Number	Names of Federal Program or Cluster
10.760	Water and Waste Disposal Systems for Rural Communities

Dollar threshold used to distinguish between Type A and Type B Programs

 \$ 750,000

Auditee qualified as low-risk auditee?

 yes X no

Town of Gibsonville
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2021

Section II – Financial Statement Findings

MATERIAL WEAKNESS

2021 – 1 Reconciliation of Bank Accounts

Criteria: Monthly bank reconciliations should be performed timely.

Condition: Bank reconciliations were not performed monthly in a timely manner.

Effect: Transactions could be mishandled.

Cause: Bank reconciliations were not performed monthly in a timely manner.

Identification of a repeat finding: None.

Recommendation: Monthly bank reconciliations should be performed monthly.

Views of responsible officials and planned corrective actions: The Town agrees with this finding and will begin to perform monthly bank reconciliations.

Section III - Federal Award Findings & Questioned Costs

None reported.



TOWN OF GIBSONVILLE

129 WEST MAIN STREET
GIBSONVILLE, NC 27249

OFFICE OF THE TOWN MANAGER

Town of Gibsonville
Corrective Action Plan
For the Fiscal Year Ended June 30, 2021

PHONE (336) 449-4144

Section II – Financial Statement Findings

2021 – 1 Reconciliation of Bank Accounts

Name of contact person: Ben Baxley, Town Manager

Corrective action: Monthly bank statements will be performed monthly in a timely manner

Proposed Completion Date: The monthly bank reconciliations will begin immediately.

Section III - Federal Award Findings & Questioned Costs

None reported.

Town of Gibsonville
Summary Schedule of Prior Audit Findings
For the Fiscal Year Ended June 30, 2021

Finding: None reported.